



- US inflation data were weaker than expected but retail sales were stronger ([link](#))
- China stays on hold but injects liquidity ([link](#))
- GDP in Japan much weaker than expected ([link](#))
- UK rallies as inflation comes in lower than expected ([link](#))
- Equity investors follow US Treasury auctions more closely ([link](#))
- US high yield bond market US faces challenges ahead ([link](#))

[Mature Markets](#)


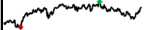


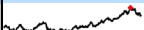
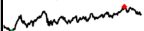
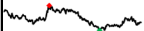




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Markets are higher on hopes that central bank rate hikes are over

Euro area markets and US equity index futures are higher in early morning trading, although Treasuries are slightly lower. Investors are betting that advanced economy rate hikes are now over. President Biden and President Xi are due to meet today in San Francisco on the sidelines of the APEC summit. Yesterday, the US House of Representatives passed a bipartisan plan to avert a government shutdown, although it delayed decisions on aid to Israel and Ukraine and deep spending cuts to government programs. If the Senate agrees as is expected, a shutdown will be avoided. US new car sales are lower and credit card delinquencies are higher, putting the consumer sector in the spotlight as a potential source of weakness. Stocks in the UK made notable gains after inflation data came in lower than expected.

Key Global Financial Indicators

| Last updated: 11/15/23 7:56 AM | Level | | Change from Market Close | | | | YTD |
|--------------------------------------|---|--------|--------------------------|--------|---------|------|-----|
| | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | |
| Equities | | | % | | | | % |
| S&P 500 |  | 4496 | 1.9 | 3 | 4 | 13 | 17 |
| Eurostoxx 50 |  | 4321 | 0.7 | 3 | 4 | 10 | 14 |
| Nikkei 225 |  | 33520 | 2.5 | 4 | 6 | 20 | 28 |
| MSCI EM |  | 39 | 2.7 | 2 | 4 | 1 | 4 |
| Yields and Spreads | | | bps | | | | |
| US 10y Yield |  | 4.48 | 3.5 | -1 | -13 | 71 | 61 |
| Germany 10y Yield |  | 2.61 | 0.7 | -1 | -13 | 50 | 4 |
| EMBIG Sovereign Spread |  | 434 | 0 | 4 | -16 | -51 | -18 |
| FX / Commodities / Volatility | | | % | | | | |
| EM FX vs. USD, (+) = appreciation |  | 47.9 | 0.1 | 1 | 3 | -4 | -4 |
| Dollar index, (+) = \$ appreciation |  | 104.2 | 0.2 | -1 | -2 | -2 | 1 |
| Brent Crude Oil (\$/barrel) |  | 82.3 | -0.3 | 3 | -10 | -12 | -4 |
| VIX Index (% change in pp) |  | 14.2 | 0.1 | 0 | -5 | -10 | -7 |

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

Mature Markets

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United States

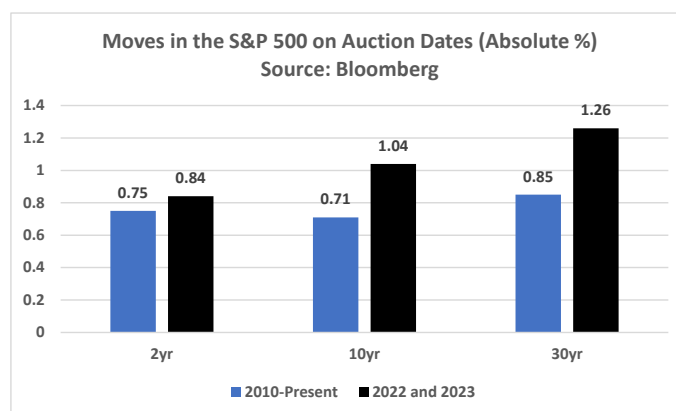
The latest US PPI inflation data were weaker than expected but retail sales were stronger. The data pushed Treasury yields slightly higher and the dollar slightly lower. Equity index futures retained their early morning gains.

