












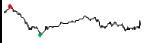

- **UK's PM Johnson seeks vote on Brexit bill after clean vote on Saturday delayed** ([link](#))
- **Delayed vote forces UK government to request Article 50 Brexit extension** ([link](#))
- **European money markets scale back ECB rate cut expectations** ([link](#))
- **Big banks' trading activities see a rebound** ([link](#))

[US](#) | [Europe](#) | [Other Mature](#) | [Emerging Markets](#) | [Market Tables](#)

Markets quiet as key Brexit vote delayed

Equities and yields are drifting higher in mostly quiet markets as the Brexit drama once again defies resolution. Major stock markets and core bond yields are slightly higher this morning while the dollar continues to soften against major peers. The key development over the weekend was the delay to the UK parliament's much-anticipated Saturday vote on the Brexit agreement agreed last week with the EU, which triggered a legally mandated request for an extension on Article 50. Another vote on the Brexit withdrawal agreement is scheduled for today and both betting markets and Sterling punters seem increasingly optimistic that it can pass, however as usual with Brexit the situation remains highly fluid.

Key Global Financial Indicators

Last updated: 10/21/19 8:16 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		2986	-0.4	1	0	8	19
Eurostoxx 50		3599	0.5	1	1	12	20
Nikkei 225		22549	0.2	3	2	0	13
MSCI EM		42	0.2	1	1	6	7
Yields and Spreads			bps				
US 10y Yield		1.78	0.2	5	5	-142	-91
Germany 10y Yield		-0.35	3.3	11	17	-81	-59
EMBIG Sovereign Spread		331	-1	-4	-4	-18	-83
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		61.0	-0.2	0	1	-2	-2
Dollar index, (+) = \$ appreciation		97.2	-0.1	-1	-1	2	1
Brent Crude Oil (\$/barrel)		59.1	-0.6	0	-8	-26	10
VIX Index (% change in pp)		14.4	0.1	-1	-1	-6	-11

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

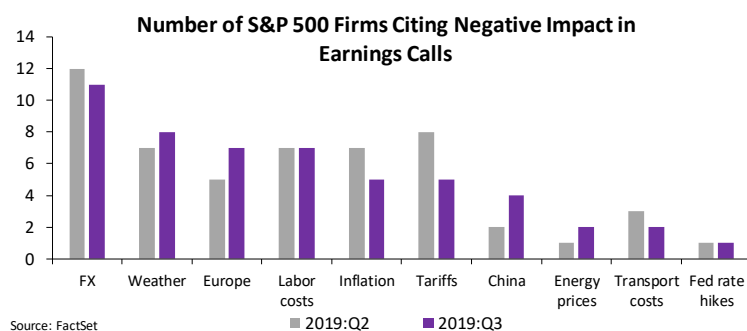
Politics will again be in the spotlight this week in the wake of Saturday's delayed Brexit vote by the UK parliament. Canada holds federal elections today, while the Trump impeachment hearings are ongoing. Central banks will also be big news this week, highlighted by Thursday's ECB meeting. There will also be rate decisions by Chile, Hungary, Indonesia, Norway, Russia, Sweden, Turkey, and Ukraine. There will be manufacturing PMIs from the euro area, France, and Germany Thursday, and Germany will follow with its Ifo business climate Friday. The US has several housing reports this week, with Wednesday also seeing releases on durable goods and manufacturing PMI.

United States

[back to top](#)

Equity markets weakened Friday, with major indices falling 0.4-1%. Industrials and tech companies underperformed. The Conference Board's index of Leading Economic Indicators slipped 0.1% in September. The biggest positive contributor was stock prices while the biggest drag was ISM new orders. Treasury yields finished little changed.

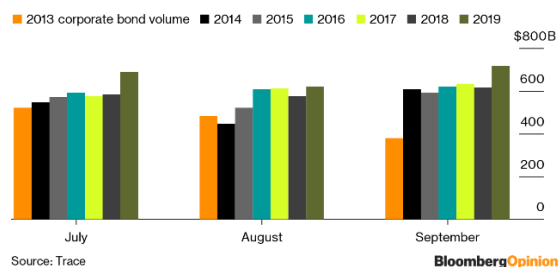
Given that Q3 earnings are on track to decline for a third straight quarter, FactSet examined conference call transcripts of reporting firms to identify the drivers. It found that **forex was the most cited factor** with a negative impact on Q3 results or was expected to have a negative impact on earnings and revenues in future quarters. But few of these companies expressed specific currencies in their releases. Tariffs and trade were down the list, but FactSet noted the number of companies reporting so far is relatively small.



