



- Term premia comes down from recent peaks as treasuries erase October sell-off ([link](#))
- Coupon issuance could increase by 20% ([link](#))
- Japan's central bank signaled ending NIRP in 2023 is unlikely ([link](#))
- China's inward FDI contracted for the first time since records began ([link](#))
- Outflows from EM funds accelerated to \$4.5 bn last week ([link](#))

[Mature Markets](#)


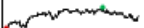



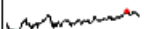





| [Emerging Markets](#)

| [Market Tables](#)

Markets calm after last week's rally

Equity markets are little changed after last week's strong rally driven by a sharp decline in sovereign bond yields. The S&P 500 jumped nearly 5% last week, as investors increasingly expect that the Fed's hiking cycle has reached its end. The yield on the 10-year treasury fell by over 30 bp on the week, completely reversing the yield gains experienced in October. Equity markets are largely holding gains so far today despite a rise in sovereign bond yields this morning. The yield on the German bund 10-year is 6 bp higher while the US 10-year is up 3 bp. European equities are modestly weaker (-0.2%), while US equity futures are higher (+0.2%). Asian equities rallied sharply overnight, catching up with gains seen elsewhere on Friday following the US nonfarm payroll report. Oil prices are up about 1% on the day after an announcement by Russia and Saudi Arabia affirming that they will continue with supply cuts through the end of the year.

Key Global Financial Indicators

Last updated: 11/6/23 8:09 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4358	0.9	6	1	16	14
Eurostoxx 50		4165	-0.2	3	1	13	10
Nikkei 225		32708	2.4	6	6	19	25
MSCI EM		38	2.0	5	2	6	1
Yields and Spreads			bps				
US 10y Yield		4.60	3.1	-29	-20	45	73
Germany 10y Yield		2.71	6.4	-11	-18	41	14
EMBIG Sovereign Spread		423	-5	-23	-17	-113	-29
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.7	0.0	2	3	-4	-4
Dollar index, (+) = \$ appreciation		105.0	0.0	-1	-1	-5	1
Brent Crude Oil (\$/barrel)		85.8	1.1	-2	1	-13	0
VIX Index (% change in pp)		15.4	0.5	-4	-2	-9	-6

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

The week ahead is skewed towards speeches by central bank officials following a busy week for markets last week. Chair Powell, President Lagarde and Governor Bailey, among other officials of advanced economies, are scheduled to speak this week. Central bank meetings will be held in Australia, Poland, Romania, Serbia, Mexico and Peru. UK GDP print is scheduled to be released on Friday. Finally, several inflation prints are to be released in Eastern Europe.

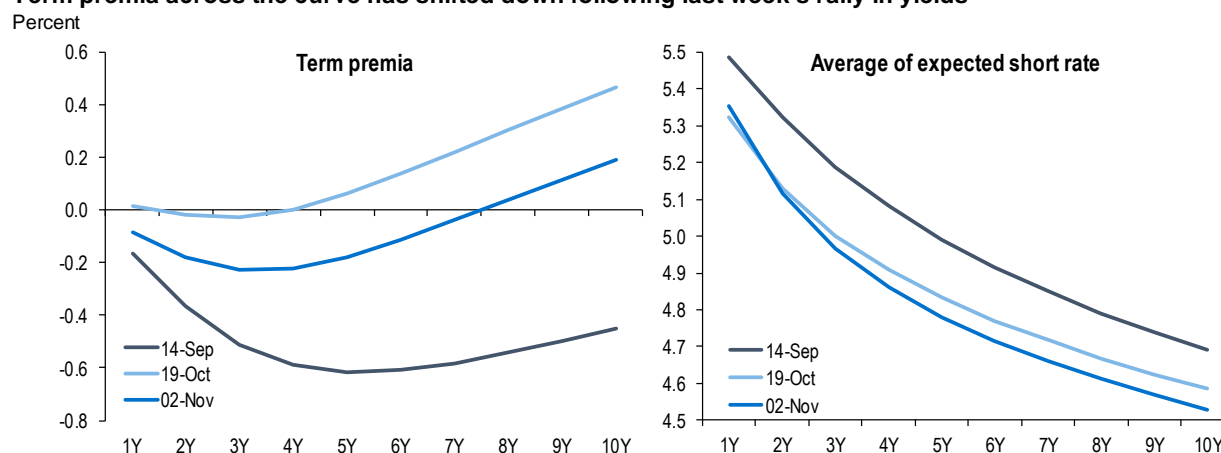
Mature Markets

[back to top](#)

