



- Implied dollar currency volatility has risen to historically elevated levels ([link](#))
- Japan's manufacturers experienced a slowdown in April-September ([link](#))
- EM bond funds see their largest weekly outflow in over a year ([link](#))
- Argentina's central bank cut its policy rate by 5pp. to 35% ([link](#))
- Hedge funds unwound most of their China positions since late September ([link](#))
- Inflation declines at slower pace than expected in Türkiye ([link](#))
- **Special Feature: October 2024 EM local currency bond holdings monitor** ([attached](#))

[Mature Markets](#)

[Emerging Markets](#)



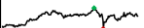




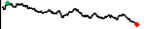



[Market Tables](#)

Big Reversal in US Rates

This morning, latest polls appear to favor Harris more, prompting long-term Treasury yields to rally.

One day before the US elections, betting odds and polls over the weekend have narrowed considerably with the Iowa poll indicating that Harris picked up support from women to leapfrog Trump while data out of other swing states indicates a close call. Given market participants have set up for a Republican sweep so far, the market reaction since the Iowa poll has been released on Saturday is giving a preview of what a Kamala/split government reaction might look like with lower long-term yields, a weaker dollar and depreciating cryptocurrencies. In addition to US elections, investors are also closely following the central bank meetings of the Fed and the Bank of England on Thursday with a high probability that both central banks proceed in their easing cycle. Gilt and Bund yields have stabilized after last week's bigger selloff while crude oil prices have gained on OPEC+ pushing out production increase to January next year. While Japanese markets are today closed for a holiday, Chinese markets gained ahead of the National People's Congress as investors anticipate an announcement of further fiscal stimulus measures.

Key Global Financial Indicators

Last updated: 11/4/24 8:49 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5729	0.4	-1	0	31	20
Eurostoxx 50		4873	-0.1	-2	-2	17	8
Nikkei 225		38054	-2.6	0	-2	19	14
MSCI EM		44	0.1	-1	-5	16	11
Yields and Spreads			bps				
US 10y Yield		4.29	-9.7	0	32	-29	41
Germany 10y Yield		2.40	-0.2	12	19	-24	38
EMBIG Sovereign Spread		333	-4	-4	-28	-109	-50
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.8	0.4	0	-2	-6	-7
Dollar index, (+) = \$ appreciation		103.7	-0.5	-1	1	-1	2
Brent Crude Oil (\$/barrel)		74.9	2.5	5	-4	-12	-3
VIX Index (% change in pp)		22.4	0.5	3	3	7	10

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

Key themes this week are the US presidential election and a broad swathe of central bank monetary policy meetings around the world, most notably the Fed and the Bank of England. In other parts of the world, on Monday, Australia's central bank, on Wednesday Brazil's, Malaysia's, and Poland's, on Thursday Czech's, Norway's, Sweden's and Peru's and on Friday Romania's.

Mature Markets

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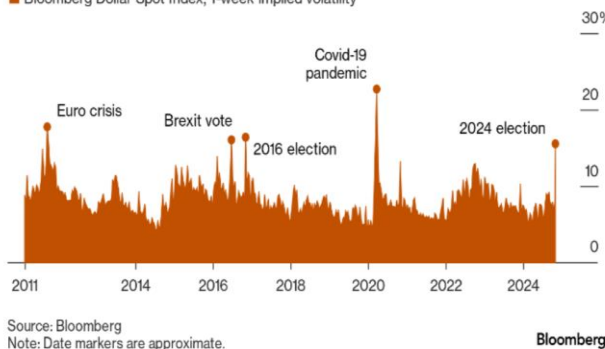
United States

On Friday, a bear-steepening prompted a stronger dollar while weighing on interest rate sensitive sectors. Following the non-farm payrolls release, 10-year Treasury yields rose (+10bps) to 4.38% driven by real yields while the 2-year tenor rose less (+3bps) to 4.21% after having rallied to 4.07% after the unexpectedly weak non-farm payroll report. Some market contacts see Friday's bear-steepening consistent with rising expectations of a Republican sweep that could result in higher fiscal supply, weighing on longer-term Treasury yields. In equity markets, the S&P500 rose (+0.4%) with notably sectoral weakness among Utilities (-2.3%) and REITs (-1.1%). The dollar appreciated versus major (+0.4%) and emerging market currencies (+0.5%).

