



- Treasury buyback is likely on the table in the next TBAC meeting ([link](#))
- ECB policymakers to reportedly consider changing TLTRO lending terms ([link](#))
- Euro area banks sharply tighten credit standards for housing ([link](#))
- UK Financial Conduct Authority pushes back against greenwashing ([link](#))
- People's Bank of China adjusts cross-border borrowing rules ([link](#))
- State Bank of Vietnam unexpectedly raised its policy rates by 1% ([link](#))

[Mature Markets](#)


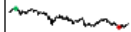





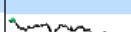
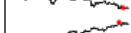


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## Calm before the next storm

After the past week's series of significant daily moves in markets, global equity indices are relatively little changed this morning with no significant driver. Europe's Stoxx 600 is up just 0.2% while US equity futures are about 0.1% lower. Despite the relatively calm equity markets, measures of implied volatility remain elevated with the VIX hovering close to 30 and the MOVE index (a measure of implied volatility on US Treasuries) still at levels that were last seen at the onset of the pandemic. Sovereign bond yields are lower this morning with the US and German 10-year yields down 8 bp and 10 bp respectively. Chinese shares have also stabilized after yesterday's sharp moves, though the yuan continues to depreciate versus the dollar, reaching its lowest level in 14 years. With relative calm returning to the UK markets following the appointment of a new PM, market focus in the near will likely turn to corporate earnings and this week's ECB meeting, where a 75 bp hike is expected.

Key Global Financial Indicators

Last updated: 10/25/22 8:00 AM	Level		Change from Market Close					Since
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	23-Feb-22
Equities			%				%	
S&P 500		3797	1.2	3	3	-17	-20	-10
Eurostoxx 50		3526	-0.1	2	5	-16	-18	-11
Nikkei 225		27250	1.0	0	3	-6	-5	3
MSCI EM		34	-3.8	-3	-6	-35	-31	-29
Yields and Spreads			bps					
US 10y Yield		4.16	-8.2	15	48	253	265	217
Germany 10y Yield		2.24	-8.9	-4	22	236	242	201
EMBIG Sovereign Spread		568	-9	1	52	213	201	156
FX / Commodities / Volatility			%					
EM FX vs. USD, (+) = appreciation		48.3	-0.1	-1	-1	-13	-8	-9
Dollar index, (+) = \$ appreciation		112.0	0.0	0	-1	19	17	16
Brent Crude Oil (\$/barrel)		92.3	-1.1	2	7	7	19	-5
VIX Index (% change in pp)		29.8	0.0	-1	0	15	13	-1

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

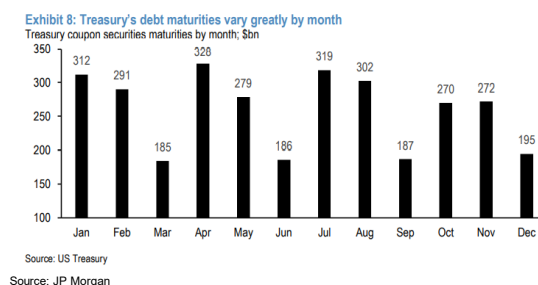
## Mature Markets

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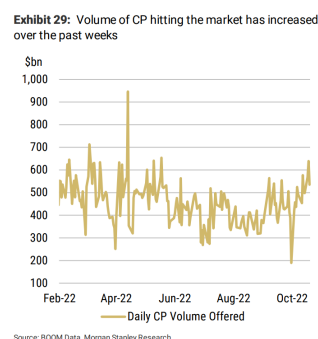
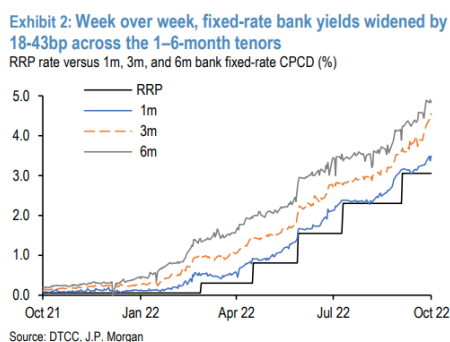
### United States

