GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, OCTOBER 13, 2020

- **Virus spread in Europe worsens, with new restrictions expected** (link)
- **Earnings seasons kicks off, with 21% yoy decline in profits expected in US** (link)
- **Brexit talks approach the self-imposed deadline** (link)
- **RMB gains pause as the PBOC takes steps to curb appreciation** (link)
- **Bank Indonesia held the policy rate unchanged at 4% as expected** (link)
- **GMM Box: Update on EM Ratings Changes** (link)

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Tech shares extend rally

Tech shares continue to push equities higher despite rising virus cases and tightening mobility restrictions. US equities rose 1.6% yesterday as the biggest tech stocks surged 3.3%, their best day in a month, linked to optimism over product announcements and Amazon's annual sale. The Russell 2000 index of smaller corporates—a bellwether of broader economic health in the US—underperformed, underscoring the continued disconnect in equity markets. In Europe, rebounding virus cases and tightening restrictions on mobility are dominating headlines. In China, authorities unwound a measure limiting forward FX positions, in a move seen as an attempt to cool down the RMB's rapid appreciation in recent weeks.

Amongst the major central bank decisions this week, South Korea (today), Indonesia (today) and Chile (Thursday) are likely to keep rates on hold. Inflation prints are also scheduled to be released for Sweden (today, 0.6% yoy), Argentina (Wednesday; 36.3% yoy) and China (Wednesday; 1.9% yoy). Initial jobless claims for the week in the US (Thursday) are expected at 825k, continuing to decline vs the 840k figure last week. Retail sales advance in US is likely to be reported at 0.8% mom vs 0.6% in the last print.

Key Global Financial Indicators

Last updated: 10/13/20 8:26 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		3534	1.6	4	6	19	9
Eurostoxx 50		3288	-0.3	2	-1	-8	-12
Nikkei 225		23602	0.2	1	1	8	0
MSCI EM		46	0.9	4	5	11	3
Yields and Spreads					bps		
US 10y Yield		0.75	-2.8	1	8	-98	-117
Germany 10y Yield		-0.55	-0.1	-4	-7	-10	-36
EMBIG Sovereign Spread		404	0	-16	-13	68	111
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		54.9	0.1	0	-1	-10	-11
Dollar index, (+) = $ appreciation		93.2	0.2	0	0	-5	-3
Brent Crude Oil ($/barrel)		42.5	1.8	0	7	-30	-36
VIX Index (%, change in pp)		25.3	0.3	-3	-2	10	12

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

United States

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Stocks rallied on Friday on perceived progress towards a fiscal stimulus package. The While House reportedly offered a $1.8 tn package, which would include $1,200 stimulus checks for qualifying households, unemployment benefits, airline aid and “PPP 2.0”, an extension of the small business loan program. The S&P 500 added 0.9% and notched the best week since July with a weekly gain of 3.8%. IT, consumer and health care were the top performing sectors. Treasury yields closed flat with the volatility index (MOVE) hovering around 57. The DXY dollar index weakened 0.6%, the largest one-day drop since mid-August. The White House’s offer however fell flat in Congress over the weekend, where it was rejected by the Democratic party leadership and downplayed by Senate Majority Leader McConnell, who warned that a deal was unlikely before the election.

Yesterday, US stocks ripped higher by nearly 1.6%, lifted by big tech shares, which had their best performance in nearly a month. However, the Russell 2000 index of smaller firms underperformed, rising only 0.7%. Bond markets were closed for the US holiday.

CPI for the US was reported at 1.4%, in line with consensus expectations and marginally ahead of last month’s print of 1.3%. Core CPI was reported at 1.7% yoy inline with consensus expectations and last month’s print.

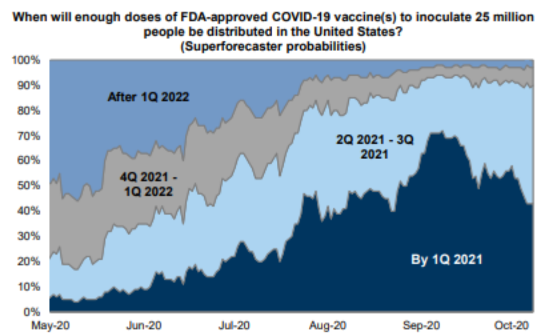
Earnings season kicks off this week and will provide investors with another look at the impact of COVID-19 on S&P 500 fundamentals. Goldman analysts highlighted that weak and uneven sales growth and a collapse in profit margins will likely characterize 3Q results, with consensus expecting a 21% yoy decline in earnings. The reports note that while investors are focused on the implications of the election, the vaccine represents a more important factor for the recovery in S&P 500 fundamentals. The odds of distribution of vaccine doses, as per the report, by 1Q 2021 rose from 39% on Aug. 23rd to 71% on Sep. 8th. However, that probability has dropped to 42% and the odds for 2Q-3Q 2021 are now the greatest (48%).

Exhibit 2: 3Q20E bottom-up consensus earnings by sector
as of October 8, 2020

	3QE 2020 Consensus Bottom-up				
	EPS		Sales	Margin	
Sector	$/Share	Growth	Growth	Level	Change
Utilities	$1.7	(0)%	NM	NM	NM
Info Tech	7.7	(2)	3	20.4	(121)
Real Estate	1.0	(2)	NM	NM	NM
Consumer Staples	2.8	(3)	4	7.2	(52)
Health Care	6.4	(6)	5	9.4	(108)
Materials	0.9	(15)	(7)	8.4	(81)
Communication Services	3.2	(21)	3	11.6	(345)
Financials	5.8	(23)	NM	NM	NM
Consumer Discretionary	2.3	(32)	1	5.0	(236)
Industrials	1.6	(62)	(15)	4.7	(575)
Energy	(0.3)	(116)	(32)	-1.3	(701)
S&P 500	$33.1	(21)%			
ex. Financials and Utilities	24.7	(23)	(3)%	8.7%	(220)bp
ex. Energy	33.4	(17)	0	9.5	(202)

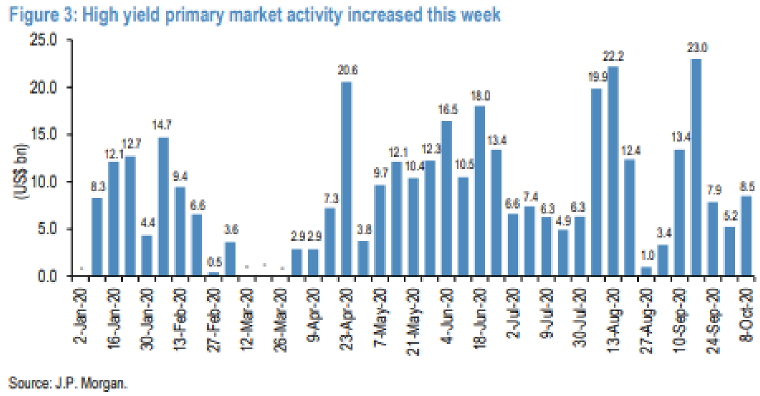
Source: FactSet, Goldman Sachs Global Investment Research

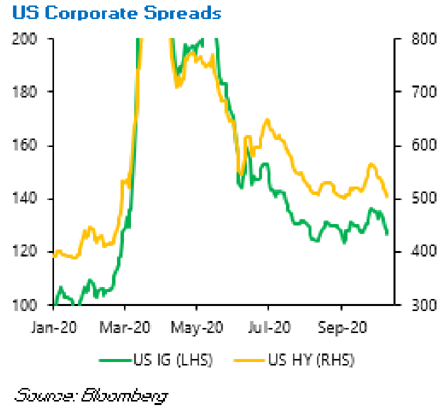
Exhibit 1: Superforecaster broadly distributed vaccine probability
as of October 8, 2020



Source: Good Judgment, Inc, Goldman Sachs Global Investment Research

High yield bond spreads tightened sharply over the past week on optimism about a fiscal stimulus package. High yield spreads decreased by 35 bps over the past week, to 504 bps. High yield primary market activity also increased this week as 15 new deals priced for $8.5 bn, which followed volumes of $5.2 bn, $7.9 bn, and $23.0 bn in the prior three weeks. Gross volume YTD has now totaled $361 bn, 69% higher than $214 bn that priced over the same period last year. Excluding refinancing, issuance totaled $127 bn, 83% higher than the $69 bn over the same period last year.