Selected US Economic Data

Source: Bloomberg

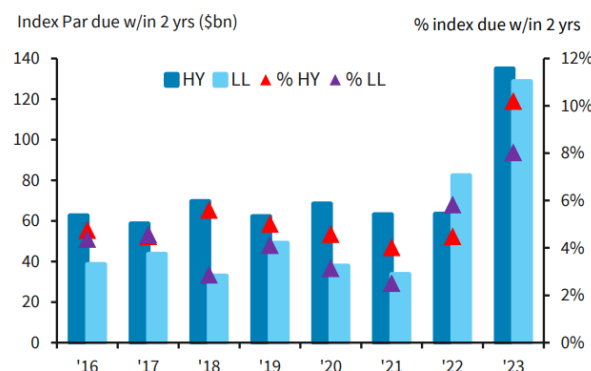
| Economic Data Report | Consensus Forecast | Actual Data |
|-----------------------|--------------------|-------------|
| PPI month-on-month | +0.1% | -0.5% |
| Core PPI mom | +0.3% | 0% |
| PPI annualized | +1.9% | 1.3% |
| Core PPI annualized | +2.7% | 2.4% |
| Retail Sales | -0.3% | -0.1% |
| Retail Sales Ex-Autos | -0.2% | +0.1% |

Equity markets are paying more attention to US Treasury auction results. In 2022 and 2023, the S&P 500 index has made larger daily moves following Treasury auctions than they did in previous years. In 2022, stocks became much more sensitive to the Treasury market because the Fed was hiking the policy rate and interest rates rose sharply across the board. However, since the summer of 2023, equity investors have started to monitor auction results even more closely due to worries that the market may find it hard to absorb the flood of new issuance expected in the months ahead. With annual US debt payments nearing \$1 tn, worries about debt sustainability are also starting to emerge. The poorly received 30-year bond auction last week sparked discussion of a potential auction failure in the future.



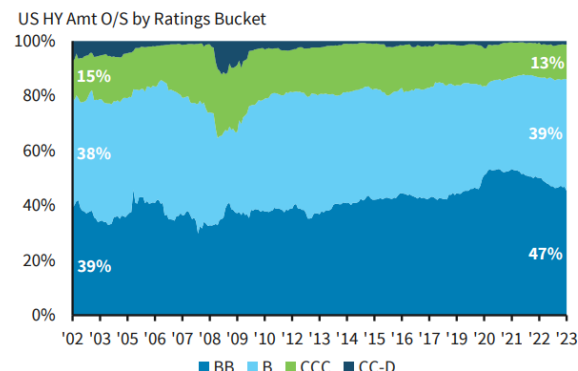
The US high yield (HY) bond and leveraged loan markets faces challenges next year. Although HY credit spreads are still quite low (below 400 bps as of yesterday), the high absolute levels of interest rates means that lower rated companies could face refinance rates of 8–10% or even more in the year ahead. The volume of maturities for HY bonds and leveraged loans is very high over the next two years. In addition, the credit quality of the HY bond index has deteriorated, with lower rated bonds making up more of the index, although the highest rated BB-rated bonds are still the largest subgroup. Morgan Stanley forecasts that default rates will rise significantly next year, although not to levels seen at the height of the pandemic or the global financial crisis.

