



- CEE currencies have been under pressure from global developments ([link](#))
- Analysts expect dollar strength to continue in the coming year ([link](#))
- Brazilian central bank minutes suggest additional tightening is highly probable ([link](#))
- Recent yen weakness raises expectations for central bank action ([link](#))
- Spread between US and European bond yields has widened amid shifting policy views ([link](#))

[Mature Markets](#)










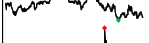
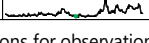
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Markets breathe a sigh of relief as US inflation prints in line with expectations

Treasury yields declined and stock futures rose after CPI inflation came in as expected. Headline CPI inflation for October was 0.2% m/m (2.6% y/y) and core inflation was 0.3% (3.3% y/y) with housing prices continuing to be a primary driver of upward price pressure. Elsewhere, global stocks were mixed, with a modest sell off in European markets and small gains for onshore Chinese equities. The dollar was down slightly, with some emerging market currencies gaining, though the the strength of the dollar remains a major story in markets. Continued yen depreciation has raised expectations for BOJ action, either rate hikes or intervention, with the currency surpassing 155 yen per dollar for the first time since July before retracing somewhat. In China, the yuan appreciated slightly after the PBOC set the daily reference rate stronger than expected, with the gap between the fixing and market estimate at its widest since early August.

Key Global Financial Indicators

Last updated: 11/13/24 8:49 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5984	-0.3	3	3	36	25
Eurostoxx 50		4726	-0.4	-2	-6	12	5
Nikkei 225		38722	-1.7	-2	-2	18	16
MSCI EM		43	-1.9	-4	-6	13	8
Yields and Spreads			bps				
US 10y Yield		4.39	-3.5	-4	29	-25	51
Germany 10y Yield		2.37	1.1	-3	11	-34	35
EMBIG Sovereign Spread		322	-3	-21	-29	-108	-61
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.3	0.2	0	-3	-6	-8
Dollar index, (+) = \$ appreciation		105.8	-0.2	1	3	0	4
Brent Crude Oil (\$/barrel)		72.1	0.3	-4	-9	-13	-6
VIX Index (% change in pp)		14.8	0.1	-1	-6	0	2

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

Mature Markets

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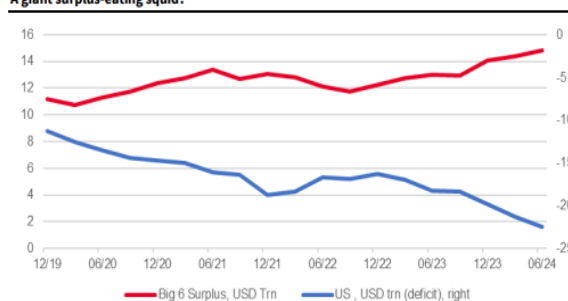
United States

CPI inflation for October printed in line with expectations. Market reactions immediately following the release were broadly positive, with S&P 500 futures gaining to erase early morning losses. 2y Treasury yields fell as much as 9 bps and the dollar depreciated slightly.

	Actual	Estimate	Prior
CPI m/m	0.2%	0.2%	0.2%
Core CPI m/m	0.3%	0.3%	0.3%
CPI y/y	2.6%	2.6%	2.4%
Core CPI y/y	3.3%	3.3%	3.3%

Some analysts expect dollar strength to continue into 2025.

Stronger growth and higher interest rates have led to the strongest dollar (in real terms) since mid-1980s by some measures. Société Générale analysts expect the dollar to peak in the fourth quarter of 2024 but still trade at an elevated level over the next 12 months. Dollar strength may persist until US interest rate decline more substantially. However, they warn that dollar strength amid higher interest rates could coincide with a steady rise in public debt and a growing international investment gap. The analysts believe the US is “importing investment surpluses” from Germany, Japan, China, HK, Canada, Norway, and a few others as global imbalances grow.

A giant surplus-eating squid?

