



- Markets fully price first ECB rate cut in April after inflation surprises on downside ([link](#))
- US banks' profits fell in third quarter while 'problem' institution watch list grows ([link](#))
- US dollar continues to experience relatively low safe-haven demand ([link](#))
- Bank of Korea kept its policy rate unchanged at 3.5% as expected ([link](#))
- China's official manufacturing PMI for November came in weaker than expected ([link](#))

[Mature Markets](#)






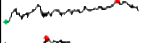




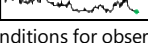
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ECB rate cut fully priced for April after lower-than-expected inflation estimate

The euro depreciated by 0.5% versus the US dollar after the block's November's inflation estimate came in at 2.4% y/y versus 2.7% expected. The euro recouped some losses afterwards. Stock prices remained resilient with the STOXX 600 Index advancing by 0.5%, closing the month of November at +6.4%, its best performance since January 2023. Euro area government bond yields did not show a clear reaction, but the market implied timing for ECB rate cuts moved forward slightly. A 25 bps cut is now (more than) fully priced-in for the April meeting. Last Monday, ECB president Lagarde pushed back against the idea of declaring victory against inflation, stating that it was too early, and pointing to wage pressures remaining high. On a similar note, Bank of England data showed today that firms' expectations for inflation continue to moderate, while wage growth is seen to remain elevated. The Financial Times reports that Saudi Arabia has won provisional backing for OPEC+ oil production cuts. This week, oil prices advanced in anticipation of today's OPEC+ meeting, with the WTI active futures contract price increasing by 4% to \$78.6 per barrel. This morning, India's Q3 GDP (Q2 FY) surprised to the upside at 7.6% y/y vs. 6.8% expected.

Key Global Financial Indicators

Last updated: 11/30/23 8:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4551	-0.1	0	9	12	19
Eurostoxx 50		4383	0.3	1	8	11	16
Nikkei 225		33487	0.5	0	6	19	28
MSCI EM		39	-0.6	0	8	0	4
Yields and Spreads			bps				
US 10y Yield		4.30	4.2	-10	-59	69	42
Germany 10y Yield		2.45	1.2	-17	-38	52	-13
EMBIG Sovereign Spread		411	-9	-4	-36	-55	-41
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.9	-0.4	0	2	-5	-4
Dollar index, (+) = \$ appreciation		103.3	0.5	-1	-3	-3	0
Brent Crude Oil (\$/barrel)		83.8	0.8	3	-4	-2	-3
VIX Index (% change in pp)		13.1	0.1	0	-5	-8	-9

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

Mature Markets

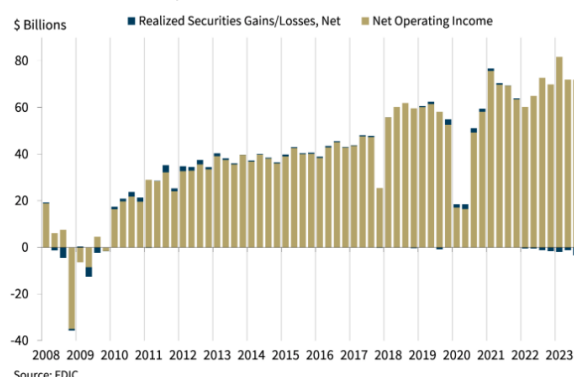
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United States

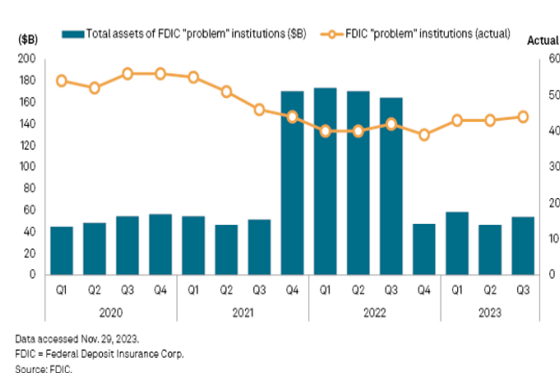
This morning, initial jobless claims printed in line with expectations at 218k, while continuing claims were somewhat higher at 1927k versus 1865k expected. PCE prices for October increased by 3.0% y/y versus 3.4% prior, and slightly below the expected 3.1%. Overall, today's data is supportive of the 'Fed is done' narrative, and US equities are set to open higher, with S&P futures up 0.3%. 2-year yields initially declined on the news, but then quickly rebounded.

