



- China on track to issue a record amount of government bonds in 2023 ([link](#))
- Use of the Fed's overnight reverse repo facility has fallen \$1.3tn ([link](#))
- Investors turn bullish on US bond markets in latest survey ([link](#))
- Italian spreads narrow after Moody's raises outlook to stable ([link](#))
- IEA says green investments must reach \$1.35tn per annum to achieve net zero emissions by 2050 ([link](#))

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## Markets remain relatively quiet ahead of holiday-shortened week

After last Tuesday's CPI report prompted large market moves, price action has been more limited in recent days. Treasury yields were little changed on Friday and up modestly this morning. US stock futures were flat this morning, after stocks gained over 2% last week. European markets were muted as well, though Italian spreads narrowed after Moody's raised the sovereign outlook to stable. Most emerging market currencies gained, bringing the EM currency index to its highest level since late August. Investors turned their focus to Argentina, where Javier Milei won the presidential election on Sunday. Argentina's US dollar bonds rose slightly in early trading, while many analysts expect the parallel market exchange rate to weaken. Elsewhere, Zambia's dollar bonds fell sharply after official creditors called into question its preliminary restructuring agreement with bondholders.

Key Global Financial Indicators

Last updated: 11/20/23 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4514	0.1	2	7	14	18
Eurostoxx 50		4332	-0.2	2	8	10	14
Nikkei 225		33388	-0.6	2	7	19	28
MSCI EM		39	0.1	3	7	3	4
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.47	3.7	-17	-44	64	60
Germany 10y Yield		2.62	3.2	-9	-27	61	5
EMBIG Sovereign Spread		426	-3	-5	-16	-64	-26
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		48.1	0.3	2	3	-3	-4
Dollar index, (+) = \$ appreciation		103.6	-0.3	-2	-2	-3	0
Brent Crude Oil (\$/barrel)		82.2	1.9	0	-11	-6	-4
VIX Index (% change in pp)		14.2	0.4	-1	-8	-9	-7

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

**The US data calendar is light ahead of the Thanksgiving holiday, with the durable goods report and the FOMC minutes the highlights.** In the euro area, PMI data will be the main focus, along with German GDP and the latest German IFO business confidence survey. Inflation reports are due in Japan, while the UK will report on PMI data. UK Chancellor Hunt is scheduled to provide the latest information on the budget at Wednesday's Annual Statement. There are central bank meetings scheduled in Indonesia, South Africa, and Türkiye, among others. Türkiye is expected to hike by 250 bps.

## Mature Markets

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### United States

**The latest Fund Manager Survey from Bank of America shows that investors have turned bullish on the US bond market.** Most survey respondents (76%) believe the Fed has finished hiking interest rates this cycle. Over 80% expect short term rates to be lower next year, which is the highest level since 2008. The consensus on equities has turned overweight for the first time since April 2022. Moreover, 74% expect a soft landing or no landing at all, although investors do expect US growth to slow down in 2024. However, investors remain somewhat bearish on corporate profits for next year, though less so compared to the previous month's survey. Bloomberg noted that soft landings are extremely rare historically, with only one (in 1995) in the post-Volcker period, and that came during a more supportive global growth environment.

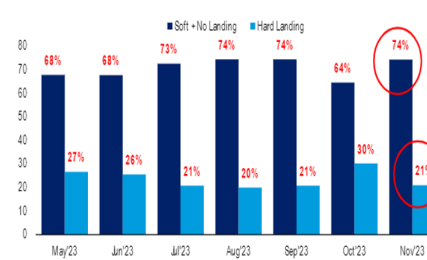
Chart 1: Big conviction bond yields lower in '24  
FMS % expecting lower long-term rates



Source: BofA Global Fund Manager Survey

BoFA GLOBAL RESEARCH

Chart 7: "Soft/ino" landing a solid consensus for 2024  
What is the most likely outcome for the global economy in the next 12 months?



