



- Treasury auction for 20-year note goes smoothly ([link](#))
- ECB officials warn against premature pricing of rate cuts ([link](#))
- Chinese property bonds rally as authorities compile list of firms eligible for funding ([link](#))
- Forecasts expect sales growth to improve in 2024 but analysts see risks to the downside ([link](#))
- Chile third quarter growth surprises on the upside ([link](#))

[Mature Markets](#)


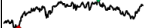








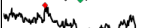
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## Bond yields edge lower and risk assets are mixed during quiet trading day

Market moves have been relatively subdued thus far, but global bond yields continue to grind lower this morning, bolstered by yesterday afternoon's successful Treasury auction. Central bank officials in Europe and the UK have tried to push back on market expectations of imminent rate cuts. Several emerging market currencies and stock markets continue to crawl higher, helping push the broad dollar index nearly 1% lower over the last week. European and Japanese equity markets posted small losses, while US stock futures inched lower. Chinese property developer bonds gained on reports that authorities are pushing banks to boost funding to an approved list of firms. The release of the FOMC minutes today may shed more light on the Fed's view of the economy, though the large moves in bond markets since then may diminish any market sensitivity. Large tech companies have dominated market gains this year, and investors will be eyeing Nvidia's earnings report today for signs that the gains have been warranted.

Key Global Financial Indicators

Last updated: 11/21/23 8:09 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4547	0.7	3	8	15	18
Eurostoxx 50		4336	-0.1	1	8	11	14
Nikkei 225		33354	-0.1	2	7	19	28
MSCI EM		40	1.2	4	8	6	5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.41	-1.4	-4	-51	58	53
Germany 10y Yield		2.59	-1.9	-1	-30	60	2
EMBIG Sovereign Spread		424	-2	-10	-30	-63	-28
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		48.2	-0.1	1	4	-3	-3
Dollar index, (+) = \$ appreciation		103.3	-0.1	-1	-3	-4	0
Brent Crude Oil (\$/barrel)		81.9	-0.5	-1	-11	-6	-5
VIX Index (% change in pp)		13.4	0.0	-1	-8	-9	-8

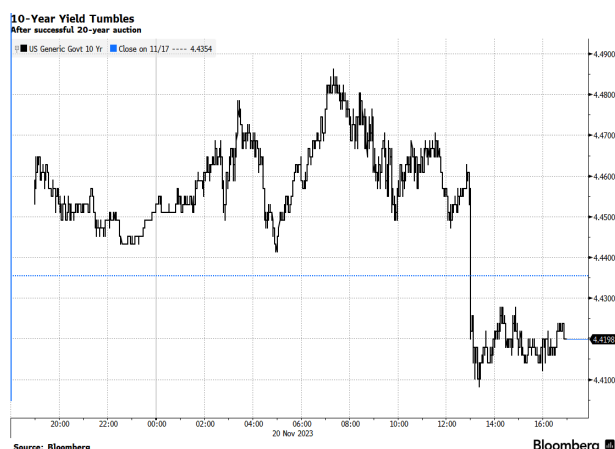
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

## Mature Markets

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## United States

**Treasury auction for 20-year notes goes smoothly, helping spur afternoon rally.** Yesterday's well-received 20-year auction came as a relief following last week's 30-year auction tail. Both stocks and bonds jumped higher in the afternoon following the auction results, as the **S&P500 gained 0.7% on Monday**. Treasury auction results have carried increasing weight lately as concerns over heavy Treasury supply remain in focus. Some market analysts attribute the improved auction results to the market's increasing conviction that rate hikes are now behind them. The bullish sentiment is reflected in Goldman Sachs economic surprise index, which turned positive following the inflation data surprises to the downside last week. While GS analysts believe that market pricing of nearly four rate cuts for 2024 is aggressive, they consider the priced-in easing plausible in case a recession scenario triggers aggressive cuts, or in case inflation declines faster than expected.