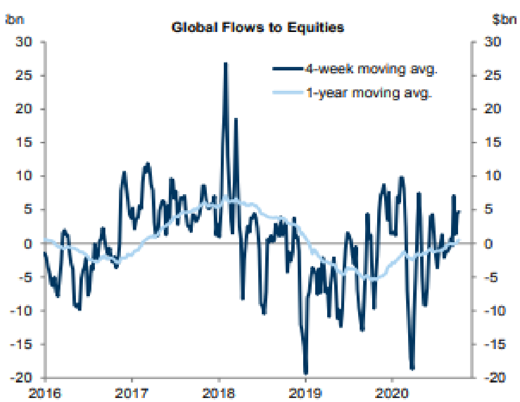


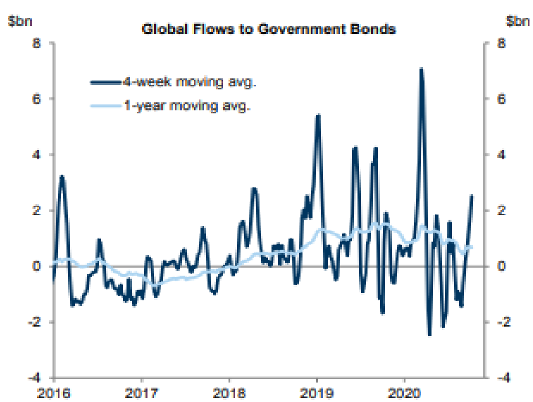
Global fund flows rose last week on global risk-on sentiment. Inflows into global fixed income funds rebounded, reaching about +$26bn. The pickup reflected a sharp recovery in net inflows into investment grade and high yield credit funds, and somewhat firmer demand for government-only funds, and EM fixed income. Net inflows into EM fixed income were roughly balanced between local and hard currency. Money market fund assets were little changed on the week. Flows into global equity funds were relatively muted. By sector, flows favored financials and non-energy commodities (which include precious metals). Goldman analysts also highlighted that cross-border FX flows accelerated, which is normally consistent with rising investor risk appetite. FX flows were mixed across currencies, with decent demand for USD, JPY, and LatAm currencies

	Global Fund Flows Summary			
	Millions USD		% AUM	
	4wk sum	7-Oct	4wk avg	7-Oct
Equity	18,947	4,389	0.04	0.03
Fixed Income	38,374	25,906	0.15	0.39
of which: EM	3,878	2,324	0.18	0.43
Money Markets	-85,885	-599	-0.36	-0.01
FX Flows*	23,821	11,553	0.08	0.15

*Cross-border fund flows, excluding hard currency and FX-hedged funds

Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research





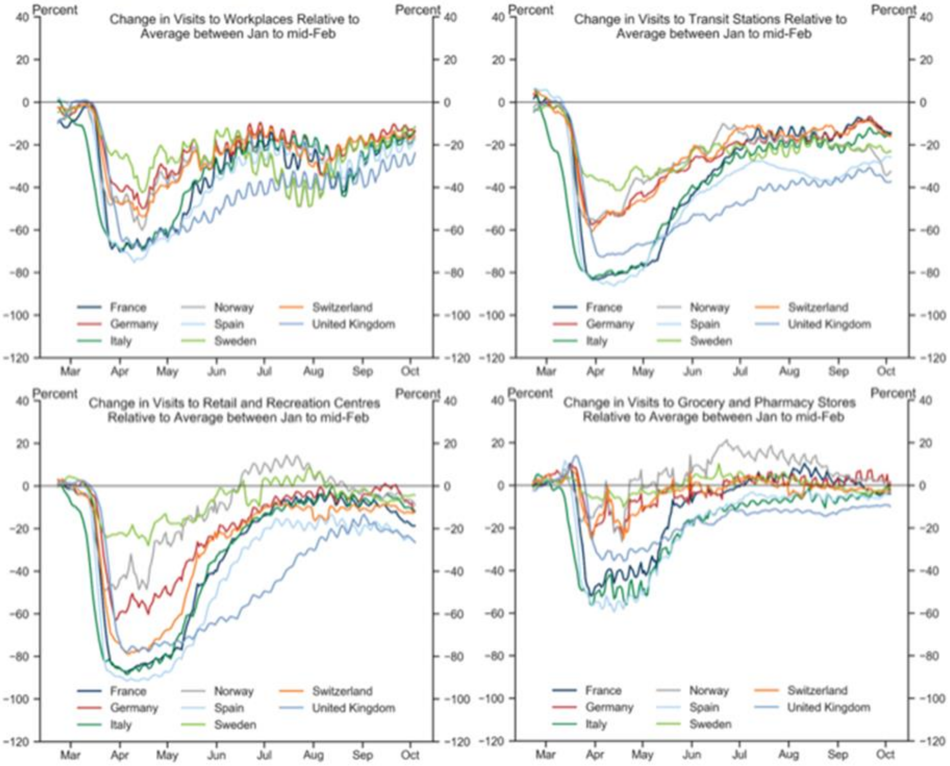
Europe back to top

Equites in Europe are giving up some of yesterday gains with most indices lower by around 0.3%. Financials (-1.4%) are underperforming the broader index with bank stocks down 1.8%.

European bond markets are little changed except for Greece where spreads are tighter by 4 bps**. The euro (-0.2%) and sterling (-0.1%) continue to trade sideways.**

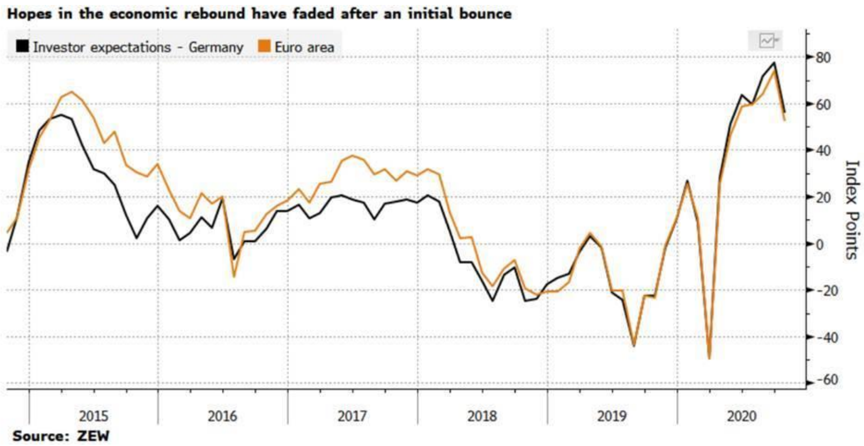
Weekend news out of Europe was dominated by the coronavirus. Multiple countries, including France, reported a record number of cases and a steady increase in hospitalization rates in the worst affected areas. German authorities imposed a local curfew and limitations on social gatherings in Berlin. Multiple cities in France were deemed high risk, forcing bars and restaurants to close. Spain imposed a state of emergency in the capital Madrid. Italy, where new case growth has now returned to spring levels, adopted a nationwide set of policies including limits on household gatherings. The UK introduced a tiering system that divides England into three risk-zones with high-risk areas returning to quasi lock-down state. London is considered a medium risk-area with no change in containment measures at this stage. **Analyst note that some of the high-frequency activity indicators such as visits to retail stores have started to dip recently**.

