



- RMB fixing at the strongest level since June ([link](#))
- Bank of Japan reduced its bond purchases at its regular market operations ([link](#))
- Hedge funds concentrate their portfolios on tech stocks ([link](#))
- Analysts expect developments around Germany's budget to be supportive of bunds ([link](#))
- Hungary's central bank cut the policy rate by 75 bps, with more easing expected ([link](#))
- Angola's central bank hiked by 100 bps, the first hike in more than two years ([link](#))

[Mature Markets](#)





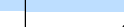


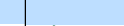


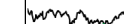
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Markets drift toward holiday lacking new direction after eventful November

Market moves have been muted in the last 1–2 days, with stocks and bond yields moving in a more measured range after the soft-landing narrative drove a broad rally over the last couple weeks. The dollar's downward momentum took a breather on Wednesday, as most emerging market currencies edged lower, while the euro was little changed. European and Japanese equity markets drifted higher, while EM Asia was mixed. Treasuries gave up early gains this morning following lower than expected jobless claims, with yields little changed on net over yesterday. Chip titan Nvidia beat consensus earnings expectations yesterday, but the stock trended lower in part due to concerns about export curbs on China. Oil prices were down over 3% after reports that OPEC would delay its scheduled meeting. Happy Thanksgiving!

Key Global Financial Indicators

Last updated: 11/22/23 8:46 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4538	-0.2	1	7	13	18
Eurostoxx 50		4348	0.4	1	8	11	15
Nikkei 225		33452	0.3	0	8	19	28
MSCI EM		40	-0.6	1	8	5	4
Yields and Spreads			bps				
US 10y Yield		4.39	-0.4	-14	-53	63	51
Germany 10y Yield		2.54	-2.4	-10	-35	56	-3
EMBIG Sovereign Spread		417	-7	-17	-37	-72	-35
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		48.0	-0.2	0	3	-3	-4
Dollar index, (+) = \$ appreciation		103.7	0.1	-1	-2	-3	0
Brent Crude Oil (\$/barrel)		79.4	-3.7	-2	-14	-10	-8
VIX Index (% change in pp)		13.0	-0.4	-1	-9	-8	-9

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

Mature Markets

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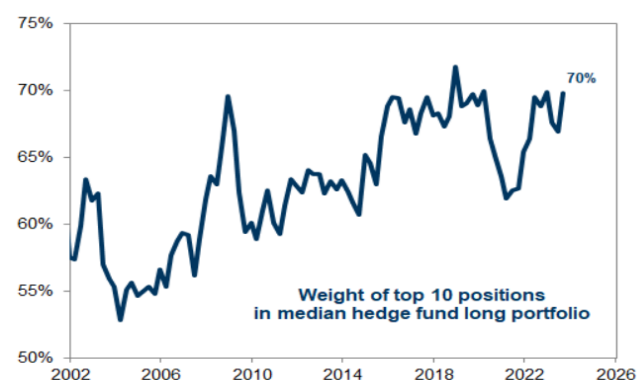
United States

US initial jobless claims unexpectedly fell to 209k, down from 233k previously, while continuing claims also eased. Conversely, durable goods orders declined by more than expected. Two-year yields rebounded from session lows on the news.

	ACTUAL	EXPECTED
INITIAL JOBLESS CLAIMS	209k	227k
CONTINUING CLAIMS	1.840 mn	1.875 mn
DURABLE GOODS ORDERS	-5.4%	-3.2%

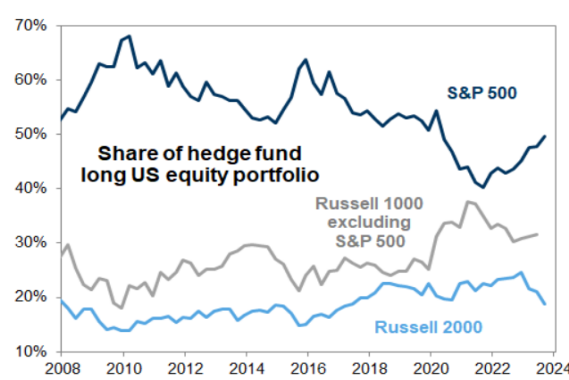
Hedge fund portfolios are concentrated in tech stocks, fueled in part by expectations for a continued AI boom. According to Goldman Sachs, hedge funds have concentrated their investment portfolios on a narrow bucket of US equities, primarily mega-cap tech firms. The *'Magnificent 7'* have gained 107% YTD on average and fueled the 18% rally in the S&P500 in 2023. The typical hedge fund has been holding 70% of its long portfolio in its top ten positions. Conversely, the weight of small-cap stocks (as measured by the Russell 2000) in hedge fund portfolios has decreased in 2023.