**On Monday, the S&P 500 rose 1.1%** as last week's momentum carried over, with healthcare and tech stocks driving the gains ahead of earnings releases from major tech companies later this week. US-listed Chinese shares tumbled as the Nasdaq Golden Dragon China index of 65 Chinese stocks posted its biggest losses on record following China's equity index declining sharply. US Treasury yields were little changed, up 2–4 bp across tenors, with 10-year yields up 2.5 bp to 4.24%. The notable movement is 30-year BEI, rising by nearly 10 bp on the day.

**As US Treasury market liquidity condition remains fragile, US Treasury Borrowing Advisory Committee (TBAC) is likely to discuss the potential for buybacks in their next quarterly meeting in November.** In the previous meeting in August, the committee concluded by noting that further analysis of the issue was warranted. Although buybacks are seen as improving market liquidity through purchasing off-the-runs and replacing with issuing on-the-runs or bills, it may be costly. For example, Treasury needs to increase issuance of either coupons or bills to finance the buybacks, and it could be costly; for example, by increasing auction concession sizes and on-the-run yield level. It may also put more complexity into Treasury's regular and predictable debt management strategy. GS analysts said that buybacks could lower the cost of Treasury financing both directly by buying cheaper off-the-run US Treasury funded by richer US Treasury on-the-run issuance and indirectly through improving market functioning. In addition, buybacks could allow Treasury to achieve other debt management goals such as optimizing WAM (weighted average maturity) of its debt, managing cash balance, and the deduction of debt maturity peaks. JP Morgan analysts expect Treasury to replace off-the-runs with T-bills rather than on-the-run coupons because it may enable more flexibility to increase or decrease its buyback. BoA analysts expect they will start buybacks next year and focus on parts of the curve with the greatest supply-demand imbalance, especially the 20-year sector.



**In US short-term rate markets, while the US Treasury repo has behaved well as SOFR traded below RRP (Fed's reverse repo rate), unsecured funding rates, such as fixed rate bank yields, have widened** across the 1-6-month tenors (left chart). As year-end approaches and bank issuers seek funding to avoid funding pressures, this could be costly for issuers. According to Morgan Stanley analysts, the daily CP volume offered to the market has increased over the past weeks (right chart), and they pointed out that an increase in supply may become a catalyst for further weakness in unsecured funding.



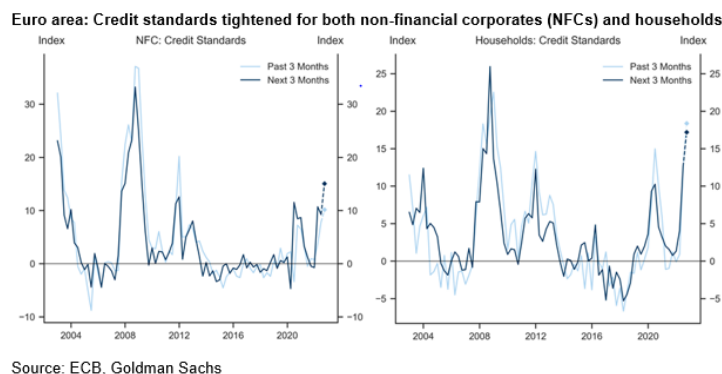
## Euro Area

**Equities were little changed, and core rates fell** as German IFO data stabilized at a very low level and CEOs of JP Morgan and Goldman Sachs warned that a recession is increasingly likely in the US and Europe. Consensus is that the ECB will hike its policy rate 75 bp on Thursday.

**Bank stocks (-0.4%) edged lower following media reports that the ECB is reportedly planning to tighten its TLTRO lending terms to euro area banks at this week's meeting.** Contacts have previously argued that changing the terms of TLTROs could be legally complicated. Some contacts had argued that a new (reverse) tiering system could also emerge, whereby a portion of bank deposits is remunerated at a rate of 0% (rather than the higher depo rate). More than €2 tn of TLTROs are still outstanding, with the bulk expiring in June 2023 and less than 10% repaid so far.