Exhibit 1: Dip in Visits to Retail and Recreation Centres, and Transit Stations in Countries with Ongoing Case Surges; Visits to the Workplace Broadly Ticked Up Across Europe

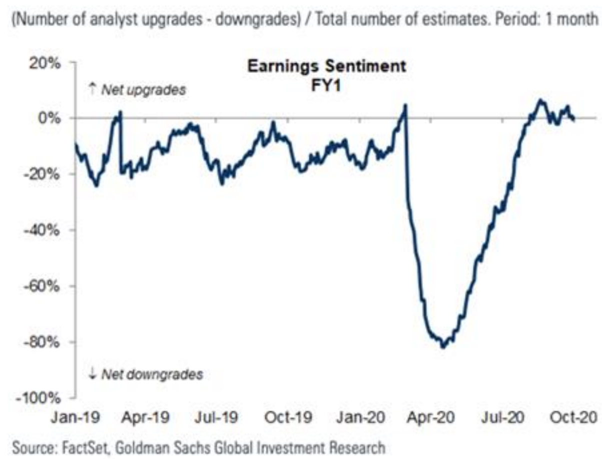


The full source for the mobility data is as follows: Google LLC \"Google COVID-19 Community Mobility Reports\". https://www.google.com/covid19/mobility/ Accessed: 9 October 2020.

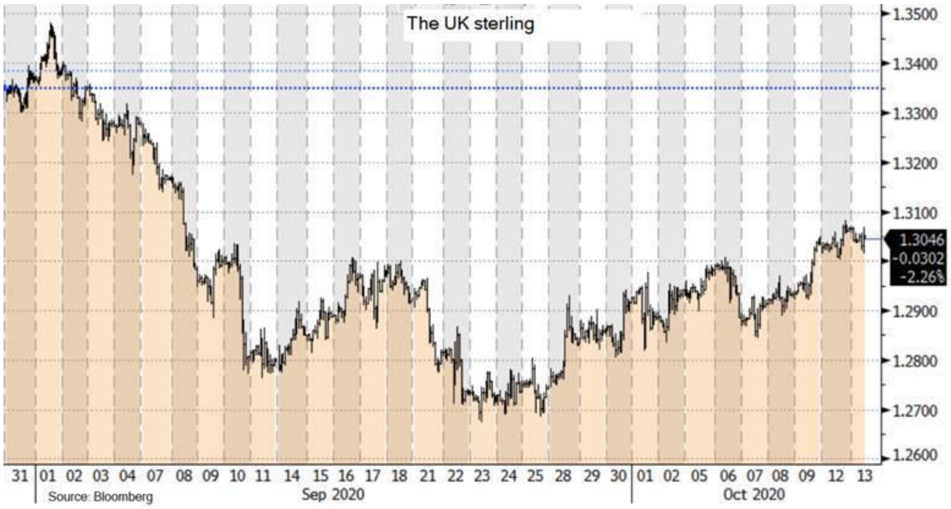
The German ZEW investors expectation survey unexpectedly missed in October, at 56.1 index points against the 72.0 expected. The current situation reading improved as expected, to -59.5 points as compared to -66 in September. This is the first decline in the expectations gauge since the recovery began in April and is directly attributed to uncertainty with regards to the second wave impact on the economy. While analyst continue to expect a recovery in the broader economy, automotive and financial sectors are seen to shrink over the next 6 months.



With Europe heading into the earning season, analyst note that downward earnings revisions reached 5% in the third quarter. This figure remains below the bottom quartile since 2000, it marks a deceleration from total of -38% decline markets saw in H1 2020. Analyst earnings sentiment has remained close to zero since August. Energy and industrial sector have seen the biggest fall in expected earnings, while financial services, basic materials and retailers have seen their earnings revised upwards.



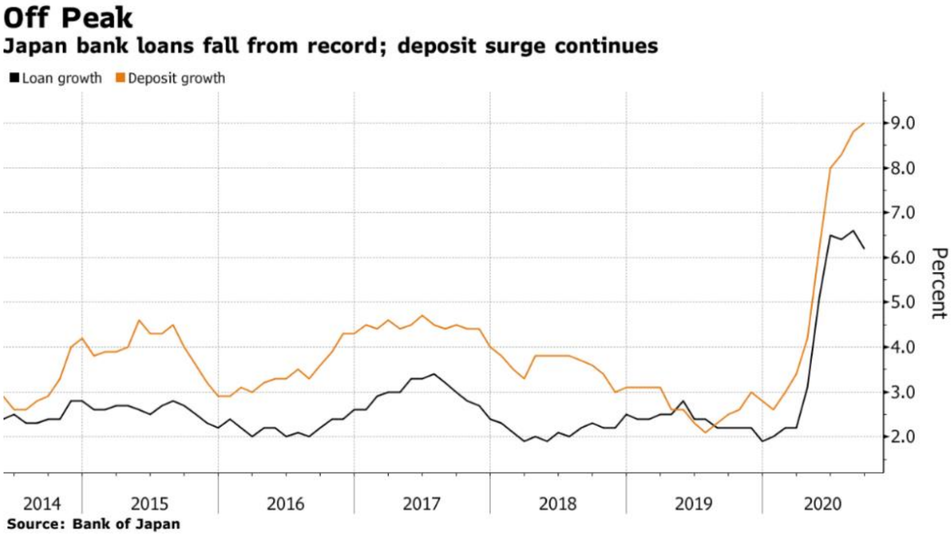
The Brexit diplomacy over the weekend did not result in any clear progress towards an agreement. The bilateral calls between the leaders of Germany, France, and the UK seem to have been focused on fisheries as the major outstanding issue. With the EC holding its summit end of this week, **the UK has reiterated that progress must be made before Thursday for the negotiations to continue**. Some EU diplomats believe that France will be persuaded to give ground on fisheries and negotiations will continue into November. At the same time, the EU leaders are also scheduled to discuss a contingency plan in case of a failure of trade talks. The sterling managed to hold its Friday gains and continue to trade above 1.30 dollars per sterling.



Other Mature Markets back to top

Japan

Japan's bank lending growth slowed in September. Outstanding loans grew 6.2% y/y, the slowest pace since May, while deposits continued rising by 9% y/y in September. Since the onset of the pandemic, the Bank of Japan introduced lending facilities for small businesses to cope with the crisis, while the government expanded loan guarantee and interest subsidy programs. Bankruptcies have fallen to the lowest level since 1990; however, there is a concern that more businesses will fail once pandemic-related support measures expire. Reportedly, banks started being selective to provide additional credit. Equities increased (NIKKEI: +0.2%); Japanese yen depreciated (-0.1%).



Source: Bloomberg.

Australia

The Aussie dollar weakened following reports of an informal Chinese ban on Australian coal. According to Bloomberg, the Chinese authorities verbally instructed power stations and steel mills in China to stop importing Australia-sourced fuel amid soured political relation with Canberra. The Australian dollar depreciated (-0.4%).