Source: BofA Global Fund Manager Survey

BoFA GLOBAL RESEARCH

**The Fed's overnight reverse repo (RRP) facility has declined by \$1.3tn since the end of May.** The decline in RRP volumes has offset the \$520bn decline in the Fed's balance sheet as well as the \$715bn increase in the Treasury General Account with the Fed. JP Morgan analysts expect the RRP balances to fall further as the latest Treasury funding announcement noted that the Treasury would be relying more than expected on T-Bill issuance. Many analysts had expressed concerns that the burgeoning volume of the RRP facility might inject volatility into US money markets. However, money market funds—the main users of the RRP—have drawn down their RRP balances and funneled them towards the large buildup of T-Bill issuance, which now stands at \$1.6tn.

Figure 1: Key liabilities of the Federal Reserve

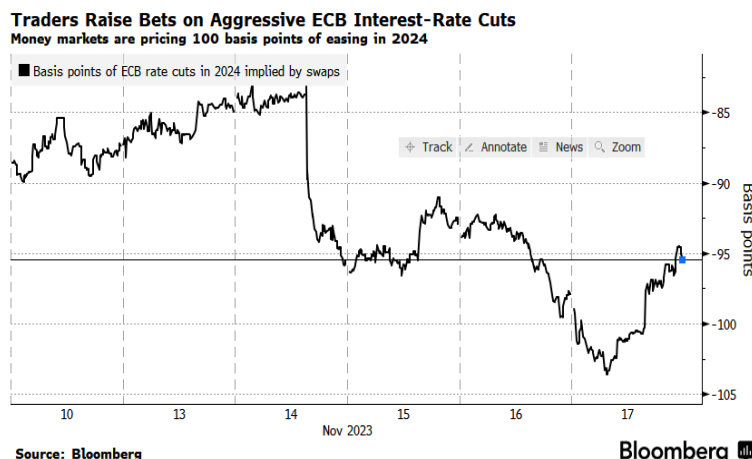


Source: Federal Reserve, J.P. Morgan

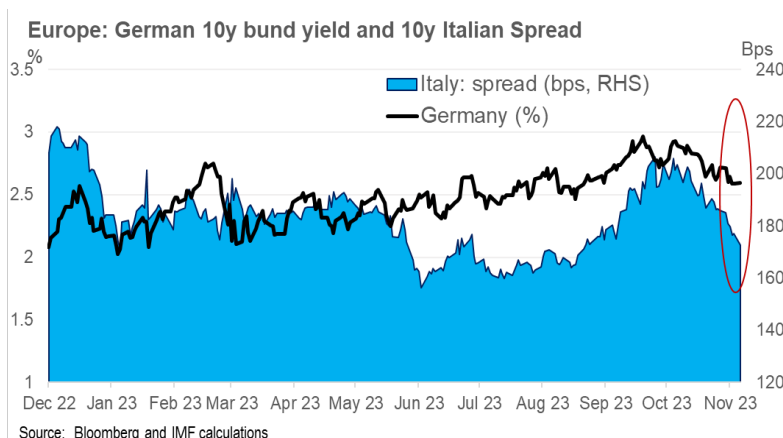
### Europe

**European equities were mixed, with the Stoxx 600 equity index little changed,** as negative corporate news weighed on some share prices. The Stoxx 600 equity index ended last week roughly 2.8% higher amid the global rally to stretch its YTD gains to 7.4%. The euro was marginally stronger against the dollar this morning (+0.1% to €1.09/\$).

**Sovereign bond yields were mixed this morning with the 10y bund yield rising 3 bps to around 2.61%, after falling 13 bps last week.** Last Friday, money markets priced in a full percentage point of ECB interest rate cuts in 2024, while in September markets were pricing in roughly 75 bps of easing during the year. ECB governing council (GC) member Wunsch recently cautioned that the ECB might have to hike interest rates again if market pricing on interest rate cuts undermines the ECB's policy stance.