Exhibit 23 : Hedge fund portfolio density increased
holdings as of September 30, 2023



Source: Goldman Sachs Global Investment Research

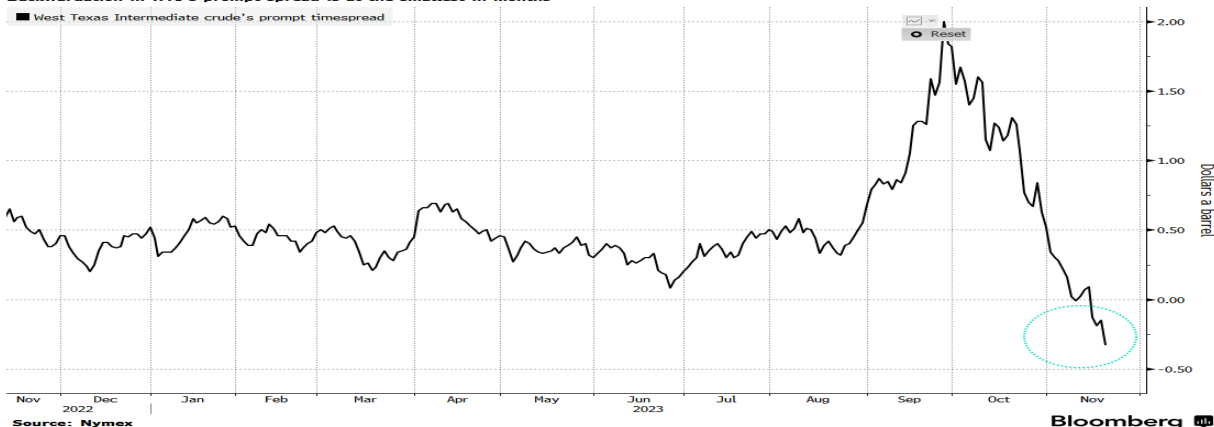
Exhibit 21 : Small-cap weight in hedge fund portfolios has declined as large stocks have outperformed



Source: Goldman Sachs Global Investment Research

Contango in US oil market suggests continuing oversupply. The price difference between WTI crude oil futures for delivery in one month versus two months, known as the prompt-spread, is signaling oversupply. The prices are in contango, indicating that oil contracts for immediate delivery are trading at a discount compared to those available a month later. This suggests ample supply, as buyers are not willing to pay the typical premium for immediate delivery. Instead, the situation incentivizes sellers to store crude oil, and sell it at a later date for a higher price. These developments have strengthened investor belief that a supply cut by OPEC+ may be on the horizon at the November 26th meeting. Analysts at JP Morgan anticipate that Saudi Arabia and Russia will extend their voluntary production cuts through Q1 2024.

A Bullish Oil Pattern Is Fading
Backwardation in WTI's prompt spread is at the smallest in months



Source: Nymex

Bloomberg

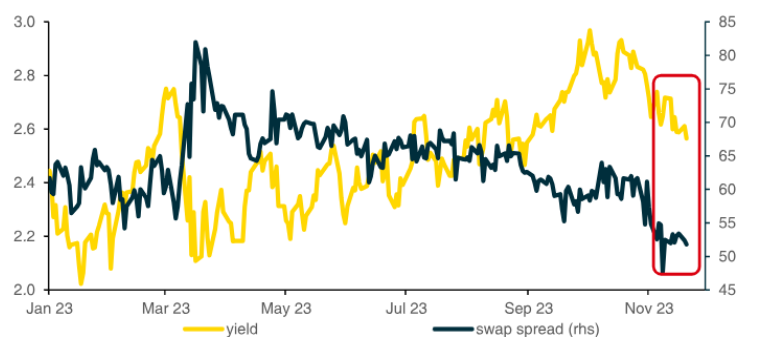
Europe

European equities were trading higher with the Stoxx 600 equity index up +0.3%. The euro was marginally weaker against the dollar this morning (-0.1% to €1.09/\$), with analysts noting that last week's Constitutional Court ruling in Germany has not yet had a significant impact on the currency. Elsewhere, ECB officials have been pushing back on expectations of imminent rate cuts in recent days. **ECB President Lagarde argued that it is too soon to 'start declaring victory' over inflation but noted expectations for further weakening of overall inflationary pressures.** ECB's Schnabel expects that the recent disinflation process will slow.