Implied currency volatility for the dollar has been notably rising. Bloomberg analysts note that implied dollar currency volatility has approached levels last seen in 2011 with only four exceptions: the Euro sovereign debt crisis, the Brexit, the 2016 election and the Covid-19 Pandemic (left chart). According to them, particularly the rising currency volatility in the euro, yen, Chinese renminbi, and Mexican peso exchange rate pairs is contributing to the elevated reading. In terms positioning driving the change, the analysts note in tandem with rising longer-term Treasury yields, particularly option strategies that benefit from dollar appreciation notably driven up the implied volatility (right chart).

Dollar Volatility Reaches Historically High Levels

■ Bloomberg Dollar Spot Index, 1-week implied volatility



Higher Conviction on Stronger Dollar Rally in US yields supports one-year options bets in BBDXY

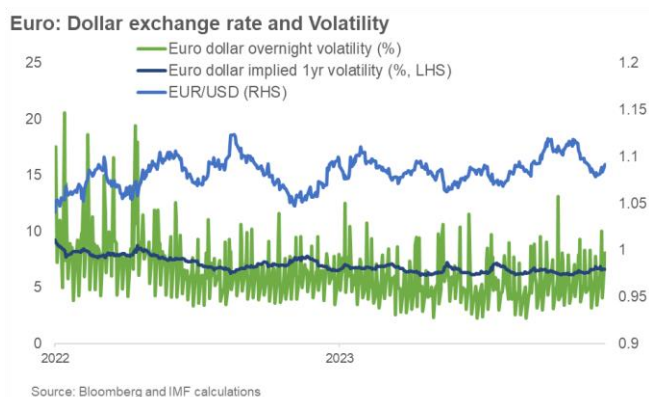
■ Bloomberg Dollar Spot Index one-year risk reversals (R1) ■ US 10-year yield (L1)



Euro area

European equity and bond markets remain flat this morning. The Stoxx 600 marginally gained (+0.2%) after having retreated (-1.5%) last week. Sovereign bond yields stabilized with 10-year bund benchmark yields at 2.41%, which corresponds to the highest level since July. European government bond spreads remained flat, with the 10-year Italy-Bund sovereign spread trading at 80bps and the France-Bund spread trading at 75 bps.

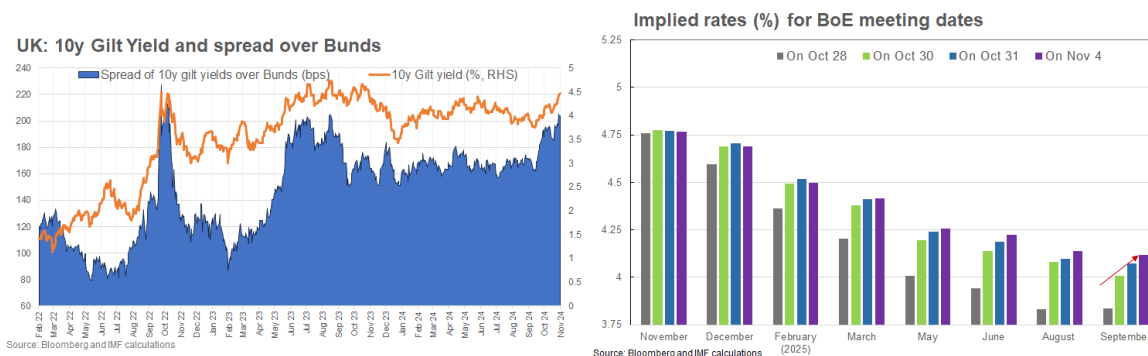
The euro appreciated stronger amid broad-based dollar weakness. This morning the euro gained (+0.7%), trading at \$1.0903/€. ING analysts expect the implications of the US elections for the euro to extend beyond the dollar reaction as market participants could be open to pricing back a 50bps ECB jumbo rate cut in December if there is a clear Republican sweep in the US presidential elections. On the data front the Sentix investor confidence improved, printing at -12.8 (exp. 12.6 from -13.8).