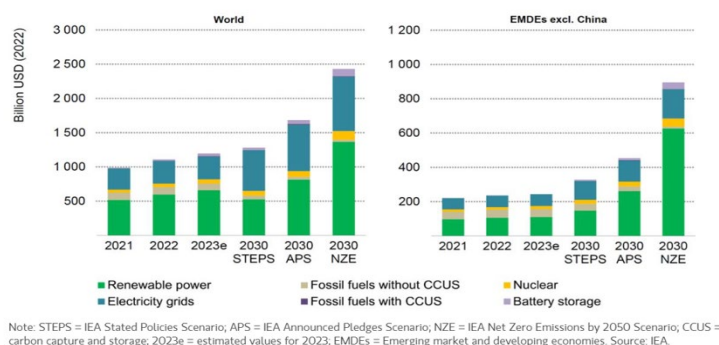
**Italian spreads narrowed this morning after Moody's surprisingly raised the outlook for Italian sovereign debt to stable from negative on Friday.** The rating agency cited "stabilizing prospects for economic strength, the health of its banking sector and the government's debt dynamics." While most analysts had expected no change from Moody's, there was some speculation last week of a possible downgrade. The spread between the 10y bund yield and that of 10y Italian sovereign debt narrowed by 5 bps this morning to 172 bps, a level last seen in early September. Moody's also upgraded Portugal by two notches to A3/stable from Baa2/positive.



## ESG

**The International Energy Agency believes that green investments must reach \$1.35tn per annum if net zero emissions (NZE) are to be reached by 2050.** The IEA believes that level of investment must be reached by 2030. However, spending on renewable energy projects stood at just \$660 bn in 2022 and is projected to rise to just \$690 bn in 2023. In 2021, the IEA projected that 70% of spending on clean energy projects would have to come from the private sector. Many emerging markets will require considerable amounts of aid to meet their NZE goals.

**Exhibit 1: IEA pathway to Net Zero:** IEA predicts that green energy investment may need to double to US\$1.35tn p.a. by 2030 in NZE scenario – around 70% of clean energy investment will come from the private sector



Source: Morgan Stanley and IEA

## Emerging Markets

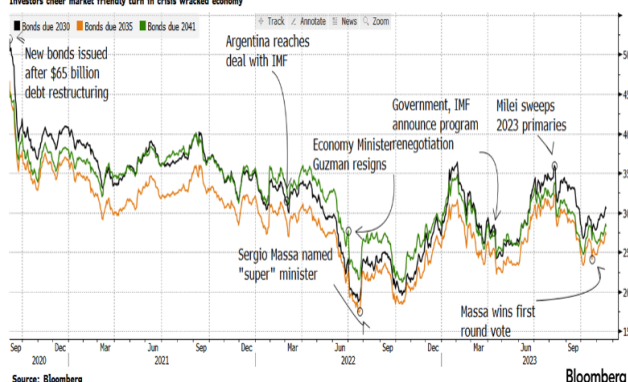
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**EMEA markets were mixed**, as equities in Türkiye (+1.4%) and Poland (+1.3%) outperformed. Most currencies gained against the dollar, with South Africa underperforming. The Polish zloty (+0.4%) strengthened versus the euro as markets have scaled back expectations for interest rate cuts in the coming months. The Hungarian forint was marginally weaker against the euro (-0.1%) ahead of the monetary policy decision tomorrow, where Bloomberg consensus expects the central bank to cut its base rate by 75 bps to 11.5%. Elsewhere, consensus expects Türkiye to hike its policy rate by 250 bps to 37.5% on Thursday. **Most Asian currencies rallied on Monday**, with Malaysia, Indonesia, and the Philippines leading the way. **Chinese equities gained**, with both the Hang Seng (+1.9%) and Shanghai Composite higher (+0.5%). Media reports suggested Chinese regulators were compiling a more comprehensive list of property developers eligible for priority financing. In Latin America, the Colombian peso underperformed last week following a soft GDP print and renewed questions about the fiscal rule. Brazil's September economic activity slowed more than expected, falling to 0.32% y/y (vs 0.85% expected), from 1.28% in August.