Some analysts expect developments around Germany's budget to be supportive of bunds. Commerzbank analysts note the lack of a clear solution to the German budget ahead of the budget committee meeting tomorrow. Analysts see the only option for the 2023 budget to be the declaration of an emergency situation, but looking further ahead analysts see spending cuts as inevitable. However, while ING analysts argue that the ruling could limit Germany's fiscal maneuverability in 2024, it could also result in a softer interpretation of fiscal rules across the region. Against this backdrop, analysts think developments could be bund-supportive, but are unlikely to result in a reversal in the swap spread tightening. **10-yr bund yields were down 4 bps.**

Bunds establishing new range at lower yields but swap spreads don't budge

10y Bund yield, in %, and swap spread /6m vs 1st future, in bp



Source: Bloomberg, Commerzbank Research

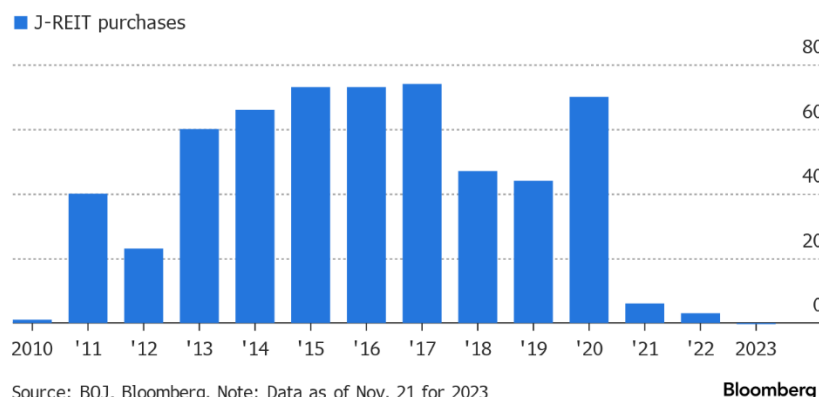
United Kingdom

The pound was marginally weaker against the dollar (-0.1% to 1.25), with gilt yields little changed (+1 bp), ahead of the Autumn budget statement later today. UK chancellor Jeremy Hunt is set to present the statement, and recent media reports suggest that a cut in national insurance contributions as well as tax cuts for businesses are being considered ahead of the national election expected next year.

Japan

The Bank of Japan (BOJ) reduced its bond purchases at regular market operations. The BOJ bought 525.7 bn yen (\$3.5 bn) of 5 to 10-year JGBs and 75.3 bn yen (\$0.5 bn) of JGBs due in more than 25 years, down from 575 bn yen (\$3.9 bn) and 100 bn yen (\$0.7 bn) respectively, at the previous operation. The BOJ's move caught the market by surprise. Market analysts interpreted the downshift in purchases as a sign that the BOJ wants to allow yields to gradually rise. Long-end JGB yields increased, with 10-year yield rising to 0.72% (+2 bps) and 30-year yield rising to 1.64% (+5 bps). The BOJ also appears to be on track to slow and eventually halt its purchases of risk assets in the market, such as real estate investment trusts (REITs) and exchanged-traded funds (ETFs). In 2023, the BOJ has avoided the local REIT market, while it purchased local ETFs on three occasions. Japanese yen depreciated to 149 yen per dollar (-0.4%), in line with other regional currencies. Japanese equities gained (NIKKEI: +0.3%).