United Kingdom

Gilt yields stabilized while market pricing for a Bank of England rate cuts remains firmly anchored.

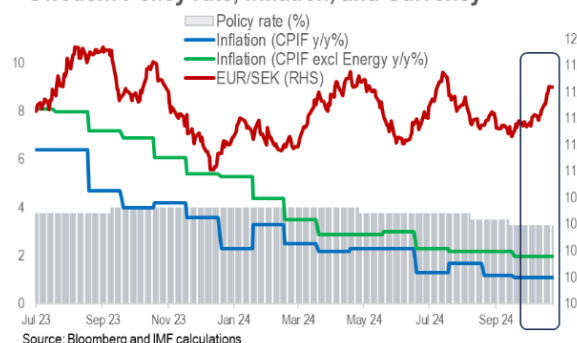
Gilt yields stabilized last Friday after increasing in the aftermath of the UK budget—with 10-year yields now at 4.46% and 2-year yields at 4.44%, +15bps and +17bps respectively higher than before the budget was announced last Wednesday. While market pricing for an impending -25bps rate cut remained firmly anchored since then, market pricing took of one -25bps rate cut by September 2025 as the budget with -89bps of easing anticipated by then, compared to -114bps prior to the announcement. While market contacts see a reversal in Gilt yields unlikely following an impending rate cut, such a decision could instead validate a hawkish repricing if the expanding budget proves inflationary. The pound appreciated to the dollar (+0.4%) towards \$1.2979/£.



Sweden

Consensus is for a rate cut at the upcoming Riksbank meeting on Thursday. A slew of recent weaker-than-expected data releases including a miss in flash Q3 GDP data last week prompts some analysts that previously expected a -25bps rate cut at the impending meeting to call for a -50bps jumbo rate cut. However, market contacts see a marginal risk that the central bank could maintain its -25bps rate cut cadence if the Swedish krona weakens significantly in a post US-election selloff, reconsidering the possibility of a jumbo rate cut at the December meeting after currency volatility calmed down. This morning, The Swedish krona remained flat to the euro, but -2.8% weaker than at the start of October and -4.4% weaker YTD.

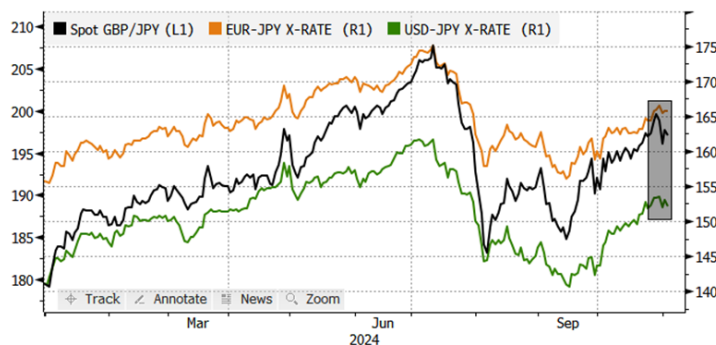
Sweden: Policy rate, Inflation, and Currency



Japan

A weaker yen weighed on the earnings of manufacturing companies in April-September period. A Nikkei report points out that for the first time in four years, more companies reported profit declines than increases. While companies linked to artificial intelligence thrived, the automotive and materials sectors were heavily affected by slowing demand from China, with Mitsubishi Motors' and Koito Manufacturing's net profits dropping by -44% and -56%, respectively. Demand for construction equipment in North America and other markets also fell, partly reflecting higher costs curbing sales as US rate cuts have been slower than expected. Analysts are concerned about the challenges facing Japanese manufacturers posed by FX volatility caused by the US election and trade policies of the new administration.

Most life insurance companies intend to increase Japanese Government Bonds (JGBs) holdings in their investment plans for H2 FY2024. Although commentary by the life insurance companies suggest them to become steady buyers, JP Morgan analysts expects that they remain opportunistic given the data-dependent trajectory of the Bank of Japan's tightening cycle. In terms of the maturity habitat, the analysts expect the life insurance companies to focus on a maturity extension within the super-long end while expecting significant growth in the 10y+ holdings as unlikely. Today, the yen appreciated (+0.6%) as investors reduced long dollar positions following the release of the Iowa poll that indicated growing support for Harris over the weekend. Japanese financial markets remained closed today for a public holiday.