Emerging Markets

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Asian stock markets broadly gained today, led by Indonesian (+0.8%) and Singaporean equities (+0.4%). Most Asian currencies depreciated, led by Indonesian rupiah (-0.2%) and Philippine peso (-0.2%).**Latin American equity markets** were mostly higher on Friday. Argentina outperformed as the equity index rose 0.8%, followed by Chile (+0.7%) and Colombia, while Brazil (-0.5%) saw losses. Local currencies were broadly stronger. The Mexican peso and the Brazilian real outperformed, appreciating 1.2% against the dollar, while other currencies were mainly traded in narrow ranges. 10-year government bond yields rose 10 bps in Brazil but were generally lower in other countries. **EMEA equities traded mixed amid a dearth of news**. By country: Russia (+0.4%); Turkey (flat); Poland (-0.7%); Czech Republic (-0.2%); South Africa (-0.3%); and Egypt (-0.5%). Central and Eastern European currencies mostly weakened to the dollar within the 0.1% to 0.5% range, while Middle East and African exchange rates strengthened to the dollar, led by gains of the Egyptian pound (+0.7%) and South Africa rand (+0.3%).

Key Emerging Market Financial Indicators

Last updated:	Level		Change				
10/13/20 8:27 AM	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks					%		%
MSCI EM Equities		45.30	0.2	0	5	13	1
MSCI Frontier Equities		25.84	1.2	3	8	-10	-15
EMBIG Sovereign Spread (in bps)		410	-9	-11	-30	57	117
EM FX vs. USD		55.39	-0.3	1	0	-8	-10
Major EM FX vs. USD			**%, (+) = EM currency appreciation**				
China Renminbi		6.83	0.0	1	2	5	2
Indonesian Rupiah		14745	-1.2	0	-1	-4	-6
Indian Rupee		73.03	-0.2	2	3	-2	-2
Argentine Peso		74.25	-0.1	-1	-2	-25	-19
Brazil Real		5.42	-0.4	4	-2	-23	-26
Mexican Peso		21.84	-0.3	0	4	-8	-13
Russian Ruble		74.15	-0.7	2	-1	-10	-16
South African Rand		16.79	-0.8	1	2	-9	-17
Turkish Lira		7.38	-0.2	0	-6	-21	-19
EM FX volatility		11.25	0.0	0.1	1.0	2.4	4.7

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

EM Fund Flows

Both EM bond funds and EM equity funds continued to see inflows last week, with numbers printing at +$1.7 bn and +$566 mn, respectively. Inflows to EM bond funds accelerated to a one-month high, as inflows to hard currency bond funds reported at +$1.3 bn last week and local currency bond funds also posted +$465 mn gains. From a regional perspective, Asia ex-Japan equity funds continued to see inflows (+$504 mn), and Latin America equity funds reverted to inflows (+$143 mn) last week. In contrast, EMEA equity funds (-$215 mn) saw the largest redemption in six months. Year-to-date flows to EM bonds and equities funds were -$8.2 bn and -$45.6 bn, respectively.

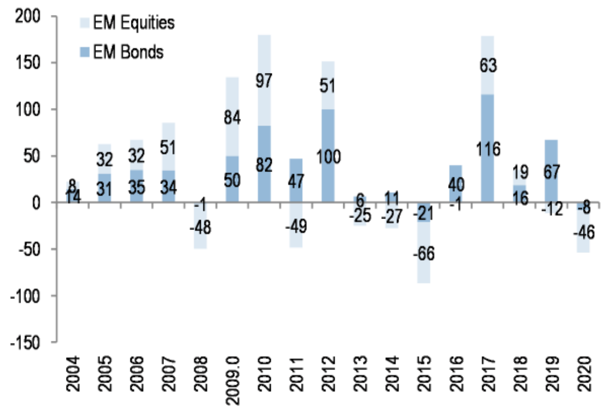
Exhibit 1: Weekly Cross-Asset Flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		2.3	-53.8
	EM Bonds		1.7	-8.2
	Hard Ccy		1.3	3.5
	Local Ccy		0.5	-11.7
	EM Equities		0.6	-45.6
	US HG		4.4	135.0
	US HY		4.4	43.9
	Global Equities		-1.6	-296.8
	EM Bond and Equity ETFs		1.1	-17.7
	EM Bond ETFs		0.8	0.7
	EM Equity ETFs		0.3	-18.5
	Non-resident EM flows*		1.4	-135.2
	EM Local Bonds		0.4	-45.5
	EM Equities		1.0	-89.7

Exhibit 2: Annual EM bond and equity fund flows

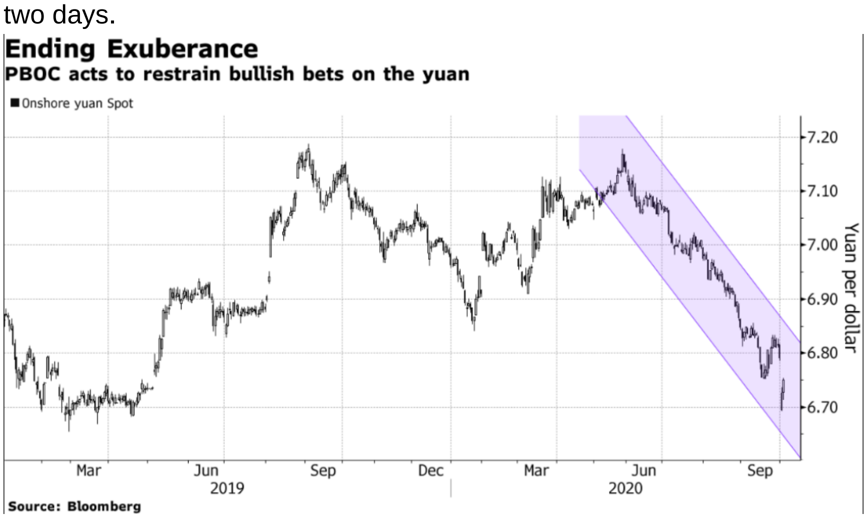
USD billion



*Using high frequency non-resident EM portfolio flow data where available. Source – All charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg

China

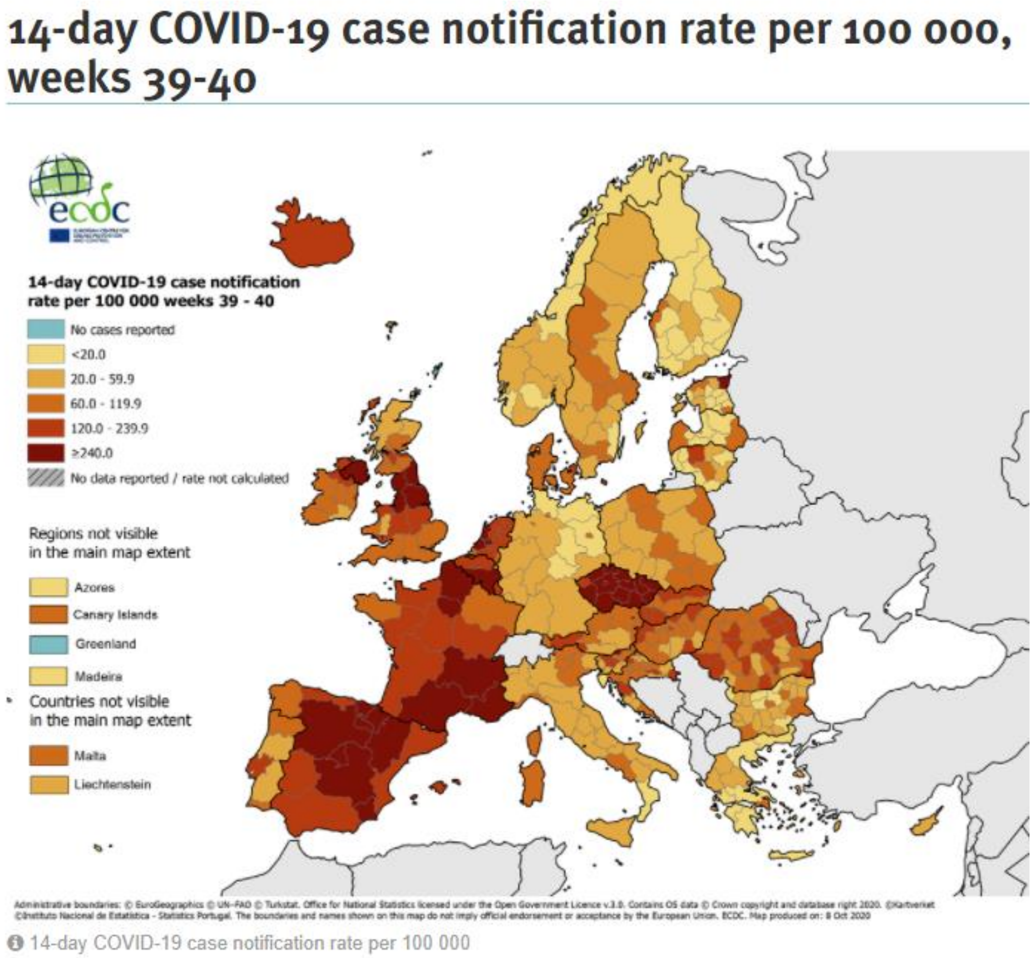
The RMB retraced recent gains as the People's Bank of China (PBOC) made it less expensive to take forward positions in the FX market. On October 10, the PBOC removed the unremunerated reserve requirement for FX forward purchases by corporates; the measure was put in place in August 2018. The PBOC took the action after RMB appreciated to the strongest level in 18 months. Market analysts viewed the policy action as the PBOC's signal to cool one-way bets on RMB appreciation. Some market analysts noted that while RMB appreciation could pause or even reverse temporarily, the medium-term outlook for a strong RMB remains given the sizeable interest differential and China's strong economic recovery. Onshore RMB depreciated 0.8% yesterday and 0.1% today; offshore RMB depreciated 0.9% in the past two days.

