- **Headline retail sales in US come in strong** (link)
- **Digital assets to reach $10 tn by end 2026** (link)
- **Expensive market valuations in US high yield markets increase risk of reversal** (link)
- **Indonesia intervenes to support currency** (link)
- **Mexico cuts policy rate by 25 bps** (link)
- **Special Feature: Trump 2.0 Policies and Market Implications** (attached)

Mature Markets | Emerging Markets | Market Tables

A note of caution

Equity markets were lower this morning after the exuberance of recent trading sessions was tempered by a note of caution. Stocks in Europe were down and China lost ground for a second day, off 3.5% in the last two sessions. US equity index futures were also lower as the S&P 500 continued its decline from the record setting close above 6000 on Monday. Fed Chair Powell indicated in a speech yesterday that further Fed easing may be slower than expected. Recent CPI and PPI data in the US showed that inflation remains an issue in some sectors of the economy, and the Fed Funds futures market has lowered its expectations of another rate cut in December to 62% from 82% the day before. Meanwhile, the Yen was back in the spotlight as it weakened beyond 156 versus the dollar before recovering slightly. In emerging markets, sentiment was boosted by well received issuance from China and South Africa. However, officials in Indonesia confirmed that they had intervened to support the rupiah. Dollar strength going into and after the US election is proving to be a challenge for a number of emerging market economies.

Key Global Financial Indicators

Last updated: 11/15/24 7:38 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5949	-0.6	0	2	32	25
Eurostoxx 50		4813	-0.4	0	-3	12	6
Nikkei 225		38643	0.3	-2	-1	15	15
MSCI EM		43	-0.6	-6	-5	8	7
Yields and Spreads					bps		
US 10y Yield		4.44	0.6	14	41	-9	56
Germany 10y Yield		2.36	1.8	-1	14	-29	34
EMBIG Sovereign Spread		325	2	-5	-27	-109	-59
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		44.2	0.1	-2	-2	-8	-8
Dollar index, (+) = $ appreciation		106.5	-0.1	1	3	2	5
Brent Crude Oil ($/barrel)		72.3	-0.4	-2	-3	-11	-6
VIX Index (%, change in pp)		14.7	0.4	0	-6	1	2

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

Mature Markets

United States

The latest US retail sales data came in strong for the headline number, but the other components painted a mixed picture. Nevertheless, the market treated the overall data as another sign that the US economy is humming along, as Treasuries sold off and the dollar rallied. US equity index futures fell further.

US Retail Sales Data
Source: Bloomberg

Variable	Consensus Forecast	Actual Data
Retail Sales	0.3%	0.4%
Retail Sales Ex-Autos	0.3%	0.1%
Retail Sales Ex-Autos and Gas	0.3%	0.1%

Digital assets are expected to reach $10 tn by the end of 2026, according to forecasts from Standard Chartered. Investors in digital assets have welcomed the Red Wave US election, with Bitcoin surging from below 60K in early October to almost 90K, a rally of 50%. According to the analysts, investors expect the new administration to minimize regulation and even introduce measures to support the development of digital markets. Some market participants even expect the creation of a government Bitcoin reserve, although this is viewed by most as a low probability event. The analysts forecast that Bitcoin will reach 200K by the end of 2025, and that Ethereum (ETH) will reach 10K from the current level of 3102. Digital assets that have more exposure to end users are expected to do especially well.