Source: Bloomberg

Bloomberg

Emerging Markets

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This morning, EMEA currencies mostly depreciated as stock markets diverged. In CEE, equities gained with Poland outperforming (1.4%), while currencies appreciated to the euro, particularly the Polish zloty (+0.5%) at PLN 4.33/€ ahead of the MPC meeting on Wednesday, where the expectation is that the central bank will keep its policy rate on hold at 5.75%. The South African rand gained (+0.7%) trading at ZAR 17.53/\$, while the stock market was little changed.

Asian currencies and stock markets mostly gained. In currency markets, the Singapore dollar (+0.6%) and Thai baht (+0.4%) gained most as weekend polls indicated Harris to gain ground, prompting the US dollar to retreat as investors scaled back trades that seek to benefit from a Trump victory. EM Asian stock markets on aggregate gained (+0.8%), with Korean equities leading the gains (+1.8%) on news that the main opposition party supported the government's decision to drop a proposed capital gains tax on retail investors. Chinese equities gained slightly less (+1.4%) as investors are eagerly following a key legislative meeting this week for stimulus details.

Latin American currencies and stock markets retreated on Friday. In currency markets, the Brazilian real (-1.4%) and Mexican peso (-1.1%) depreciated the most. In stock markets, Chile's (-1.8%) and Brazil's (-1.2%) underperformed most, while Argentina's rebounded (+1.7%) after the country's central bank unexpectedly cut its policy rate.

EM Fund Flows

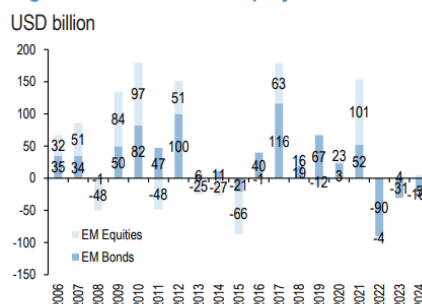
EM bond funds see their largest weekly outflow in over a year. EM bond funds experienced outflows of \$2.3bn (from -\$642mn), driven by hard and local currency funds (-\$1.5bn and -\$734mn, respectively).

Among hard currency EM funds, weekly outflows remarkably accelerated (-\$1.5bn) with Asia ex-Japan regional flows turning negative (-\$18mn). Within local currency EM funds, fund outflows for the EM ex-China category more than doubled from the previous week (-\$670mn) while China-focused fund flows also contracted (-\$64mn). EM equity funds similarly suffer from contracting flows (-\$3.1bn from +\$383mn), with non-ETFs (-2bn) contributing more than ETFs (-\$1.1bn). Within equity funds, the EM Asia ex-Japan saw most outflows (-\$2bn), followed by EMEA (-\$87mn) and Latin America (-\$68mn).

Figure 1: Weekly cross-asset flows

USD billion		8w flows (8w ago → current)	This wk	YTD
Asset	EM Bonds and Equities		-5.4	-11.0
	EM Bonds		-2.3	-16.2
	Hard Ccy		-1.5	-7.0
	Local Ccy*		-0.7	-9.2
	o.w. EM ex-China		-0.7	-8.1
	o.w. China		-0.1	-1.6
	EM Equities		-3.1	5.2
	US HG		8.0	319.8
	US HY		0.6	27.3
	Global Equities		-0.9	185.0
	EM Bond and Equity ETFs		-1.8	38.8
	EM Bond ETFs		-0.7	-1.7
	EM Equity ETFs		-1.1	40.4
	Non-resident EM flows*		-3.7	-4.1

