



- RMB weakens on President-elect Trump's higher tariff threat ([link](#))
- French-German yield spread increases to level last seen in June ([link](#))
- Israeli shekel appreciates on ceasefire hopes ([link](#))
- Global funds' purchases of Japanese government bonds recorded a five-year high ([link](#))
- Higher equity funding costs raise concerns about spillovers into rates ([link](#))
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## Markets digest threat of additional tariffs

**Emerging market currencies weaken as markets digest news that President-elect Trump plans to impose additional tariffs on Canada, China, and Mexico.** In a social media post yesterday, Trump said he would impose an additional 10% tariff on goods from China and 25% tariffs on all products from Mexico and Canada. Emerging market currencies were initially weaker with the Mexican peso leading declines against the dollar. Chinese equity markets appeared to initially shrug off the news ending the session only slightly lower, while European stocks were trading in the red this morning. Meanwhile, US equity index futures point to a muted open ahead of the release of the November FOMC meeting minutes later today. In France, the spread of 10Y French OATs over equivalent tenor German bunds has stabilized around the 80bps mark amid domestic political uncertainty. While Romanian bond yields eased this morning, retracing some of yesterday's moves following the surprise outcome in the first round of the country's presidential elections. Elsewhere, the Israeli shekel appreciated yesterday on hopes of a successful conclusion to reported ceasefire discussions with Hezbollah.

Key Global Financial Indicators

Last updated: 11/26/24 12:49 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5987	0.3	2	3	31	26
Eurostoxx 50		4785	-0.3	1	-3	9	6
Nikkei 225		38442	-0.9	0	1	15	15
MSCI EM		43	0.1	0	-4	10	8
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.28	0.2	-12	4	-19	40
Germany 10y Yield		2.20	-1.4	-14	-10	-45	17
EMBIG Sovereign Spread		335	6	-2	-2	-75	-48
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		43.9	0.0	-1	-2	-9	-9
Dollar index, (+) = \$ appreciation		106.5	-0.3	0	2	3	5
Brent Crude Oil (\$/barrel)		73.4	0.6	0	-3	-9	-5
VIX Index (% change in pp)		14.6	-0.1	-2	-6	2	2

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

## Mature Markets

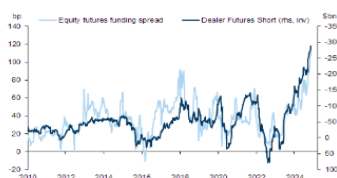
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### United States

**Higher equity funding costs raise concerns about spillovers into rates ahead of year-end.** Equity funding costs have risen alongside higher demand for leverage, with asset managers increasing long positions via futures, leading to record dealer shorts in equity futures. This demand, combined with the capital-intensive nature of equity financing for dealer balance sheets, has driven up funding costs. Market analysts see risks that dealer balance sheet constraints may spillover to higher volatility in the repo rates, especially towards the year end, when supply of funding is typically reduced. The reduction forces dealers to ration their existing balance sheet capacity and pushes financing costs upwards. A pick-up in the volumes of centrally cleared Treasury repo and support by the Fed's standing repo facility may provide some relief at year-end.

**Exhibit 2 : End-user demand for levered risk exposure and the corresponding dealer short has supported higher equity funding costs**

SPX funding spread to OIS of 2nd nearest future vs primary dealer e-mini notional net position



Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

### Europe

**European equities were lower this morning (Stoxx 600 -0.6%) amid global trade concerns.** The majority of European equity indices were trading in the red this morning while losses were led by the auto sector (-2.0%), with Bloomberg analysts pointing to US President-elect Trump's pledges to impose tariffs on China, Mexico and Canada. **The euro was marginally stronger against the dollar (+0.2% at 1.0517), while European government bond yields were little changed** with the 10y bund yield (-1bps) trading at around 2.20%.

### The spread between 10y French and German government bond yields reaches its highest level since June amid political risk.