Figure 1: Digital assets market cap by broad sector
*Now and our end-2026 projection (USD tn)*
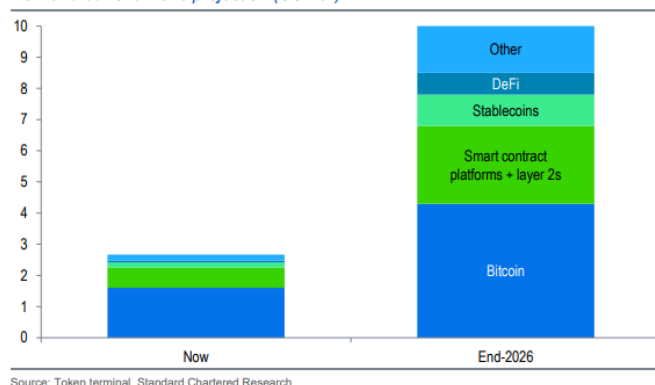
Source: Token terminal, Standard Chartered Research

The US high yield (HY) market has tightened to pre-rate hike levels, raising questions about future prospects. The spread to Treasuries of the Bloomberg high yield bond index has collapsed to pre-Global Financial Crisis (GFC) levels at 253 bps. The spread tightening is especially notable for the lowest rated sector in the HY market, the CCC bucket. Here, spreads have tightened by 322 bps to 543 bps, moving the CCC bucket to the 6th percentile from the 60th percentile, based on data going back to before the GFC. Now there are no sectors left in the HY where further significant gains can be expected, unless there is significant improvement in the business environment facing HY companies. However, some analysts remain optimistic because of the wide dispersion of spreads within the CCC bucket. They think investors may be attracted by opportunities in single names rather than the sector as whole. Others are less optimistic, arguing that companies whose spreads remain wide even in these highly favorable circumstances probably face idiosyncratic challenges.

Goldman Sachs

Global Credit Trader

Exhibit 2: CCC-rated bond spreads have tightened by an impressive 322bp to 543bp
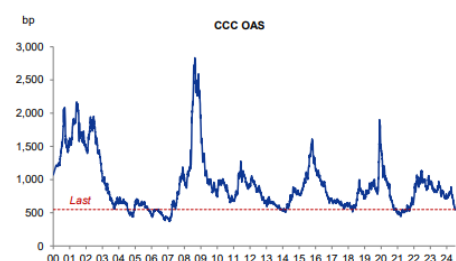

Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 3: Dispersion remains much more elevated vs. pre-hiking cycle levels
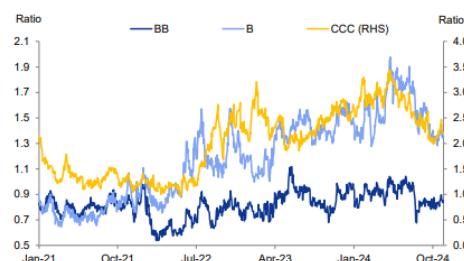
Source: iBoxx, Goldman Sachs Global Investment Research

Euro Area

European equities were lower today, with health care sector lower while the banking sector continued to outperform today (up 0.7%). **The euro regained some ground** (0.4%) **against the dollar this morning**, trading at $1.0578/€, after yesterday's Q3 uptick in employment (1% q/q), coupled with 0.4%q/q GDP growth, eased some recession fears. European government bond yields were little changed today as the two-year Bund yields marginally inched up to 2.10% while the 10y Bund yields remained at 2.34%.