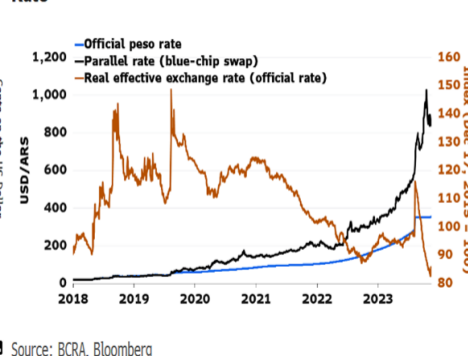
## Argentina

**Javier Milei wins Argentina's presidency in yesterday's runoff election.** Sergio Massa conceded before official results were released, when Milei had a 56–44% lead with 99% of votes accounted for, according to Bloomberg. Sovereign dollar bonds gained in early trading this morning, while several firms, including YPF, gained in premarket trading through their depository receipts. During his campaign, Mr. Milei pledged to dollarize the country, cut public spending, and shut down the central bank to rebuild the economy. Argentine markets are closed for a holiday, but analysts are expecting further weakness in the parallel market exchange rate.

**Argentine Bonds Poised to Gain After Milei Wins Presidency**  
Investors cheer market friendly turn in crisis wracked economy



**Parallel Peso May Widen Gap With Overvalued Official Rate**



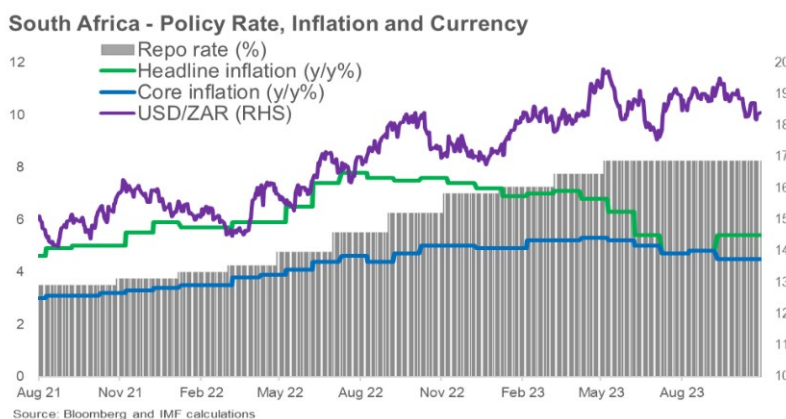
## China

**China is on course to issue a record amount of government bonds in 2023.** Bloomberg reports that 1.5tn yuan (\$207bn) worth of bonds will be sold by the end of the year, part of a planned 11.1tn annual funding package, the largest annual volume on record. A slowing economy and a strong demand for risk free assets has kept interest rates in check and interest costs at a manageable level for the government. The People's Bank of China (PBOC) has stepped in with rate cuts and liquidity injections to stabilize the bond market whenever any signs of stress have emerged. Last week, the PBOC injected 600bn yuan into the system via its medium-term lending facility, the largest such move in seven years, to address the lingering effects of a liquidity squeeze in October. Heavy government bond issuance and large funding needs from the major Chinese banks had driven short term interest rates higher at the time, but conditions have mostly normalized.



## South Africa

**The South African Reserve Bank (SARB) is expected to keep rates on hold at the policy meeting on Thursday.** Bloomberg consensus expects the SARB to keep its benchmark rate unchanged at 8.25% on Thursday, despite expectations that data released on Wednesday will show headline inflation accelerating to 5.6% y/y in October (from 5.4%). Bank of America analysts also expect the SARB to remain on hold, pointing out that the oil price increase was short-lived, with the view that recent pressures would reverse by the November print. Other contacts highlight that global interest rate and inflation developments reinforce their expectations for the SARB to not tighten further.