The French-German 10y yield spread yesterday increased to around 83bps according to Bloomberg data, the highest level seen since shortly before the snap legislative election in June this year. The spread eased somewhat in later trade to around 82bps and was little changed this morning. Following talks with PM Barnier yesterday, the National Rally's (RN) Le Pen repeated her threat to topple the government via a no-confidence vote in the absence of changes to the proposed 2025 Budget. Against this backdrop, Deutsche Bank analysts see the most likely path forward as the government using Article 49.3 to bypass the National assembly and pass the budget, but caution that this would likely see a no-confidence vote in the government. The analysts argue, however, that PM Barnier would likely survive such a vote while at the same time noting that uncertainty remains high. Contacts are closely watching France's rating

**Testing the upper bound!**  
10y OAT-Bund spread, in bp



Source: Bloomberg, Commerzbank Research

review by S&P on Friday. France is currently rated at AA- by S&P, which is one notch lower than Moody's (negative outlook) and the same level as Fitch (negative outlook).

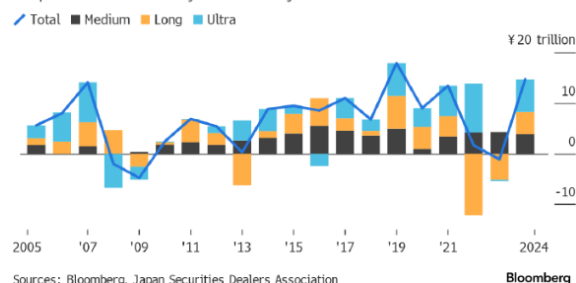
## Japan

**The Nikkei 225 declined** by -0.9% due to concerns over the global impact of potential US tariff increases on goods from China, Mexico, and Canada, with chipmakers among the worst performers. **The yen appreciated by +0.4% to 153.6/US\$ at one point** after PM Ishiba urged companies to increase pay in next year's wage negotiations to achieve stable inflation and address the rising cost of living.

**Global funds' purchases of Japanese government bonds (JGBs) recorded a five-year high**, with total purchase amounted to ¥14.7 tn (\$94.8 bn) in the first 10 months of this year, of which 44% will mature in over 10 years. Due to the Bank of Japan (BoJ)'s moderate policy tightening, which keeps funding costs low, JGBs offer a positive carry, unlike other major developed countries' bond. According to Bloomberg, Japanese 10y notes yield 5.7% for investors hedging against yen depreciation, compared to around 4% for similar bonds in the UK and Germany. Investors expect the BoJ to raise its 0.25% policy rate by December or January, but there is uncertainty about further hikes. Nikkei reported that a senior executive at Nippon Life Insurance views a 1% policy rate as a key benchmark, citing a BoJ working paper that considers the 1% mark as the lower end of the natural interest rate. Meanwhile, a senior executive at Dai-ichi Life Insurance expressed caution about Japan sustaining its current economic conditions with a 1% interest rate, stating that reaching 1% would be challenging.

### Overseas Investors Boost Buying of Japan's Bonds

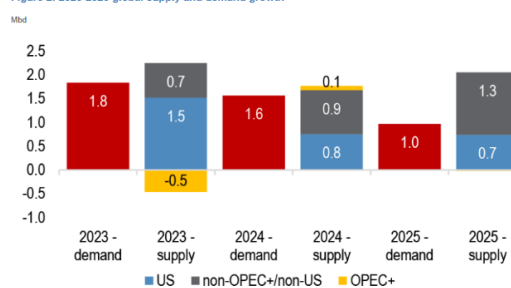
Net purchases from January to October adjusted for interest-rate risks



## Commodities

**Oil supply-demand fundamentals suggest that price pressures will remain low in 2025.** JPM Morgan analysts Global oil demand growth is expected to slow, as the last phase of the post-pandemic rebound dissipates and energy efficiency practices gain momentum in China. At the same time, supply is expected to elevate across countries: US oil production will increase, more driven by market forces and technological advancements, rather than deregulation from the new US government. Deepwater production will likely be the a larger source of growth compared to shale. In addition, OPEC+ plans to boost supply starting in December 2024. The largest increase in supply is expected by non-OPEC countries, due to offshore developments in Brazil, Guyana, Senegal, and Norway. While demand for oil is like to rise in 2026, non-OPEC supply is expected to exceed demand, likely driving oil prices down to 60\$. Market volatility risks remain high.