FIGURE 15. High yield and leveraged loan maturity walls are both at record sizes



Source: Bloomberg, PitchBook LCD, Barclays Research

FIGURE 16. The high yield index is mostly BB

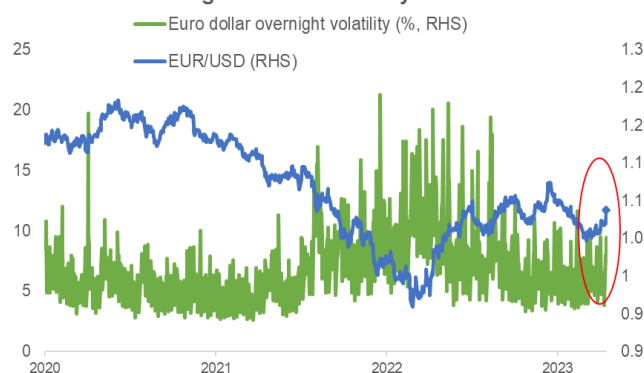


Source: Bloomberg, Barclays Research

Euro Area

European equities were mostly trading higher with the Stoxx 600 equity index (+0.7%) adding to yesterday's gains. Sovereign bond yields were little changed this morning (10y bund trading at around 2.59%) after closing sharply lower yesterday (10y bund yield -11bps to 2.6%) following the downside surprise in US inflation data. The euro was marginally weaker this morning (-0.2% to \$1.09/€) after closing roughly 1.7% stronger against the dollar yesterday. **The European Commission revised its 2023 EU economic growth forecasts downward to +0.6% (from 0.8%) and forecast 2024 EU GDP at 1.3%.** On the data front, euro area industrial production disappointed in September (-6.9%y/y versus expected -6.3% from -5.1% the month before).

Euro: Dollar exchange rate and Volatility



Source: Bloomberg and IMF calculations

United Kingdom

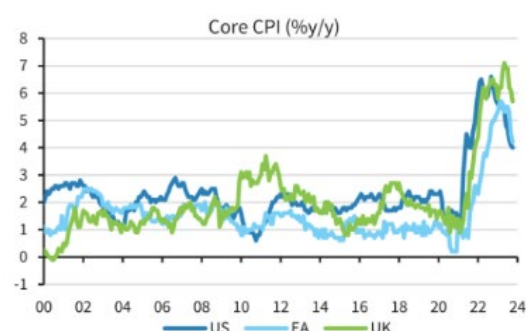
The pound weakened and stocks rallied after inflation eased more than expected, with some analysts seeing the bar for further tightening as very high. Headline inflation eased back to levels last seen in Q3 2021 (4.6% y/y versus expected 4.7% from 6.7% the month before) and core inflation eased to 5.7% y/y (versus expected 5.8% from 6.1% the month before). Services inflation also surprised on the downside, slowing to 6.6% y/y (versus expected 6.7% from 6.9%). Barclays analysts note that both headline and services inflation are below the BoE's latest forecasts and argues that the downside surprise in services would probably temper concerns about the persistence of inflation. As such analysts now see the bar for further tightening as very high.

Figure 6. The October print brings UK CPI closer to peers...



Source: ONS, Bloomberg, Barclays Research

Figure 7. ...though core CPI is still elevated by international standards



Source: ONS, Bloomberg, Barclays Research

Japan

Japan's preliminary 3Q GDP was much weaker than expected, falling -2.1% q/q (consensus: -0.4%, previous: +4.5%). The contraction was mainly due to falling capex, weakness in private consumption, and higher imports. Some analysts highlighted that weak economic performance likely justified government's recent economic stimulus package. Meanwhile, more than 2.5mn tourists visited Japan in October, above pre-pandemic level. **Equities rose +1.2%**, bolstered by electric appliances sector. **10Y yields declined by -5.7bps**. **The yen depreciated (-0.2%)** following the weak GDP print and touched record lows against European currencies.



Source: Cabinet Office, J.P. Morgan

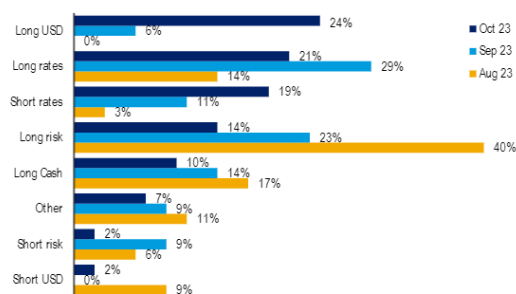


Foreign Exchange

The latest survey of investors by Bank of America shows that the long dollar position is viewed as the most widely adopted trading position (known in industry jargon as “the most crowded trade”), raising fears about dollar weakness in the coming months. In August, investors thought long positions in risk assets were the most crowded trade, while long positions in duration were flagged as the most crowded trade in September. Both markets saw significant selloffs soon afterwards, which is why some analysts believe the dollar could be the next victim. The US currency has seen a major appreciation against most major currencies so far this year.

