



- **US market sentiment favors bonds over equities** ([link](#))
- **German court ruling seen to impact future fiscal policy** ([link](#))
- **Analysts see muted growth in global ESG bond supply in 2024** ([link](#))
- **China's home prices record steepest sequential decline in October since 2015** ([link](#))
- **Colombia's 3Q GDP miss ignites talks of rate cuts** ([link](#))

[Mature Markets](#)




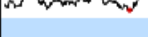






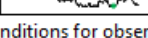
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## Yields partially correct after sharp drop

A reassessment of interest rates is driving a stall in the recent rally in global equity markets. With equity markets rising over 2% already this week in both the United States and Europe, prices are declining slightly in early trading today following yesterday's rise in sovereign bond yields. While yields are slightly lower this morning, Wednesday saw the yield on the 10-year treasury rise 9 bp, and the implied Fed policy rate for end-2024 increase by 10bp, only partially undoing the significant decline following the recent CPI data. Even with that move, market pricing still implies over 90bp of easing next year (compared to the 50 bp from the September dot plot). Rates markets are expected to continue to be highly sensitive to any incoming data which might provide signals of the economy's strength. European equity markets are slightly lower this morning while emerging market currencies are mixed.

Key Global Financial Indicators

Last updated: 11/16/23 8:18 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4503	0.2	3	3	14	17
Eurostoxx 50		4309	-0.2	2	4	11	14
Nikkei 225		33424	-0.3	2	4	20	28
MSCI EM		40	0.8	3	4	4	5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.49	-4.3	-14	-22	80	61
Germany 10y Yield		2.61	-3.2	-4	-17	62	4
EMBIG Sovereign Spread		427	-7	-4	-23	-55	-24
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		48.0	0.1	2	3	-4	-4
Dollar index, (+) = \$ appreciation		104.4	0.1	-1	-2	-2	1
Brent Crude Oil (\$/barrel)		80.7	-0.6	1	-10	-13	-6
VIX Index (% change in pp)		14.1	-0.1	-1	-3	-10	-8

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

## Mature Markets

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**Yesterday, the S&P 500 rose by 0.2%**, unevenly across sectors, with Energy and Utilities underperforming (both fell by 0.3%). US Treasury nominal yields rose by 8–9 bp across the curve, attributed entirely to real yields. The US Dollar appreciated 0.4% against major currencies.

**After a recent rally in stock prices, investors express preference for bonds over equities.** A J.P. Morgan survey shows that most respondents prefer to decrease exposure to equities and increase exposure to bonds (left and middle charts below). Concerns about equities are underpinned by a variety of structural factors about corporates: softening demand for their goods and their declining pricing power, the lagged increase in interest expense and charge-offs, tightening liquidity, diminishing consumer savings and elevated geopolitical risk. The concerns underpin recent downward revisions to the expected earnings (EPS) for 2024 (right chart), albeit small so far. In contrast, the priced-in decline in the future policy rate may favor bond holders.

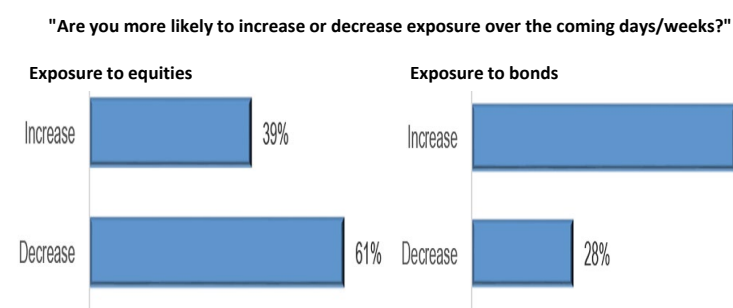
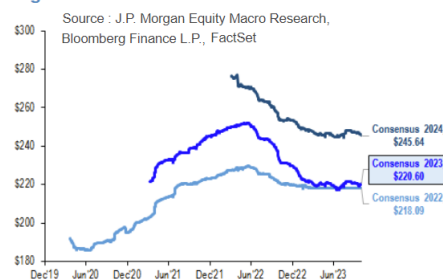