Figure 2: 2023-2025 global supply and demand growth



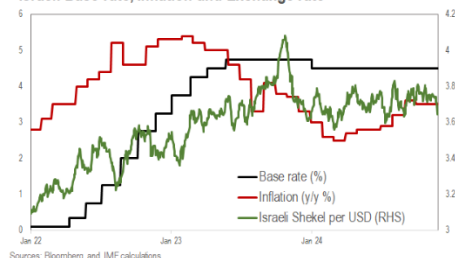
Source: IEA, Platts, Wood Mackenzie, Rystad, J.P. Morgan Commodities Research

## Israel

**The Israeli shekel appreciates amid hopes for a ceasefire agreement with Hezbollah.** Media reports yesterday suggested that Israel and Hezbollah were closer to reaching a ceasefire agreement that could be settled in the coming days, while Bloomberg reported this morning that the Israeli cabinet is set to meet later today to discuss the proposal. The Israeli shekel strengthened by roughly 1.7% against the dollar yesterday while Brent crude prices also closed the day roughly 2.9% lower. The Finance Ministry's chief economist recently noted expectations for GDP to increase to 4.3% next year, with conflict expected to wind down, according to Bloomberg, while also noting that a substantial amount of uncertainty remains.

The Finance Ministry's chief economist reportedly argued that markets are supporting this view of an economic rally in 2025, noting that since early October the Israeli shekel has strengthened, the stock market has gained while local-currency bond yields have decreased and the price of the government's CDS swaps has declined. On the monetary policy front **the central bank of Israel yesterday left its base rate unchanged at 4.5% for the seventh consecutive meeting**, after cutting rates by 25bps in January. Goldman Sachs analysts note that there was no new guidance from the MPC, with the press release continuing to emphasize geopolitical uncertainty and inflationary pressures. Headline inflation remained unchanged at 3.5%/y/y in October. This morning the Israeli shekel was marginally weaker against the dollar (-0.1%), trading at around 3.65/\$.

Israel: Base rate, Inflation and Exchange rate



Israeli Yields and CDS Spreads Have Fallen in Recent Weeks



## Emerging Markets

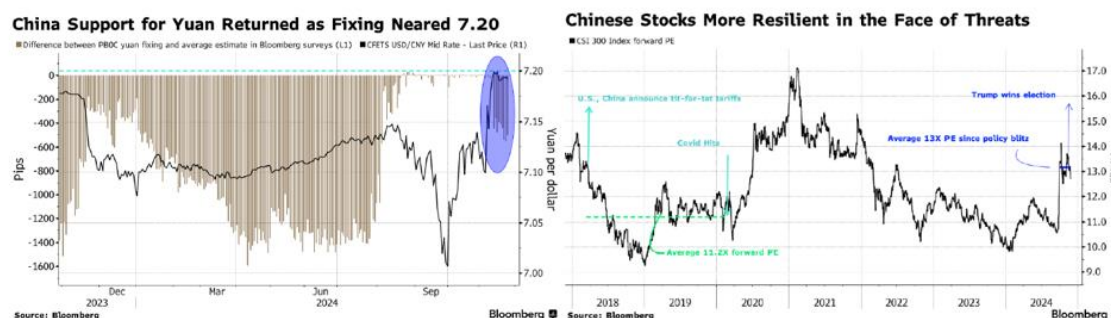
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**Asian currencies weakened amid a stronger US dollar as President-elect Trump threatened additional tariffs on China, Mexico, and Canada.** Declines in the Asian currency complex (EM Asia: -0.2%) were led by the Thai baht (-0.4%) and Indonesian rupiah (-0.3%). Most Asian equities also fell (EM Asia: -0.5%). Taiwan POC equities underperformed (-1.2%), with TSMC (-1.9%) being a major drag. Sri Lanka will issue new notes to holders of its defaulted dollar bonds, enabling a swap of US\$12.55 bn in bonds for new securities by December 12 as part of restructuring its US\$43 bn foreign debt. The debt exchange is expected to reduce debt servicing repayments by US\$9.5 bn over the four-year IMF program. **EMEA equities were mixed this morning.** Equity markets in Czechia outperformed (+1.0%) while Romanian local currency bond yields eased this morning (-12bps) retracing some of yesterday's moves in the aftermath of the first round of presidential elections. Elsewhere, the central bank of Nigeria raised the benchmark rate by 25bps, to 27.50%, surprising with a smaller than expected rate hike. **Latin American regional assets mostly rebounded following US president-elect Trump's 'measured' pick for Treasury Secretary.** The Chilean Peso led the regional currency rebound and appreciated +0.9% against the US Dollar alongside a rebound in copper prices. Regional equities traded mixed, but the broader MSCI Latin America index ended yesterday with small gains (+1.2%). However, President-elect Trump's announcement of additional tariffs on Mexico weighed on market sentiment post-market close.