**Exhibit 1 : Following extreme bearishness through the early part of October, market sentiment appears to have turned mildly bullish**

Exponentially-weighted average of 10y UST yield change implied by beta to data surprises, minus actual change; in percentage points



Source: Goldman Sachs Global Investment Research

**Consensus forecasts expect sales growth to improve in 2024, but analysts see risks to the downside.** While earnings growth is on track to remain muted in both the US and Europe in 2023, consensus expects both topline sales and margins to improve in 2024. However, JPMorgan analysts believe expected sales growth of 5% (2% in 2023) in the US is optimistic given their view that corporates are starting to face reduced pricing power. Weaker PPIs have historically signaled weaker earnings growth, while profit margins remain elevated compared to historical averages. Moreover, corporate earnings have been expanding well above trend growth rates.

Current corporate earnings are above trend, and the consensus expects further acceleration in 2024 and 2025...

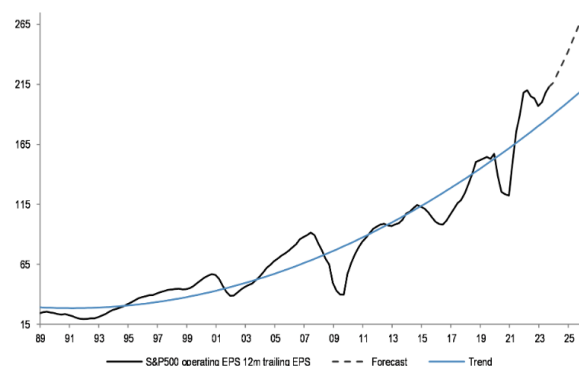
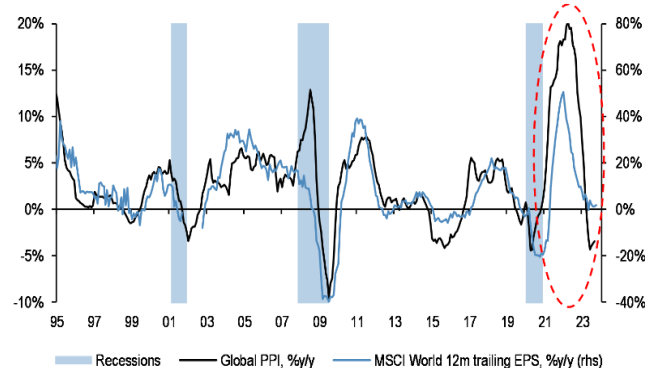


Figure 9: MSCI World EPS vs global PPI

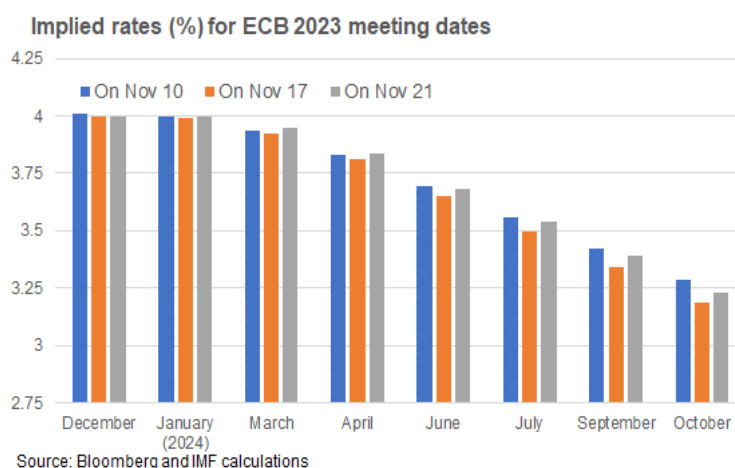


Source: J.P. Morgan, Datastream

## Europe

**European equities were mixed with the Stoxx 600 equity index little changed.** Sovereign bond yields edged lower this morning with the 10y bund yield (-2 bps) trading at around 2.6%, while Italian 10y spreads continued to narrow (-3 bps to 171 bps). The euro was marginally stronger against the dollar (+0.2% to €1.09/\$). According to Bloomberg sources, France is at risk of being placed on the EU's fiscal watch list. Separately, the German Finance Ministry imposed a freeze on new spending following last week's ruling by the Constitutional Court.