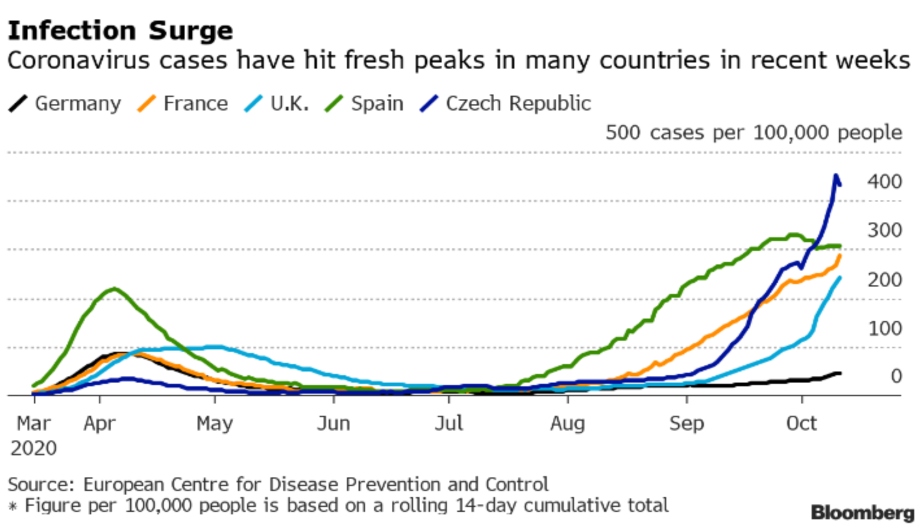


China's growing imports in September pointed to a strong economic recovery. Imports increased 13.2% y/y in September, up from a decline of 2.1% in August, exceeding an expectation of flat imports. Exports increased 9.9% y/y in September, broadly in line with expectations. Acceleration in imports happened across the board, from agricultural products and raw materials to tech products and general consumption goods.

Czech Republic

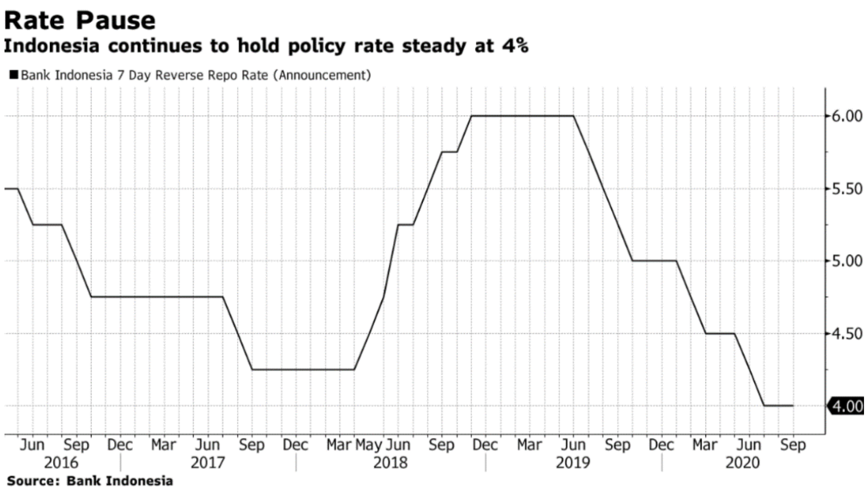
Czech authorities have instated new restrictions as the country becomes one of Europe's Covid-19 hotspots. To combat the spread of the virus, Czech authorities announced the closing of schools, restaurants and pubs, as well as stricter distancing measures. The measures will remain in place until the reproduction rate of the virus, R0, falls from around 1.5 to 0.8, the government said. **Equities dropped 0.2% in Prague and the koruna weakened 0.5% to the euro.**





Indonesia

Bank Indonesia kept the policy rate unchanged at 4%, as expected. Some analysts see the reluctance to use the policy rate as reflecting the perceived need to maintain an attractive interest rate differential to support the currency. The rupiah is the worst performer among Asian currencies. Bank Indonesia relies on other ways to support economic activity, including by purchasing government bonds and relaxing bank liquidity requirements. Some market analysts noted that a future policy rate cut remains possible given that inflation (1.9%) is below the lower end of Bank Indonesia's target (target range is 2%-4%). Rupiah depreciated (-0.2%); equities gained (+0.8%).

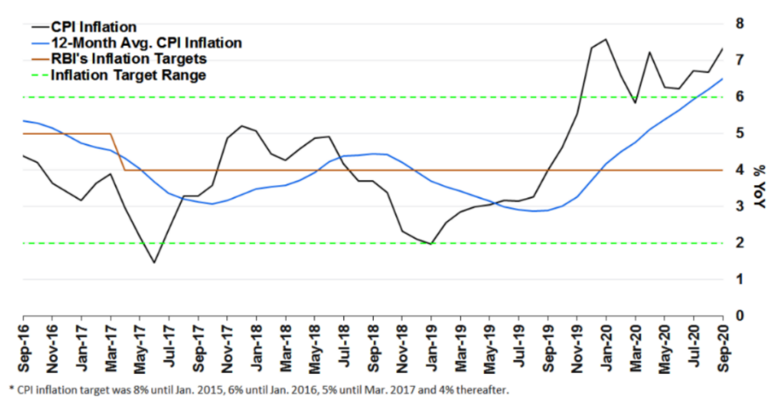


Source: Bloomberg.

India

India's CPI increased 7.3% y/y in September, higher than expected. CPI inflation (y/y) accelerated from 6.7% in August, exceeding market expectations of 6.9% and remaining above the Reserve Bank of India (RBI) target of 6%. Inflation accelerated on the back of a renewed surge in food prices. The RBI left the policy rate unchanged last week, noting that it saw the current inflation hump as temporary and gave a greater emphasis to economic growth. **Some banks noted that the use of the RBI's long-term repo operations announced last week could be limited.** Liquidity is ample at the moment. However, banks became concerned about credit risk, with increased risk aversion affecting the flow of credit to the real economy. The Indian rupee depreciated (-0.12%); equities and long-term government bond yields were little changed.