The big banks' **trading activities are showing significant recoveries, particularly in revenues in trading fixed income, currencies and commodities (or FICC)**, which are up 25% from a year earlier. Moreover, revenues came in at \$3.56 bn, easily besting expectations of \$3.09 bn. Helping drive the increase, Bloomberg analysts pointed to greater market volatility – which supported trading volumes – and a big jump in corporate issuance. Global corporate bond issuance in September was the highest for any month ever, exceeding \$300 bn.

Bond Traders' Big Quarter

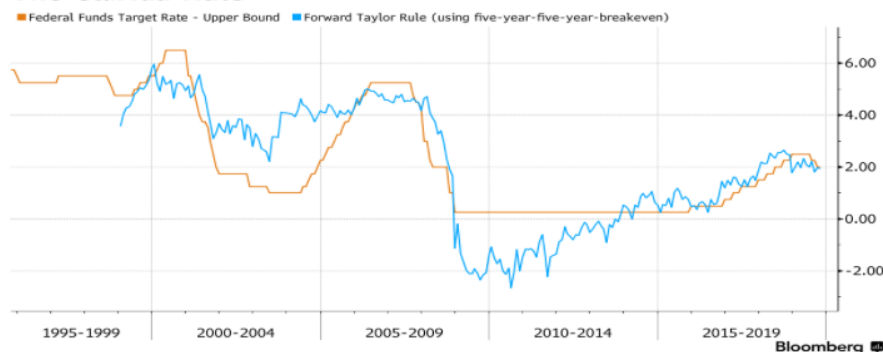
Corporate-debt trading reached the highest level in years, buoying Wall Street



Bloomberg Opinion

Futures markets are anticipating an **88.4% chance of a rate cut** on October 30th, according to Bloomberg metrics. Speaking just before blackout rules go into effect, Fed Vice Chair Clarida made positive remarks about the domestic economy, but also advised that “global growth estimates continue to be marked down, and global disinflationary pressures cloud the outlook for US inflation.”

The Clarida Rule



Europe

[back to top](#)

United Kingdom

The British pound was little changed around 1.29 per USD as the U.K. government plans another “meaningful vote” on the Withdrawal Agreement Bill later today. House Speaker Jon Bercow may not allow a second vote on the same matter in the same parliamentary session. U.K. equities were little changed and 10-yr gilt yields are up 5 bps (at 0.76%).

On Saturday, U.K. parliamentarians voted by a majority of 16 (322-306) to force the government to provide more detailed legislation before granting final approval of the Withdrawal Agreement. The vote also forced the U.K. government to request a 3-month extension to Article 50 from the EU.

In any case, analysts expect that the U.K. government will have a narrow majority of 5 votes for the Withdrawal Agreement in a second reading of the Bill on Tuesday. Nevertheless, analysts also think that some parliamentarians will submit amendments to soften the Withdrawal Agreement.

Euro area

Bloomberg reports that the ECB policymakers will not ease further despite a likely downgrade in economic forecasts in the December outlook update. According to euro area officials, the ECB can maintain QE of €20 bn/m for at least 18 months, even though the ECB would have to use flexibility built into the rules.

President Draghi's last ECB meeting takes place on Thursday. Analyst expect a neutral ECB meeting and await flash PMI data (Thursday) and IFO data (Friday) for further guidance on the euro area economy.