Figure 6: S&P 500 Consensus Annual EPS



**Investment Grade net issuance is expected to fall in 2024**, according to J.P. Morgan analysts' forecasts (left chart below). For comparison, the declining net issuance is virtually converging to the projected coupon income (right chart). Top-down, the low expected net issuance is explained by an increasing of maturities amid stable gross issuance. Bottom-up, there are various factors, including: a smaller amount of expected rising stars in 2024 and fewer debut issuers, muted GSS (Green, Social and Sustainable) bond issuance, smaller demand for M&A funding, emerging markets HG USD issuance forecasted to fall to GFC levels. The change in the issuance strategies is largely a consequence of the shift from the zero-lower bound to historically high nominal rates.

Figure 2: Net issuance is expected to decline 24% y/y

Source : J.P. Morgan, Dealogic.

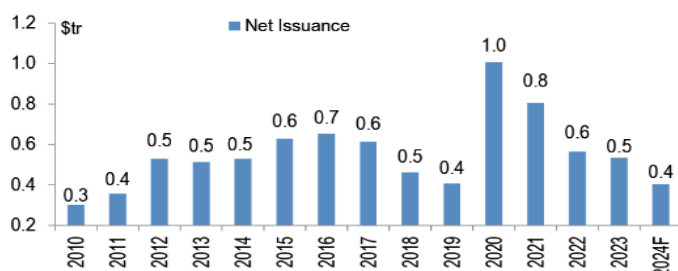
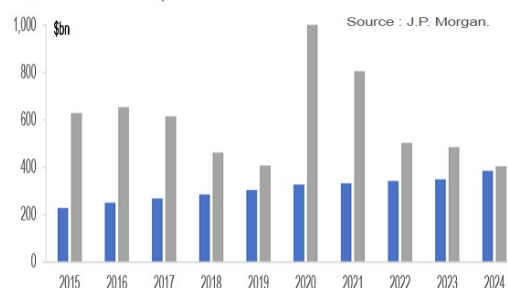


Figure 3: Coupon income to be the closest it's been to net issuance since 2010 at least

■ Estimated coupon income ■ Net Issuance



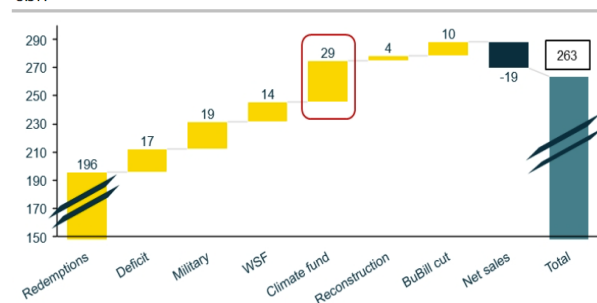
## Euro area

**European equities were mostly trading lower with the Stoxx 600 equity index 0.3% lower.** The energy sector was underperforming (-1.5%). Sovereign bond yields were edging lower this morning (10y bund trading at around 2.62%) and the euro was marginally stronger (+0.1%).

**The German Federal constitutional court yesterday ruled that €60bn of unused pandemic funds could not be reallocated to an off-budget climate fund.** Yesterday, the German federal government's 2nd supplementary budget law 2021 was ruled unconstitutional. Contacts highlight that while this fundamentally strengthens the debt brake, it also opens a €60bn hole in the budget plan. The ruling is expected to further exacerbate the conflicts within the governing coalition. Contacts argue that the ruling would likely bias German fiscal policy in a tighter direction, however the extent is not yet clear. More broadly, contacts note that the ruling could have important consequences for fiscal policy in the coming years. Moreover, Bloomberg sources also note that the verdict brings into question other off-budget debt. Contacts note that markets are still digesting the verdict, and Commerzbank analysts think that the net bund supply prospects are unlikely to reverse the tightening trend in swap spreads.