Exhibit 1: Most crowded trade

Long USD now considered most crowded, taking over from long rates in Sep and long-risk in Aug



Source: BofA Global Research FX and Rates Sentiment Survey October 2023

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Emerging Markets

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EMEA equity markets were mostly trading higher while currencies were mixed. Equities in South Africa (+2.4%) rallied, led by Naspers Ltd after Tencent reported strong Q3 results. **Asian markets followed US markets higher.** Local currencies appreciated and government bond yields were lower. **Bets that “the Fed is done” pushed Latin American markets higher as well.** The focus has now shifted towards the timing of US rate cuts and the potential for higher-yielding and/or riskier assets to outperform advanced economy assets. Minutes from the central bank of Chile revealed that policymakers were growing cautious about rate cuts in the face of global uncertainties.

China

The People’s Bank of China (PBOC) kept its one-year medium-term lending facility rate unchanged at 2.5%. However, it stepped up support for the economy in November, injecting 1.5 tn yuan (\$200bn) of cash into the financial system via its medium-term lending facility, the most since late 2016, Bloomberg estimated. Separately, President Xi urged for more economic cooperation and advanced integrated development in all fields with Taiwan POC ahead of his meeting with US President Biden. Separately, **China’s economic activity indicators held up well in October, although the property slump persisted.** Industrial production increased +4.6% y/y (previous: +4.5%) and retail sales accelerated to +7.6% y/y (previous: +5.5%), both better than expected. Property investment contracted further -9.3% y/y YTD (previous: -9.1%) and weighed on fixed assets investment growth +2.9% y/y YTD (previous: +3.1%). Citibank said that earlier easing efforts are yet to show in data, while Barclays believed that October activity data painted a still-subdued picture on domestic demand.

China Pumps Cash in November To Support Stimulus Funding

■ MLF Operations ■ Expiring Loans



Sources: PBOC, Bloomberg

Offshore Yuan Rises to Two-Month High

■ Offshore Deliverable CNY - Last Price ■ SMA50 (100) on Close (CNY-BGN) 7.2725



Source: Bloomberg

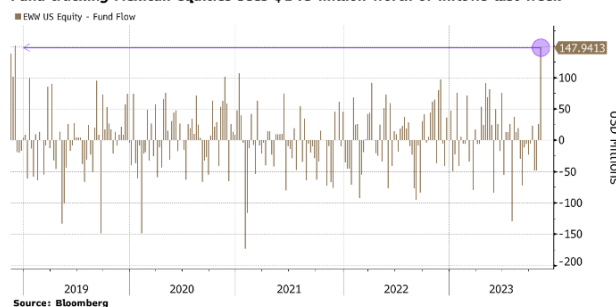
Bloomberg

Mexico

Mexico equities ETF inflows were the highest in over five years.

Investors poured nearly \$182 million of flows into ETFs, with \$148 million allocated for the iShares MSCI Mexico ETF, which was the biggest weekly inflow since November 2018. Market commentaries suggested that flows to Mexican firms have been supported by positive signs that the US economy is holding up better than expected, and due to the ongoing nearshoring trend. The US is Mexico's largest trading partner and global manufacturers are said to be moving operations there to be closer to the US market. Despite the recent turbulence in market pricing due to the surge in US interest rates and idiosyncratic domestic political concerns, some investors continue to see opportunities for Mexican equities arising from easing concerns over a US recession, earnings growth potential alongside strong balance sheets.