## China

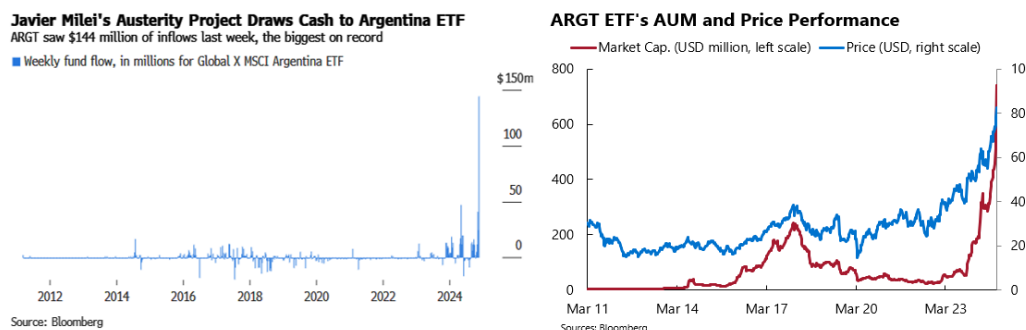
**The RMB weakened due to President-elect Trump's additional 10% tariff threat on imports from China.** Offshore CNH depreciated as much as 0.4% to its weakest level in four months, while onshore CNY softened by a lesser 0.2% to 7.258, as the People's Bank of China (PBC) set the RMB fixing at 7.1910, 484 pips stronger than the forecast to push back RMB selling pressures. Sumitomo Mitsui Banking analysts predict the RMB fixing near 7.20 in the short term, potentially weakening to 7.25 if pressure intensifies, while offshore CNH could weaken to 7.35 due to policy uncertainty. Macquarie analysts believe that the PBC will keep the RMB stable against the US dollar, with China increasingly relying on domestic stimulus to counter higher tariffs instead of depreciating its currency. **Meanwhile, Chinese equities appeared to shrug off the tariff threat**, with the CSI 300 gaining as much as 0.7% before reversing gains in the

afternoon to end 0.2% lower. Analysts believe that the stimulus package has improved valuations, with a renewed focus on domestic policy, supply chain upgrades, tech self-sufficiency, and the domestic consumer, helping to limit the impact of external shocks on Chinese equity sentiment. Electric vehicle (EV) stocks tumbled (-2.8%) following the news that the EU has made limited progress in negotiating a comprehensive deal with China to replace EV tariffs.



## Argentina

**Argentine-linked equity ETF experienced record-high inflows over the past week.** The ARGT ETF attracted \$144 million for the week ending November 22, with \$88 million coming in on last Friday alone (*left chart*). This ETF, which tracks Argentine stocks, has become a preferred vehicle for money managers seeking exposure to the Argentine market, resulting in a dramatic increase in assets—from \$104 million when the current administration took office to nearly \$750 million currently (*right chart*). Furthermore, last Friday, Economic Minister Luis Caputo announced the government's intention to lift currency and capital controls sometime in 2025, a move that likely bolstered market sentiment. Additionally, Morgan Stanley analyst earlier reaffirmed their overweight stance on Argentine stocks, noting that policymakers have successfully implemented fiscal adjustments and deregulation measures that have "surpassed expectations."

