













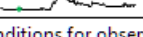
- US payrolls disappoint while unemployment rate falls ([link](#))
- US Corporate issuance hits September record at over \$210 bn ([link](#))
- Signs of COVID-19 infections rising again in both the US ([link](#)) and Europe ([link](#))
- Eurozone core inflation falls to a new low ([link](#))
- Czech GDP contracts 11% y/y in 2020Q2 ([link](#))
- Zambia reportedly starts negotiations with international creditors ([link](#))

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Uncertainty rises as President Trump tests positive for virus

Equity markets are lower this morning following news that President Trump has tested positive for COVID-19, increasing uncertainty heading into the final month before elections. The president announced that both he and his wife have tested positive and will quarantine themselves for the immediate future. The news also increases concerns over the likelihood of potential additional fiscal stimulus, potentially throwing an additional wrench into negotiations. US equity futures are pointing to a drop of about 1.5% with European markets down somewhat less this morning. The latest news comes as cases are rising once again in the US and Europe, even while signs of economic recovery have gained in a number of countries. The increased uncertainty is weighing on emerging markets so far today with most EM currencies weaker versus the dollar. Late yesterday, among a series of new measures, Argentina raised the repo rate by 500bps and announced it will allow greater volatility in the peso.

Key Global Financial Indicators

Last updated: 10/2/20 8:09 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		3381	0.5	4	-6	17	5
Eurostoxx 50		3158	-1.1	1	-5	-7	-16
Nikkei 225		23030	-0.7	-1	-1	6	-3
MSCI EM		45	-1.2	4	-2	11	-1
Yields and Spreads			bps				
US 10y Yield		0.66	-0.7	1	2	-93	-125
Germany 10y Yield		-0.54	-0.7	-1	-7	0	-36
EMBIG Sovereign Spread		435	5	-1	24	86	142
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		54.6	0.0	1	-1	-9	-11
Dollar index, (+) = \$ appreciation		93.7	0.0	-1	1	-5	-3
Brent Crude Oil (\$/barrel)		39.4	-3.9	-6	-11	-32	-40
VIX Index (% change in pp)		29.4	2.7	3	3	9	16

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

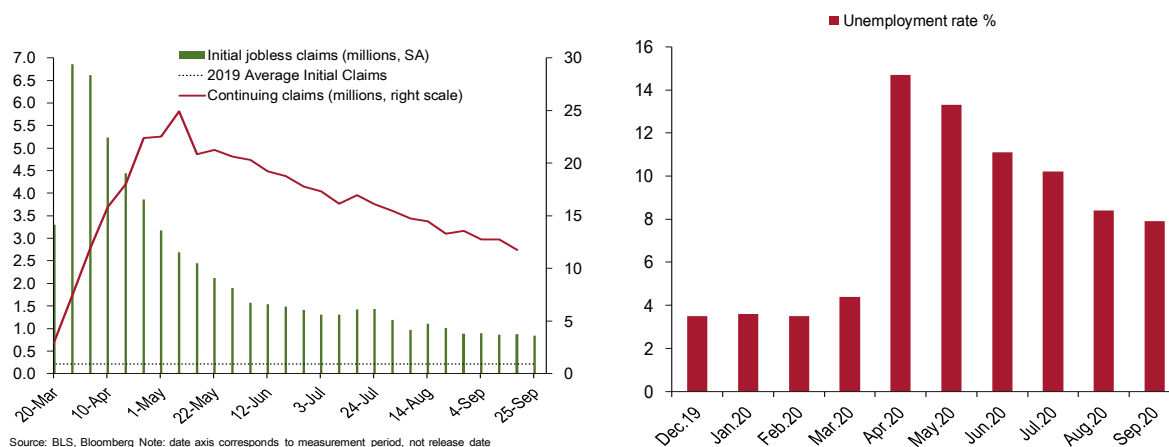
United States

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Equities gained 0.5% as markets cling to hope of additional fiscal stimulus. In recent days, markets have been up and down on a steady stream of rumors about fiscal negotiations, only to end the day disappointed. Treasury yields ended the day little changed after some early price action.