Bank profits fell in the third quarter as the Federal Deposit Insurance Corporation's (FDIC) watch list grows. Bank profits fell in the third quarter (-3.4% q/q to \$68.4 billion), particularly among community banks, where net income fell 4.8%, according to the Federal Deposit Insurance Corporation's (FDIC) latest Quarterly Banking Profile. Among the primary risks faced by the industry, the FDIC listed inflation, higher interest rates, geopolitical risk, and exposure to the commercial real estate loans. The FDIC reported that the 4,614 banks under its supervision remain financially sound. However, the agency's watch list of the weakest institutions grew to 44, up from 43 banks in the previous quarter and 42 a year earlier. Overdue office loans for non-owner-occupied commercial real estate properties increased 36.4% from the previous quarter, with the noncurrent rate for these loans being the highest since the third quarter of 2014, according to the FDIC. Unrealized losses on available-for-sale and held-to-maturity securities were \$683.9 billion in the third quarter, a 22.5% rise from the previous quarter.

Banks' quarterly net income

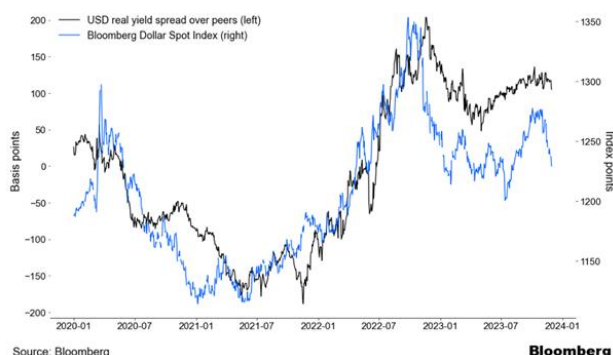


Number and total assets of 'problem' institutions



US dollar continues to experience relatively low safe-haven demand. Since the beginning of 2020, Bloomberg Dollar Spot Index moves have been fairly parallel with real interest rate differentials vis-à-vis peer currencies. However, Bloomberg analysts believe the Dollar Index's movement over the past month has been too steep. Portfolio rebalancing flows together with the recent equity rally might be the reasons for damped safe-haven demand for the US currency, contributing to weakness in recent weeks. According to analysts, demand for the dollar as a safe asset would rise if the US entered only a mild recession, which would eliminate the need for the Fed to cut rates aggressively.

Bloomberg Dollar Index detaches from USD real yield spread



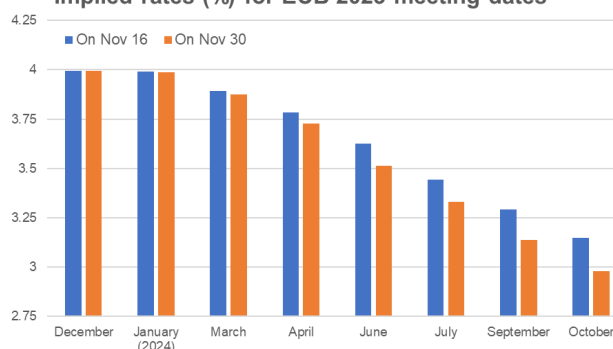
Euro Area

European equities advanced with the STOXX 600 index up 0.5%. The euro was weaker against the dollar this morning after euro area preliminary inflation for November surprised to the downside. Euro area sovereign yields were trading in a tight range this morning with the 10-year Bund yield marginally higher (+1bps to 2.44%). Some contacts expect that Bunds would remain supported today by benign inflation data and also index flows but think that ECB rate cut expectations are becoming more stretched and thus do not expect yields to decline meaningfully.

Markets are fully pricing the first ECB rate cut by April 2024 after euro area preliminary inflation print for November came in much lower than expected, with both headline and core inflation surprising on the downside. The headline CPI estimate eased to 2.4%/y/y (versus expected 2.7% from 2.9%) and core inflation eased to 3.6%/y/y (versus expected 3.9% from 4.2%). This follows after the preliminary EU harmonized measure of German, Spanish, French and Italian headline inflation surprised on the downside for November. Longer-term

market-based inflation expectations (5y5y inflation linked swaps) have continued to ease to 2.32% (from 2.42% at the start of the week). A separate data release showed unemployment in the euro area remaining unchanged in October at 6.5%, as expected. Markets are now fully pricing the first ECB rate cut by April 2024 and roughly 100bps of rate cuts are priced in by October 2024. HSBC analysts, however, argue that the odds of a rate cut in H1 2024 remain very low.