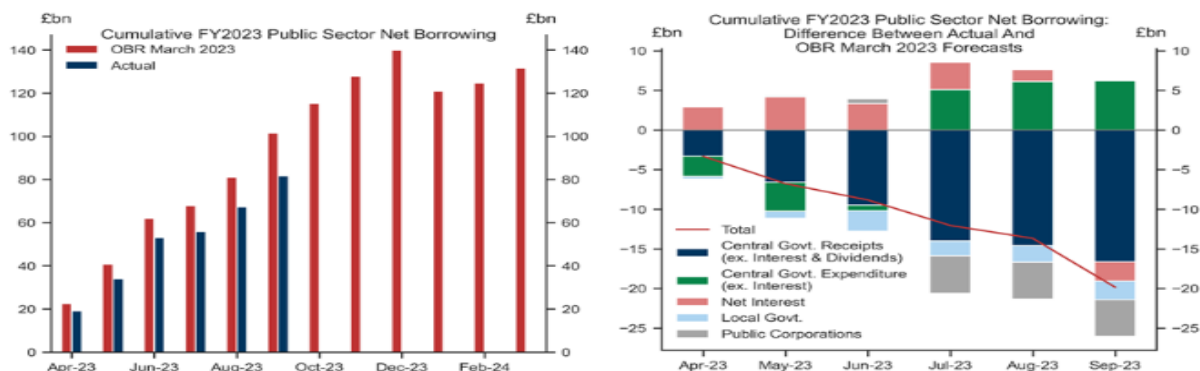
**ECB officials caution against market expectations for policy easing.** ECB governing council (GC) member Hernandez de Cos said that its "absolutely premature" to start talking about ECB cutting rates, while ECB GC member Villeroy noted no expectations for rate changes in the coming quarters, arguing that investors have shifted too quickly from terminal rate to rate cuts. Moreover, ECB GC member Simkus sees expectations that rates would be cut in a few months as too optimistic. ECB GC member Wunsch also cautioned that the ECB might have to hike interest rates again if investor wagers on interest rate cuts undermine the ECB's policy stance. The market now prices roughly 31 bps of easing by the June 2024 ECB meeting, compared to 35 bps priced last Friday.



## United Kingdom

**BoE Governor Bailey said that it is far too early to consider interest rate cuts and reiterated that rates might have to increase further if there are further signs of inflation persistence.** Contacts still see the bar for further tightening as very high. Markets have scaled back easing expectation slightly, with markets pricing in a roughly 89% chance of a 25 bps rate cut by the BoE by June 2024 (compared to 99% last Friday), and roughly 60 bps worth of easing priced in by November (compared to 62 bps priced in last Friday).

**Markets remain focused on the forthcoming Autumn Statement scheduled for November 22.** Goldman Sachs analysts expect the government to use additional headroom, as higher tax receipts overshadowed higher interest expenses, to make modest tax reductions. Moreover, PM Sunak said that the government could start to cut taxes after reaching the objective of halving inflation this year. Data released this morning showed UK government borrowing in October surprised on the upside (PSNB ex. banking groups £14.9bn in October vs expected £12.8bn) and also higher than the Office for Budget Responsibility March forecast (£13.7bn).