Inflation Surge May Delay RBI Rate Cuts



Source: Bloomberg, with data from MoSPI.

Turkey

Turkish industrial production surged to +10.4% y/y in August. The index beat expectations for a 7.1% increase, from 4.4% y/y growth the month prior. Equities traded flat on the day in Istanbul, while the lira gained 0.2% to the US dollar. Separately, **a Turkish research vessel returned to the contested waters with Greece, thus challenging international efforts to defuse tensions.**

Russia

Russian authorities plan to extend mortgage support measures until end-2021. The local press reports that the government is considering extending its support measures for mortgage loans until end-2021. In addition, the government could increase the value of loans to be issued under the program from $12 bn (R900 bn) currently to around $36 bn (R2.8 tn). The support measures have seemingly worked well as banks' mortgage loans increased by 65% y/y in September.

Mexico

Mexico's industrial production advanced 3.3% mom sa in August (vs. 2.4% consensus), showing recovery at a slower pace than the 7.1% increase in July. The positive number was mainly driven by construction (+11.2% mom sa) and utilities (+5.7%), while mining (+0.8%) and manufacturing (+0.8%) saw modest gains. Now the industrial production was still 7.4% below the pre-COVID pandemic level (since January). GS analysts commented that the broad industrial sector would remain vulnerable for a while. Mexican risky assets were slightly lower yesterday but mainly traded in narrow ranges.

Slow Recovery

Mexico's industrial production has been slow to rebound

Source: INEGI

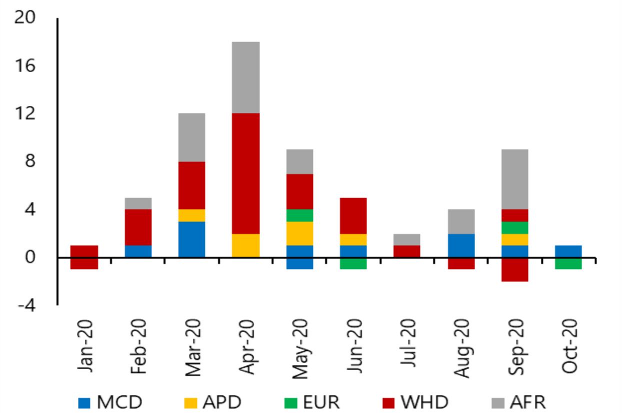
GMM Box: Follow-up Update on EM Rating Changes[1]

- *There is a pick-up in EM credit rating downgrades recently, reflecting renewed investor concerns about market access and pressures in the oil sector. The pandemic has led to massive downgrades of EM economies since March, resulting in the lowest average credit rating in many regions.*
- *Since the previous update (in late May), downgrades have continued in most regions, with 8 sub-Saharan African countries downgraded. Argentina, Ecuador and Ukraine were upgraded reflecting either post-restructuring developments or easing of short-term funding challenges.*

Trends in Credit Ratings of Emerging Markets and LIDCs

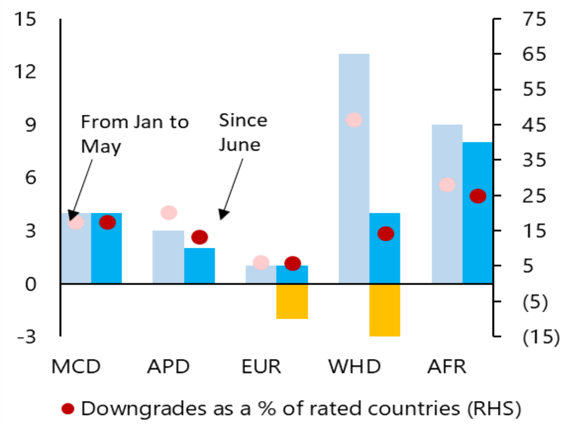
Credit rating downgrades picked up again recently after a summer lull. Upgrades reflect post-restructuring developments or easing of short-term funding challenges.

1. Monthly Net Rating Downgrades by EM Regions
(Number of countries; Positive bars imply a net rating downgrade, while a negative bar implies a net rating upgrade)



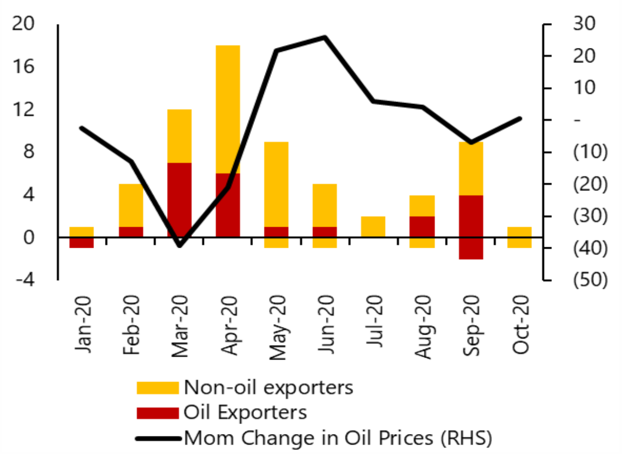
Net downgrades continued in all regions since April with 8 sub-Saharan African countries downgraded by one or more rating agencies.

2. Net Rating Downgrades by Region
(Number on LHS; as a percent of total rated countries on RHS; Positive bars imply net downgrades, while negative bars are net upgrades)



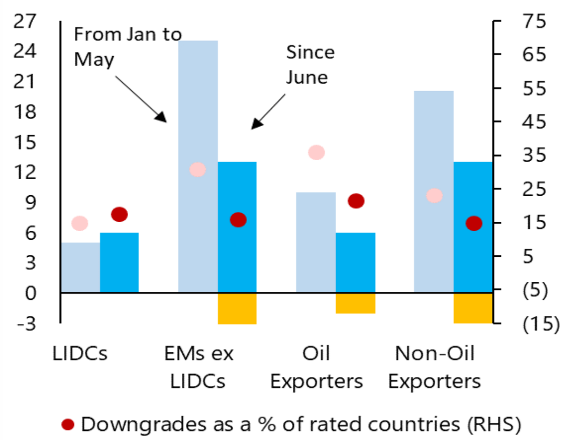
The downgrades in the oil exporters have picked up again recently, potentially reflecting the pressures in the oil prices.

3. Monthly Net Rating Downgrades by Exposure to Oil
(Number of countries; Positive bars imply a net rating downgrade, while a negative bar implies a net rating upgrade)



The overall decline in downgrades was primarily in EMs ex LIDCs, while pressures persisted in LIDCs.

4. Net Rating Downgrades by EM Categories and Exposure to oil (Number on LHS; as a percent of total rated countries on RHS; Positive bars imply net downgrades, while negative bars are net upgrades)



Sources: Bloomberg Finance L.P; and IMF staff calculations.

[1] This note was prepared by Rohit Goel and Evan Papageorgiou (MCMGA).