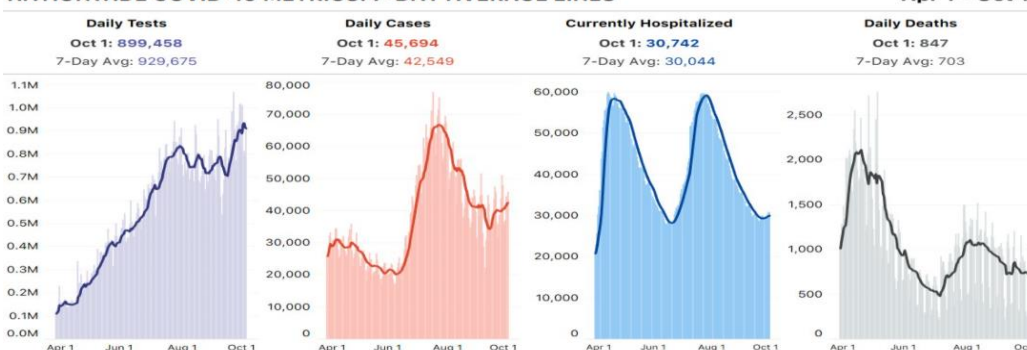
Otherwise, a flurry of data continued to paint a muddled picture of the economy. Initial (838k) and continuing (11.8 mn) jobless claims beat expectations, but they remain elevated and improvement has been sluggish. Personal income and spending data for August showed that consumers remain resilient, with spending up 1.0% m/m, though it is likely there is considerable differentiation as personal income fell 2.7% m/m (vs -2.5% m/m consensus) after expanded unemployment benefits expired at end-July. Manufacturing PMIs showed expansion in September, though they came in slightly below expectations with Markit at 53.2 (vs 53.5) and ISM at 55.4 (vs 56.5).

Nonfarm payrolls for September whiffed on expectations with 661k (vs 859k consensus), down from an upwardly revised 1.5 mn in August. Unemployment slightly beat at 7.9% (vs 8.2%) from 8.4% last month. The number of permanent job losers continued to rise, up to 3.8 mn, from 3.4 mn in August. S&P futures were down close to 1.5% prior to release and gained slightly, but mostly held on to their losses. Treasuries had rallied overnight, with the 10-year down 2bps, and were little changed afterwards.



The third wave of Covid-19 may be gaining momentum. The US reported 45k new cases on Thursday, driving the 7-day average back above 40k, with hospitalizations also surpassing 30k again. The new epicenter has been focused in the Midwest, with Wisconsin, Illinois, and the Dakotas among those showing deteriorating trends. Market commentators have been raising concerns about de facto lockdowns even without official action (as consumers stay home on their own) that will weigh heavily on the SME services sector.

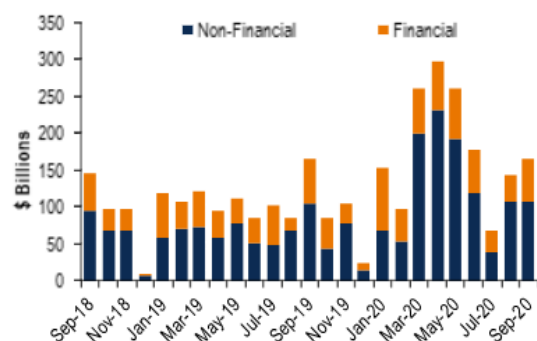
NATIONWIDE COVID-19 METRICS. 7-DAY AVERAGE LINES



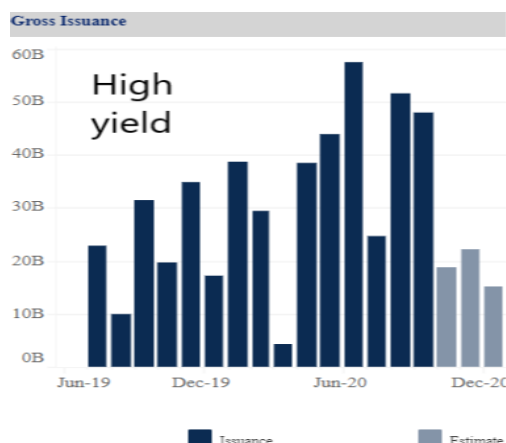
Source: The COVID Tracking Project

Corporate issuance hits September record at over \$210 bn, but new supply likely to tail off in October. High yield (HY) corporate bond issuance hit \$47 billion, piling on the \$167 bn of investment grade (IG) supply for a record September. That brings total 2020 gross issuance to a whopping \$1.96 tn, according to BofA data. BofA analysts expect new supply to decline in October, due to heightened uncertainty as the election approaches, upcoming Q3 earnings, and the notion that the surge of refinancing in recent months is coming to an end. Despite the equity sell off, spreads widened only modestly during the month, with IG +8 bps wider and HY +39 bps, helping the high yield market achieve its third busiest month ever, all in 2020.