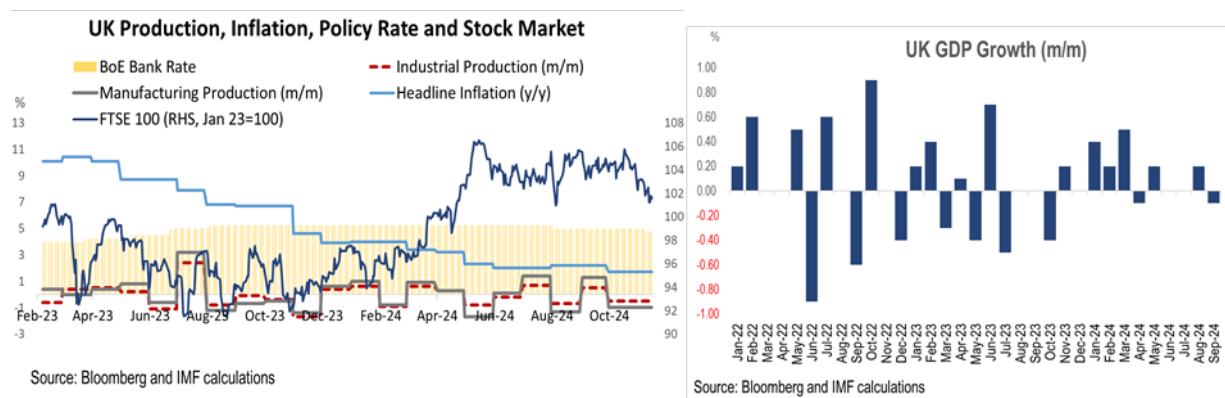Net EGB issuance vs. net ECB flows, in €bn
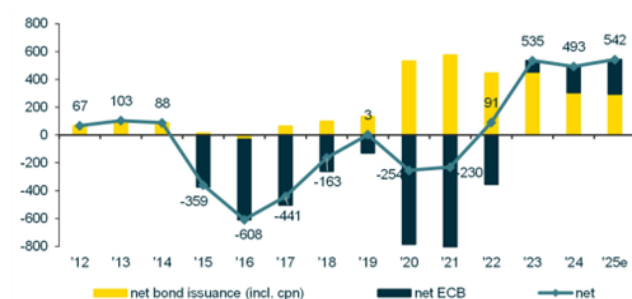
Source: Bloomberg, Commerzbank Research

Euro area sovereign duration stock and ECB duration extraction, in € bn
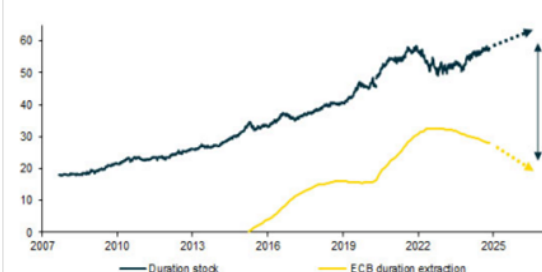
Source: Markit, ECB, Bloomberg, Commerzbank Research

United Kingdom

UK equities, gilt yields and the pound sterling were little changed this morning, with the pound trading against at around $1.2675/, **after today's GDP and industrial production data for September slightly surprised to the downside.** UK GDP rose by 0.1% q/q (vs. est. 0.2%) and by 1% y/y in Q3, slowing from 0.5% q/q in Q2 and declining on sequential basis in September (-0.1% m/m, against 0.2% in August) while the consensus expected growth at 0.2% mm. Industrial production was also down by more than expected in September (-1.8%y /y, vs est. -1.1%, from -1.7% in August). UBS analysts noted that the details of the release were on balance encouraging (private consumption +0.5% q/q and investment +1.1% q/q) and continue to expect 1.5% growth in 2024 amid recently announced front-loaded fiscal measures, with recovery in consumption led by increasing wages offsetting headwinds from still tight monetary policy and external sector weakness in 2025. Bank of America also highlights the pick-up in domestic demand and expects the Bank of England to keep a gradual approach to rate cuts on the back of persistent inflation risks. Nomura points to next week PMI as informative on to the trend of growth, while Bloomberg sees downside risk from trade uncertainty and potentially rising tariffs.

UK Production, Inflation, Policy Rate and Stock Market

Source: Bloomberg and IMF calculations

UK GDP Growth (m/m)

Source: Bloomberg and IMF calculations

Japan

The yen extended its depreciation to its weakest level since early July. At 156.39 for the dollar/yen currency pair, the yen was close to the level that triggered BOJ intervention in April and May, before it recovered to 155.42. HSBC has lowered its forecast for the yen following the US election and expects the USD/JPY currency pair to reach 158 by the end of 2025 Q1. That said, DBS noted that amid broad USD strength in recent weeks, yen weakness against the dollar is not an isolated development, and thus could be less concerning for the authorities. Meanwhile, a slightly higher-than-expected growth in Q3 is expected to help keep BOJ rate hikes on track. Preliminary estimate for Q3 GDP suggested growth slowed from the previous quarter but was slightly faster than expected (0.9%, q/q, compared to expectations for 0.7%, q/q and 2.2%, q/q in Q2). Analysts generally expect a BOJ rate hike in the January policy meeting.