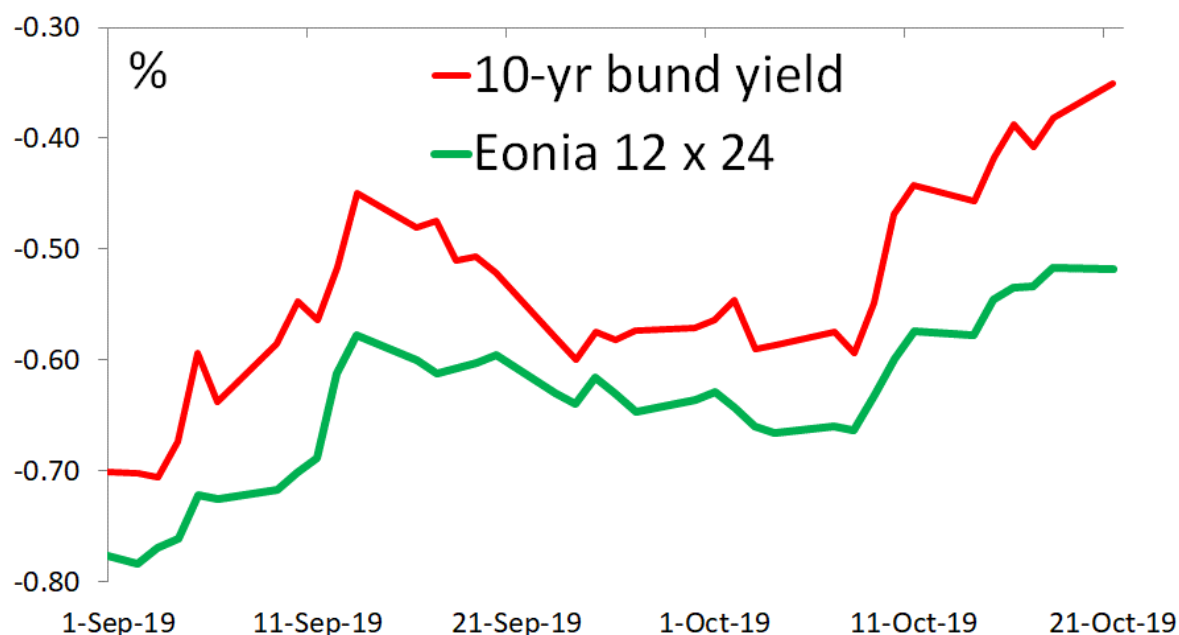
Core 10-yr sovereign debt yields rose 3-4 bps. German 10-year yields are trading at -0.35%; French 10-yr OAT yields at -0.05%, and Italian 10-yr BTP yield at 0.98%.

10-yr Italian debt trade at a spread of 133 bps over bunds, compared to a spread of 64 bps for Spain.

In the past 5 trading days, core European 10-yr yields are up 10 bps compared to a rise in 5 bps for 10-yr U.S. treasury yields in the same period.

Money markets have faded expectations of further ECB rates cuts in 2020, with the EONIA12x24 forward rate currently trading at -52 bps compared to -78 bps in early Sep (current ECB depo rate: - 50 bps).

Euro Area Rates: Pricing out further ECB easing



Note: A 12x24 contract fixes a rate for the period starting at the end of month 12 and ending at month 24.

Source: Bloomberg and IMF staff

European bank stocks (+2.1%) outperformed today as equities gained +0.4%. European bank stocks have gained 5% in the past 5 days as core yields rose 10 bps over the same period.

Other Mature Markets

[back to top](#)

Japan

Equities(+0.4%) rose in light trading ahead of a holiday tomorrow. Financials outperformed, supported by a steepening JGB yield curve. **10-year JGB yields rose 1bps to -0.14%, while interest rates at the short end fell slightly.** Meanwhile, Japanese exports contracted for a 10th consecutive month in September declining 5.2% y/y. **The yen weakened 0.2%.**

Emerging Markets

[back to top](#)

Asian stocks were mostly little changed in a quiet trading session as investors await further details on the “phased deal” between China and the U.S. Asian currencies strengthened against the dollar, with the Korean won (+0.8%) leading the way. **In EMEA, Turkey continues to dominate headlines as the cease-fire expires tomorrow.** Stocks in Istanbul (-1%) edged lower compared to equity gains in Hungary (+0.6%), South Africa (+0.5%) and Russia (+0.4%). **Latin American equity markets were mostly lower last Friday.** Mexico was the main underperformer as the equity index fell 0.7% while the Chile equity index saw gains (+0.4%). **The Brazilian real strengthened 1.3%**, followed by the Colombian peso (+0.8%) and the Mexican peso (+0.5%). 10-year government bond yields were little changed.