Figure 2: EM bond and equity fund flows

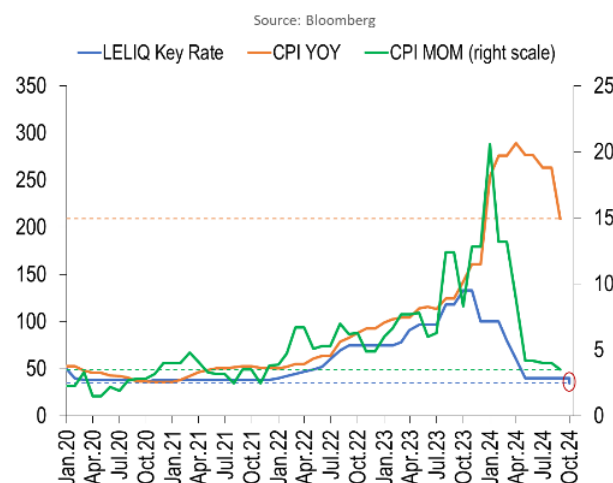


*High-frequency non-resident EM portfolio flow data where available. *Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Argentina

Argentina's central bank cuts key interest rate as inflation cools.

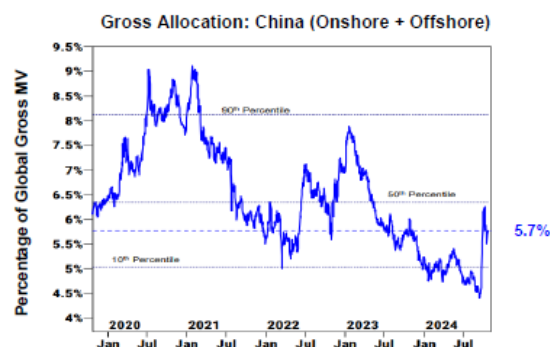
The central bank cut interest rates by 5pp. to 35%, after data released earlier in October showed that inflation in September slowed to a monthly pace of +3.5% of 209% y/y, down from a peak of 289.4% seen in April. The decision marks the first cut since May, with total cuts of 98% since October 2023 when the LELIQ rate peaked at 133%. In a brief press release, the central bank stated that the decision was based on consideration of the liquidity conditions, the decline in inflation expectations, and the strengthening of the fiscal anchor. Goldman Sachs analysts expect the decision to be supportive of the incipient credit boom observed in recent months, which could provide support to the economic recovery. However, the analysts note that the policy stance appears overly loose, which could prompt a retracement of the gap between the official exchange rate and the parallel market, which recently fell below 20%.



China

Chinese equities advanced ahead of this weeks National People's Congress (NPC). The CSI 300 gained (+1.4%) amid growing anticipation that the November 4–8 meeting of the Standing Committee of the NPC could shed light on further fiscal stimulus measures to revive the economy. Goldman Sachs analysts anticipate that legislators will approve up to RMB2 trn (US\$282 bn) in bond issuances for bank recapitalization and an additional RMB 6–10 trn multi-year fiscal package for local governments' debt swaps and property destocking. As for the overall size of the stimulus, Nomura analysts expect the size of the package to reach 2%-3% of GDP over the next few years. Some market contacts warrant caution that detailed plans may only be disclosed in key policy meetings in December or next March. The RMB appreciated (+0.3%), in line with its regional peers.

Positioning data suggests that hedge funds reduced allocations to China. Goldman Sachs data shows that gross allocations declined to 5.7% from a recent peak of 6.3%. Since China introduced its recent stimulus package in late September, this implies that hedge funds unwound 95% of their cumulative notional net buying, down from 80% the previous week. Goldman Sachs analysts also note that domestic funds have sold 37% of aggregate flows the announcement of the recent stimulus package, while offshore China-focused funds recorded 4% of the selling from the peak.