Figure 7: Monthly US IG supply volume



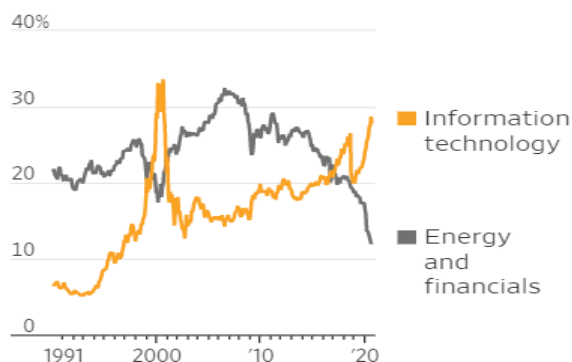
Source: BofA Global Research



Source: BofA Global Research. ICE Data Services, LLC

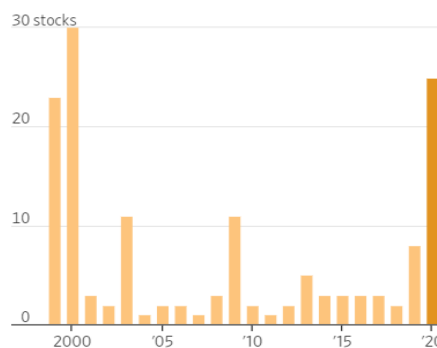
Huge gains and shifting index composition highlight turbulent year for markets. The Covid-19 market sell off and soaring aftermath has seen near record moves for individual stocks, and a changing of the guard for benchmark indices. The S&P fell 31% through March 23 (year to date) before rallying to its 2020 high in September, for a trough to peak move of close to 60%. The tech sector has its biggest weighting in the S&P500 since 2000, while the energy sector at 2% has become close to irrelevant for the index. Financials have fallen below a 10% weight as well, as expectations of prolonged near-zero interest rates, caps on dividends and buybacks, and the severe downturn have contributed to heavy underperformance in 2020. Among listed firms with a market cap of at least \$100 mn in 2019, at least 25 have seen gains of over 400% at some point in 2020, second only to 2000 for market exuberance according to FactSet.

S&P 500 weighting, by sector



Source: FactSet data via Dow Jones Market Data

Number of stocks up at least 400% at some point in the first nine months of each year



Note: Among stocks listed on NYSE, NYSE American, NYSE Arca and Nasdaq exchanges with a market value of at least \$100 million as of the previous year.
Source: Dow Jones Market Data analysis of FactSet data