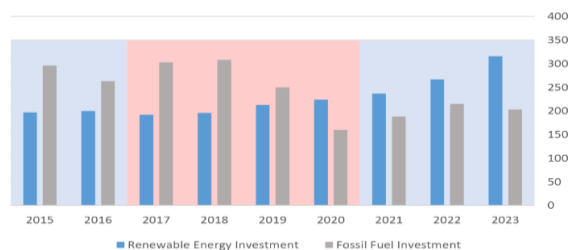
Source: SG Cross Asset Research/Forex Big 6 are Germany, Japan, China, Hong Kong, Norway, Canada and Singapore

JP Morgan analysts expect limited policy spillovers from the incoming Administration to global sustainable investment markets.

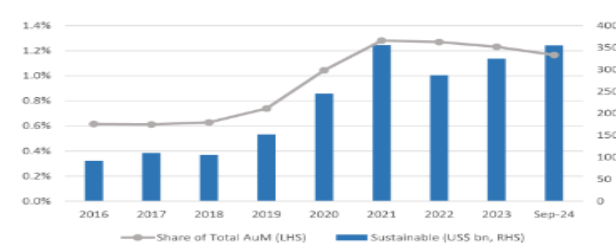
While sustainable investing may take a step back in the US, US sustainable assets are only about 10% of global sustainable assets, according to JP Morgan. JPM analysts also highlighted that renewable energy investment overtook fossil fuel investment during the first Trump Administration and assets under management grew rapidly in 2019–20. They expect minor changes to the Inflation Reduction Act (IRA), but no major increases in oil and gas drilling activity, while sustainable investment flows are likely to be driven by returns rather than other considerations. Some tax credits, such as those for clean hydrogen, and domestic content requirements are likely to remain. However, a key variable to monitor going forward would be whether the US decides to withdraw from the Paris Agreement, which could incentivize other nations to do the same.

Figure 3: It was during the first Trump Administration that renewable energy investment overtook and exceeded fossil fuel investment

O&G vs clean energy CAPEX in the US (US\$bn)



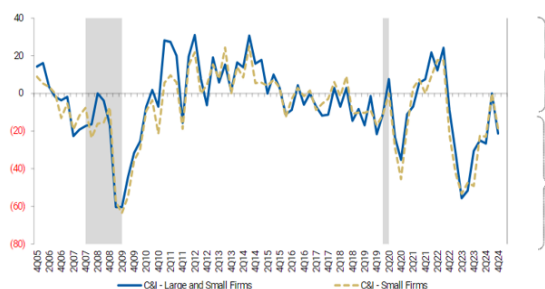
Source: J.P. Morgan based on the International Energy Agency

Figure 8: The second half of Trump 1.0 coincided with an “explosion” in sustainable AuM

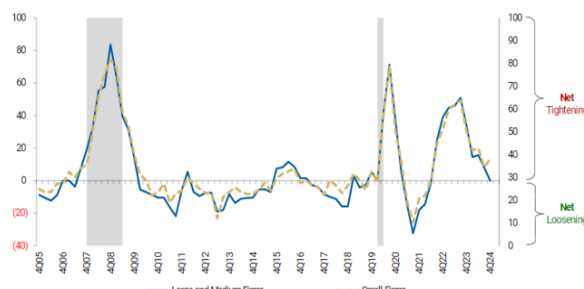
Source: J.P. Morgan, based on Morningstar

The quarterly bank lending survey shows that loan demand continues to soften even as lending standards for large borrowers have stabilized. The results are in line with credit data showing that total and commercial loans are up only 2% and 1% y/y, respectively. Analysts suggest that this weakness, following brief stabilization in the second quarter, reflects yield curve inversion and election uncertainty. More positively, the data showed that banks' commercial and industrial lending standards for larger borrowers have now stabilized after more than two years of tightening. For consumer loans, demand weakened marginally, and underwriting standards for consumer loans continue to tighten (though at the slowest pace in two years). Some contacts note that policy rates have declined and election uncertainties have passed since this survey was taken.