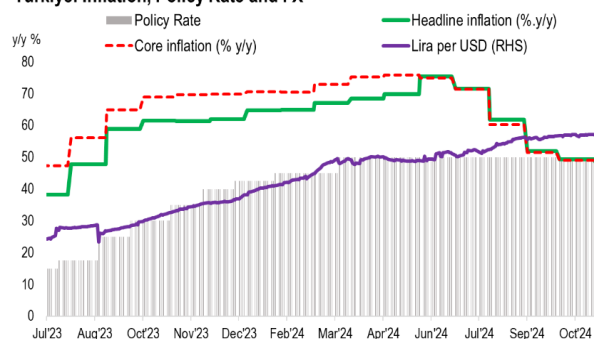


Source: Goldman Sachs FICC and Equities

Türkiye

Latest data shows that October headline inflation has slowed less than expected. Headline inflation printed at 48.58%/y/y (exp. 48.30% from 49.38%) while core inflation printed at 47.75% (exp. 47.8% from 49.10%). While the goods component rebounded, services inflation slowed. Bloomberg analysts anticipate inflation to a significantly drop in November, allowing the Central Bank of Türkiye—which has kept the policy rate at 50% since March—to start cutting the policy rate in December. By contrast, today's data outturn prompted Goldman Sachs analysts to reduce their conviction on their call for the start of the central banks' easing cycle from January 2025 as the upbeat headline inflation could feed into the increase of next year minimum wages that will be announced in December. The lira remained flat to the dollar, trading at TRY34.33/\$, while yields on 10y government bonds rose (+15bps) to 28.68%.

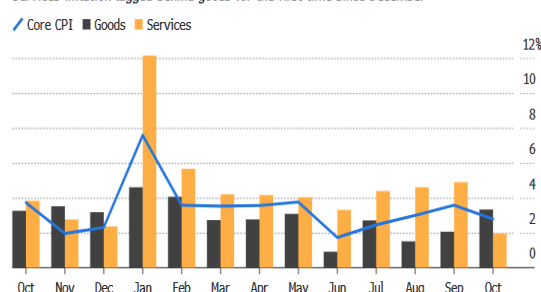
Türkiye: Inflation, Policy Rate and FX



Source: Bloomberg and IMF calculations

Turkey's October Monthly Price Gains Led By Goods

Services inflation lagged behind goods for the first time since December



Source: Turkstat

Bloomberg

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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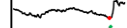



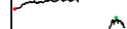














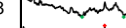
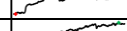



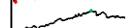


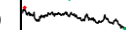





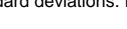


Global Financial Indicators

11/4/24 8:50 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,728	0.4	-1.6	-0.4	31.4	20
Europe		4,873	-0.1	-1.9	-1.6	16.7	8
Japan		38,054	-2.6	0.4	-1.5	19.1	14
China		3,945	1.4	-0.5	-1.8	10.1	15
Asia Ex Japan		76	0.5	-1.2	-5.9	18.8	15
Emerging Markets		44	0.1	-1.4	-5.3	15.7	11
Interest Rates			basis points				
US 10y Yield		4.3	-10	0	32	-29	41
Germany 10y Yield		2.4	0	12	19	-24	38
Japan 10y Yield		1.0	0	-3	7	3	34
UK 10y Yield		4.4	-1	18	31	15	90
Credit Spreads			basis points				
US Investment Grade		128	1	4	4	-30	-6
US High Yield		332	5	2	-3	-103	-53
Exchange Rates			%				
USD/Majors		103.7	-0.5	-0.5	1.2	-1.2	2
EUR/USD		1.1	0.6	0.8	-0.7	1.7	-1
USD/JPY		151.9	-0.7	-0.9	2.2	1.2	8
EM/USD		44.8	0.4	-0.3	-2.3	-6.1	-7
Commodities			%				
Brent Crude Oil (\$/barrel)		74.9	2.5	5.5	-3.2	-6.3	0
Industrials Metals (index)		148.6	0.1	-0.7	-4.7	6.5	4
Agriculture (index)		55.7	0.2	0.8	-3.8	-15.2	-11
Implied Volatility			%				
VIX Index (% change in pp)		22.4	0.5	2.6	3.2	7.5	9.9
Global FX Volatility		9.3	0.1	0.2	0.6	1.6	1.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		89	-2	1	-6	-42	-15
Italy		126	-2	6	-4	-61	-41
Portugal		46	1	4	-7	-21	-17
Spain		70	-2	0	-6	-34	-27