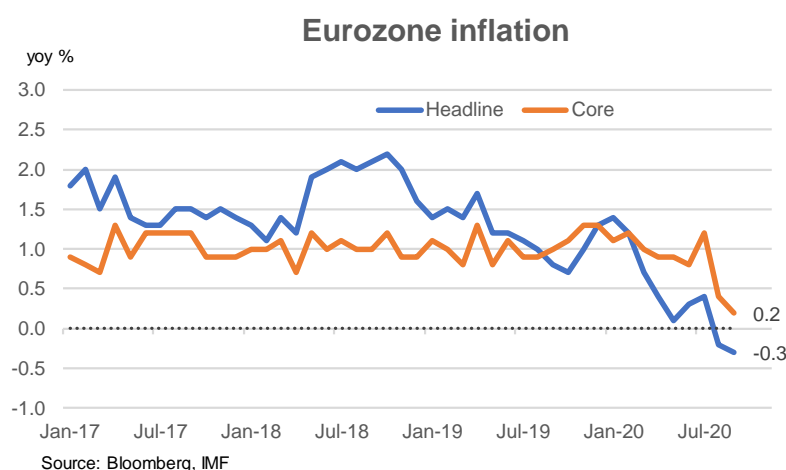
Europe

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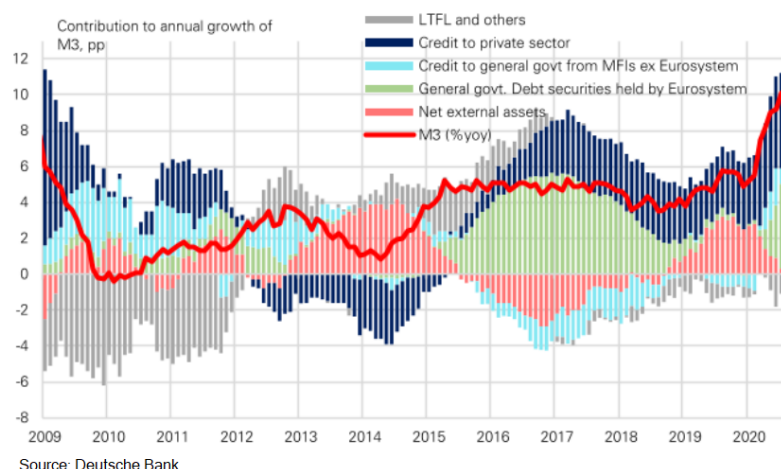
Equities in Europe are trading mostly lower with energy and technology sectors underperforming. Stock markets are down in Germany (-1.0%), France (-0.9%) and the UK (-0.8%).

German bund yields are lower by 1 bps and Southern European spread 1-2 bps tighter. The euro (-0.2%) and sterling (+0.2%) are little changed against the dollar.

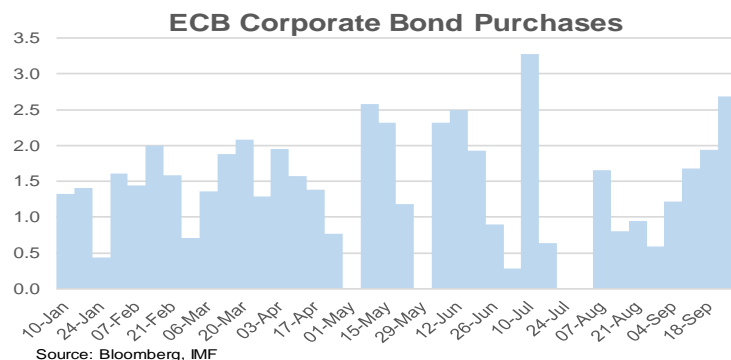
The Eurozone September inflation surprises to the downside falling 0.3% y/y (-0.2% consensus). Core inflation slowed down to 0.2% y/y, the lowest on record. While markets were anticipating a softer inflation print following the downside surprise on country level data, contacts suggest that the slowdown in core inflation came as a surprise and was primarily driven by services prices. The reaction in the euro was surprisingly muted. Most contacts expect the ECB to extend its public sector purchase program in December while boosting the pace of weekly asset purchases in the meanwhile.



Euro-area credit growth has increased sharply this year with broad money supply growing at the fastest pace since 2008. The expansion is driven by both public and private sector borrowing with the latter dominated by corporate working capital loans. This is quite unusual as in the past economic shocks have generally triggered private sector deleveraging. While in the past credit supply shocks would normally lead to higher inflation over the medium-run, analyst suggest that the impact is likely to be more muted this time around given that the loans are not directed towards investment purposes.