#### 2024 issuance - up to €29bn set to evaporate

Components of 2024 expected Bund supply pre-GCC ruling, in €bn



Source: BMF, Commerzbank Research

#### ASW-tightening not over yet!

€STR-spreads of 10 most special Bund repos\*, Schatz-ASW vs. €STR, Bund-ASW vs. 6m Euribor, in bp



Source: Bloomberg, Commerzbank Research & Repo desk, \*) ex 3 most special

## Japan

**Japan's equities declined 0.2%** amid possible profit taking from the recent rally. Japan's chips related stocks climbed to a record high. Separately, foreigners bought a combined net ¥1.1tn yen (\$7.3bn) of Japanese equities and index futures for the week (Nov 10), the highest since June 9, Bloomberg reported. **Prime Minister Kishida urged for higher wage hikes** in a rare meeting with business leaders and labor unions. Meanwhile, Nomura believes the positive output gap largely reflects labor shortages, which is a factor likely to strengthen upward pressure on wages going forwards. Analysts forecast spring wage negotiations will result in pay increases of 3.9% in 2024 and 2025, above the 3.6% recorded in 2023. **In data releases**, Japan's exports decelerated to +1.6% y/y (previous: 4.3%) in October as external demand remained tepid. September's core machinery orders remained in contraction at -2.2% y/y (previous: -7.7%). **The yen appreciated 0.1%, 10Y bond yields declined -1.2bp.**

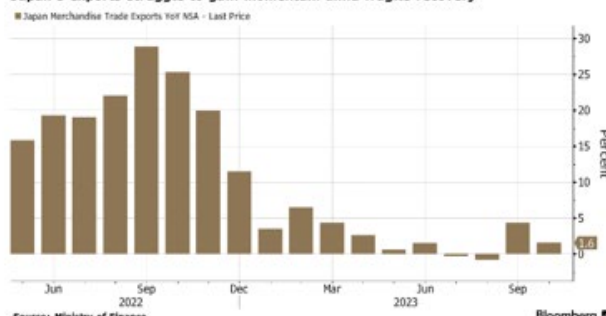
#### Japan Chip Stocks Climb to New Record High



Source: Bloomberg

#### Slowing Down

Japan's exports struggle to gain momentum amid fragile recovery

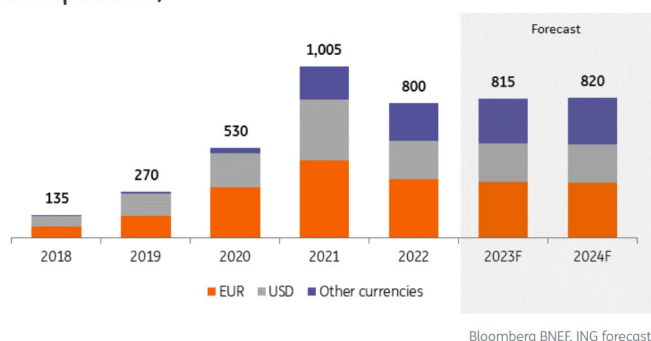


Source: Ministry of Finance

## Climate Finance

**ING analysts expect muted growth in global ESG bond supply in 2024.** After ESG markets saw strong growth in supply between 2018 and 2021, bond supply has stagnated since 2022. Analysts expect similar trends through 2024 with the issuance expected to be relatively stable. Despite robust demand from investors, analysts highlight several external challenges—including the existing project pipeline (i.e., after strong issuance in 2021 corporates require time to allocate the proceeds to new green projects); higher funding costs and supply chain disruptions; lower capital expenditure; and slower lending growth.

The global ESG bond supply has stagnated since 2022 (in EUR equivalent)



## Emerging Markets

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**Asian equities mostly declined down 0.2% on net.** Hong Kong SAR led the losses (-1.4%), followed by Mainland China and New Zealand (-1%). Philippines and Taiwan POC (+0.3%) bucked the trend. **Asian currencies were mixed.** The South Korean won and Taiwanese dollar strengthened (+0.3%). The **Malaysian** ringgit depreciated (-0.3%); Bank Negara Malaysia stated on Wednesday that they have been intervening in the FX markets in both directions to curb volatility. **10Y bond yields were mixed.** South Korean yields declined -19bp, while Singapore added 4bp. **South Korea** financial regulators are mulling several options to penalise illegal short sellers, including a long term ban (up to 10 years) from stock trading. **Philippine's** central bank (BSP) kept its policy rates unchanged as expected and vowed to keep monetary policy settings sufficiently tight to keep inflation expectations anchored. Some analysts continue to expect another rate hike in December. **EMEA equity markets were mostly trading higher while currencies were trading in a narrow range.** Equities in South Africa were a notable exception (-1%). **Latam currencies and local bond yields traded mixed** on Wednesday, as markets reassessed risk-taking following stronger-than-expected US retail sales. The Colombian peso underperformed, depreciated 1.3% against the dollar following a surprise 3Q GDP miss, while the Chilean peso continued its outperformance, appreciating 0.4% against the dollar. Colombia 5-yr yields traded -7bp lower. Regional equities were largely higher, with the MSCI Latin America index extending gains by 0.5%.