**Exhibit 1: Borrowing Below OBR's Expectations, Driven By Higher Tax Receipts**

Source: Goldman Sachs Global Investment Research, Haver Analytics, OBR

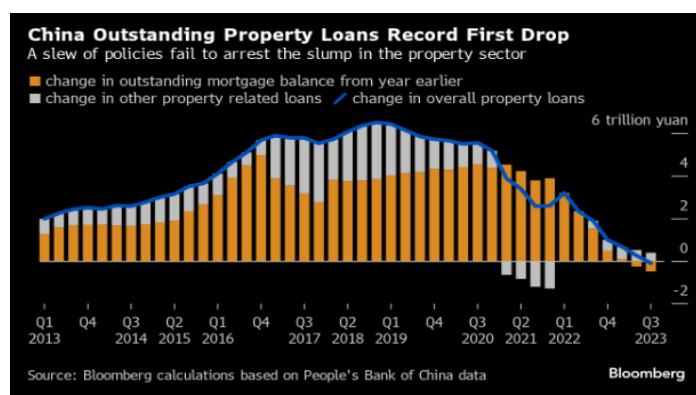
## Emerging Markets

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**EMEA equity markets were mostly lower while currencies were mixed.** The polish zloty weakened against the euro (-0.2% to 4.36/€) after reaching a new 3-year high against the euro yesterday. The Hungarian forint climbed higher after the central bank cut the policy rate 75 bps as expected. **Asian markets were mixed, with equities in India (+0.5%), Korea (+0.8%), Taiwan POC (+1.2%), and Malaysia (+0.4%) outperforming.** The Malaysian ringgit, Philippine peso, and Chinese yuan led regional currency gains. **Latin American stocks and currencies rallied to start the week.** Chile (+1.2%) and Brazil (+1%) had notable equity gains, while Mexico and Argentina's stock markets were closed for holidays. The Colombian peso (+1.4%) led the regional currency advance, while Brazil, Chile, Peru also gained.

## China

**Property developers' dollar bonds gained on reports that regulators are preparing a whitelist of developers eligible for funding.** The alleged list of fifty firms is said to include both private and state-owned developers and is intended to guide financial institutions to support the property sector via bank loans, debt, and equity financing. Analysts speculate that distressed developers with bond default are unlikely to be included. On Friday, regulators met with large banks, brokerages and distressed asset managers and guided them to meet developers' "reasonable" funding needs and to treat private and state-owned developers the same. While yet to be verified, Caixin reported that banks may be required to implement *the three minimums*. Specifically, 1) each bank's lending to the property sector cannot be slower than industry average; 2) each bank's lending to private developers cannot be slower than the average loan growth to the property sector; 3) each bank's mortgages to private developers cannot be slower than the average growth of all mortgages. In September, outstanding loans to the property sector fell on an annual basis for the first time.

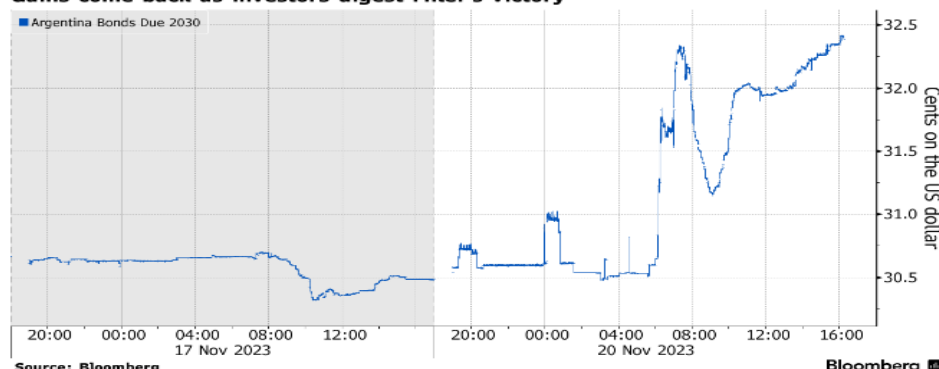


## Argentina

**Argentine assets gained following the presidential election.** Although Argentine markets were closed for a holiday, US listed shares of Argentine companies (including depository receipts) and sovereign dollar bonds extended their early morning gains following Javier Milei's defeat of economic minister Sergio Massa in Sunday's runoff election. The Global X MSCI Argentina ETF rose 11.6% on Monday, highlighted by hopes of privatization for some firms (YPF +40%), while outstanding dollar bonds rose 2–3 pts but remain in distressed territory.

### Argentina's 2030 Dollar Bond Resumes Climb

Gains come back as investors digest Milei's victory

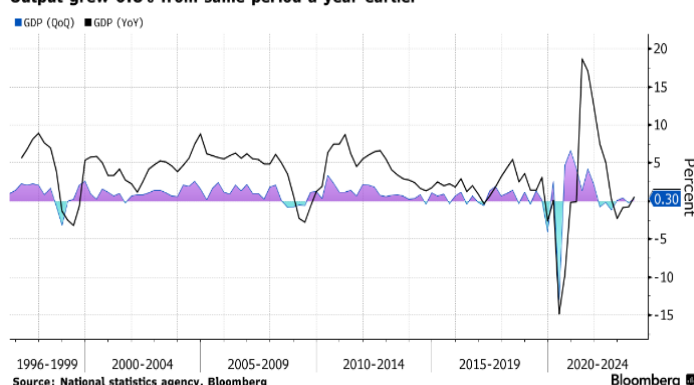


## Chile

**Chile's third quarter GDP surprised on the upside.** Third quarter economic activity grew more than expected at 0.6% y/y (vs consensus 0.2%) and 0.3% q/q. Mining output rose 4.6%, while the rest of the economy contracted during the quarter. Chile's IPSA Index (+1.2%) outperformed and the peso appreciated (+1%) following the release.