Implied rates (%) for ECB 2023 meeting dates

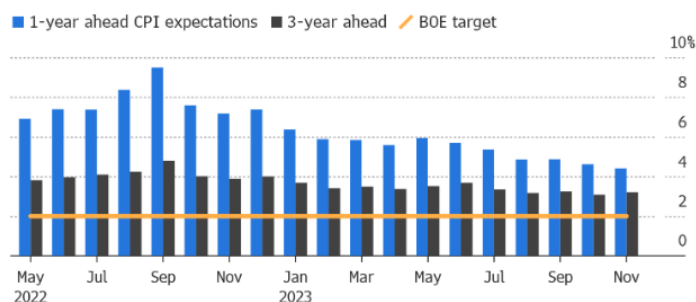


Source: Bloomberg and IMF calculations

United Kingdom

Firms' inflation expectations mostly continue to moderate, while wage growth is expected to remain elevated, according to the Bank of England's November Decision Maker Panel (DMP) data. The DMP showed one-year ahead CPI inflation expectations of firms decreased to 4.4% in November, down from 4.6% in October, while three-year ahead expectations increased by 0.1ppt to 3.2%. Expected year-ahead wage growth remained unchanged at 5.1%. BoE Governor Bailey recently reemphasized that interest rates will remain high for some time. Markets are pricing in the first BoE rate cut by August 2024.

UK Firms Expect Inflation to Stay Above Target for Years



Source: Bank of England Decision Maker Panel Survey data
Note: Data for single month only

Bloomberg

Japan

A 2-year debt auction drew the weakest demand since 2009, reflecting market speculation that the Bank of Japan (BoJ) may soon adjust monetary policy. The bid-to-cover ratio dropped to 2.91, from

3.04 at the last October auction. The BoJ kept the amount of JGB purchases unchanged for December operations after reducing the purchase amount in November. JGB yields rose (1-year: +1.1 bps; 10-year: +0.1 bp; 30-year: +5.1 bps). Toyooki Nakamura, one of BOJ board members, said that monetary policy easing is still needed and that more time is needed before making policy adjustment. He was the only dissenter in the board when the BoJ added flexibility to the yield curve control in July and October. October activity data were mixed. Retail sales increased weaker than expected, growing 4.2% y/y in October (from 5.8% in September). Meanwhile, industrial production expanded stronger than expected at 0.9% y/y in October (from -4.4% in September). Japanese equities gained (NIKKEI: +0.5%), while Japanese yen appreciated to 147.0 yen per dollar (+0.1%).

Emerging Markets

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EMEA equity markets were mixed while currencies were mostly weakening. Equities in Serbia (+1.3%) and South Africa (+0.7%) outperformed, while Egyptian equities (-1.2%) underperformed. Most currencies were weaker against the dollar, with the Turkish lira (+0.3% to 28.86/\$) a notable exception. **Turkish local bond yields eased (10-year -10bps to 25.58%) after growth data disappointed**, with seasonally and working-day adjusted GDP expanding by 0.3%q/q in Q3 (versus expected +1.0% from 3.3%). **CEE currencies were mostly weaker against the euro, with the Hungarian forint underperforming** (-0.4% to 379.65/€). Data released this morning showed the largest annual decline in producer prices on record (-6.6%/y/y from -2.5%). Elsewhere, **the Czech National Bank's board yesterday decided to leave the countercyclical capital buffer (CCyB) rate at 2%.** On the monetary policy front, the Bank of Mozambique's MPC kept its policy rate at 17.25% yesterday.

Asian equities and government bond yields were mixed today, while most currencies depreciated versus the US dollar. Indonesian (+0.8%) and Korean (+0.6%) equities gained, while share prices dropped in Thailand (-0.8%) and the Philippines (-0.7%). Most Asian currencies depreciated, led by Thai baht (-1.1%) and Indonesian rupiah (-0.7%), on the back of broad-based USD strengthening.