United States

US yields erased their October increase following last week's bond rally driven by lower term premia. 10-year bonds richened by as much as 35bp from their weekly peak—the bulk of the rally followed the Treasury's decision to slow the pace of issuance for long-tenured bonds and the Federal Reserve's decision to hold interest rates steady as expected. The Federal Reserve's decision was largely viewed by markets as the end of the central bank's tightening cycle. It was even considered a slightly dovish meeting from market reactions. The decrease in yields largely seems to have come from a compression of term premia across the yield curve. The spike in term premia of long-dated Treasuries had been top of mind for investors over the last month following the pace of the sell-off across major bond markets. 10-year yields are now back at levels witnessed at the end of September.

Term premia across the curve has shifted down following last week's rally in yields

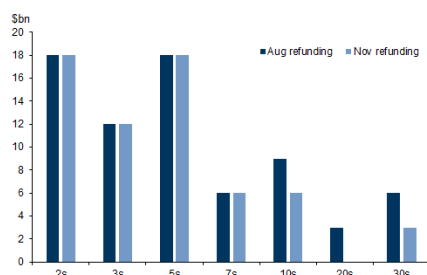


Source: Adrian, Crump & Moench (2013), Bloomberg, NYFRB.

US Treasury surprised markets last week with its lower-than-expected issuance for bonds. The decrease in bond issuance was made up by increasing the proportion of T-bills. Goldman Sachs analysts see the tilt towards shorter maturities as justified considering the robust demand for short-dated securities and its relative immunity from the rise of term premia. They forecast net bill supply to remain elevated over Q4 and Q1–2024 (\$420bn and \$440bn respectively). Despite the recent step taken by the Treasury, JP Morgan analysts still see the duration supply increasing by 20% (\$2.8tn in 2024 in 10-year equivalents). In their view, this justifies a steeper yield curve and higher term premia for US treasuries in the coming months.

Exhibit 2 : Treasury has kept the pace of 2s, 3s, 5s and 7s auction size increases, but dialed down on 10s, 20s and 30s

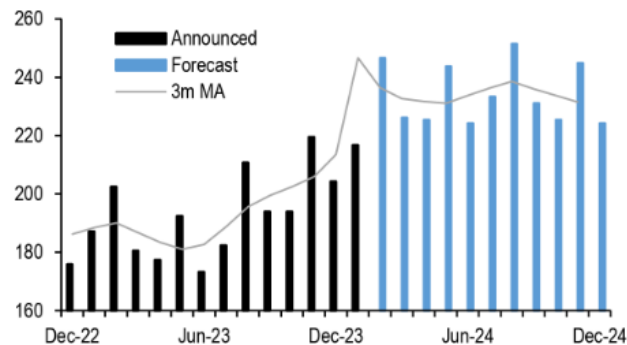
Total increase in issuance relative to previous cycle; \$bn



Source: Goldman Sachs Global Investment Research

Figure 3: Though it is well known coupon auction sizes will increase further in coming months, supply will need to be digested

Monthly gross duration supply in Treasury coupons, announced vs. forecast; \$bn 10-year Treasury equivalents

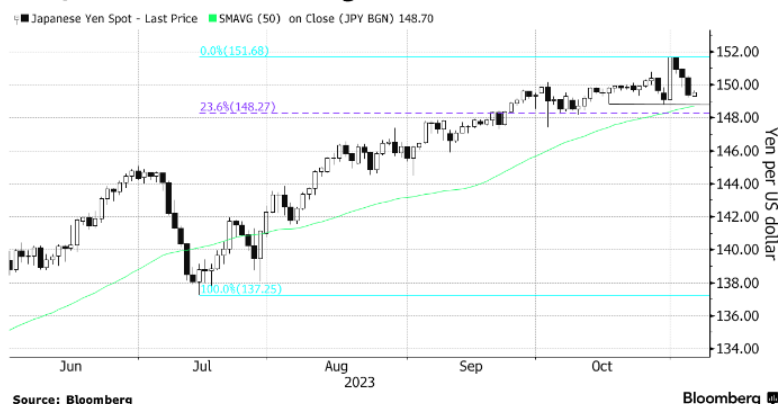


Source : J.P. Morgan, US Treasury

Japan

Equities gained 1.6%. The Topix has gained almost 25% so far in 2023, after retracting 3% from September highs. Some analysts noted that the Japanese stock rally may be fading as global growth deteriorates and the boost to exports from a weaker yen is nearly over. Meanwhile, support for Japanese PM Kishida's government slipped to its lowest at 28% in a local media poll. Over 60% of the respondents were unsupportive of the latest stimulus package, which included a one-off tax cut. Separately, the **Bank of Japan (BOJ) Governor Ueda signaled that ending negative interest rate policy in 2023 is unlikely**, highlighting the limited time left until year-end. He added that the certainty in achieving the 2% inflation target is still not there, albeit it has increased gradually. Japan's government is reportedly meeting with labor groups and businesses this month to discuss wages, Nikkei reported. **10Y bond yields declined -4.3bp, the yen was little changed.**