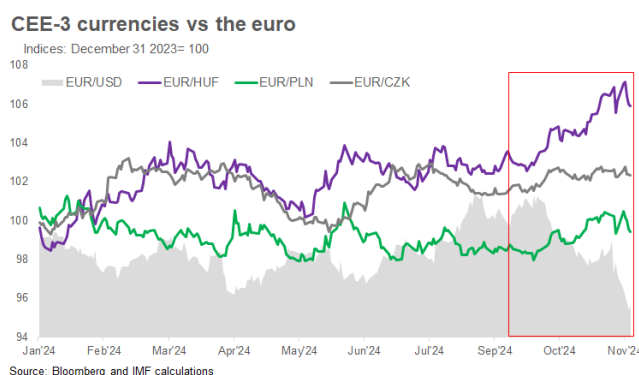**Yen Holds Onto Declines Approaching Intervention Concerns**

Source: Bloomberg
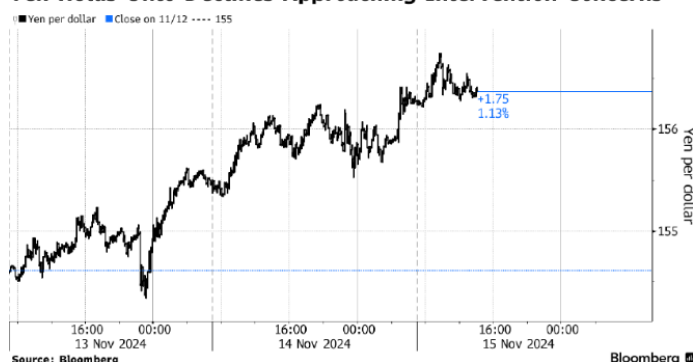
Emerging Markets   back to top

EMEA equities were mostly trading higher, while currencies were mixed. Equities in Türkiye were outperforming, with Turkish banking sector stocks posting gains for the eighth consecutive day. According to Bloomberg Intelligence analysts, while policymakers are expected to keep rates on hold at next week's meeting, they expect the Turkish central bank may start to cut rates in December, which they argue is providing a boost to bank stocks. Bloomberg reported that **Nigeria plans to issue a $1.7bn eurobond and $500m of sukuk bonds to help fund the 2024 budget**. Asian equities were mixed while Chinese shares fell (-1.7%) despite encouraging retail sales data. **In the FX market, Asian currencies posted broad-based gains against the dollar as currency interventions (both actual and verbal threats) helped to halt slides against the dollar. Latin American equities showed mixed performance**, with declines in Chile (-1.2%) and Mexico, while Brazilian stocks rose as economic activity exceeded expectations. **Brazil's central bank chief noted the real has been resilient among EM currencies amid dollar strength.**