Mexico ETF Record Best Inflows in 5 Years
Fund tracking Mexican equities sees \$148 million worth of inflows last week

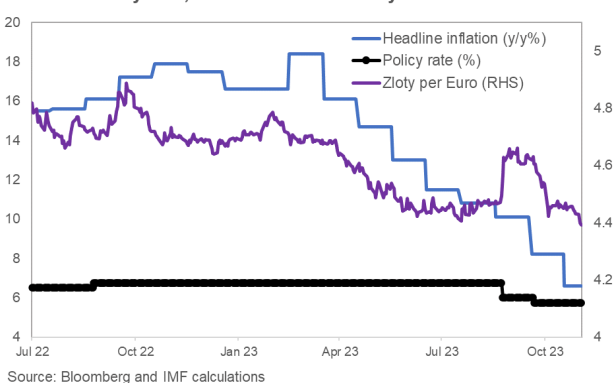


Poland

Analysts noted exceptional uncertainty around Poland's inflation outlook and see no room for additional rate cuts.

The final inflation print for October was released this morning with headline inflation revised slightly higher to 6.6% y/y (the preliminary estimate was 6.5%). ING analysts see the inflation outlook for the country as exceptionally uncertain due to administrative decisions, including no final decision yet on the zero VAT rate on food as well as energy market support measures and 2024 electricity and gas prices for households. Assuming that the VAT rate on food is raised at the start of 2024 and electricity prices remain frozen until mid-2024, analysts estimate that inflation could remain as high as 6%. In this scenario analysts do not see interest rate cuts materializing. For example, ING analysts expect the central bank to leave rates unchanged, with the key rate at 5.75%, until the end of 2024.

Poland: Policy rate, Inflation and Currency



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 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), 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.

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Global Financial Indicators

| 11/15/23 7:56 AM | Level | | Change | | | | YTD |
|-----------------------------|----------|--------|----------------------------------|--------|---------|-------|------|
| | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | |
| Equities | | | % | | | | % |
| United States | | 4496 | 1.9 | 3 | 4 | 13 | 17 |
| Europe | | 4321 | 0.7 | 3 | 4 | 10 | 14 |
| Japan | | 33520 | 2.5 | 4 | 6 | 20 | 28 |
| China | | 3607 | 0.7 | 0 | -1 | -6 | -7 |
| Asia Ex Japan | | 66 | 2.4 | 1 | 3 | 1 | 1 |
| Emerging Markets | | 39 | 2.7 | 2 | 4 | 1 | 4 |
| Interest Rates | | | basis points | | | | |
| US 10y Yield | | 4.48 | 3.5 | -1 | -13 | 71 | 61 |
| Germany 10y Yield | | 2.61 | 0.7 | -1 | -13 | 50 | 4 |
| Japan 10y Yield | | 0.80 | -6.0 | -6 | 4 | 56 | 38 |
| UK 10y Yield | | 4.17 | 1.6 | -7 | -22 | 87 | 50 |
| Credit Spreads | | | basis points | | | | |
| US Investment Grade | | 152 | -2.1 | -6 | -2 | -19 | -6 |
| US High Yield | | 429 | -3.0 | -7 | -28 | -48 | -51 |
| Exchange Rates | | | % | | | | |
| USD/Majors | | 104.23 | 0.2 | -1 | -2 | -2 | 1 |
| EUR/USD | | 1.09 | -0.2 | 1 | 3 | 5 | 1 |
| USD/JPY | | 150.4 | 0.0 | 0 | 1 | 8 | 15 |
| EM/USD | | 47.9 | 0.1 | 1 | 3 | -4 | -4 |
| Commodities | | | % | | | | |
| Brent Crude Oil (\$/barrel) | | 82.3 | -0.3 | 3 | -8 | -2 | 1 |
| Industrials Metals (index) | | 140 | 0.6 | 0 | 3 | -17 | -15 |
| Agriculture (index) | | 67 | 0.1 | 1 | 3 | -3 | -3 |
| Implied Volatility | | | % | | | | |
| VIX Index (% change in pp) | | 14.2 | 0.1 | -0.2 | -5.1 | -10.3 | -7.4 |
| Global FX Volatility | | 7.4 | 0.0 | -0.2 | -0.8 | -4.0 | -3.3 |
| EA Sovereign Spreads | | | 10-Year spread vs. Germany (bps) | | | | |
| Greece | | 124 | -6.8 | -5 | -33 | -93 | -82 |
| Italy | | 180 | -1.5 | -7 | -24 | -16 | -35 |
| Portugal | | 69 | -0.8 | -6 | -8 | -26 | -33 |
| Spain | | 103 | -0.6 | -2 | -11 | 1 | -6 |