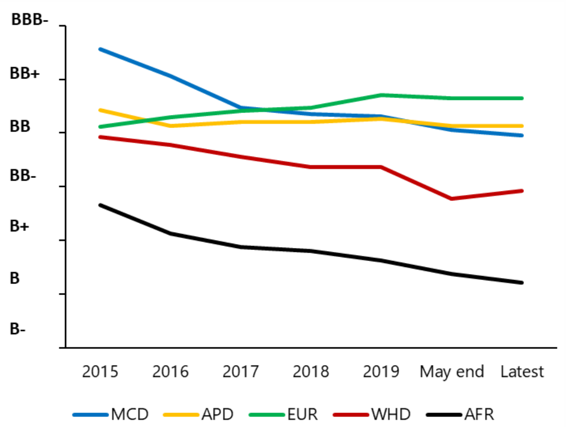
GMM Box: Follow-up Update on EM Rating Changes (continued)

- *Ratings outlook have deteriorated across the board. The deterioration is sharpest for EUR countries, and WHD and AFR have the most 'negative' rating outlooks. The rise in the negative rating outlooks for non-oil exporters is quite sharp, potentially reflecting increasing debt sustainability concerns.*

Trends in Credit Ratings of Emerging Markets and LIDCs (continued)

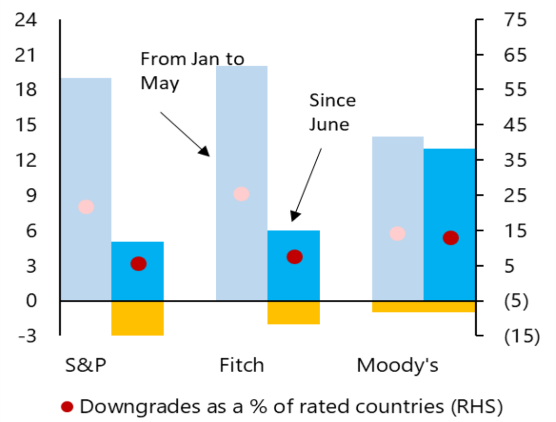
Average rating for AFR and MCD continues to go down, while it has stabilized for the WHD region (reflecting the upgrades for Argentina and Ecuador).

5. Average Rating Index by Region
(Index)



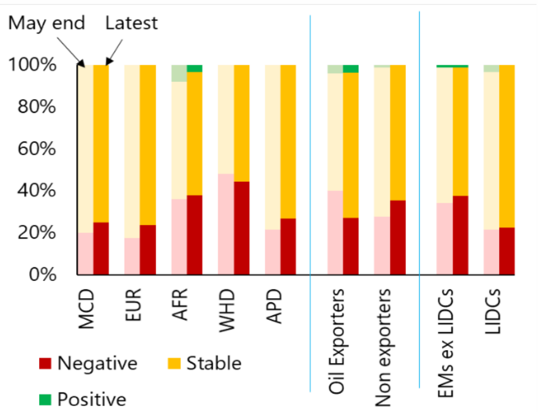
Contrary to the first phase where S&P and Fitch led the downgrades, Moody's seems to be more active with downgrades now.

6. Net Rating Downgrades by the Different Rating Providers (Number on LHS; as a percent of total rated countries on RHS; Positive bars imply net downgrades, while negative bars are net upgrades)



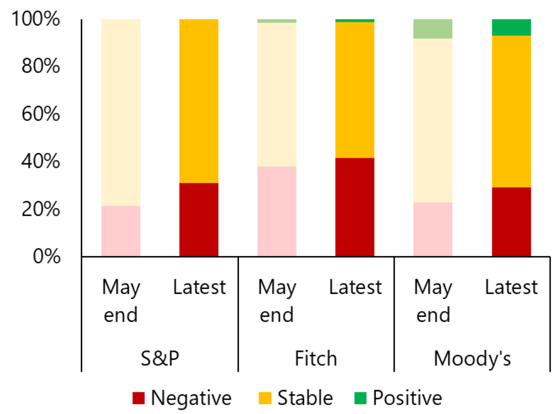
Rating outlooks have deteriorated across most regions. WHD and AFR continue to have the most 'negative' rating outlooks. The rise in the negative rating outlooks for non-oil exporters is also quite sharp.

7. Distribution of Rating Outlooks, by Regions, Categories and Exposure to Oil (Average outlook = median of the outlooks across the three rating agencies)



All rating providers have seen a pickup in the negative rating outlook, since our last update.

8. Distribution of Rating Outlooks, by Rating Providers (Average outlook = median of the outlooks across the three rating agencies)



GMM Box: Follow-up Update on EM Rating Downgrades (continued)

Trends in Credit Ratings of Emerging Markets and LIDCs (continued)

9. List of Emerging Markets and LIDCs with Ratting and Outlook Changes

(Red Shaded areas correspond to a downgrade in rating or outlook; Green shaded areas correspond to an upgrade)

		Ratings on May 30, 2020			Ratings on October 8, 2020		
Region	**Country Name**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**	**Moody's**
AFR	Angola	CCC+	B-	B3 *-	CCC+	CCC	Caa1
AFR	Cameroon	B-	B	B2u *-	B-	B	B2u
AFR	Congo	B-	CCC	Caa2	CCC+	CCC	Caa2
AFR	Ghana	B	B	B3	B-	B	B3
AFR	Mali Republic	NR	WD	B3	NR	WD	Caa1
AFR	Swaziland			B2			B3
AFR	Tanzania			B1u			B2u
AFR	Zambia	CCC	CC	Ca	CCC-	C	Ca
APD	India	BBB-u	BBB-	Baa2	BBB-u	BBB-	Baa3
APD	Sri Lanka	B-	B-	B2 *-	B-	B-	Caa1
EUR	Slovenia	AA-	A	Baa1	AA-	A	A3
EUR	Turkey	B+u	BB-	B1	B+u	BB-	B2
EUR	Ukraine	B	B	Caa1	B	B	B3
MCD	Armenia		BB-	Ba3		B+	Ba3
MCD	Bahrain	B+	BB-	B2u	B+	B+	B2u
MCD	Kuwait	AA-	AA	Aa2 *-	AA-	AA	A1
MCD	Oman	BB-	BB	Ba2 *-	BB-	BB-	Ba3
WHD	Argentina	SD	RD	Ca	CCC+	CCC	Ca
WHD	Bahamas	BB		Baa3 *-	BB		Ba2
WHD	Belize	CCC		Caa1	CCC+		Caa1
WHD	Bolivia	B+	B+	B1	B+	B	B2
WHD	Costa Rica	B+	B	B2	B	B	B2
WHD	Ecuador	SD	RD	Caa3	B-	B-	Caa3
WHD	Suriname	CCC+	CCC	B3	CCC	CC	Caa3

		Ratings on Dec 31, 2019			Ratings on May 30, 2020		
Region	**Country Name**	**S&P**	**Fitch**	**Moody's**	**S&P**	**Fitch**	**Moody's**
AFR	Angola	B-	B	B3	CCC+	B-	B3 *-
AFR	Botswana	A-		A2	BBB+		A2
AFR	Cape Verde	B	B		B	B-	
AFR	Ethiopia	B	B	B1	B	B	B2 *-
AFR	Gabon	NR	B	Caa1	NR	CCC	Caa1
AFR	Nigeria	B	B+	B2	B-	B	B2
AFR	Seychelles	NR	BB		NR	B+	
AFR	South Africa	BB	BB+	Baa3	BB-	BB	Ba1
AFR	Zambia	CCC+	CCC	Caa2	CCC	CC	Ca
APD	Maldives		B+	B2		B	B3
APD	Papua N.Guinea	B	NR	B2	B-	NR	B2
APD	Sri Lanka	B	B	B2	B-	B-	B2 *-
EUR	Slovakia	A+	A+	A2	A+	A	A2
MCD	Kuwait	AA	AA	Aa2	AA-	AA	Aa2 *-
MCD	Lebanon	CCC	CC	Caa2 *-	SD	RD	Ca
MCD	Oman	BB	BB+	Ba1	BB-	BB	Ba2 *-
MCD	Tunisia	NR	B+	B2	NR	B	B2 *-
WHD	Argentina	CC	CC	Caa2 *-	SD	RD	Ca
WHD	Aruba	BBB+	BBB-		BBB+	BB	
WHD	Bahamas	BB+		Baa3	BB		Baa3 *-
WHD	Belize	B-		B3	CCC		Caa1
WHD	Bolivia	BB-	B+	Ba3 *-	B+	B+	B1
WHD	Colombia	BBB-	BBB	Baa2	BBB-	BBB-	Baa2
WHD	Costa Rica	B+	B+	B1	B+	B	B2
WHD	Ecuador	B-	B-	B3	SD	RD	Caa3
WHD	Guatemala	BB-	BB	Ba1	BB-	BB-	Ba1
WHD	Mexico	BBB+	BBB	A3	BBB	BBB-	Baa1
WHD	Nicaragua	B-	B-	B2	B-	B-	B3
WHD	Suriname	B	B-	B2	CCC+	CCC	B3
WHD	Trinidad And To	BBB		Ba1	BBB-		Ba1

Sources: Bloomberg Finance L.P; and IMF staff calculations.