## China

**Chinese equities declined 1%.** Analyst mentioned disappointing outcomes of the meeting between Presidents Biden and Xi in San Francisco. Meanwhile, President Xi said China wants to befriend the US and has no intention to fight a war with anyone. He added that Taiwan's POC is the "most dangerous" issue in China-US relations. The two nations came to an important agreement on fighting fentanyl distribution, resuming military to military communications at a senior level, President Biden said. Separately, **net capital outflows slowed in October**, Goldman Sachs wrote. Analysts estimated FX outflows stood at \$41bn in October after a spike of \$75bn in September amid tight capital controls and policymakers' strong commitment to FX stability. Foreign investors' net selling of equities moderated, and they also net bought RMB bonds in October. The goods trade balance FX conversion ratio improved from the muted level in September. In October, commercial banks' net external assets, which can serve as a buffer for capital

outflows, fell by \$22bn, similar to the decline in September. Separately, **China's home prices showed the steepest sequential decline since 2015**; down 0.4%/m/m (previous: -0.3%) in October, J.P. Morgan analysts noted that policy effectiveness of recent demand-side easing seems limited so far. The government is unlikely to bail out the real estate sector at this stage, despite recent pledges by the authorities to support developers. Separately, **China is not expected to face deflation in the near term**, according to the National Bureau of Statistics. NBS spokesperson underscored the stability of core CPI. **The renminbi and 10Y bond yields were little changed.**

China: 70-city property price



Commercial banks' net external assets and official reserves showed total decline of US\$32bn in October



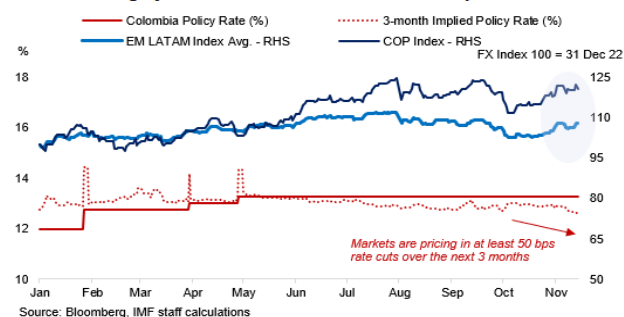
## Colombia

**Colombia's 3Q GDP declined 0.3% y/y but grew 0.2% q/q leading to talks of rate cuts.** The decline was the first year-on-year quarterly contraction since 2020. The release was significantly below the median analysts' estimate for a +0.5% y/y or +0.7% q/q expansion. No analysts surveyed by Bloomberg forecasted a contraction. The weak data was due to contraction in the construction, manufacturing and transportation & trade sectors which declined 8%, 6.2% and 3.5% from a year earlier. Analysts have speculated that the downward surprise should lead the central bank to begin its monetary policy loosening cycle as soon as next month. Following the data release, President Gustavo Petro said, via a posting on X, that the country has two paths of action: 1) cutting interest rate and 2) implementation of countercyclical fiscal policy.

Colombia Economy Shrinks 0.3% in Third Quarter From Year Ago  
GDP rises 0.2% in three months through September from second quarter