**Analysts at Citi believe that a discussion by the ECB on whether to initiate Quantitative Tightening (QT) will take place no later than December** as the bank believes that policy rates will become restrictive very quickly. Citi argues that activation is likely in early 2023 (maybe from April onwards). According to the bank, the ECB may alter its guidance on APP reinvestment already on Thursday, to open the door more clearly to QT next year.

**In the ECB Bank Lending Survey (BLS) for October 2022, banks reported a strong net tightening of credit standards for housing loans and a lesser, but still pronounced, net tightening for consumer credit.** The net tightening of credit standards for housing loans was the largest since the fourth quarter of 2008. The primary drivers were higher risk perceptions and lower risk tolerance. Banks' cost of funds and balance sheet constraints also contributed to the net tightening.



## United Kingdom

**The British pound (+0.5%) gained after Rishi Sunak was elected as the new Conservative leader and UK Prime Minister yesterday.** Analysts expect that Chancellor Hunt could remain in post as focus will be on first indications of policy priorities and cabinet appointments. Gilt yields are 6–8 bp lower.

**The Financial Conduct Authority said that fund managers operating in the UK will face a “package of new measures,** including investment product sustainability labels and restrictions on how terms like ‘ESG,’ ‘green,’ or ‘sustainable’ can be used.”

## Japan

**The Bank of Japan (BOJ)’s yield curve control continued to be under pressure.** The 10-year JGB yield traded near the 0.25% upper limit, closing at 0.249% (-0.1 bp) as the BOJ conducted fixed-rate bond purchases in an amount of 786 bn yen (\$5.3 bn). The spread between OIS rate and the 10-year JGB yield remained elevated at 36.4 bp, while the cheapest-to-deliver gross basis declined but remained large at 34.2 bp. Meanwhile, longer-end JGB yields fell (30-year: -8.2 bp). **The yen was little changed,** hovering around 148.9 per dollar. Markets became sensitive to a change in the Fed’s policy stance and cautious about the possibility of FX interventions. Japanese equities gained (NIKKEI: +1.0%).

Market Pressure on BOJ's Yield Curve Control

In basis points; Based on 10-year JGBs



## Emerging Markets

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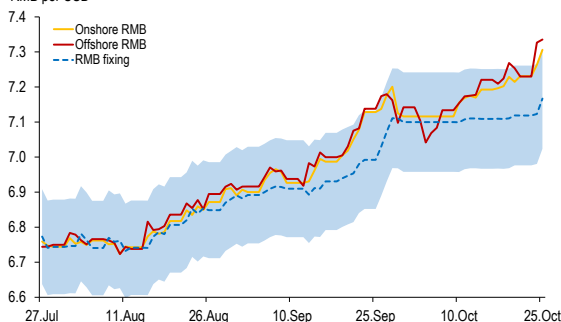
**Asian equities were mixed, falling 0.6% on net.** Taiwan (-1.5%), India (-0.4%), and China (CSI 300: -0.2%) indices declined, while share prices rose in the Philippines (+0.7%) and Thailand (+0.6%). Asian currencies were also mixed. The Chinese yuan (-0.6%) and Taiwan dollar (-0.3%) depreciated. Long-end government bond yields generally declined, with 10-year yields falling in the Philippines (-26.5 bp), Singapore (-10.2 bp), and India (-6.5 bp). In Singapore, headline CPI inflation stayed at 7.5% y/y in September, while core CPI inflation edged up to 5.3%; both were in line with expectations. The Singaporean dollar depreciated (-0.2%). **EMEA equities were mostly trading higher, while currencies were mixed against the dollar.** The Hungarian forint gained against the euro (+0.4%) ahead of the policy announcement later today, with consensus expecting the policy rate to remain unchanged at 13%. PM Orbán yesterday reiterated that Hungary is set to adhere to EU conditions to unlock aid. The South African rand was trading weaker against the dollar (-0.2%) ahead of the medium-term budget policy statement tomorrow. **LATAM markets were lower Monday.** Regional currencies depreciated against the dollar, while most equity markets closed lower. In Brazil, markets were shaken by a violent incident that is said to adversely affect the prospects of the current president Jair Bolsonaro in the upcoming elections. Brazilian equities and the currency shed 3.3% and 2.7%, respectively on Monday.