Note: In Figures 1–9, the sample consists of 158 countries (out of which 115 are rated), including both Emerging Markets (EMs) and Low-income and developing countries (LIDCs). A net rating downgrade implies that there are more downgrades than upgrades—considering the three rating agencies (S&P, Fitch, Moody's). Changes in outlook are not considered, except for Figures 7–9. The latest ratings are considered as of October 8, 2020.

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Global Financial Indicators

Last updated: 10/13/20 8:26 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		3547	1.6	6	6	19	10
Europe		3288	-0.3	2	-1	-8	-12
Japan		23602	0.2	1	1	8	0
China		3360	0.0	4	3	13	10
Asia Ex Japan		81	1.0	4	6	20	10
Emerging Markets		46	0.9	4	5	11	3
Interest Rates					basis points		
US 10y Yield		0.75	-2.8	1	8	-98	-117
Germany 10y Yield		-0.55	-0.1	-4	-7	-10	-36
Japan 10y Yield		0.03	-0.2	-1	0	21	4
UK 10y Yield		0.26	-1.3	-3	8	-45	-56
Credit Spreads					basis points		
US Investment Grade		126	-0.4	-5	-4	1	29
US High Yield		503	-1.0	-19	-18	44	110
Europe IG		51	0.3	-4	-4	-4	7
Europe HY		311	3.0	-12	-8	65	103
EMBIG Sovereign Spread		404	0.0	-16	-13	68	111
Exchange Rates					%		
USD/Majors		93.22	0.2	0	0	-5	-3
EUR/USD		1.18	-0.2	1	-1	7	5
USD/JPY		105.5	-0.2	0	0	3	3
EM/USD		54.9	0.1	0	-1	-10	-11
Commodities					%		
Brent Crude Oil ($/barrel)		42	1.8	0	7	-30	-36
Industrials Metals (index)		119	-0.2	4	1	2	4
Agriculture (index)		41	0.6	1	4	3	-2
Implied Volatility					%		
VIX Index (%, change in pp)		25.3	0.3	-2.6	-1.5	9.8	11.6
US 10y Swaption Volatility		70.0	0.0	1.1	17.7	-11.2	8.0
Global FX Volatility		8.6	0.0	-0.4	-0.9	1.6	2.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		133	-2.6	-15	-26	-55	-32
Italy		122	0.1	-6	-24	-16	-37
Portugal		71	0.7	-3	-10	6	8
Spain		70	1.0	-4	-9	2	5

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

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Emerging Market Financial Indicators

Last updated:	Exchange Rates							Local Currency Bond Yields (GBI EM)						
10/13/2020	Level		Change (in %)					Level		Change (in basis points)				
8:27 AM	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		6.83	0.0	0.9	2	5	2		3.2	-1.6	3	15	14	9
Indonesia		14745	-1.2	-0.5	-1	-4	-6		6.8	2.1	14	-7	-69	-37
India		73	-0.2	1.7	3	-2	-2		6.1	-16.5	-11	15	-62	-78
Philippines		49	-0.1	0.0	1	7	4		3.6	0.3	-3	-7	-77	-69
Thailand		31	-0.3	0.0	0	-2	-5		1.5	0.1	8	16	3	-7
Malaysia		4.14	0.0	0.6	2	1	-1		2.5	-4.1	3	1	-89	-90
Argentina		74	-0.1	-0.6	-2	-25	-19		44.4	-71.2	24	134	-1411	-1817
Brazil		5.42	-0.4	3.5	-2	-23	-26		5.4	-10.2	0	46	-139	-83
Chile		771	0.7	1.9	-1	-6	-2		2.4	-2.0	-8	-1	-29	-86
Colombia		3679	1.7	5.1	2	-6	-11		5.0	-20.4	-27	-18	-73	-95
Mexico		21.84	-0.3	0.4	4	-8	-13		6.0	-1.3	-1	10	-113	-94
Peru		3.5	0.4	1.7	0	-3	-6		4.0	2.2	-16	10	-36	-48
Uruguay		43	0.0	0.5	0	-13	-12		8.1	0.2	-15	-57	-307	-274
Hungary		303	-1.2	-0.6	-3	0	-2		1.7	-1.6	0	20	66	50
Poland		3.73	-1.1	0.1	1	7	2		0.8	-0.6	-2	9	-87	-106
Romania		4.1	-0.5	0.2	1	5	5		3.4	-12.0	-17	-35	-27	-60
Russia		74.1	-0.7	1.7	-1	-10	-16		5.7	-3.7	-13	12	-128	-46
South Africa		16.8	-0.8	0.5	2	-9	-17		10.0	-13.2	-13	-14	59	46
Turkey		7.38	-0.2	-0.2	-6	-21	-19		13.0	-43.1	-95	84	-283	128
US (DXY; 5y UST)		93	0.4	-0.3	-1	-6	-4		0.26	0.5	-3	5	-113	-143

	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	1 Day	7 Days	30 Days	12 M	YTD
								basis points						
China		4839	0.3	6	5	24	18		215	-1	-1	1	27	39
Indonesia		5133	0.8	3	2	-16	-19		212	-1	-8	-6	33	56
India		40626	0.1	3	5	7	-2		209	2	-23	-7	74	84
Philippines		5923	-0.2	0	-1	-25	-24		123	-1	-8	-8	48	57
Malaysia		1525	0.4	1	1	-2	-4		146	1	-13	-1	21	34
Argentina		45856	0.0	5	0	44	10		1345	1	-34	-802	-544	-424
Brazil		97483	0.0	4	-1	-6	-16		300	-1	-20	-4	66	85
Chile		3677	0.0	0	-1	-28	-21		163	-1	-9	-5	27	30
Colombia		1190	0.0	2	-2	-25	-28		232	-2	-24	-15	54	69
Mexico		38342	-0.4	4	6	-11	-12		468	-4	-25	2	157	176
Peru		18014	-0.5	0	0	-7	-12		145	-1	-19	-3	19	38
Hungary		33177	0.2	-1	-5	-18	-28		119	0	0	1	27	33
Poland		48511	-0.9	-3	-4	-15	-16		17	1	-5	-9	-12	-1
Romania		8847	-0.5	0	-5	-7	-11		237	-5	-14	-13	39	63
Russia		2851	0.2	-1	-2	5	-6		197	0	-7	-9	7	66
South Africa		55546	0.0	2	-1	0	-3		480	-5	-35	-15	155	160
Turkey		1178	-0.1	2	7	19	3		603	-6	0	-2	112	202
Ukraine		510	0.0	2	2	-3	0		664	3	-55	33	169	244
EM total		46	0.1	4	5	11	3		404	0	-16	-13	68	111

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

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