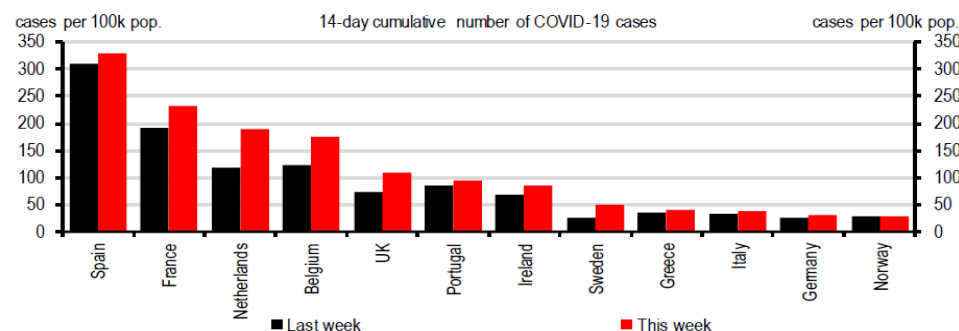


The ECB increased its public sector and corporate bond purchases in September while keeping the pace of the pandemic emergency purchase program unchanged. The central bank bought €9.1 bn under the public sector and €2.7 bn under the corporate sector purchase program during the week ending 25th of September. This was the highest weekly purchase since July. Contacts associate the increase in purchases with the recent renewed volatility in risk-assets.



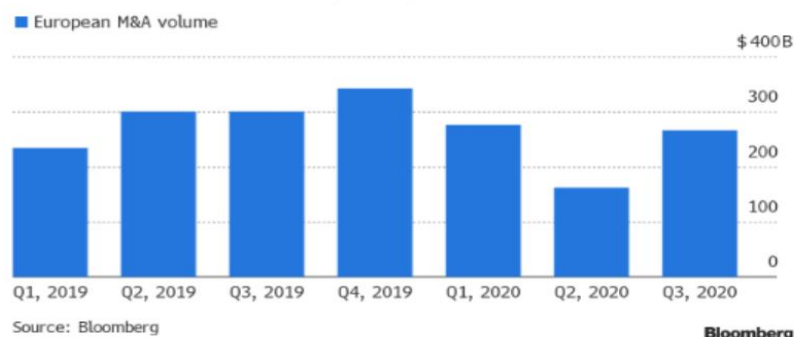
The number of new virus cases continued to rise this week across Europe as governments warn about stricter containment measures. While hospitalization rates have remained low, there has been some increase in France and the UK. Both Paris and London have now been placed on high alert and risk tighter restrictions should cases continue to grow over the weekend.

2. The numbers are up across the region



European M&A activity recovered in the third quarter with the volume of deals reaching \$266 bn. In contrast to the US where mega-mergers have dominated, the growth in Europe was driven by the mid-market segment with deals between \$5-10 bn up 24% this year.

Deals are on the rise after a dip during lockdowns



Other Mature Markets

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Japanese equities dropped 1% as sentiment was soured by news that President Trump had tested positive for Covid-19. Stocks resumed trading at the Tokyo Stock Exchange after a technical failure had forced a halting of trading yesterday. Yields on the 10-year JGB gained 1 bp, trading at 0.022% today.

Emerging Markets

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EM equities are closing the week mixed, as investors struggle to find direction out of the conflicting news that the virus continues to spread across countries while high-frequency indicators point to a recovery. In Asia, India (+1.7%), South Korea (+0.9%), and the Philippines (+0.9%) posted gains, while China (-0.2%) and Vietnam (-0.6%) lost ground. Currencies weakened to the dollar by about 0.1% to 0.4%, except for China's onshore (+0.4) and offshore (+0.2%) yuan. EMEA bourses traded with a similar undecided tone. Russia (-2.0%); Turkey (+0.2%); Poland (-0.5%); Czech Republic (-0.2%). Next week, the central banks in Poland and Australia are expected to hold rates unchanged. Latin American equity markets were mixed on Thursday. Argentina outperformed as the equity index rallied 4%, followed by Brazil (+0.9%), while Mexico saw losses (-2.2%). Local currencies were mixed but mainly traded in narrow ranges, except for the Mexican peso (+1.3%). 10-year government bond yields dropped 8 bps in Chile and were mixed in other countries.