USD/JPY Nearer to The Edge After US Jobs Miss



Source: Bloomberg

Bloomberg

Emerging Markets

[back to top](#)

Asian equities gained 2.2% on net amid risk-on sentiment. **South Korea** equities surged 5.6%, sparked by the government's ban on domestic stock short selling until end of June 2024. **Philippines** stocks gained 1.5%—the tourism sector is expected to gain from country's multi-year agreement with Japan. **Asian currencies appreciated.** The Malaysian ringgit and South Korean won outperformed, both gaining 1.9%,

followed by the Indonesian rupiah (+1.2%). **10Y bond yields broadly declined.** Malaysian yields fell 7bp, followed by Singapore (-6bp) and South Korea (-6bp). **Indonesia's** GDP growth slowed slightly to 4.9%/y (consensus: 5%, previous: 5.2%) in 3Q, led by decline in exports. **Singapore's** PM Lee said he plans to handover reins to Deputy PM Wong next year before the 2025 general elections. **Thailand's** CPI inflation slipped into deflationary territory for the first time since August 2021 at -0.3% y/y (consensus: 0.1%, previous: 0.3%), due largely to a cut in energy prices by government. **EMEA currencies are modestly stronger** versus the dollar this morning, largely on broad dollar weakness. The Romanian leu and Hungarian forint are each up 0.2%. EMEA equities are also mostly stronger, led by Turkey (+2.0%), Poland (+0.4%) and South Africa (+0.3%). **Markets in Latin America rallied on Friday** in response to US data. Equities in Mexico, Chile and Brazil soared 2–3%. **In Peru**, the country's largest lender, Credicorp Ltd., had reportedly warned of a significant increase in delinquencies going forward due to an economic slowdown. Peru's equity index closed 1.6% lower. Latam currencies appreciated on Friday, following the broader EM trend. However, the Chilean peso outpaced its regional peers last week by rising 6.4%.

EM fund flows

Weekly fund outflows from EMs intensified to \$4.5 bn from \$4 bn in the week before. This was primarily driven by withdrawal from equity funds, as outflows from bond funds decelerated marginally. Equity fund outflows were \$3.1 bn, up from \$2.5 bn in the week before, and were driven by withdrawals from non-ETFs (outflow of \$2.4 bn). Bond funds witnessed an outflow of \$1.46 bn easing slightly from \$1.53 bn outflow in the week before. This mild deceleration was due to local currency bond funds, wherein outflows declined \$125 mn sequentially to \$630 mn. Hard-currency bond funds outflows, on the other hand, rose further to \$831 mn. With this, the YTD total EM fund outflows have risen to \$17.8 bn.

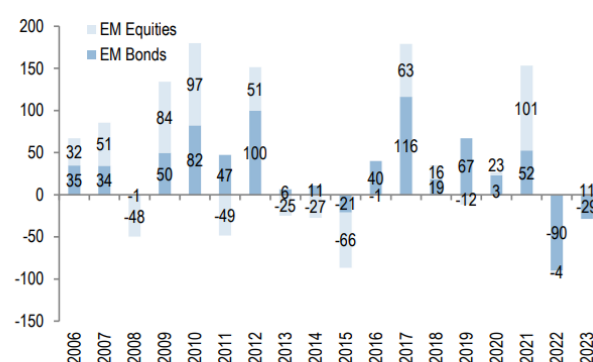
Figure 1: Weekly cross-asset flows

USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities	-4.5	-4.5	-17.8
EM Bonds	-1.5	-1.5	-28.6
Hard Ccy	-0.8	-0.8	-21.3
Local Ccy ^A	-0.6	-0.6	-7.3
o.w. EM ex-China	-0.6	-0.6	-2.8
o.w. China	-0.1	-0.1	-5.6
EM Equities	-3.1	-3.1	10.7
US HG	2.8	2.8	240.9
US HY	1.1	1.1	-9.8
Global Equities	-5.4	-5.4	-65.0
EM Bond and Equity ETFs	-0.7	-0.7	28.0
EM Bond ETFs	0.0	0.0	-4.2
EM Equity ETFs	-0.7	-0.7	32.2
Non-resident EM flows [*]	-5.0	-5.0	8.0