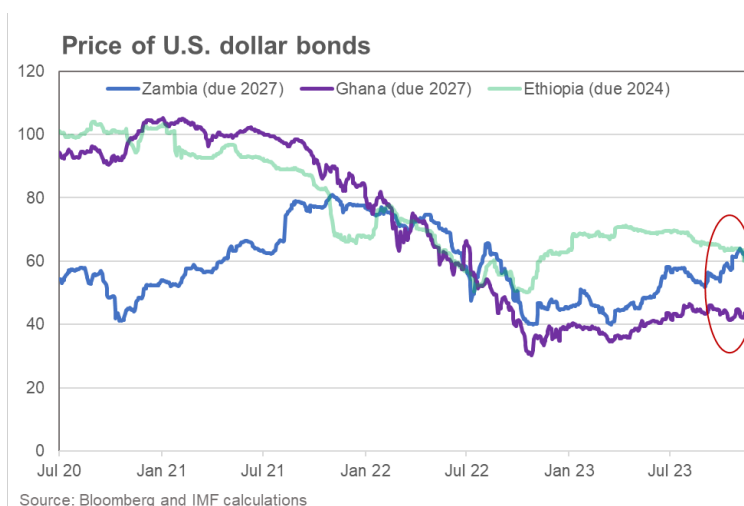
### Chile's Economy Expands in Third Quarter

Output grew 0.6% from same period a year earlier



## Zambia

**Zambia's Eurobond prices fell after the Zambian government announced that a restructuring agreement with its Eurobond holders could not be implemented.** The official creditors committee (OCC) said the revised proposal was not comparable to the debt treatments granted to the country by the OCC on November 17. Moreover, France and China, the OCC co-chairs, said that "there was no consensus" among OCC members regarding the magnitude of additional present-value concessions that would be needed from bondholders in the base case to adhere to the comparability-of-treatment principle. Yesterday saw the largest one-day drop in Zambia's 2027 bond price since October 2022, according to Bloomberg.













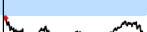

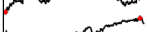

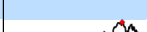


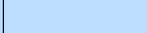
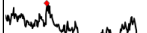

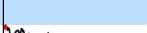




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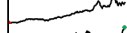


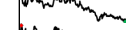






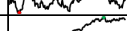
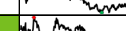



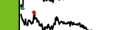









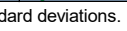
## Global Financial Indicators

11/21/23 8:09 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		4541	0.7	1	7	15	18
Europe		4336	-0.1	1	8	11	14
Japan		33354	-0.1	2	7	19	28
China		3581	0.1	0	2	-5	-8
Asia Ex Japan		66	1.2	4	7	6	3
Emerging Markets		40	1.2	4	8	6	5
<b>Interest Rates</b>			basis points				
US 10y Yield		4.41	-1.4	-4	-51	58	53
Germany 10y Yield		2.59	-1.9	-1	-30	60	2
Japan 10y Yield		0.70	-4.7	-16	-14	46	28
UK 10y Yield		4.11	-1.9	-5	-55	92	43
<b>Credit Spreads</b>			basis points				
US Investment Grade		146	-0.6	-6	-17	-15	-13
US High Yield		428	1.2	-2	-48	-43	-53
<b>Exchange Rates</b>			%				
USD/Majors		103.32	-0.1	-1	-3	-4	0
EUR/USD		1.10	0.1	1	3	7	2
USD/JPY		147.5	-0.6	-2	-1	4	13
EM/USD		48.2	-0.1	1	4	-3	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		81.9	-0.5	-1	-10	1	1
Industrials Metals (index)		140	-0.3	1	3	-9	-15
Agriculture (index)		66	0.1	-1	1	-2	-4
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		13.4	0.0	-0.7	-8.3	-8.9	-8.2
Global FX Volatility		7.5	0.0	0.0	-0.8	-3.9	-3.2
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		119	-3.2	-12	-30	-109	-87
Italy		172	-1.4	-9	-32	-23	-42
Portugal		63	-1.7	-7	-9	-30	-39
Spain		98	-1.2	-6	-13	-2	-11