Key Emerging Market Financial Indicators

Last updated: 10/21/19 8:05 AM	Level		Change				
	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks			%				%
MSCI EM Equities		41.98	0.1	1	1	6	7
MSCI Frontier Equities		28.18	0.3	0	1	4	8
EMBIG Sovereign Spread (in bps)		332	0	-3	-3	-17	-82
EM FX vs. USD		61.07	-0.1	0	1	-2	-2
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		7.07	0.1	0	1	-2	-3
Indonesian Rupiah		14081	0.5	0	0	8	2
Indian Rupee		71.15	0.0	0	0	3	-2
Argentina Peso		58.35	-0.1	-1	-3	-37	-35
Brazil Real		4.12	-0.2	0	1	-11	-6
Mexican Peso		19.15	-0.2	1	2	1	3
Russian Ruble		63.67	0.0	1	0	2	9
South African Rand		14.75	0.3	0	1	-3	-3
Turkish Lira		5.82	-0.5	2	-2	-3	-9
EM FX volatility		7.82	0.6	-0.2	-0.4	-2.1	-2.0

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

EM Fund Flows

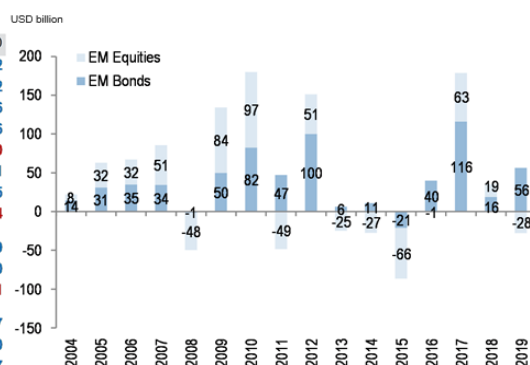
EM bond funds saw inflows (+\$405 mn) last week, while EM equity funds suffered outflows for the 4th consecutive week (-\$888 mn). Of EM bond funds, local currency funds recovered from the previous two weeks' outflows (+\$89 mn), and hard currency funds also saw inflows (+\$316 mn) last week after the previous two weeks' redemption. US HG funds saw 38 weeks of inflows in a row, and US HY funds advanced +\$2.2 bn last week. Year to date flows to EM bonds and equities were +\$56.2bn and -\$28bn, respectively.

Exhibit 1: Weekly Cross-Asset Flows

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		-0.5	28.2
EM Bonds		0.4	56.2
Hard Ccy		0.3	49.6
Local Ccy		0.1	6.6
EM Equities		-0.9	-28.0
US HG		3.9	179.1
US HY		2.2	21.5
Global Equities		3.9	-132.4
EM Bond and Equity ETFs		0.2	0.9
EM Bond ETFs		0.2	6.0
EM Equity ETFs		0.0	-5.1
Non-resident EM flows*		1.6	5.7
EM Local Bonds		0.2	3.0
EM Equities		1.4	2.7

*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

Exhibit 2: Annual EM bond and equity fund flows



Turkey

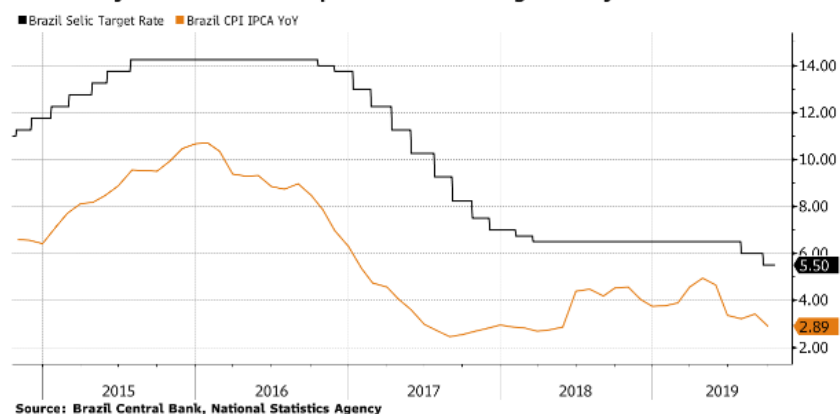
Equities (-1%) edged lower as the 5-day cease-fire in Northern Syria will end on Tuesday night. Bank stocks are 2% lower but still trade 8% higher than 5 days ago. The lira fell 0.5%. The central bank is expected to cut its one-week repo rate by 100 bps to 15.50% on Thursday.