BOJ Has Refrained From Buying J-REITs This Year



Emerging Markets

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EMEA equity markets were mixed while regional currencies declined. The South African rand underperformed (-0.3% to 18.69/\$) after data released this morning showed an upside surprise in October's inflation print. Contacts nevertheless still expect the South African Reserve Bank to leave rates unchanged at the policy meeting tomorrow. **The central bank of Zambia hiked its policy rate by 100 bps to 11% today (vs 50 bp expected),** while also increasing the minimum statutory reserve ratio by 250 bps to 17%. **Asian currencies depreciated amid the broad-based USD strengthening,** led by Taiwan dollar (-0.9%), Indonesian rupiah (-0.9%), and Korean won (-0.9%). Asian equities were mixed today, falling 0.8% on net. Chinese (CSI 300: -1.0%), Indonesian (-0.8%), and Thai (-0.7%) equities declined, while share prices rose in the Philippines (+0.7%) and Singapore (+0.6%). **Hong Kong SAR-listed property stocks gained on news that distressed firms like Country Garden and Sino-Ocean Group will be included on the whitelist of fifty property developers prioritized for financing.** **Most Latin American currencies depreciated on Tuesday,** while the Chilean peso (+0.7%) outperformed.

China

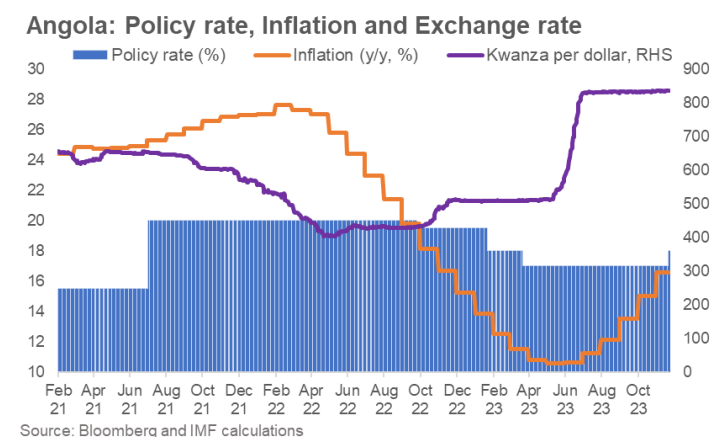
The People's Bank of China (PBC) set the daily RMB fixing at the strongest level since June. The RMB depreciated slightly to 7.14 yuan per dollar (-0.1%) amid broad dollar strength. The PBC set the daily RMB fixing at 7.1254 yuan per dollar, sending a signal for its desire for a stronger RMB. The RMB has appreciated in recent weeks, benefiting from the fall in US Treasury yields and easing geopolitical tensions after the Biden-Xi summit. Easing downward pressures have helped narrow the deviation of the daily RMB fixing from market expectations; today's deviation amounted to 178 pips, the smallest magnitude since July.

PBOC Raises Yuan Fixing to Strongest Level Since June



Angola

The central bank of Angola hiked its benchmark interest rate by 100 bps to 18%, the first hike in more than two years, and analysts expect further tightening. The governor said that the higher rate is justified by a rising inflation trend—headline inflation increased to 16.6% y/y in October—with analysts pointing to kwanza depreciation and higher petrol prices. The currency depreciated by nearly 40% against the dollar between May and June, though has stabilized since then. **Absa analysts forecast at least 200 bps of further tightening next year**, with expectations that a further reduction in fuel subsidies would see inflation increase to 25% y/y by mid-2024.

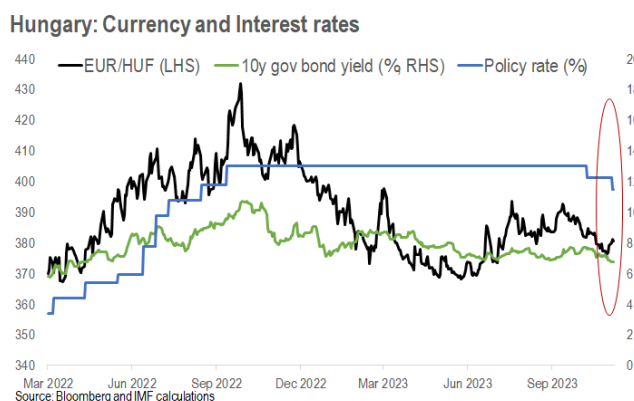


Argentina

Argentina's local stock market index (MERVAL) posted its biggest one day gain on record. Argentine stocks gained as much as 25% intraday, before closing up 22.8%, outperforming all equity indices yesterday. Argentine stock markets opened on Tuesday for the first time following the presidential election, while US listed stocks (though depository receipts) had traded on Monday.