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

## Emerging Market Financial Indicators

Last updated: 11/21/2023 8:11 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		7.14	0.4	1.6	2	0	-3		2.7	2.0	3	-9	-39	-39
Indonesia		15440	0.0	1.7	3	2	1		6.7	-0.5	-29	-45	-42	-28
India		83	0.0	0.0	0	-2	-1		7.6	1.0	2	-21	10.3	12
Philippines		55	0.3	1.2	3	4	1		5.9	-0.1	1	11	-20	-8
Thailand		35	-0.3	2.4	4	3	-2		2.9	-5.5	-22	-53	13	32
Malaysia		4.66	0.2	1.3	3	-2	-5		3.9	0.4	-3	-26	-52	-18
Argentina		354	0.0	-1.1	-1	-54	-50		110.2	0.0	150	396	1737	2196
Brazil		4.88	-0.5	-0.3	3	9	8		11.1	4.1	-4	-83	-212	-147
Chile		877	-0.1	1.7	7	7	-3		5.2	-4.5	0	-96	-13	-13
Colombia		4033	0.1	-1.6	5	23	20		8.1	-10.8	-10	-124	-239	-168
Mexico		17.13	0.0	1.2	6	14	14		8.9	-1.0	-25	-72	10	16
Peru		3.7	0.8	2.1	4	3	2		7.1	-0.2	-11	-67	-91	-88
Uruguay		39	0.1	1.4	1	1	2		9.5	1.9	-17	-34	-141	-115
Hungary		346	0.3	-0.1	3	15	8		6.6	-8.5	-52	-108	-165	-305
Poland		3.98	-0.1	1.5	5	15	10		4.8	-1.4	-12	-49	-144	-137
Romania		4.5	0.1	0.7	3	6	2		6.8	2.7	10	-10	-110	-86
Russia		88.1	0.5	2.9	7	-30	-16							
South Africa		18.4	-0.2	-0.9	3	-6	-7		9.2	-4.0	-17	-85	12	2
Turkey		28.80	-0.1	-0.6	-2	-35	-35		30.2	8.0	-146	92	1882	2032
US (DXY; 5y UST)		103	-0.1	-0.7	-3	-4	0		4.42	-1.4	-1	-43	40	42

	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		3581	0.1	0	2	-5	-8		164	1	-8	-41	-13
Indonesia		6962	-0.5	1	2	-1	2		128	4	-3	-52	-12
India		65931	0.4	2	1	7	8		124	-4	-15	-29	-18
Philippines		6209	0.4	2	1	-3	-5		106	5	-2	-35	9
Thailand		1424	0.3	3	2	-12	-15		0	0	0	0	0
Malaysia		1463	0.4	1	2	2	-2		87	-5	-8	-14	-13
Argentina		645080	7.1	-2	-19	310	219		2253	-249	-165	-201	48
Brazil		125957	1.0	5	11	15	15		224	-5	2	-63	-50
Chile		5818	1.2	2	3	10	11		138	-9	-4	-14	6
Colombia		1125	0.0	2	1	-9	-13		322	2	-28	-85	-50
Mexico		52685	0.4	3	9	2	9		363	-8	-2	-19	-18
Peru		22290	0.2	4	0	2	5		157	-8	-6	-25	-23
Hungary		56664	-0.4	-2	1	27	29		194	-4	-9	-29	-28
Poland		74913	0.2	1	10	38	30		113	-1	-5	73	40
Romania		14738	0.5	1	5	26	26		217	13	-3	-66	-39
South Africa		74098	-0.3	1	6	3	1		349	-37	-43	-35	-18
Turkey		7994	0.6	4	6	75	45		358	-30	-45	-153	-82
Ukraine		507	0.0	0	0	-2	-2		3637	101	-179	-47	-442
EM total		40	-0.3	4	8	6	5		386	-15	-23	-20	11

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

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