Brazil

Brazil's central bank chief stated that there is room for further monetary easing. Though the Selic rate is now at a historical-low at 5.5%, the 3rd straight 50 bps cut is expected later this month amid economic growth slowdown and falling consumer price. In other news, Brazil's pension reform is expected to be approved by the Senate next week. Brazilian assets were mixed on Friday, with domestic equities slightly lower and the real up 1.3% against the dollar.

Trending Down

Brazil's key rate and consumer prices have fallen significantly







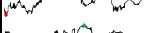






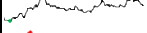


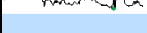

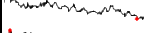





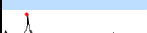




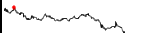

List of GMM Contributors

Global Markets Analysis Division, MCM Department

Anna Ilyina <i>Division Chief</i>	Dimitris Drakopoulos <i>Financial Sector Expert</i>	Jochen Schmittmann <i>Senior Economist</i>
Peter Breuer <i>Deputy Division Chief</i>	Mohamed Jaber <i>Senior Financial Sector Expert</i>	Juan Solé <i>Senior Economist</i>
Will Kerry <i>Deputy Division Chief</i>	David Jones <i>Senior Financial Sector Expert</i>	Jeffrey Williams <i>Senior Financial Sector Expert</i>
Evan Papageorgiou <i>Deputy Division Chief</i>	Sanjay Hazarika <i>Senior Financial Sector Expert</i>	Akihiko Yokoyama <i>Senior Financial Sector Expert</i>
Sergei Antoshin <i>Senior Economist</i>	Frank Hespeler <i>Senior Financial Sector Expert</i>	Martin Edmonds <i>Senior Data Mgt Officer</i>
John Caparusso <i>Senior Financial Sector Expert</i>	Rohit Goel <i>Financial Sector Expert</i>	Yingyuan Chen <i>Senior Research Officer</i>
Sally Chen <i>Senior Economist</i>	Henry Hoyle <i>Financial Sector Expert</i>	Piyusha Khot <i>Research Assistant</i>
Fabio Cortés <i>Senior Economist</i>	Thomas Piontek <i>Financial Sector Expert</i>	Xingmi Zheng <i>Research Assistant</i>
Reinout De Bock <i>Economist</i>	Patrick Schneider <i>Research Officer</i>	

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

Last updated: 10/21/19 8:17 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		2986	-0.4	1	0	8	19
Europe		3599	0.5	1	1	12	20
Japan		22549	0.2	3	2	0	13
China		2940	0.1	-2	-2	15	18
Asia Ex Japan		68	-0.9	1	1	6	7
Emerging Markets		42	0.2	1	1	6	7
Interest Rates			basis points				
US 10y Yield		1.78	0.2	5	5	-142	-91
Germany 10y Yield		-0.35	3.3	11	17	-81	-59
Japan 10y Yield		-0.13	0.6	5	8	-27	-13
UK 10y Yield		0.75	4.1	11	12	-83	-53
Credit Spreads			basis points				
US Investment Grade		120	0.0	-5	-8	18	-27
US High Yield		451	-1.3	-8	4	105	-70
Europe IG		51	-1.9	-4	-4	-23	-36
Europe HY		227	-5.6	-18	4	-67	-126
EMBIG Sovereign Spread		331	-1.0	-4	-4	-18	-83
Exchange Rates			%				
USD/Majors		97.19	-0.1	-1	-1	2	1
EUR/USD		1.12	0.0	1	2	-3	-3
USD/JPY		108.6	-0.1	0	-1	4	1
EM/USD		61.0	-0.2	0	1	-2	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		59	-0.6	0	-8	-26	10
Industrials Metals (index)		116	0.4	1	0	-2	7
Agriculture (index)		40	0.3	0	5	-10	-5
Implied Volatility			%				
VIX Index (% change in pp)		14.4	0.1	-1.2	-1.0	-5.5	-11.1
10y Treasury Volatility Index		5.5	0.2	0.1	-0.1	1.7	0.9
Global FX Volatility		6.5	-0.1	-0.4	-0.7	-1.6	-2.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		167	-2.6	-22	-20	-222	-248
Italy		133	2.0	-4	-12	-170	-117
Portugal		59	0.3	-5	-18	-97	-90
Spain		63	0.4	-4	-13	-64	-54

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

Data source: Bloomberg.