Net change in demand for loans



Net tightening of lending standards

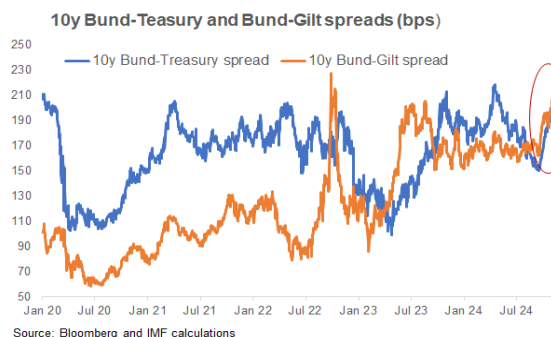


Source: Federal Reserve, Morgan Stanley

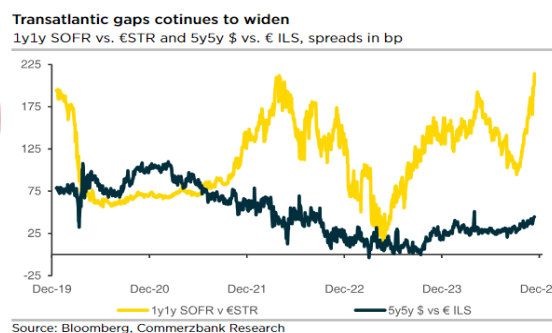
Europe

European equities were down slightly and sovereign bond yields were little changed this morning ahead of the US CPI data. The euro was little changed against the dollar this morning, trading at around \$1.0615, now roughly 1.1% weaker YTD. German Bund yields were modestly higher this morning (10y bund yield +3 bps to 2.39%), before pulling back following the US CPI release. Yesterday, the Stoxx 600 index closed -2% lower, posting its worst daily performance since the market turmoil in early August.

The spread between 10y Bunds and 10y US Treasury yields has widened amid shifting market expectations for monetary policy. The spread between Treasuries and Bunds increased to around 207 bps amid the sell off in US Treasury yields yesterday (+12 bps on the 10y), while German bunds yields were only marginally higher (+4 bps). Commerzbank analysts highlight that while markets have continued to price out Fed rate cuts, markets have priced in more easing by the ECB and terminal rate expectations are testing new lows due to growth fears. Indeed, markets have priced in around 140 bps of easing by the ECB by September 2025. The difference between the 1y1y SOFR vs €STR—market pricing of the difference in short term interest rates in the future between the US and Europe—has increased to a fresh high of 215 bps. Separately, Citibank analysts argued that ICE's launch of a bond futures contract on EU bonds could be of limited interest to investors given its features and the eligible bonds.



Source: Bloomberg and IMF calculations



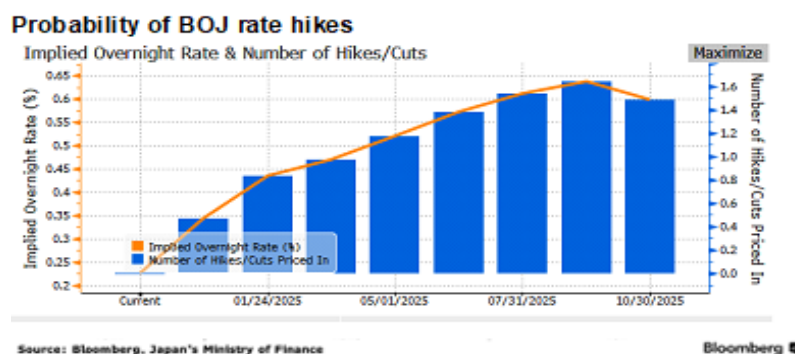
Source: Bloomberg, Commerzbank Research

United Kingdom

The Bank of England's chief economist noted that some underlying inflationary pressures remain, and that the "job is not done." Huw Pill commented yesterday that while there has been substantial disinflation in the UK, wage growth remains quite sticky. Data releases showed a smaller-than-expected slowdown in weekly pay growth (excluding bonuses) in the three months to September (4.8% y/y vs 4.7% y/y expected). As a result, the chief economist spoke in favor of gradual rate cuts as opposed to aggressive easing. **The pound was little changed against the dollar this morning, while gilt yields were up slightly (10y gilt + 2 bps).**