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

Emerging Market Financial Indicators

Last updated: 11/4/2024 8:51 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		7.10	0.4	0.5	-1.1	2.4	0.0		2.0	0	-2	-2	-70	-55
Indonesia		15753	-0.2	-0.2	-1.7	-1.4	-2.3		6.8	0	-4	13	-8	30
India		84	0.0	0.0	-0.2	-1.1	-1.1		7.2	-2	1	20	-31	3
Philippines		58	-0.4	-0.2	-3.5	-4.2	-5.1		4.9	5	4	14	-97	-69
Thailand		34	0.6	0.4	-2.0	5.3	1.3		2.4	0	1	-4	-73	-26
Malaysia		4.37	0.2	-0.3	-3.5	6.2	5.0		3.9	1	5	20	-5	20
Argentina		992	-0.2	-0.5	-2.1	-64.7	-18.5		32.0	-326	-563	-819	-7620	-5438
Brazil		5.81	1.1	-1.7	-6.1	-15.9	-16.4		12.8	-14	23	60	121	245
Chile		960	0.3	-1.3	-3.8	-8.1	-8.4		5.2	0	2	35	-42	32
Colombia		4436	-0.3	-2.4	-4.8	-7.4	-13.1		8.7	11	14	111	-20	110
Mexico		20.13	0.7	-0.4	-4.2	-12.8	-15.7		9.7	16	18	102	21	126
Peru		3.8	-0.2	-0.6	-1.9	1.7	-1.9		6.8	-1	10	#VALUE!	-51	12
Uruguay		42	0.0	-1.3	-0.4	-4.0	-6.6		9.4	-1	-18	-35	-47	-16
Hungary		374	0.6	-0.1	-2.3	-5.5	-7.3		6.8	-2	-3	64	-39	106
Poland		3.99	1.0	0.9	-1.4	4.3	-1.3		5.1	-9	4	38	29	64
Romania		4.6	0.6	0.7	-0.7	1.5	-1.3		6.7	0	9	29	-6	53
Russia		99.0	-1.0	-1.3	-4.0	-6.5	-9.6							
South Africa		17.5	0.6	0.9	-0.3	4.2	4.6		8.9	-2	1	24	-67	-21
Türkiye		34.35	-0.1	-0.2	-0.3	-17.2	-14.0		30.9	32	66	121	67	417
US (DXY; 5y UST)		104	-0.5	-0.6	1.2	-1.2	2.4		4.14	-9	2	33	-37	29

	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		3,945	1.4	-0.5	-1.8	10.1	15.0		105	-5	-19	-62	-53	
Indonesia		7,480	-0.3	-2.0	-0.2	10.2	2.8		82	-7	-19	-59	-14	
India		78,782	-1.2	-1.5	-3.6	22.4	9.1		88	-3	-15	-47	-28	
Philippines		7,136	-0.1	-2.4	-4.4	19.1	10.6		68	-7	-18	-51	-12	
Thailand		1,463	-0.1	0.7	1.3	3.0	3.3		0	0	0	0	0	
Malaysia		1,616	0.8	-0.1	-0.8	11.5	11.1		66	-2	-10	-30	-19	
Argentina		1,879,879	1.7	0.4	7.0	195.0	102.2		952	-19	-341	-1652	-961	
Brazil		129,547	-1.2	-1.3	-1.7	9.6	-3.5		203	-2	-15	-19	-12	
Chile		6,572	-1.8	-2.3	1.3	21.5	6.0		108	-2	-6	-38	-17	
Colombia		1,353	-0.4	1.4	3.8	23.1	13.2		332	13	17	12	61	
Mexico		50,622	-0.1	-2.2	-3.8	-1.3	-11.8		295	-4	-12	-80	-39	
Peru		30,470	-1.2	-1.6	0.5	42.0	17.4		135	0	1	-28	-9	
Hungary		74,251	0.5	0.0	0.1	32.5	22.5		147	1	-6	-52	-2	
Poland		80,550	1.3	-0.3	-2.8	12.5	2.7		102	0	-12	-13	5	
Romania		17,309	-0.9	-0.4	-0.9	19.7	12.6		196	6	1	-20	-5	
South Africa		86,153	-0.1	-1.7	-0.2	18.3	12.0		275	0	-2	-100	-33	
Türkiye		8,674	-2.4	-2.6	-4.8	12.6	16.1		258	-12	-25	-119	-56	
EM total		44	0.7	-1.4	-5.3	15.7	10.6		379	-1	-15	-28	33	

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

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