Start of easing cycle could threaten COP recent outperformance



## Russia

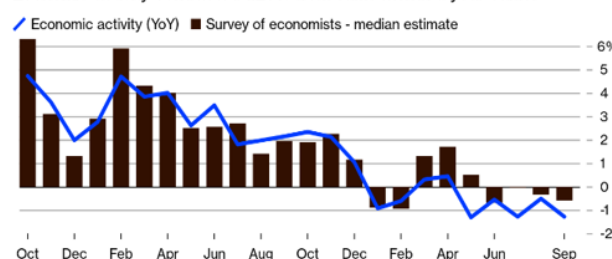
**Preliminary Q3 economic growth surprised on the upside** with banks set for record ruble profits in 2023. Data released yesterday showed Russia's preliminary Q3 GDP grew at 5.5%/y/y (versus expected 5.1% from 4.9%). Bloomberg notes that economic growth and strong consumer demand, against a backdrop of higher government spending, has allowed key sectors to survive and in some cases even prosper, despite sanctions imposed on the country. In the banking sector, for example, total profit in the first nine months of 2023 has already topped the record level reached in 2021, driven by the weakening ruble, a credit boom and low provisions. The Russian ruble has strengthened by roughly 9% so far this quarter but remains around 17% weaker ytd.



## Peru

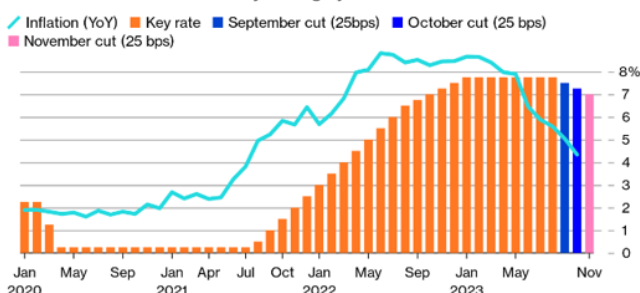
**Peru's economy contracted more than analysts' estimates, declining -1.29% y/y or -0.03% m/m in September.** The economy has now contracted for three straight quarters and as the recession deepens, the government has, earlier in the month, announced \$2.6 bn government-backed loans. These loans will be made available at below-market rates, and to be offered via private banks to weather-hit industries such as agriculture and fishing. Peruvian banks are also concerned over rising loan delinquencies, with the country's largest lender, Creditcorp Ltd, announcing earlier in the month that it is bracing for higher delinquent loans, and remarked that the ongoing recession and bad weather (El Nino) as key risk extending through early 2024. The central bank had also cut policy rates by 25 bp for the third consecutive month last week and analysts are expecting cuts to be extended into 2024, following signs of continued decline in inflationary pressures.

**Peru's Economy Shrank More Than All Forecasts in September**  
Economic activity contracted 1.29% from same month a year earlier



Sources: National statistics agency, Bloomberg

**Peru Cuts Key Rate by Quarter-Point for Third Straight Month**  
Central bank extends monetary easing cycle to trim benchmark to 7%



Sources: National statistics agency, central bank, Bloomberg

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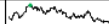
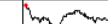




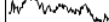
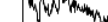



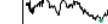













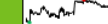








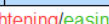
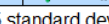


## Global Financial Indicators

11/16/23 8:19 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		4493	0.2	3	3	13	17
Europe		4309	-0.1	2	4	11	14
Japan		33424	-0.3	2	4	20	28
China		3572	-1.0	-1	-2	-6	-8
Asia Ex Japan		66	0.9	3	3	4	2
Emerging Markets		40	0.8	3	4	4	5
<b>Interest Rates</b>			basis points				
US 10y Yield		4.49	-4.3	-14	-22	80	61
Germany 10y Yield		2.61	-3.3	-4	-17	62	4
Japan 10y Yield		0.79	-1.1	-5	3	54	37
UK 10y Yield		4.14	-8.3	-13	-34	100	47
<b>Credit Spreads</b>			basis points				
US Investment Grade		151	0.4	-7	-4	-18	-8
US High Yield		433	5.4	-3	-21	-48	-48
<b>Exchange Rates</b>			%				
USD/Majors		104.45	0.0	-1	-2	-2	1
EUR/USD		1.08	0.0	2	3	4	1
USD/JPY		151.1	-0.2	0	1	8	15
EM/USD		48.0	0.1	2	3	-4	-4
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		80.8	-0.5	1	-9	-2	-1
Industrials Metals (index)		139	-0.9	0	2	-15	-16
Agriculture (index)		66	-0.7	1	2	-3	-4
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		14.1	-0.1	-1.2	-3.1	-10.0	-7.6
Global FX Volatility		7.4	0.0	-0.2	-0.7	-4.1	-3.3
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		126	1.5	-1	-28	-100	-79
Italy		177	-2.4	-9	-20	-17	-37
Portugal		67	-1.9	-7	-6	-30	-35
Spain		101	-2.0	-4	-11	-1	-9