Japan

Continued yen weakness has raised market expectations for Bank of Japan (BOJ) rate hikes or intervention. The yen weakened (-0.3%) against the dollar for a third consecutive session, surpassing the ¥155 per dollar level for the first time since July. According to a Bloomberg survey in October, most respondents saw ¥150 as the minimum level that could trigger intervention, while the median expectation was ¥160. At the same time, a weaker yen could spur the BOJ to tighten policy sooner than expected. Indeed, BOJ Governor Ueda acknowledged at a news conference in October that yen weakness could raise imported inflation and affect price trends in Japan. Japanese government bond (JGB) yields have risen alongside Treasury yields and the possibility of upward price pressures. 2y (0.52%), 5y (0.68%), and 10y (1.04%) JGB yields reached their highest levels in over 10 years. Overnight index swaps suggest a near 50% probability of a rate hike at the BOJ's December policy meeting and 98% probability of a hike by March.



Emerging Markets

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EMEA equities were mostly trading lower while currencies were mixed this morning. Equities in Poland and Türkiye were underperforming, with stocks down around 0.8% in both countries. CEE currencies were marginally firmer against the euro, with the forint outperforming to register a gain of around 0.4% in early trading. Elsewhere, the South African rand rallied against the dollar (+0.6%) to trade around 18.01/\$.

Asian equities were mixed amid ongoing concerns about potential trade tensions. Onshore Chinese markets gained (CSI300 +0.6%), though Hong Kong indices declined (-0.1%) alongside India (-1.4%), Korea (-2.6%), the Philippines (-1.4%), and Indonesia (-0.2%). The Korean won, which has suffered sustained depreciation since early November, gained 0.5% amid speculation that the authorities could step in to halt its decline.

In Latin America, regional currencies mostly weakened on Tuesday, though the Brazilian real was little changed. The Mexican (-1%), Colombian (-2%), and Chilean pesos (-0.6%) all fell. Wells Fargo

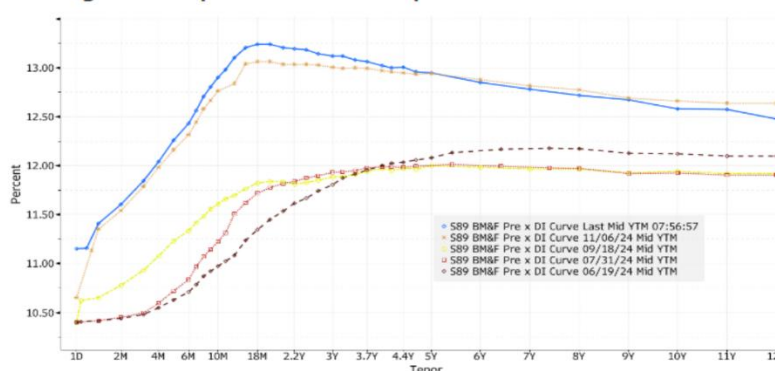
analysts believe the Mexican peso could fall another 10% amid trade and fiscal risks. In Argentina, President Milei announced the government would consider increasing exchange rate flexibility in the coming months, contingent on an improving inflation outlook. In equity markets, Colombia rallied (+0.8%) following stronger consumer confidence data, while stocks declined in Mexico (-0.7%), Chile (-0.5%), and Brazil (-0.1%).

Brazil

Minutes from the November 6 central bank meeting revealed a hawkish outlook.