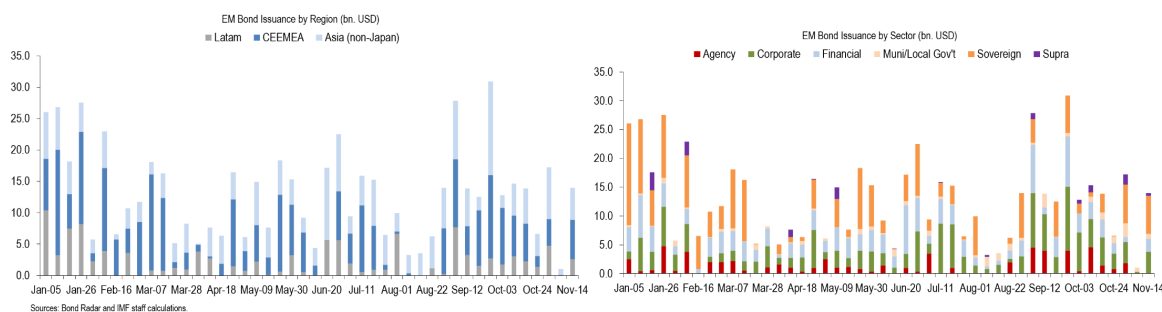**Central and Eastern Europe**
Some analysts expect increases in US tariffs to weigh on central and eastern European (CEE) economies. Goldman Sachs analysts expect economies in CEE, where activity is already slowing, to be r negatively impacted by the prospect of an increase in selective US tariffs as well as increased economic uncertainty. For CEE economies, given the incoming US administration's focus on tariffs on the automobile sector, the analysts expect growth in both Czechia and Hungary to be negatively impacted. In terms of monetary policy, the analysts note that given weakness in the forint, they expect policymakers will ease rates in Q1 (vs Q4 of this year previously). For Czechia, which they note is more closely aligned with core Europe, Goldman have lowered their terminal rate forecast by 25bps to 2.75% with Goldman's expectations leaning more dovish relative to market pricing. **This morning, CEE currencies were mostly trading flat against the euro.**

CEE-3 currencies vs the euro
Indices: December 31 2023= 100
Source: Bloomberg and IMF calculations

EM Bond Issuance
EM bond issuance reached $14 bn in the week of November 14th, bring YTD issuance to $604.5 bn. South Africa was the largest issuer with a $3.5 bn in dollar sovereigns due in 2054 and 2036. Other notable sovereign issuance was $2 bn dollar bonds from China, $1 bn dollar bonds from El Salvador, and $100mn Eurobonds from Romania. Other notable issuance includes $1.5 bn perpetual dollar bonds from Mexico's Banorte with an average yield of 8.6%.

Largest Issuers: China and Sovereigns

EM Bond Issuance by Region (bn. USD)
Latam   CEEMEA   Asia (non-Japan)
Sources: Bond Radar and IMF staff calculations.

EM Bond Issuance by Sector (bn. USD)
Agency   Corporate   Financial   Muni/Local Gov't   Sovereign   Supra

Indonesia
Bank Indonesia (BI) confirmed market intervention to support the rupiah. In a text message to market participants, Edi Susianto, Executive Director for Monetary and Asset Securities Management, noted that BI has been intervening in the spot, domestic non-deliverable forwards, and the government bond market to support the rupiah, in a show of "triple intervention to maintain market confidence." According to Bloomberg, Indonesia has seen more than $1.2 bn of portfolio outflows from its markets this month amid expectations that inflation could rise under the new US administration and force the Fed to scale back its rate cuts. BI see currency stability as a key factor in its policy deliberation and has said the rupiah's fundamental level is stronger than 16,000 per dollar. The rupiah fell as much as 0.6% intraday to 15,943

per dollar before ending the Asian session unchanged following news of BI's market intervention. Meanwhile, yields on BI's rupiah notes rose at a Friday auction. The 12-month bills sold with an average yield of 7.07%, the highest since September 13, based on data from Bloomberg.
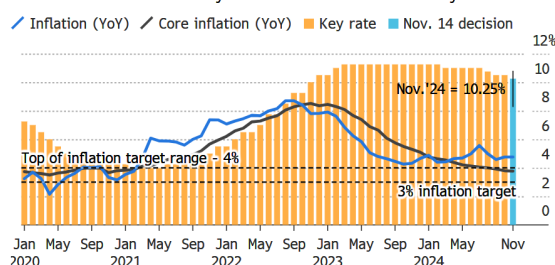