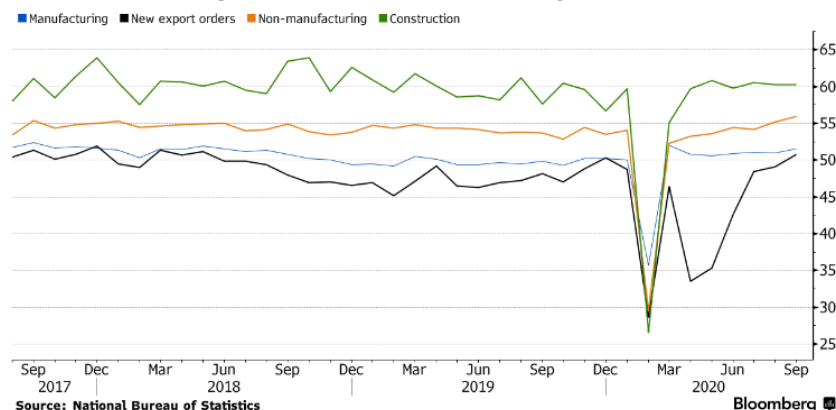
Key Emerging Market Financial Indicators

Last updated: 10/2/20 8:10 AM	Level		Change				
	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks			%				%
MSCI EM Equities		44.50	-1.2	4	-2	11	-1
MSCI Frontier Equities		25.81	0.9	1	-1	-7	-15
EMBIG Sovereign Spread (in bps)		435	5	-1	24	86	142
EM FX vs. USD		54.60	0.0	1	-1	-9	-11
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.79	0.4	0	1	5	3
Indonesian Rupiah		14865	-0.2	0	-1	-4	-7
Indian Rupee		73.14	0.9	1	0	-3	-2
Argentine Peso		76.25	-0.1	-1	-3	-24	-21
Brazil Real		5.62	0.4	-1	-5	-27	-28
Mexican Peso		21.85	-0.1	2	0	-9	-13
Russian Ruble		78.52	-1.6	0	-4	-17	-21
South African Rand		16.56	0.3	3	2	-8	-15
Turkish Lira		7.74	0.0	-1	-5	-26	-23
EM FX volatility		11.63	0.0	-0.5	0.3	3.5	5.0

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

China

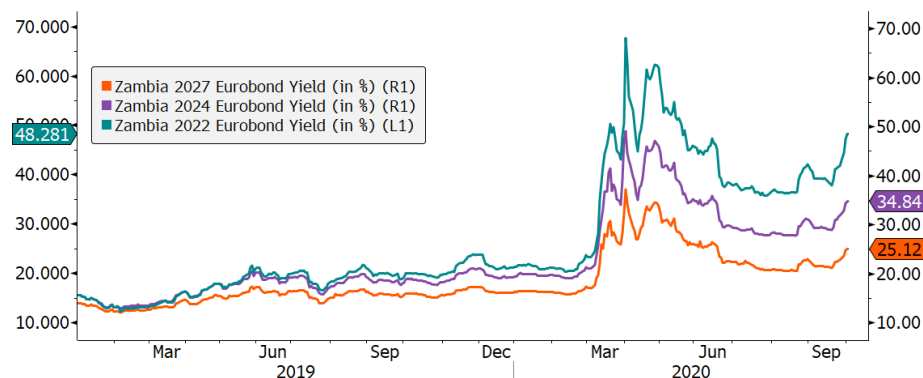
Various economic indicators point to a continued economic recovery. China's official manufacturing PMI printed at 51.5 in September, from 51 in August, while the non-manufacturing PMI came in at 55.9, well into expansionary territory. New export orders also crossed into expansion territory as the gauge printed slightly above 50. Analysts note that other high-frequency indicators, such as property sales and inner-city transport data, are also consistent with a pickup in activity.

China's manufacturing and services firms continue to improve**Czech Republic**

Czech GDP contracted almost 11% y/y in the second quarter. GDP growth printed at 10.9% (annualized), revealing the devastating damage of the pandemic. On a quarterly basis, GDP contracted 8.7%. Labor market indicators have also started to show signs of deterioration: September unemployment printed today at 3.8%, still relatively low but much higher than the 2.9% rate in December 2019.