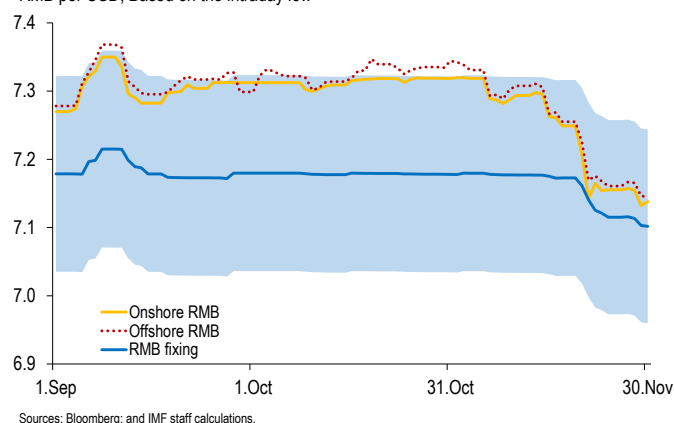
Latin American equities advanced on Wednesday while currencies retreated versus the US dollar. Stocks gained in Mexico (0.83%), Colombia (0.96%), Chile (0.28%) and Peru (0.34%), while Brazil's equity market lost 0.29%. Currencies depreciated for Brazil (-0.69%), Mexico (-0.83%) and Colombia (-0.93%) against the US dollar. Mexico's central bank raised its 2024 GDP growth forecast from 2.1% to 3%.

China

November's official manufacturing purchasing managers' index came in weaker than expected. The manufacturing PMI edged down to 49.4 in November from 49.5 in October (consensus: 49.8), while the non-manufacturing PMI weakened to 50.2 from 50.6 (consensus: 50.9). Analysts viewed that the disappointing PMI, which reflects weak export orders and slowing services consumption after the peak travel season, seem to suggest that recovery momentum may be fragile. Despite the disappointing PMI data, Chinese equities gained (CSI 300: +0.2%). The RMB depreciated to 7.13 yuan per dollar (-0.1%). The People's Bank of China (PBoC) set the daily RMB fixing at 7.102 yuan per dollar, 241 pips stronger than expectations. The CNH liquidity conditions have improved as the spreads between CNH HIBOR and SHIBOR have narrowed; the 1-month spread was at 61 bps, down from a peak of around 300 bps in September. Today, the PBoC also injected liquidity in an amount of 144 bn yuan (\$20.3 bn) as the key interbank repo rate (DR007) stayed at 2.18%, above the policy rate at 1.80%.