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

Emerging Market Financial Indicators

| Last updated: 11/15/2023 7:58 AM | Exchange Rates | | | | | | | Local Currency Bond Yields (GBI EM) | | | | | | | | |
|--|----------------|--------|-----------------------|--------|---------|------|----------|-------------------------------------|--------|-------|--------------------------|---------|------|------|--|--|
| | Level | | Change (in %) | | | | | YTD | Level | | Change (in basis points) | | | | | |
| | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | Last 12m | | Latest | 1 Day | 7 Days | 30 Days | 12 M | YTD | | |
| | vs. USD | | (+) = EM appreciation | | | | | | % p.a. | | | | | | | |
| China | | 7.24 | 0.2 | 0.5 | 1 | -3 | -5 | | 2.7 | 0.5 | -2 | -10 | -41 | -41 | | |
| Indonesia | | 15534 | 1.0 | 0.7 | 1 | 0 | 0 | | 7.0 | 0.2 | 15 | 17 | -10 | 1 | | |
| India | | 83 | 0.2 | 0.2 | 0 | -2 | 0 | | 7.5 | -9.1 | -8 | -21 | 2.0 | 1 | | |
| Philippines | | 56 | 0.4 | 0.4 | 2 | 2 | 0 | | 5.9 | 0.0 | 3 | 13 | -22 | -9 | | |
| Thailand | | 35 | 0.1 | 0.1 | 2 | 0 | -2 | | 3.0 | -13.2 | -8 | -33 | 37 | 40 | | |
| Malaysia | | 4.67 | 1.0 | 0.2 | 1 | -3 | -6 | | 3.8 | -4.2 | -2 | -19 | -50 | -20 | | |
| Argentina | | 350 | 0.0 | 0.0 | 0 | -54 | -49 | | 111.0 | 235.9 | 160 | 598 | 1571 | 2282 | | |
| Brazil | | 4.86 | 1.0 | 0.3 | 4 | 10 | 9 | | 11.2 | -16.0 | -31 | -65 | -168 | -143 | | |
| Chile | | 893 | -0.2 | 1.0 | 6 | -1 | -5 | | 5.2 | 0.0 | -26 | -53 | -2 | -13 | | |
| Colombia | | 3968 | 1.4 | 1.1 | 7 | 21 | 22 | | 8.2 | 0.0 | -3 | -106 | -192 | -159 | | |
| Mexico | | 17.33 | 0.1 | 1.2 | 3 | 12 | 13 | | 8.9 | 0.0 | -25 | -61 | 19 | 17 | | |
| Peru | | 3.8 | 1.2 | 0.4 | 3 | 2 | 1 | | 7.1 | -11.1 | -12 | -56 | -67 | -89 | | |
| Uruguay | | 40 | 0.0 | 0.1 | 0 | 0 | 0 | | 9.6 | -8.3 | -7 | -17 | -150 | -106 | | |
| Hungary | | 347 | -0.4 | 1.9 | 5 | 14 | 8 | | 7.0 | -9.0 | -20 | -26 | -152 | -262 | | |
| Poland | | 4.05 | -0.1 | 2.6 | 4 | 13 | 8 | | 4.9 | -2.0 | 8 | -6 | -117 | -128 | | |
| Romania | | 4.6 | -0.1 | 1.4 | 3 | 4 | 1 | | 6.8 | 7.9 | 16 | -6 | -135 | -88 | | |
| Russia | | 89.6 | 1.2 | 2.5 | 9 | -32 | -17 | | | | | | | | | |
| South Africa | | 18.1 | 0.5 | 1.9 | 3 | -5 | -6 | | 9.3 | -7.0 | -18 | -67 | 18 | 12 | | |
| Turkey | | 28.67 | -0.2 | -0.7 | -3 | -35 | -35 | | 31.3 | -30.0 | -39 | 404 | 1939 | 2148 | | |
| US (DXY; 5y UST) | | 104 | 0.1 | -1.3 | -2 | -2 | 1 | | 4.46 | 1.9 | -5 | -18 | 56 | 45 | | |