Figure 2: EM bond and equity fund flows

USD billion



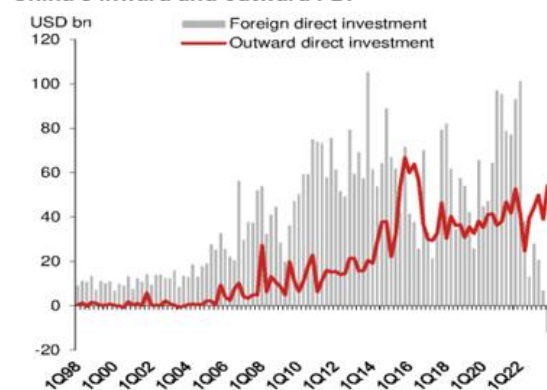
^{*}High frequency non-resident EM portfolio flow data where available. ^ALocal ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

China

China's inward FDI contracted for the first time since records began in 1998. FDI turned negative \$11.8bn in 3Q, SAFE advanced estimates showed, down further from an already historical low of +\$6.7bn in Q2. Analysts thought the decline reflected the unwillingness by foreign companies to re-invest profits made in China, amid strained ties with the West and to keep cash offshore, according to Bloomberg. The retreat of FDI, coupled with depressed inbound travel, sustained export contraction, and continued weakness in the domestic economy, suggest China's BoP is set to face persistent pressures in the coming quarters, Nomura wrote. **China's Premier Li Qiang pledged that China will expand access to markets and boost imports.** In his address at China International Import Expo on Sunday, he also stated that "the rights and interests" of foreign investors would be protected. **Chinese equities gained 1.4%. The offshore**

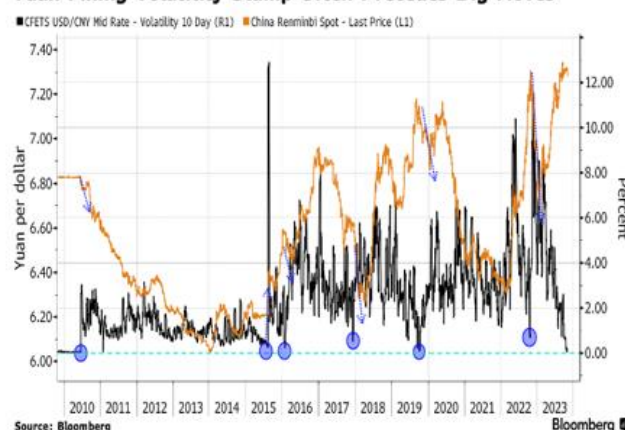
renminbi gained 0.2%, while onshore was little changed. Volatility in the yuan's daily fixing fell to more than a decade low.

China's inward and outward FDI



Sources: SAFE, Wind, Nomura Global Economics

Yuan Fixing Volatility Slump Often Precedes Big Moves



Source: Bloomberg

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), Benjamin Mosk (Senior Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are 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), Corrado Macchiarelli (Economist), 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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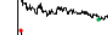
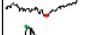
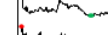
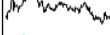



















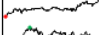

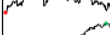
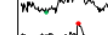




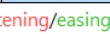
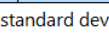


Global Financial Indicators

11/6/23 8:09 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		4361	0.9	5	1	16	14
Europe		4165	-0.2	3	1	13	10
Japan		32708	2.4	6	6	19	25
China		3633	1.4	1	-2	-4	-6
Asia Ex Japan		64	2.3	5	1	9	-1
Emerging Markets		38	2.0	5	2	6	1
Interest Rates			basis points				
US 10y Yield		4.60	3.1	-29	-20	45	73
Germany 10y Yield		2.71	6.4	-11	-18	41	14
Japan 10y Yield		0.88	-4.3	-1	8	63	46
UK 10y Yield		4.34	5.3	-22	-23	80	67
Credit Spreads			basis points				
US Investment Grade		157	-0.5	-5	3	-20	-1
US High Yield		427	-8.1	-46	-25	-51	-53
Exchange Rates			%				
USD/Majors		104.99	0.0	-1	-1	-5	1
EUR/USD		1.07	0.1	1	1	7	0
USD/JPY		149.8	0.3	0	0	2	14
EM/USD		47.7	0.0	2	3	-4	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		85.8	1.1	-1	3	0	6
Industrials Metals (index)		141	0.8	1	1	-8	-15
Agriculture (index)		66	0.1	2	3	-5	-5
Implied Volatility			%				
VIX Index (% change in pp)		15.4	0.5	-4.4	-2.1	-9.2	-6.3
Global FX Volatility		7.7	0.1	-0.1	-0.5	-4.0	-3.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		130	-1.0	-2	-22	-113	-75
Italy		190	2.7	-2	-13	-27	-25
Portugal		67	0.0	-3	-10	-30	-34
Spain		105	0.9	-2	-7	-1	-4