BI Intervenes as USD/IDR Nears Key 16,000 Level

Source: Bloomberg

Mexico

Mexico's central bank lowered its benchmark interest rate by 25bps to 10.25% on Thursday, marking a third consecutive rate cut. The decision was unanimous. The central bank committee expressed optimism as core inflation for October eased to 3.8% y/y (from 3.91%). However, headline y/y inflation edged up to 4.76%, prompting the central bank to revise its Q4 forecasts to 4.7% from 4.3%, still above the inflation target range between 2% and 4%. Forward guidance from the announcement signaled future dovish decisions. One analyst commented their surprise that the decision was unanimous given the weakness of the peso (-16.8% YTD). The peso appreciated (+0.5%) on the day, supported by Moody's affirmation of Mexico's Baa2 rating due to economic strength, although the report downgraded its outlook from stable to negative on account of the weakening institutional framework, including judicial reforms.

Mexico Delivers Third Straight Interest Rate Cut to 10.25%
Central bank has lowered key interest rate from 11.25% this year
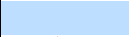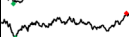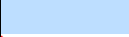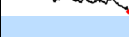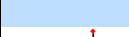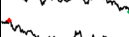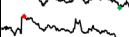
Source: National statistics agency; central bank, Citibanamex, Bloomberg
Note: Nov. '24 data via Citi survey implied rates

Global Financial Indicators

11/15/24 7:39 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,949	-0.6	-0.4	2.3	32.1	25
Europe		4,813	-0.4	0.2	-2.7	11.5	6
Japan		38,643	0.3	-2.2	-0.9	15.1	15
China		3,969	-1.8	-3.3	1.1	11.2	16
Asia Ex Japan		73	-0.5	-6.5	-4.8	11.1	10
Emerging Markets		43	-0.6	-6.2	-5.0	8.2	7
Interest Rates			basis points				
US 10y Yield		4.4	1	14	41	-9	56
Germany 10y Yield		2.4	2	-1	14	-29	34
Japan 10y Yield		1.1	1	6	10	27	46
UK 10y Yield		4.5	0	4	32	25	94
Credit Spreads			basis points				
US Investment Grade		119	0	3	-2	-33	-15
US High Yield		305	0	-10	-38	-125	-80
Exchange Rates			%				
USD/Majors		106.5	-0.1	1.5	3.2	2.0	5
EUR/USD		1.1	0.3	-1.4	-3.0	-2.6	-4
USD/JPY		155.6	-0.4	1.9	4.3	2.8	10
EM/USD		44.2	0.1	-1.8	-2.4	-7.8	-8
Commodities			%				
Brent Crude Oil ($/barrel)		72.3	-0.4	-2.2	-2.2	-7.5	-3
Industrials Metals (index)		146.4	3.3	-0.8	-2.2	4.3	3
Agriculture (index)		56.1	0.7	-1.6	0.3	-15.8	-10
Implied Volatility			%				
VIX Index (%, change in pp)		14.7	0.4	-0.2	-5.9	0.5	2.3
Global FX Volatility		8.6	0.0	0.4	0.0	1.2	0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		83	-1	-7	-8	-42	-21
Italy		119	-1	-10	-5	-61	-48
Portugal		45	-1	-6	-3	-24	-19
Spain		70	-1	-4	-2	-33	-27