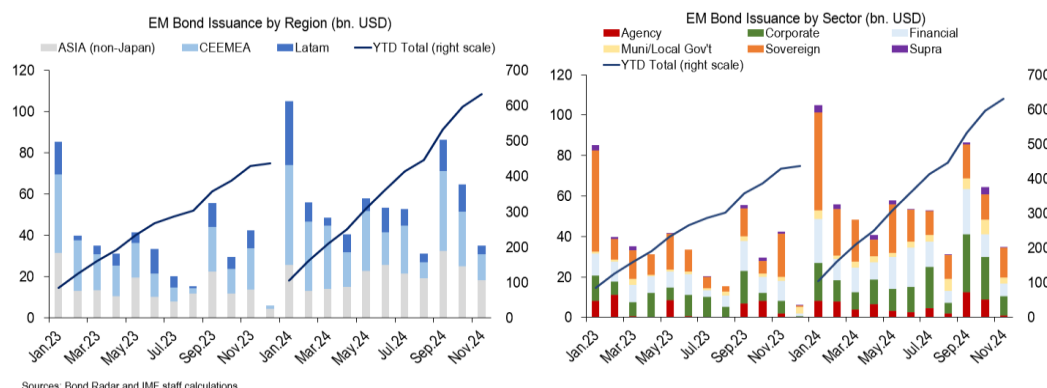


## Emerging Market Bond Issuance

**EM international bond issuance accelerated in the past week.** Issuance stood at \$19.1 bn for the week ending on November 24th, and cumulatively \$34.9 bn month-to-date, according to data compiled by Bond Radar. Issuance was primarily from sovereigns (\$8.0 bn), corporates (\$5.9 bn) and financials (\$3.5 bn), led by issuance from Asia (\$11.8 bn), where Alibaba Group Holdings issued its first public dollar bonds in nearly four years, as part of a dual-currency transaction. The company's \$2.65 billion dollar notes, issued across three tranches, was met with an orderbook of over \$18 billion. Additionally, the company also raised CNH 17 billion from four tranches, totaling around \$5 billion in overall proceeds. Meanwhile, Honduras, Indonesia and Türkiye were amongst sovereigns tapping the US dollar market. Poland tapped the samurai market








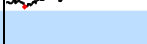
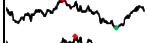


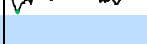




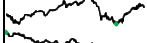







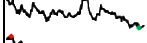

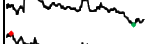
with issuance across five tranches, following a trend observed among CEEMEA peers (Slovenia, Hungary, and Romania) who also accessed the JPY market earlier this year. Year-to-date aggregate issuance stands at \$631bn exceeding 2023's full year issuance of \$436 bn.



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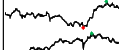
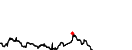


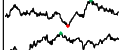
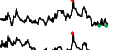

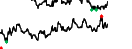




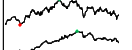




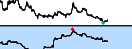

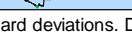

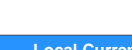

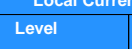


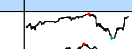
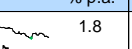

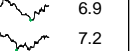
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## Global Financial Indicators











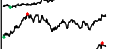
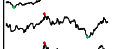



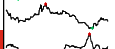










11/26/24 12:50 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5,987	0.3	1.6	3.1	31.3	26
Europe		4,785	-0.3	0.7	-3.2	9.4	6
Japan		38,442	-0.9	0.1	1.4	14.9	15
China		3,840	-0.2	-3.4	-2.9	9.3	12
Asia Ex Japan		74	0.1	-0.3	-4.0	12.7	11
Emerging Markets		43	0.1	-0.3	-4.0	9.5	8
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	0	-12	4	-19	40
Germany 10y Yield		2.2	-1	-14	-10	-45	17
Japan 10y Yield		1.1	-1	0	12	30	46
UK 10y Yield		4.4	1	-9	12	7	82
<b>Credit Spreads</b>			basis points				
US Investment Grade		118	-1	-1	-5	-24	-15
US High Yield		308	4	-6	-28	-110	-77
<b>Exchange Rates</b>			%				
USD/Majors		106.5	-0.3	0.3	2.1	3.0	5
EUR/USD		1.1	0.4	-0.6	-2.6	-3.8	-5
USD/JPY		153.2	-0.7	-1.0	-0.1	3.0	9
EM/USD		43.9	0.0	-0.9	-2.4	-8.6	-9
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		73.4	0.6	0.2	-2.9	-5.4	-2
Industrials Metals (index)		145.8	0.0	0.7	-3.0	5.2	2
Agriculture (index)		56.7	0.7	0.4	1.7	-12.4	-9
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		14.6	-0.1	-1.8	-5.8	2.1	2.1
Global FX Volatility		8.7	0.0	0.1	-0.3	1.3	0.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		87	-1	2	-1	-32	-16
Italy		125	-1	4	3	-50	-42
Portugal		48	0	3	4	-18	-15
Spain		72	-1	2	2	-27	-24