Many analysts anticipate another 50 bp hike at the Dec. 11th meeting, given ongoing concerns about de-anchoring inflation expectations. Goldman Sachs analysts highlighted that the minutes placed significant emphasis on fiscal pressures driving inflation and interest rates. The committee noted that deterioration in fiscal discipline

BCB Signals 50 Bps But Leaves 75 Bps On the Table



Source: BCB

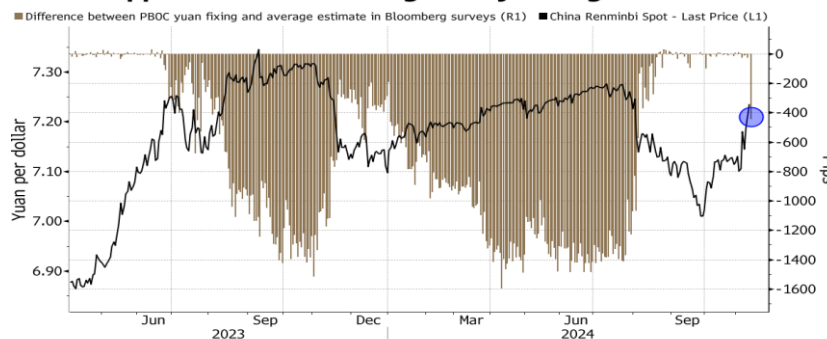
could raise the economy's neutral interest rate. Fiscal worries have also weighed on the currency, which has depreciated over 5% since September and 15% year to date. Markets are pricing in over 150 bps of hikes at the next three meetings, leaving open the possibility for a 75 bps move, possibly in December.

China

Stronger-than-expected RMB reference rate suggests efforts to stem recent weakness.

The PBOC set its daily reference rate for the RMB at 7.1991 per dollar, 445 pips stronger than the average estimate from a Bloomberg survey, with the gap between the fixing and market estimate at its widest since early August. The onshore yuan had

China Support for Yuan Through Daily Fixing Returns



Source: Bloomberg

Bloomberg

fallen to RMB7.2347 per dollar in the previous session, its weakest level since the end of July, amid concerns that a punitive 60% tariff on Chinese goods from the Trump Administration could weigh on growth in China and force the RMB to depreciate further. The strong fixing from the PBOC helped stabilize the currency, with the RMB ending the day 0.2% stronger at RMB7.2179 per dollar. However, in a Bloomberg survey, more than half of the respondents expected the renminbi to weaken further to help offset some of the impacts from higher tariffs.

Chile

Economist survey expects a 25 bp cut at the December central bank meeting. The results from a recent survey suggest economists expect a 25 bp cut to 5% at the December 12 monetary policy meeting, followed by a hold in January, before a gradual decline to 4% within the next two years. While headline inflation expectations for the end of 2025 remained stable, core inflation expectations ticked up following an unexpectedly high October inflation print. Since the last 25 bp cut on October 17th, the Chilean peso has depreciated 2.3% and some analysts expect further weakness as global trade tensions ramp up. Peso

volatility has remained elevated, especially as copper prices remain susceptible to market expectations about Chinese demand.

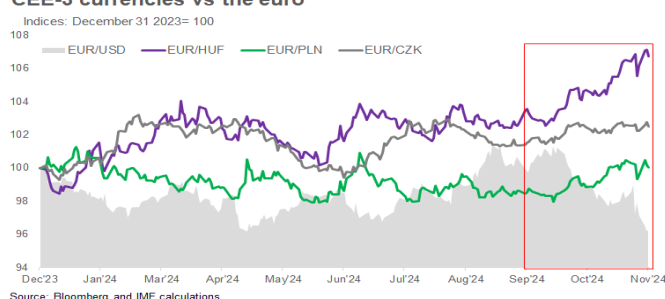


Central and Eastern Europe (CEE)

Global developments continue to weigh on regional currencies. ING analysts noted that global developments will likely continue to drive CEE currencies, highlighting that markets have largely “ignored” recent domestic inflation prints.