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

Emerging Market Financial Indicators

Last updated: 11/15/2024 7:40 AM	Exchange Rates — Level		Change (in %) (+) = EM appreciation					Local Currency Bond Yields (GBI EM) — Level % p.a.		Change (in basis points)				
	Last 12m	Latest (vs. USD)	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
China		7.23	0.0	-0.6	-1.5	0.3	-1.8		1.9	-1	-5	-6	-79	-66
Indonesia		15874	-0.1	-1.3	-1.8	-2.1	-3.0		6.9	-4	18	23	-3	44
India		84	0.0	0.0	-0.4	-1.3	-1.4		7.3	0	7	20	-20	5
Philippines		59	0.1	-0.8	-1.5	-5.0	-5.7		5.0	4	12	16	-95	-67
Thailand		35	0.2	-1.7	-4.6	1.9	-1.9		2.3	-2	-2	-14	-69	-35
Malaysia		4.47	0.2	-2.1	-3.7	4.4	2.7		3.9	-1	0	8	2	15
Argentina		1000	-0.1	-0.6	-2.0	-65.0	-19.1		28.6	-76	-428	-1179	-8247	-5782
Brazil		5.80	0.0	-1.8	-3.5	-16.1	-16.3		12.8	-1	25	37	162	237
Chile		971	0.4	-0.1	-2.9	-8.6	-9.3		5.3	-1	9	36	9	42
Colombia		4485	-0.1	-3.8	-6.2	-11.5	-13.6		8.4	0	13	39	28	80
Mexico		20.40	0.0	-1.1	-3.4	-15.2	-16.8		9.4	-3	-7	24	47	92
Peru		3.8	0.2	-1.3	-1.1	-0.9	-2.5		6.7	0	######	30	-45	-1
Uruguay		43	-0.9	-2.6	-3.3	-7.1	-9.3		9.4	-7	-8	-24	-26	-17
Hungary		385	0.2	-1.5	-4.7	-9.9	-9.9		6.4	-11	-20	20	-63	67
Poland		4.09	0.4	-1.3	-3.6	-1.0	-3.7		4.8	-7	-12	0	-6	37
Romania		4.7	0.3	-1.5	-3.0	-2.8	-4.3		6.9	7	10	29	4	65
Russia		99.8	-0.9	-2.2	-2.8	-10.3	-10.4							
South Africa		18.2	0.4	-3.3	-3.1	-0.1	0.9		8.8	0	-2	-3	-57	-34
Türkiye		34.42	-0.3	-0.2	-0.6	-16.7	-14.2		30.0	-7	8	30	-127	323
US (DXY; 5y UST)		107	-0.1	1.5	3.2	2.0	5.1		4.32	-1	13	46	-20	47

	Equity Markets — Level		Change (in %)					Bond Spreads on USD Debt (EMBIG) — Level basis points		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	YTD
China		3,969	-1.8	-3.3	1.1	11.2	15.7		96	-9	-20	-72	-62
Indonesia		7,161	-0.7	-1.7	-7.7	2.6	-1.5		85	-8	-3	-49	-11
India		77,580	0.0	-2.5	-5.2	18.1	7.4		76	-13	-19	-52	-40
Philippines		6,677	1.8	-4.3	-10.0	7.5	3.5		75	-7	1	-36	-5
Thailand		1,443	-0.5	-1.5	-3.2	1.9	1.9		0	0	0	0	0
Malaysia		1,592	-0.5	-1.8	-3.3	9.0	9.5		60	-3	-14	-33	-25
Argentina		2,087,647	2.2	3.6	14.9	231.7	124.5		774	-85	-337	-1730	-1139
Brazil		127,792	0.1	-1.5	-2.5	3.8	-4.8		209	3	-1	-21	-6
Chile		6,479	-1.2	-0.6	-1.2	12.2	4.5		109	-3	-1	-37	-16
Colombia		1,348	0.7	-0.8	1.4	21.4	12.8		318	3	8	6	47
Mexico		50,553	-0.4	-3.4	-3.5	-4.2	-11.9		291	8	-6	-77	-43
Peru		30,430	-0.6	0.4	0.7	38.0	17.2		133	-1	-5	-28	-11
Hungary		77,833	0.1	2.1	4.1	34.2	28.4		142	-14	-1	-55	-7
Poland		80,125	-1.1	-2.9	-3.7	8.7	2.1		100	-15	-4	-22	3
Romania		17,647	-0.2	1.6	0.8	20.4	14.8		198	-7	12	-18	-2
South Africa		83,955	0.1	-1.4	-2.3	12.2	9.2		276	5	9	-97	-32
Türkiye		9,408	-0.1	2.4	6.2	22.7	25.9		246	-7	-25	-133	-68
EM total		43	0.4	-6.2	-5.0	8.2	6.8		363	-6	-22	-37	17

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

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