RMB: Daily Weakest Level

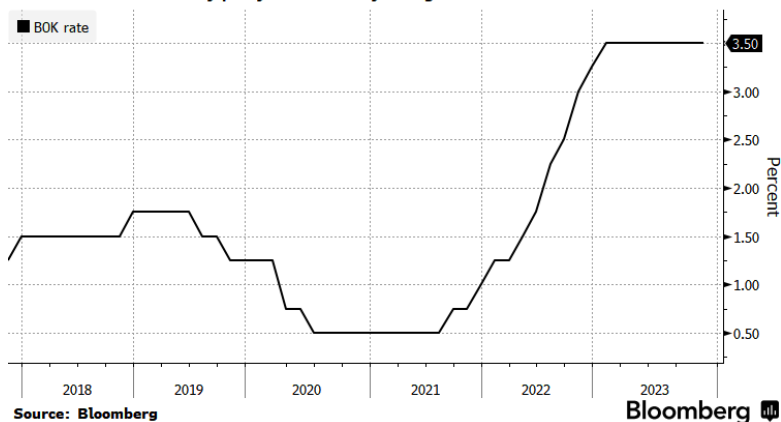
RMB per USD; Based on the intraday low

**Korea**

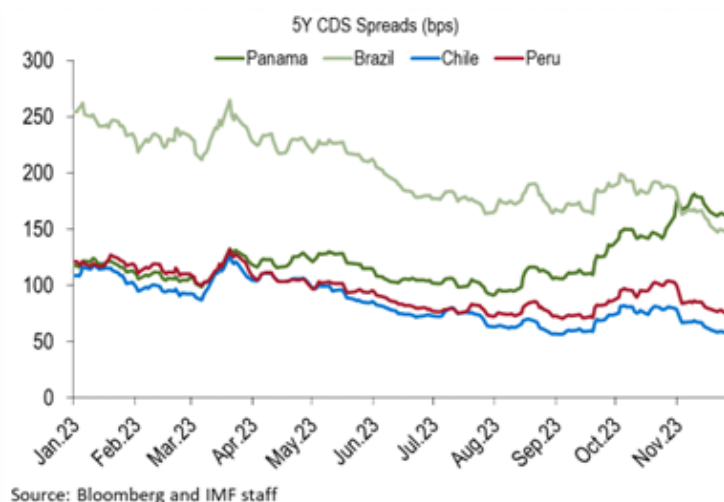
The Bank of Korea (BOK) kept to policy rate unchanged at 3.5% as expected. The BOK meeting showed both hawkish and dovish signals. The BOK still maintained a hawkish stance, with a statement that the BOK will keep monetary policy restrictive for a sufficiently long period to contain inflation. This reflects that inflation stabilization will take longer time. The BOK revised up its inflation outlook, with CPI inflation at 3.6% for 2023 (previously, 3.5%) and 2.6% for 2023 (previously, 2.4%). Meanwhile, the economy is expected to expand by 2.1% in 2024 (previously, 2.2%). As for dovish signals, Governor Rhee indicated that the number of board members seeing a possible need to further raise interest rates fell to four from six last month. Overall, markets viewed that the BOK has softened its hawkish tone. Korean won depreciated (-0.1%). Short-end government bond yields fell (1-year: -2.8 bps), while longer-end yields were little changed. Korean equities gained (+0.6%).

Tight For Now

Bank of Korea holds its key policy rate at a 15-year high

**Panama**

Panama's sovereign CDS spreads widened following a supreme court ruling against a law concerning First Quantum's copper mine; the ruling makes closure more likely. Dollar-denominated notes maturing in 2036 dropped by up to 0.8 cent to 95.1 cents on the dollar. The mine's closure, significant for government revenue in a country already grappling with a 6.1% GDP budget deficit (compared to the targeted 3%), raises the risk of a downgrade to below investment grade. Moody's had already downgraded Panama to Baa3 last month. In the credit default swap market, Panama's 5-year spread has jumped 13 bps and now trades wider than BB rated Brazil.



Poland

Preliminary November inflation data came in marginally lower than expected. Headline inflation eased to 6.5% y/y while consensus expected no change (6.6% y/y). A separate data release showed the final Q3 economic growth was marginally higher than earlier estimates suggested (+1.5%q/q versus +1.4%). ING analysts expect the recovery to continue in Q4, albeit at a slow pace. Analysts argue that GDP in the coming quarters would be consumption-driven and pro-inflationary, and as such expect policy rates unchanged until at least March 2024. JPMorgan analysts also highlight that Monetary Policy Council members have repeatedly noted the importance of the March projections, signaling rates on hold at least until then. JPMorgan expects the central bank to only start cutting rates in Q4 2024. The polish zloty was trading weaker this morning (-0.1% to 4.35/€).





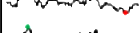














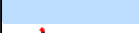





Poland: Policy rate, Inflation and Currency



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Global Financial Indicators

11/30/23 8:43 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		4551	-0.1	0	9	12	19
Europe		4383	0.3	1	8	11	16
Japan		33487	0.5	0	6	19	28
China		3496	0.2	-2	-2	-10	-10
Asia Ex Japan		65	-0.6	-1	7	-2	1
Emerging Markets		39	-0.6	0	8	0	4
Interest Rates			basis points				
US 10y Yield		4.30	4.2	-10	-59	69	42
Germany 10y Yield		2.45	1.2	-17	-38	52	-13
Japan 10y Yield		0.67	0.0	-5	-22	42	25
UK 10y Yield		4.14	4.6	-12	-42	98	47
Credit Spreads			basis points				
US Investment Grade		141	-1.6	-2	-21	-22	-17
US High Yield		421	-6.8	-1	-56	-52	-59
Exchange Rates			%				
USD/Majors		103.27	0.5	-1	-3	-3	0
EUR/USD		1.09	-0.5	0	3	5	2
USD/JPY		147.7	0.3	-1	-3	7	13
EM/USD		47.9	-0.4	0	2	-5	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		83.8	0.8	3	-1	1	3
Industrials Metals (index)		138	-0.7	0	0	-15	-17
Agriculture (index)		65	0.1	-1	1	-4	-5
Implied Volatility			%				
VIX Index (% change in pp)		13.1	0.1	0.2	-5.1	-7.5	-8.6
Global FX Volatility		7.4	0.0	0.0	-0.4	-4.0	-3.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		123	2.0	-1	-14	-99	-82
Italy		177	2.7	0	-15	-18	-37
Portugal		67	3.4	3	-5	-27	-34
Spain		102	1.8	2	-6	0	-7