Zambia

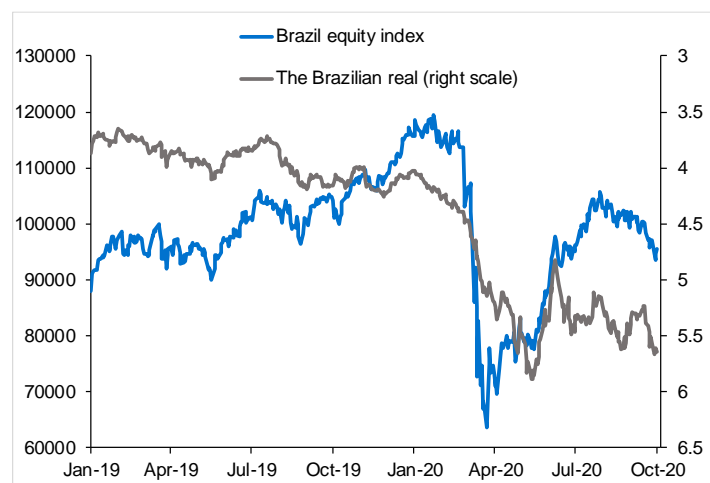
The Zambian authorities have reportedly started talks with international bondholders over debt repayment prospects. Bondholders rejected yesterday a request by the government to halt interest payments on Eurobonds for six months. Zambia was scheduled to pay out about \$230 mn in Eurobond repayments through 2021. Due to fiscal pressures, analysts cast doubt on the nation's ability to meet obligations. The yield on Zambia's Eurobonds of different maturities continue to rise today.

Zambia**Ecuador**

The IMF Executive Board officially approved Ecuador's \$6.5 bn Extended Funding Facility (EFF) program, as expected. The approval allows for an immediate disbursement of \$2.0 bn to Ecuador for budget support, and there is another tranche of \$2.0 bn to be disbursed before the year-end. The IMF said in a statement that the program is to "protect lives and livelihoods in the wake of the COVID-19 pandemic and continue to support efforts to stabilize the economy". Details of the 27-month program haven't been released yet. GS analysts commented that the future implementation of the program would be largely affected by the result of the coming presidential elections.

Brazil

Brazil's business confidence edged up higher for the 5th consecutive month in September and is now above the pre-COVID level. The positive number was mainly driven by the manufacturing sector, while the major drag was the services sector. Consumer confidence has recovered 85% from the previous drop. The recovery of consumer and business confidence has shown the effect of strong monetary and fiscal policy stimulus, combined with the less strict lockdown rules. Analysts pointed out although the activities are gradually recovering, the economic outlook remained uncertain without strong but sustainable fiscal stimulus. Brazilian assets were mixed yesterday, as domestic equities rose 1.1% while the real depreciated 0.7% against the dollar.



Source: Bloomberg























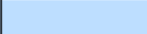



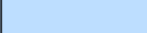


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Global Financial Indicators

Last updated: 10/2/20 8:09 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3381	0.5	4	-6	17	5
Europe		3158	-1.1	1	-5	-7	-16
Japan		23030	-0.7	-1	-1	6	-3
China		3218	-0.2	-2	-6	11	6
Asia Ex Japan		78	1.1	4	-1	19	6
Emerging Markets		45	-1.2	4	-2	11	-1
Interest Rates			basis points				
US 10y Yield		0.66	-0.7	1	2	-93	-125
Germany 10y Yield		-0.54	-0.7	-1	-7	0	-36
Japan 10y Yield		0.02	0.5	1	-2	19	3
UK 10y Yield		0.23	-0.5	4	0	-27	-59
Credit Spreads			basis points				
US Investment Grade		134	1.3	-3	11	4	37
US High Yield		542	3.0	-23	43	57	149
Europe IG		60	0.5	-3	9	2	15
Europe HY		346	2.9	-17	39	104	139
EMBIG Sovereign Spread		435	5.0	-1	24	86	142
Exchange Rates			%				
USD/Majors		93.75	0.0	-1	1	-5	-3
EUR/USD		1.17	-0.2	1	-1	7	5
USD/JPY		105.2	0.3	0	1	2	3
EM/USD		54.6	0.0	1	-1	-9	-11
Commodities			%				
Brent Crude Oil (\$/barrel)		39	-3.9	-6	-11	-32	-40
Industrials Metals (index)		113	0.6	-1	-5	-2	-1
Agriculture (index)		39	-1.3	1	1	0	-6
Implied Volatility			%				
VIX Index (% change in pp)		29.4	2.7	3.0	2.8	8.9	15.6
US 10y Swaption Volatility		45.9	-1.4	1.7	-7.4	-43.4	-16.1
Global FX Volatility		9.0	0.0	-0.7	-0.1	1.7	3.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		154	-1.9	-2	-7	-37	-12
Italy		134	-1.9	-8	-11	-11	-26
Portugal		77	-1.0	-2	-5	4	15
Spain		76	-0.6	-2	-4	5	11