| | Equity Markets | | | | | | | Bond Spreads on USD Debt (EMBIG) | | | | | | | | |
|--------------|----------------|--------|---------------|--------|---------|------|----------|----------------------------------|--------------|--------|--------------------------|------|------|--|--|--|
| | Level | | Change (in %) | | | | | YTD | 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 | YTD | | | |
| | | | | | | | | | basis points | | | | | | | |
| China | | 3607 | 0.7 | 0 | -1 | -6 | -7 | | 168 | 1 | -6 | -41 | -9 | | | |
| Indonesia | | 6958 | 1.4 | 2 | 1 | -1 | 2 | | 134 | 5 | 0 | -39 | -6 | | | |
| India | | 65676 | 1.1 | 1 | -1 | 6 | 8 | | 128 | -2 | -14 | -30 | -14 | | | |
| Philippines | | 6171 | 1.0 | 0 | 0 | -3 | -6 | | 111 | 6 | 2 | -27 | 14 | | | |
| Thailand | | 1415 | 2.1 | 0 | -1 | -13 | -15 | | 0 | 0 | 0 | 0 | 0 | | | |
| Malaysia | | 1467 | 1.0 | 0 | 2 | 1 | -2 | | 93 | -2 | -4 | -14 | -7 | | | |
| Argentina | | 634516 | -0.4 | 4 | -17 | 309 | 214 | | 2504 | 11 | -12 | 76 | 299 | | | |
| Brazil | | 123166 | 2.3 | 3 | 6 | 9 | 12 | | 230 | 5 | 8 | -63 | -44 | | | |
| Chile | | 5740 | -0.3 | 2 | -1 | 10 | 9 | | 146 | -2 | 0 | -4 | 14 | | | |
| Colombia | | 1107 | 0.4 | 1 | -1 | -14 | -14 | | 312 | -5 | -40 | -89 | -60 | | | |
| Mexico | | 52511 | 2.8 | 3 | 6 | 2 | 8 | | 368 | 4 | -4 | -11 | -13 | | | |
| Peru | | 21851 | 1.5 | 1 | -1 | -2 | 2 | | 161 | -3 | -1 | -13 | -19 | | | |
| Hungary | | 57902 | 0.4 | 1 | 4 | 31 | 32 | | 197 | 4 | -2 | -30 | -25 | | | |
| Poland | | 74041 | -0.2 | 3 | 10 | 31 | 29 | | 122 | 6 | -4 | 62 | 49 | | | |
| Romania | | 14712 | 0.3 | 1 | 3 | 26 | 26 | | 216 | 24 | 0 | -58 | -39 | | | |
| South Africa | | 75274 | 2.5 | 4 | 3 | 3 | 3 | | 373 | 2 | -19 | 18 | 6 | | | |
| Turkey | | 7707 | 0.5 | -2 | -5 | 65 | 40 | | 379 | 5 | -22 | -106 | -61 | | | |
| Ukraine | | 507 | 0.0 | 0 | 0 | -2 | -2 | | 3548 | 89 | -102 | -238 | -531 | | | |
| EM total | | 39 | 0.9 | 2 | 4 | 1 | 4 | | 399 | 2 | -11 | -6 | 24 | | | |

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

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