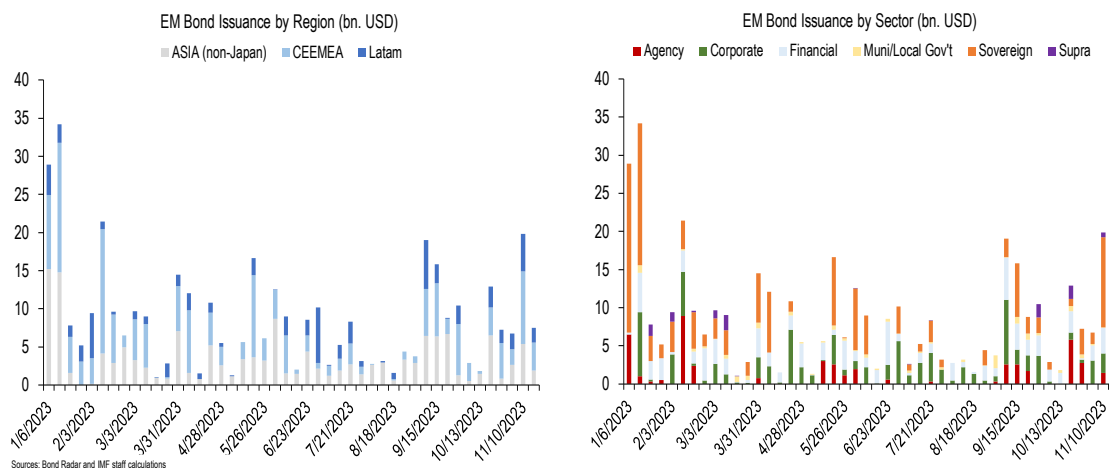
Hungary

Hungary's central bank cut the policy rate 75 bps as expected. The policy statement was little changed when compared to the previous meeting, and in the press conference Deputy Governor Virag reaffirmed his recent comment that interest rates could ease to under 10% by February. JPMorgan analysts expect the central bank to cut the base rate by 75 bps in December as well as in January, and then slow the easing pace to 50 bps per meeting thereafter. Analysts forecast the policy rate at 6.25% by end-2024 and 5% by end-2025. ING analysts see yesterday's policy meeting as positive for the Hungarian forint, which has weakened by close to 0.8% since the start of last week, though a new catalyst would likely be required for additional gains.



EM Bond Issuance

EM weekly bond issuance slowed after exceptionally large volumes the previous week. Weekly issuance ending on November 17 totaled \$7.5 bn, down from \$19.9 bn the previous week. Regionally, 49% of the issuance came from CEEMEA, while the balance was split evenly between Latin America (26%) and Asia ex-Japan (25%). Sovereigns (60%) accounted for a majority of new issue volume, followed by financials (24%).



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), 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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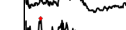
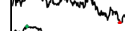
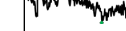



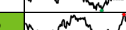









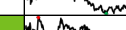



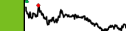












Global Financial Indicators

11/22/23 8:47 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		4544	-0.2	1	8	13	18
Europe		4348	0.4	1	8	11	15
Japan		33452	0.3	0	8	19	28
China		3544	-1.0	-2	2	-6	-8
Asia Ex Japan		66	-0.6	1	7	5	2
Emerging Markets		40	-0.6	1	8	5	4
Interest Rates			basis points				
US 10y Yield		4.39	-0.4	-14	-53	63	51
Germany 10y Yield		2.54	-2.4	-10	-35	56	-3
Japan 10y Yield		0.73	2.2	-8	-12	48	30
UK 10y Yield		4.11	0.5	-12	-54	97	44
Credit Spreads			basis points				
US Investment Grade		145	-0.3	-5	-17	-16	-13
US High Yield		430	1.1	3	-46	-39	-50
Exchange Rates			%				
USD/Majors		103.72	0.1	-1	-2	-3	0
EUR/USD		1.09	-0.1	0	2	6	2
USD/JPY		149.1	0.5	-1	0	6	14
EM/USD		48.0	-0.2	0	3	-3	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		79.4	-3.7	-2	-13	-3	-2
Industrials Metals (index)		139	-1.1	-1	2	-11	-16
Agriculture (index)		66	-0.6	-1	0	-2	-4
Implied Volatility			%				
VIX Index (% change in pp)		13.0	-0.4	-1.2	-8.7	-8.3	-8.7
Global FX Volatility		7.5	0.0	0.1	-0.8	-3.8	-3.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		122	1.3	-3	-27	-104	-84
Italy		175	-0.6	-5	-29	-19	-40
Portugal		64	-1.0	-5	-8	-29	-38
Spain		99	-0.5	-4	-12	0	-10