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

## Emerging Market Financial Indicators

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		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
								basis points					
China		3,840	-0.2	-3.4	-2.9	9.3	11.9		103	3	-7	-60	-55
Indonesia		7,246	-0.9	0.7	-5.1	2.9	-0.4		101	8	12	-15	5
India		80,004	-0.1	3.4	0.8	21.3	10.7		84	6	-7	-40	-32
Philippines		6,807	-0.6	0.1	-6.9	8.6	5.5		89	6	14	-7	9
Thailand		1,438	-0.4	-1.5	-1.7	3.2	1.6		0	0	0	0	0
Malaysia		1,603	0.4	0.1	-0.9	10.7	10.2		68	4	0	-19	-17
Argentina		2,218,551	0.3	7.3	18.5	141.8	138.6		749	-33	-222	-1214	-1164
Brazil		129,036	-0.1	1.0	-0.7	2.8	-3.8		209	-8	4	-9	-6
Chile		6,558	0.1	0.1	-2.9	13.5	5.8		120	4	10	-9	-5
Colombia		1,399	0.5	2.1	4.8	23.2	17.0		323	-4	4	13	52
Mexico		50,207	-0.4	-0.5	-3.0	-5.2	-12.5		303	-3	4	-51	-31
Peru		29,917	-1.2	-2.4	-3.4	34.9	15.2		147	2	12	-1	3
Hungary		79,999	0.7	2.6	7.7	42.6	32.0		164	14	18	-16	15
Poland		79,902	0.3	3.5	-1.1	7.3	1.8		120	9	18	14	23
Romania		16,971	-0.1	-1.0	-2.9	15.5	10.4		229	20	40	22	29
South Africa		85,259	0.5	0.9	-2.0	12.6	10.9		285	-2	10	-70	-23
Türkiye		9,592	-0.7	3.9	7.7	20.5	28.4		262	7	-8	-89	-52
EM total		43	0.1	-0.3	-4.0	9.5	7.7		371	-4	-8	1	26

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

Last updated: 11/26/2024 12:58 PM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M		
	vs. USD		(+) = EM appreciation						% p.a.						
China		7.25	0.0	-0.1	-1.6	-1.3	-2.0		1.8	0	-5	-16	-90	-69	
Indonesia		15930	-0.4	-0.6	-1.3	-2.7	-3.3		6.9	2	5	18	27	45	
India		84	-0.1	0.1	-0.3	-1.1	-1.3		7.2	1	-1	0	-35	2	
Philippines		59	0.0	-0.3	-1.3	-6.1	-6.1		5.0	0	0	6	-96	-67	
Thailand		35	-0.2	-0.3	-2.4	1.2	-1.6		2.3	-1	-4	-11	-74	-38	
Malaysia		4.46	-0.1	0.3	-2.1	5.0	3.1		3.8	-2	-7	-8	-7	5	
Argentina		1006	-0.2	-0.8	-2.1	-64.3	-19.7		28.3	-11	-5	-936	-7230	-5811	
Brazil		5.79	0.4	-0.2	-1.3	-15.3	-16.1		12.7	-10	-14	13	168	230	
Chile		972	0.5	0.0	-2.6	-10.3	-9.6		5.2	-4	-6	-2	1	27	
Colombia		4386	0.7	0.4	-1.3	-9.3	-12.1		8.3	0	0	-46	11	62	
Mexico		20.48	-0.8	-1.8	-2.1	-16.2	-17.1		9.0	-24	-25	-61	-2	50	
Peru		3.8	0.4	0.6	-0.1	-1.4	-1.8		6.6	-9	-13	-4	-58	-8	
Uruguay		43	-0.6	-0.5	-3.2	-8.5	-9.3		9.6	10	10	1	-1	3	
Hungary		390	0.0	-1.2	-4.1	-11.2	-11.0		6.3	3	-18	-57	-60	52	
Poland		4.09	0.4	0.0	-1.6	-3.0	-3.8		4.8	2	6	-32	-22	28	
Romania		4.7	0.3	-0.6	-2.7	-3.9	-4.7		7.2	22	35	59	35	103	
Russia		105.4	-1.4	-4.6	-7.3	-15.5	-15.1								
South Africa		18.1	-0.1	-0.2	-2.1	3.1	1.5		8.6	3	-13	-31	-73	-52	
Türkiye		34.63	-0.2	-0.4	-1.0	-16.5	-14.7		29.5	0	-87	-79	-8	274	
US (DXY; 5y UST)		107	-0.2	0.3	2.2	3.1	5.2		4.17	0	-9	11	-31	33	

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