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: 10/2/2020 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		6.79	0.4	0.3	1	5	3		3.3	0.0	4	5	9	13
Indonesia		14865	-0.2	0.1	-1	-4	-7		6.9	-3.1	3	9	-52	-28
India		73	0.9	1.0	0	-3	-2		6.2	-2.6	-2	7	-66	-72
Philippines		48	-0.1	0.0	0	7	4		3.6	-0.8	-7	-3	-77	-73
Thailand		32	0.0	0.2	-1	-3	-6		1.5	0.9	2	-6	-5	-13
Malaysia		4.16	-0.3	0.2	0	1	-2		2.6	-0.1	-2	11	-83	-79
Argentina		76	-0.1	-0.7	-3	-24	-21		40.7	29.6	-18	-369	-2540	-2186
Brazil		5.62	0.4	-1.1	-5	-27	-28		6.1	5.5	33	69	-24	-14
Chile		788	-0.1	-0.1	-2	-8	-4		2.7	-3.6	2	29	-12	-56
Colombia		3846	-0.4	-0.5	-4	-9	-15		5.3	4.3	18	25	-40	-70
Mexico		21.85	-0.1	2.2	0	-9	-13		6.1	0.7	15	6	-97	-88
Peru		3.6	-0.1	-0.4	-2	-6	-8		4.2	-1.5	-1	18	-23	-30
Uruguay		43	0.1	-0.2	0	-13	-12		7.4	-6.5	-16	-75	-333	-349
Hungary		306	-0.2	2.1	-1	0	-4		1.8	-2.9	-2	9	67	59
Poland		3.83	-0.4	2.0	-3	4	-1		0.7	-0.2	-2	-9	-106	-115
Romania		4.2	-0.1	0.9	-2	4	3		3.3	0.0	-4	-13	-50	-73
Russia		78.5	-1.6	-0.5	-4	-17	-21		5.8	-5.0	-7	14	-107	-32
South Africa		16.6	0.3	3.5	2	-8	-15		10.3	1.3	1	28	82	74
Turkey		7.74	0.0	-1.0	-5	-26	-23		12.6	-19.0	-45	-34	-87	95
US (DXY; 5y UST)		94	0.0	-0.9	1	-5	-3		0.26	-1.0	0	1	-117	-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		4587	0.0	-1	-5	20	12		218	1	0	6	29	42
Indonesia		4927	-0.9	0	-7	-19	-22		235	3	-5	16	45	79
India		38697	0.0	6	-1	1	-6		233	-1	4	16	98	108
Philippines		5999	0.9	3	5	-21	-23		142	3	-6	4	60	76
Malaysia		1500	0.2	-1	-2	-5	-6		166	1	0	20	39	54
Argentina		42916	4.0	2	-4	39	3		1353	3	23	-803	-829	-416
Brazil		95479	0.9	-2	-6	-5	-17		335	2	0	33	84	120
Chile		3635	-0.1	1	-5	-28	-22		184	3	-5	11	39	51
Colombia		1162	-0.8	-1	-8	-26	-30		267	3	0	25	75	104
Mexico		36626	-2.2	1	-1	-13	-16		508	3	-4	58	182	216
Peru		17843	-0.6	0	-3	-6	-13		174	3	-1	25	33	67
Hungary		33365	-0.9	4	-3	-15	-28		125	2	-3	-4	16	39
Poland		48589	-0.9	1	-5	-13	-16		26	1	1	0	-18	8
Romania		8915	-0.9	-1	-1	-5	-11		253	-2	-15	-13	54	79
Russia		2846	-1.5	-2	-4	5	-7		212	5	-6	11	9	81
South Africa		54013	-0.8	1	-3	0	-5		537	7	2	50	192	217
Turkey		1146	0.3	2	6	11	0		624	4	-8	41	141	223
Ukraine		500	0.0	0	0	-5	-2		730	6	8	122	195	310
EM total		45	-1.2	4	-2	11	-1		435	5	-1	24	86	142

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

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