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

Emerging Market Financial Indicators

Last updated: 11/22/2023 8:26 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		7.15	-0.1	1.4	2	0	-4		2.7	2.0	4	-7	-37	-37
Indonesia		15575	-0.9	-0.3	2	1	0		6.7	0.5	-29	-44	-38	-28
India		83	0.0	-0.2	0	-2	-1		7.5	-3.1	8	-24	8.4	9
Philippines		55	-0.2	0.6	2	3	0		5.9	-0.3	1	11	-21	-8
Thailand		35	0.0	0.7	4	2	-2		3.0	1.5	-7	-52	22	33
Malaysia		4.68	-0.4	-0.1	3	-2	-6		3.8	-0.8	-1	-27	-53	-19
Argentina		357	-0.2	-1.0	-2	-54	-50		110.4	20.6	-65	417	1757	2217
Brazil		4.89	0.2	-0.5	3	10	8		11.1	-8.1	-8	-86	-230	-150
Chile		876	-0.6	1.4	7	6	-3		5.2	-4.0	-8	-101	-15	-18
Colombia		4092	-0.5	-1.7	3	20	19		8.1	3.0	-2	-120	-215	-164
Mexico		17.19	0.0	0.6	6	13	13		9.0	0.0	6	-62	32	24
Peru		3.7	-0.2	0.7	3	3	2		7.1	-0.3	-5	-70	#VALUE!	-91
Uruguay		39	0.0	1.3	2	0	2		9.5	-2.0	-11	-36	-138	-117
Hungary		349	0.1	-0.5	3	13	7		6.7	4.0	-34	-90	-115	-287
Poland		4.00	0.3	1.3	5	14	9		4.8	2.8	-11	-48	-119	-136
Romania		4.6	0.0	0.6	2	5	1		6.8	0.7	3	-10	-107	-85
Russia		88.3	-0.1	1.3	7	-31	-16							
South Africa		18.6	0.1	-2.3	2	-7	-8		9.3	7.8	-8	-77	26	10
Turkey		28.83	-0.2	-0.5	-3	-35	-35		30.2	5.0	-105	97	1887	2037
US (DXY; 5y UST)		104	0.1	-0.7	-2	-3	0		4.37	-2.7	-14	-49	43	37

	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		3544	-1.0	-2	2	-6	-8		166	-2	-6	-37	-11
Indonesia		6907	-0.8	-1	2	-2	1		122	-12	-9	-57	-18
India		66023	0.1	1	2	7	9		123	-5	-16	-24	-19
Philippines		6253	0.7	1	3	-4	-5		99	-12	-9	-41	2
Thailand		1414	-0.7	0	1	-13	-15		0	0	0	0	0
Malaysia		1456	-0.5	-1	1	1	-3		89	-4	-6	-12	-11
Argentina		792443	22.8	24	-1	401	292		2172	-332	-246	-267	-33
Brazil		126176	-0.3	2	12	16	15		222	-8	0	-61	-52
Chile		5793	-0.9	0	3	9	10		136	-10	-6	-15	4
Colombia		1129	0.3	2	1	-10	-12		319	7	-31	-83	-53
Mexico		52504	-0.3	3	9	1	8		358	-10	-7	-24	-23
Peru		22368	0.3	2	1	0	5		156	-5	-7	-24	-24
Hungary		56590	0.2	-2	0	25	29		183	-14	-20	-45	-39
Poland		74705	0.0	1	9	35	30		109	-13	-9	65	36
Romania		14759	0.2	1	5	28	27		215	-2	-5	-78	-41
South Africa		74797	0.7	0	7	4	2		344	-29	-48	-40	-23
Turkey		8025	-0.3	5	7	68	46		353	-26	-50	-163	-87
Ukraine		507	0.0	0	0	-2	-2		3648	100	-168	-59	-431
EM total		40	-0.1	1	8	5	4		379	-20	-30	-27	4

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

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