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

Emerging Market Financial Indicators

Last updated: 11/6/2023 8:10 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		7.27	0.1	0.6	0	-1	-5		2.7	-0.5	-5	-5	-17	-39
Indonesia		15539	1.2	2.3	0	1	0		6.8	-1.0	-27	-16	-62	-9
India		83	0.1	0.0	0	-2	-1		7.6	-6.0	-21	-31	(7.1)	10
Philippines		56	0.3	1.7	1	5	0		5.9	-0.1	2	13	3	-9
Thailand		36	0.0	1.0	4	5	-3		3.2	-8.0	-15	-24	7	54
Malaysia		4.64	2.0	2.7	2	2	-5		3.9	-8.8	-21	-19	-48	-15
Argentina		350	0.0	0.0	0	-55	-49		109.2	20.8	181	-411	1380	2101
Brazil		4.90	0.1	3.0	5	5	8		11.5	3.0	-40	-51	-36	-106
Chile		878	-0.3	3.4	5	5	-3		5.7	6.0	-39	-11	-62	32
Colombia		3978	1.7	3.2	6	27	22		8.5	0.0	-70	-121	-315	-131
Mexico		17.47	0.0	3.3	4	11	12		9.2	0.0	-44	-25	-7	51
Peru		3.7	0.6	2.9	2	6	2		7.3	-1.7	-39	-29	-82	-68
Uruguay		40	-0.1	0.1	-1	0	0		9.9	4.2	-2	23	-144	-80
Hungary		354	0.0	2.0	3	13	6		7.1	14.0	-44	-48	-357	-247
Poland		4.16	-0.2	0.8	4	12	5		4.8	7.5	-21	-34	-243	-134
Romania		4.6	0.1	1.1	1	5	0		6.7	-3.8	-18	-9	-248	-102
Russia		92.5	0.3	0.2	9	-33	-20							
South Africa		18.3	0.0	3.3	6	-3	-7		9.5	2.0	-37	-47	20	37
Turkey		28.44	-0.1	-0.6	-3	-35	-34		30.8	53.0	137	414	1921	2095
US (DXY, 5y UST)		105	0.0	-1.1	-1	-5	1		4.54	3.8	-28	-21	21	54

	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		3633	1.4	1	-2	-4	-6		169	-3	-1	-35	-8	
Indonesia		6879	1.3	2	0	-3	0		131	0	8	-69	-9	
India		64959	0.9	1	-2	6	7		132	-4	-8	-79	-10	
Philippines		6078	1.5	0	-3	-3	-7		108	-1	9	-54	11	
Thailand		1417	-0.2	2	-1	-13	-15		0	0	0	0	0	
Malaysia		1465	1.0	2	3	2	-2		96	1	0	-19	-4	
Argentina		637284	-2.6	-3	1	321	215		2530	-32	-119	-73	325	
Brazil		118160	2.7	4	3	0	8		218	-5	-6	-62	-56	
Chile		5613	2.9	1	-1	8	7		140	-6	10	-33	8	
Colombia		1099	0.1	0	0	-12	-15		299	-45	-53	-168	-73	
Mexico		51267	3.0	4	3	0	6		352	-21	-25	-61	-29	
Peru		21452	-1.6	-2	-4	-2	1		153	-9	-7	-49	-27	
Hungary		57365	0.0	2	4	35	31		190	-13	-8	-91	-32	
Poland		72845	0.5	4	14	39	27		111	-5	-12	54	38	
Romania		14593	0.9	2	4	34	25		187	-32	-25	-155	-69	
South Africa		73129	0.4	5	2	6	0		351	-43	-50	-75	-16	
Turkey		7858	2.0	2	-7	86	43		360	-34	-39	-166	-80	
Ukraine		507	0.0	0	0	-2	-2		3417	-230	-24	-1156	-662	
EM total		38	0.9	5	2	6	1		388	-20	-19	-60	13	

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

[back to top](#)