Near term weakness in the euro could exert further pressure on regional currencies. Since the start of September, the Hungarian forint (-4%), Polish Zloty (-1.5%), and Czech koruna (-1.1%) have depreciated against the euro, while the euro itself has fallen almost 4% against the dollar. Given the region’s trade ties with Germany and its auto sector, analysts at Nomura note that CEE is likely to be more affected by US tariffs than other countries. Meanwhile, Barclays’ analysts noted that “high exposure to Chinese investment” may be another factor that could weigh on the Hungarian currency in particular.

CEE-3 currencies vs the euro



Zambia











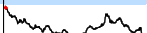








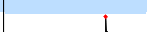

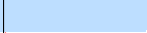



Zambia’s central bank hiked the policy rate by 50 bps to curb inflation and support the currency.

The statement noted that the MPC hiked with the aim of “steering inflation back towards the target band and anchoring inflation expectations” and that “decisions on the policy rate will continue to be guided by inflation outcomes, forecasts and identified risks, including those associated with financial stability.” The currency has fallen around 5.9% year to date against the dollar, which has added to domestic inflationary pressures alongside a severe drought. Annual inflation is close to a three-year high of 15.7% y/y.

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparuso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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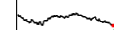

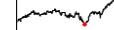

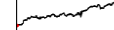



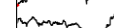





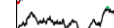


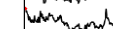






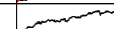
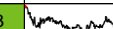










Global Financial Indicators

11/13/24 7:52 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,984	-0.3	3.5	2.9	35.6	25
Europe		4,734	-0.2	-1.4	-5.4	11.9	5
Japan		38,722	-1.7	-1.9	-2.2	18.4	16
China		4,111	0.6	2.2	3.8	14.8	20
Asia Ex Japan		74	-2.1	-4.4	-6.6	16.2	12
Emerging Markets		43	-1.9	-4.1	-6.2	13.4	8
Interest Rates			basis points				
US 10y Yield		4.4	-1	-1	32	-22	54
Germany 10y Yield		2.4	3	-2	13	-32	37
Japan 10y Yield		1.1	3	7	10	18	44
UK 10y Yield		4.5	2	-5	31	20	98
Credit Spreads			basis points				
US Investment Grade		116	2	-9	-5	-39	-18
US High Yield		304	2	-26	-38	-125	-81
Exchange Rates			%				
USD/Majors		105.9	-0.1	0.8	2.9	0.3	5
EUR/USD		1.1	0.1	-0.9	-2.5	-0.6	-4
USD/JPY		154.9	0.2	0.2	3.5	2.1	10
EM/USD		44.3	0.1	-0.5	-3.0	-6.3	-8
Commodities			%				
Brent Crude Oil (\$/barrel)		72.0	0.2	-3.9	-8.4	-8.6	-4
Industrials Metals (index)		143.1	-0.4	-2.3	-7.1	3.6	0
Agriculture (index)		56.0	-0.4	-0.5	-1.3	-16.0	-10
Implied Volatility			%				
VIX Index (%, change in pp)		15.2	0.5	-1.1	-5.3	0.4	2.7
Global FX Volatility		8.6	0.0	0.1	0.1	1.0	0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		88	-1	-3	-6	-38	-16
Italy		127	-1	-6	-3	-58	-41
Portugal		48	-2	-2	-3	-24	-15
Spain		74	-1	-1	-1	-31	-23