[back to top](#)

Emerging Market Financial Indicators

Last updated: 10/21/2019 8:06 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		7.07	0.1	-0.1	1	-2	-3		3.2	0.1	2	8	-35	2
Indonesia		14081	0.5	0.4	0	8	2		7.3	-0.1	-8	-8	-144	-90
India		71	0.0	-0.2	0	3	-2		6.8	1.2	-1	6	-122	-62
Philippines		51	0.4	1.0	2	5	3		4.3	-0.1	-1	-6	-227	-199
Thailand		30	-0.1	0.5	1	8	7		1.6	0.2	4	2	-132	-105
Malaysia		4.18	0.1	0.2	0	-1	-1		3.4	-0.1	0	2	-68	-68
Argentina		58	-0.1	-0.5	-3	-37	-35		56.6	-132.1	-100	-1528	3561	3357
Brazil		4.12	-0.2	0.2	1	-11	-6		5.8	-0.4	-17	-73	-311	-234
Chile		721	-1.2	-1.2	0	-5	-4		3.1	7.8	26	28	-181	-139
Colombia		3426	0.7	0.1	-2	-10	-5		5.7	-0.8	3	4	-101	-79
Mexico		19.15	-0.2	0.7	2	1	3		6.9	-4.3	4	-31	-125	-181
Peru		3.3	0.3	0.5	0	0	1		4.2	0.4	-1	-20	-160	-152
Uruguay		37	0.0	-0.6	-2	-12	-13		10.9	13.0	9	23	35	19
Hungary		295	0.3	1.8	3	-5	-5		1.1	-0.5	-1	6	-164	-109
Poland		3.83	0.0	1.7	4	-2	-2		1.8	1.1	2	-4	-76	-46
Romania		4.3	-0.1	1.2	1	-4	-5		3.8	0.0	3	9	-81	-43
Russia		63.7	0.0	0.9	0	2	9		6.4	-8.9	-13	-46	-192	-198
South Africa		14.8	0.3	0.4	1	-3	-3		9.3	0.1	-1	2	-43	-25
Turkey		5.82	-0.5	1.8	-2	-3	-9		14.1	-108.3	-31	-34	-563	-280
US (DXY; 5y UST)		97	-0.1	-1.3	-1	2	1		1.58	1.5	3	-2	-146	-93

	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		2940	0.0	-2	-2	15	18		187	0	1	4	5	-7
Indonesia		6199	0.5	1	-1	6	0		177	0	-4	7	-23	-59
India		39298	1.6	3	3	15	9		137	1	4	6	-29	-59
Philippines		7891	1.4	0	0	10	6		77	2	0	7	-28	-44
Malaysia		1571	-0.8	0	-2	-9	-7		126	0	2	6	2	-36
Argentina		31968	0.7	1	6	11	6		2056	-1	168	-42	1394	1241
Brazil		104729	-0.3	1	0	24	19		228	-2	-5	0	-30	-45
Chile		5192	-0.8	1	2	1	2		136	4	0	5	5	-30
Colombia		1579	-0.4	0	-1	9	19		175	-1	-3	0	-10	-53
Mexico		43179	0.4	0	-1	-9	4		299	-3	-12	-11	33	-55
Peru		19408	-0.7	1	0	3	0		124	-1	-1	7	-21	-44
Hungary		40793	0.5	0	-1	10	4		91	-4	-4	-1	-24	-57
Poland		57327	0.0	1	0	1	-1		28	-4	0	2	-28	-57
Romania		9600	0.3	1	2	12	30		185	-1	-1	2	1	-36
Russia		2763	0.6	2	-1	18	17		183	-1	-6	1	-36	-69
South Africa		56077	2.3	2	-1	8	6		319	-2	-5	8	7	-46
Turkey		97501	-7.2	4	-3	1	7		485	3	-5	2	43	56
Ukraine		521	-0.7	-1	0	-7	-7		473	-10	-21	-1	-86	-314
EM total		42	0.1	1	1	6	7		332	0	-3	-3	-17	-82

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

[back to top](#)