## EM Fund Flows

**Hard currency bond funds saw renewed outflows last week alongside small inflows for equity funds and local currency bonds ex. China.** EM bond funds saw renewed outflows (-\$1.5bn), largely driven by global EM hard currency funds (-\$1.2bn). Hard currency funds have underperformed in 2023, with YTD outflows of \$23.7bn driven by retail investors. Local currency bond funds saw small inflows for EM ex. China (+\$63mn), while China dedicated fund outflows (-\$176mn) continued for the forty-fourth—consecutive week. Small equity inflows were mostly driven by Latin America regional funds, while Asia (ex. Japan), and EMEA saw outflows.

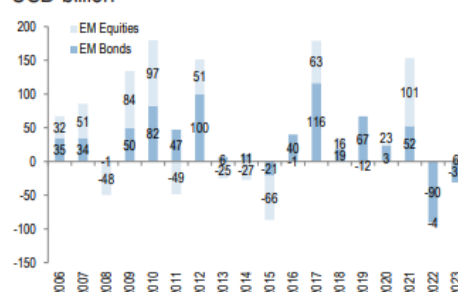
Figure 1: Weekly cross-asset flows

USD billion

Asset	Flw flows (Bw ago -> current)	This wk	YTD
<b>EM Bonds and Equities</b>		-1.4	-25.3
<b>EM Bonds</b>		-1.5	-31.1
Hard Ccy		-1.3	-23.7
Local Ccy <sup>a</sup>		-0.1	-7.4
o.w. EM ex-China		0.1	-2.4
o.w. China		-0.2	-6.1
<b>EM Equities</b>		0.0	5.9
US HG		0.5	244.2
US HY		3.1	-2.0
Global Equities		18.2	-57.2
<b>EM Bond and Equity ETFs</b>		0.5	29.3
EM Bond ETFs		-0.4	-3.7
EM Equity ETFs		0.9	33.0
<b>Non-resident EM flows*</b>		4.4	18.0

Figure 2: EM bond and equity fund flows

USD billion






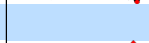



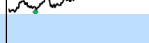


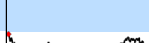



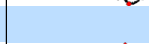






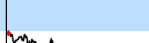



\*High frequency non-resident EM portfolio flow data where available. <sup>a</sup>Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Deputy Division Chief), 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), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Benjamin Mosk (Senior Financial Sector Expert), 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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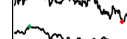