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

Emerging Market Financial Indicators

Last updated: 11/30/2023 8:28 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	-0.2	0.1	3	-1	-3		2.7	-0.5	-3	-1	-44	-37
Indonesia		15510	-0.7	0.3	2	1	0		6.6	1.4	-2	-49	-31	-31
India		83	-0.1	-0.1	0	-2	-1		7.5	2.0	-9	-21	13.3	3
Philippines		55	-0.2	-0.2	2	2	0		5.9	-0.1	-5	2	-19	-9
Thailand		35	-1.1	0.2	2	0	-2		2.9	2.5	-3	-35	34	32
Malaysia		4.66	-0.2	0.4	2	-5	-6		3.8	-0.1	-2	-24	-28	-21
Argentina		360	-0.1	-1.0	-3	-54	-51		98.3	-63.6	-739	-910	281	1010
Brazil		4.93	-0.4	-0.4	2	5	7		10.8	-9.3	-24	-108	-199	-174
Chile		870	-0.3	0.7	3	3	-2		5.1	4.5	-13	-95	-22	-25
Colombia		3992	-1.0	2.0	2	20	22		8.1	0.0	-8	-100	-206	-170
Mexico		17.42	-0.8	-1.3	4	11	12		8.7	-8.0	-27	-94	3	1
Peru		3.7	0.0	0.3	3	3	2		7.2	-0.6	12	-46	-51	-76
Uruguay		39	-0.1	0.4	2	1	2		9.5	-6.1	-7	-42	-135	-120
Hungary		348	-0.9	0.1	4	13	7		6.6	1.0	-33	-90	-150	-300
Poland		3.98	-0.7	0.5	6	13	10		4.8	0.0	-10	-18	-95	-134
Romania		4.6	-0.5	0.1	3	4	1		6.7	-12.7	-14	-15	-97	-98
Russia		88.7	0.0	-0.2	5	-31	-16							
South Africa		18.8	-0.5	-0.2	-1	-9	-10		9.2	5.2	-14	-65	24	4
Turkey		28.86	0.3	-0.1	-2	-35	-35		27.8	-87.0	-214	-162	1695	1796
US (DXY; 5y UST)		103	0.5	-0.6	-3	-3	0		4.24	3.3	-19	-58	51	24

	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		3496	0.2	-2	-2	-10	-10		163	0	-9	-38	-14	
Indonesia		7081	0.6	1	7	1	3		117	-4	-14	-38	-23	
India		66988	0.1	1	5	6	10		123	0	-13	-21	-19	
Philippines		6224	-0.7	0	4	-8	-5		96	-4	-13	-25	-1	
Thailand		1380	-0.5	-2	0	-16	-17		0	0	0	0	0	
Malaysia		1453	0.5	0	1	-3	-3		88	0	-7	-8	-12	
Argentina		790377	2.2	-6	36	369	291		2028	-91	-534	-304	-177	
Brazil		126166	-0.3	0	12	12	15		218	-2	-5	-49	-56	
Chile		5793	0.3	0	7	10	10		129	-5	-17	-17	-3	
Colombia		1139	1.0	1	5	-8	-11		302	-14	-42	-105	-70	
Mexico		52793	0.8	0	8	2	9		351	-4	-22	-36	-30	
Peru		22136	0.3	0	1	-1	4		146	-7	-16	-29	-34	
Hungary		57455	0.2	2	3	25	31		173	-8	-30	-50	-49	
Poland		74356	-0.2	0	4	33	29		110	1	-6	78	37	
Romania		14712	0.0	0	3	25	26		213	4	-5	-52	-42	
South Africa		75710	0.6	0	9	1	4		344	-10	-50	-8	-23	
Turkey		8042	0.4	2	7	62	46		357	0	-37	-101	-83	
Ukraine		507	0.0	0	0	-2	-2		3741	74	94	63	-338	
EM total		39	-0.3	0	8	0	4		373	-4	-35	-12	-3	

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

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