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

Emerging Market Financial Indicators

Last updated: 11/13/2024 7:55 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		7.21	0.3	-0.5	-1.7	1.1	-1.5		1.9	1	-8	-8	-78	-65
Indonesia		15775	0.0	0.3	-1.4	-0.5	-2.4		6.9	1	15	24	7	44
India		84	0.0	-0.1	-0.4	-1.2	-1.4		7.3	2	-4	15	-30	4
Philippines		59	0.1	-0.1	-2.2	-4.6	-5.7		5.0	-4	0	11	-95	-67
Thailand		35	0.4	-1.5	-3.8	3.8	-1.5		2.4	2	-7	-10	-84	-32
Malaysia		4.45	-0.2	-1.0	-3.4	5.9	3.3		3.9	2	-4	9	-1	15
Argentina		998	0.0	-0.5	-1.8	-64.9	-19.0		30.6	-60	-245	-1008	-7983	-5573
Brazil		5.75	0.2	-1.2	-2.7	-14.6	-15.5		12.7	15	2	31	140	232
Chile		982	0.3	-2.2	-5.4	-6.0	-10.5		5.4	-4	8	39	-7	46
Colombia		4452	-2.0	-1.0	-5.4	-9.4	-13.4		8.4	0	-22	44	-1	79
Mexico		20.52	0.3	-2.1	-5.6	-14.2	-17.3		9.5	-1	6	47	39	107
Peru		3.8	-0.4	-0.6	-0.9	0.4	-2.4		6.7	1	-6	24	-49	3
Uruguay		43	-0.7	-2.4	-2.7	-6.1	-8.9		9.4	1	5	-16	-25	-9
Hungary		384	0.6	-0.6	-4.4	-8.2	-9.7		6.7	-5	-37	29	-55	93
Poland		4.08	0.3	-0.6	-3.6	1.4	-3.6		5.0	-2	-16	4	-5	51
Romania		4.7	0.1	-0.9	-2.6	-0.7	-3.7		6.7	0	4	20	4	55
Russia		98.5	-0.1	-1.2	-2.8	-7.0	-9.1							
South Africa		18.0	0.6	-2.1	-2.4	4.0	2.0		8.8	-5	-15	1	-72	-28
Türkiye		34.36	0.0	-0.4	-0.3	-16.8	-14.1		29.9	-23	-101	41	-182	316
US (DXY; 5y UST)		106	-0.1	0.8	2.9	0.3	4.5		4.31	0	4	41	-35	46

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)						Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		Last 12m	Latest	7 Days	30 Days	12 M	
									basis points					
China		4,111	0.6	2.2	3.8	14.8	19.8		100	-3	-16	-63	-58	
Indonesia		7,309	-0.2	-1.0	-3.3	6.5	0.5		78	-14	-10	-48	-18	
India		77,691	-1.3	-3.3	-5.2	19.6	7.5		81	-5	-14	-47	-35	
Philippines		6,714	-1.4	-6.3	-8.4	9.9	4.1		65	-14	-9	-37	-15	
Thailand		1,451	0.4	-1.1	-1.3	4.7	2.5		0	0	0	0	0	
Malaysia		1,612	0.2	-1.4	-1.5	11.0	10.8		60	-5	-14	-32	-25	
Argentina		2,012,041	1.2	4.8	12.8	215.9	116.4		819	-112	-292	-1663	-1094	
Brazil		127,698	-0.1	-2.3	-1.8	6.1	-4.8		204	-14	-6	-21	-11	
Chile		6,537	-0.5	-0.7	-0.6	14.1	5.5		110	-3	0	-36	-15	
Colombia		1,345	0.8	-1.0	1.4	22.0	12.6		310	-35	0	-5	39	
Mexico		51,097	-0.7	0.5	-2.5	0.0	-11.0		288	-14	-9	-78	-46	
Peru		30,479	1.0	0.4	0.1	41.5	17.4		135	-8	-3	-27	-9	
Hungary		77,145	0.2	1.6	3.9	35.1	27.3		140	-21	-3	-50	-9	
Poland		80,470	-0.7	0.2	-3.6	13.0	2.6		102	-14	-2	-13	5	
Romania		17,721	0.2	2.5	0.0	21.2	15.3		195	-14	9	2	-6	
South Africa		83,836	-0.4	-1.8	-2.7	17.0	9.0		268	-17	1	-107	-40	
Türkiye		9,293	0.7	4.9	4.7	22.8	24.4		248	-20	-23	-134	-66	
EM total		43	0.3	-4.1	-6.2	13.4	8.1		362	-25	-22	-35	17	

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

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