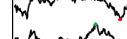





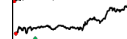






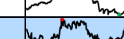






## Global Financial Indicators

11/20/23 8:15 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4516	0.1	2	7	14	18
Europe		4331	-0.2	2	8	10	14
Japan		33388	-0.6	2	7	19	28
China		3576	0.2	0	2	-5	-8
Asia Ex Japan		66	0.2	3	6	3	1
Emerging Markets		39	0.1	3	7	3	4
Interest Rates			basis points				
US 10y Yield		4.47	3.3	-17	-45	64	59
Germany 10y Yield		2.62	2.9	-10	-27	60	5
Japan 10y Yield		0.75	-0.6	-12	-9	50	33
UK 10y Yield		4.14	3.7	-17	-51	90	47
Credit Spreads			basis points				
US Investment Grade		147	-0.1	-7	-15	-14	-11
US High Yield		429	-1.7	-3	-47	-42	-51
Exchange Rates			%				
USD/Majors		103.57	-0.3	-2	-2	-3	0
EUR/USD		1.09	0.1	2	3	7	2
USD/JPY		148.4	-0.8	-2	-1	4	13
EM/USD		48.1	0.3	2	3	-3	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		82.2	1.9	0	-10	2	1
Industrials Metals (index)		140	0.6	1	3	-12	-16
Agriculture (index)		65	0.5	-2	0	-3	-5
Implied Volatility			%				
VIX Index (%, change in pp)		14.2	0.4	-0.6	-7.5	-8.9	-7.5
Global FX Volatility		7.5	0.1	-0.2	-0.8	-3.8	-3.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		123	-3.9	-3	-25	-102	-82
Italy		174	-3.1	-11	-30	-15	-40
Portugal		62	-4.4	-10	-10	-30	-39
Spain		100	-1.1	-6	-11	0	-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: 11/20/2023 8:16 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		7.17	0.6	1.6	2	0	-4		2.7	1.0	0	-12	-41	-41
Indonesia		15445	0.3	1.7	3	2	1		6.7	-29.1	-19	-44	-40	-28
India		83	-0.1	0.0	0	-2	-1		7.6	10.0	1	-23	9.3	11
Philippines		56	0.2	0.9	2	3	0		5.9	0.0	1	11	-20	-8
Thailand		35	0.0	2.6	4	3	-1		3.0	2.0	-21	-48	19	37
Malaysia		4.67	0.3	0.9	2	-2	-6		3.8	-1.1	-6	-28	-46	-21
Argentina		354	-0.1	-1.1	-1	-54	-50		110.2	21.6	-30	492	1599	2196
Brazil		4.88	0.6	0.6	3	9	8		11.1	9.8	-19	-82	-211	-146
Chile		879	0.7	5.0	7	7	-3		5.3	3.2	-11	-76	-1	-1
Colombia		4056	0.9	-0.5	4	22	20		8.3	0.0	-18	-109	-224	-153
Mexico		17.17	0.4	2.6	6	14	14		8.9	-1.0	-25	-72	10	16
Peru		3.8	0.3	1.2	2	2	1		7.1	0.1	-9	-66	-92	-87
Uruguay		40	0.0	1.2	1	0	1		9.5	-6.1	-18	-31	-161	-117
Hungary		347	0.3	1.8	4	15	8		6.8	-5.0	-47	-85	-142	-282
Poland		4.00	0.6	3.6	5	15	10		4.8	5.0	-22	-38	-141	-133
Romania		4.5	0.2	2.2	3	6	2		6.8	-2.9	11	-7	-116	-88
Russia		88.7	0.9	3.3	8	-31	-16							
South Africa		18.4	-0.4	1.6	3	-6	-8		9.2	1.5	-31	-76	18	8
Turkey		28.76	-0.2	-0.6	-3	-35	-35		30.1	-11.0	-161	89	1855	2029
US (DXY; 5y UST)		104	-0.3	-2.0	-2	-3	0		4.47	2.8	-19	-39	46	46

	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		3576	0.2	0	2	-5	-8		165	2	-2	-41	-12	
Indonesia		6995	0.2	2	2	-1	2		124	-2	2	-56	-16	
India		65655	-0.2	1	0	7	8		126	-2	-10	-24	-16	
Philippines		6184	-0.5	1	1	-3	-6		100	-2	1	-42	3	
Thailand		1419	0.3	2	1	-12	-15		0	0	0	0	0	
Malaysia		1457	-0.3	1	1	1	-3		89	-3	-6	-14	-11	
Argentina		645080	7.1	-2	-19	310	219		2423	-59	41	27	218	
Brazil		124775	0.1	3	10	15	14		226	1	7	-67	-48	
Chile		5796	0.7	1	3	12	10		141	-5	-1	-14	9	
Colombia		1125	1.5	2	1	-12	-13		324	9	-20	-83	-48	
Mexico		52685	0.4	3	9	2	9		366	0	2	-20	-15	
Peru		22256	-0.3	2	0	2	4		158	-4	-1	-26	-22	
Hungary		57070	0.1	0	1	28	30		194	4	5	-31	-28	
Poland		74965	1.2	5	10	37	30		115	0	7	61	42	
Romania		14697	0.0	1	5	26	26		216	23	7	-68	-40	
South Africa		74205	0.4	4	6	2	2		347	-28	-43	-48	-20	
Turkey		7978	1.6	5	6	76	45		361	-21	-30	-157	-79	
Ukraine		507	0.0	0	0	-2	-2		3630	139	-37	-58	-449	
EM total		39	0.2	3	7	3	4		393	-4	-8	-16	17	

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

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