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

## Emerging Market Financial Indicators

Last updated: 11/16/2023 8:19 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		7.25	0.0	0.5	1	-2	-5		2.7	-0.5	-2	-10	-48	-41
Indonesia		15555	-0.1	0.6	1	0	0		7.0	0.2	15	17	-10	1
India		83	-0.1	0.1	0	-2	-1		7.5	1.0	-5	-20	5.0	2
Philippines		56	0.1	0.2	2	3	0		5.9	1.2	4	14	-20	-8
Thailand		35	0.3	0.9	2	1	-2		3.0	-2.5	-9	-36	31	38
Malaysia		4.69	-0.3	0.1	1	-3	-6		3.8	-1.0	-1	-20	-46	-20
Argentina		354	-0.1	-1.0	-1	-54	-50		110.9	-11.7	129	586	1536	2270
Brazil		4.86	0.2	1.7	4	11	9		11.1	-3.7	-31	-69	-196	-146
Chile		883	0.6	3.4	7	3	-4		5.2	-5.5	-32	-56	-24	-16
Colombia		4075	-1.3	-1.4	4	21	19		8.2	0.0	-14	-110	-191	-162
Mexico		17.28	0.1	3.1	4	12	13		8.9	-1.0	-27	-60	25	17
Peru		3.8	-0.2	0.6	2	1	1		7.1	0.9	-5	-60	-83	-85
Uruguay		40	0.3	0.6	1	0	1		9.6	-4.6	-15	-21	-154	-110
Hungary		347	0.1	2.6	5	14	8		6.9	-17.0	-25	-34	-180	-270
Poland		4.03	0.5	3.2	5	12	9		4.8	-5.8	-3	-9	-124	-131
Romania		4.6	-0.1	1.6	3	3	1		6.9	6.8	24	1	-111	-81
Russia		89.3	0.2	2.9	9	-32	-17							
South Africa		18.3	-0.7	1.9	3	-6	-7		9.2	-10.0	-26	-71	10	8
Turkey		28.67	0.0	-0.7	-3	-35	-35		30.8	-46.0	-86	322	1890	2096
US (DXY; 5y UST)		104	0.0	-1.4	-2	-2	1		4.47	-4.4	-17	-24	62	47

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		3572	-1.0	-1	-2	-6	-8		165	0	-9	-46	-12	
Indonesia		6958	0.0	2	0	-1	2		118	-14	-16	-61	-22	
India		65982	0.5	2	-1	7	8		126	-3	-16	-30	-16	
Philippines		6191	0.3	0	-1	-3	-6		95	-14	-14	-43	-2	
Thailand		1415	0.0	1	-1	-12	-15		0	0	0	0	0	
Malaysia		1465	-0.1	0	1	1	-2		90	-3	-7	-11	-10	
Argentina		629362	-0.8	8	-17	308	211		2454	-12	-62	58	249	
Brazil		123301	2.3	3	7	9	12		224	-5	2	-59	-50	
Chile		5750	1.1	2	-2	10	9		141	-10	-5	-8	9	
Colombia		1110	0.2	1	-1	-13	-14		312	-7	-40	-82	-60	
Mexico		52796	0.5	3	6	2	9		366	0	-6	-10	-15	
Peru		22047	0.9	2	-1	0	3		156	-12	-6	-17	-24	
Hungary		57517	-0.9	0	2	30	31		195	-3	-4	-36	-27	
Poland		73851	0.2	2	6	33	29		113	-7	-13	49	40	
Romania		14695	0.3	1	4	26	26		218	20	2	-60	-38	
South Africa		73924	-1.2	2	1	2	1		364	-11	-28	13	-3	
Turkey		7794	1.7	-1	-2	67	41		370	-8	-31	-120	-70	
Ukraine		507	0.0	0	0	-2	-2		3581	94	-69	-55	-498	
EM total		40	-1.2	3	4	4	5		394	-6	-16	-8	19	

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

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