## China

**The People's Bank of China (PBC) adjusted cross-border borrowing rules to allow more inflows.** The so-called macroprudential parameter for overseas borrowing by corporates and banks was increased to 1.25 from 1, effectively increasing the limit of such overseas borrowing by 25%. RMB depreciated (onshore: -0.6%) as the PBC set the daily RMB fixing at 7.167, the weakest level in 14 years; though, the fixing was still stronger than expected by 530 pips. In the onshore market, RMB touched 7.309 yuan per dollar, close to the daily fluctuation limit (i.e., within 2% of the fixing). **The PBC injected liquidity in an amount of 228 bn yuan (\$31.2 bn),** reportedly to offset factors such as tax payments and to keep liquidity stable at month end. The key interbank repo rate (DR007) edged up to 1.92% (+21.5 bp), still below the policy rate at 2%.

China: RMB and RMB Fixing

RMB per USD



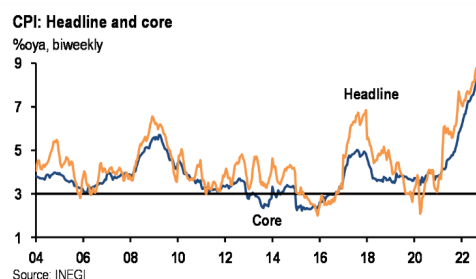
## Vietnam

**The State Bank of Vietnam (SBV) unexpectedly raised its policy rates by 1%**, with the refinance rate now at 6% and the discount rate at 4.5%. The latest rate hike, which was the second time in a month, took interest rates to pre-pandemic levels. The local-currency deposit rate caps were also increased. The SBV stated that the rate hike aimed to restrain inflation, stabilize the currency, maintain macroeconomic stability, and ensure the banking system's operational safety. The SBV also pledged to intervene in the FX market to meet the demand for dollar. The Vietnamese dong has underperformed other Asian currencies in the past month, depreciating 4.9%. Today, the dong was little changed, while equities gained (+1.2%).



## Mexico

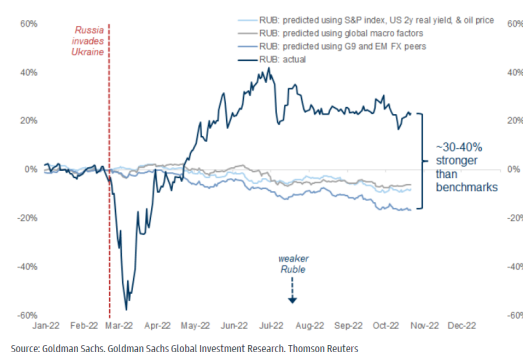
**Biweekly headline inflation print surprises on the downside as energy prices cool off.** Inflation for the two-week period ending on October 15<sup>th</sup> came in at 0.44% (remaining flat sequentially) against the market expectation of 0.53%. While state-administered energy prices contributed to the decline in headline numbers, core inflation remained stubbornly high at 0.42%, higher than the market expectations of 0.36%. Given the persistence in core inflation, analysts believe lower than expected headline inflation is unlikely to influence the policy rate decision of the central bank of Mexico (Banxico). Per the minutes of Banxico's September meeting, all but one member favored to continue to hike policy rates in line with the US Fed.



## Russia

**Analysts argue that ruble strength is driven by a range of factors but expect weakening going forward.** The ruble has strengthened by roughly 33% against the dollar since Russia's invasion of Ukraine and Goldman Sachs analysts estimate that the ruble is now roughly 30–40% stronger than benchmarks would imply. Analysts attribute ruble strength not only to energy inflows but also a significant current account (CA) surplus (as a result of commodity exports but limited imports) and sanctions limiting the ability to recycle hard currency earnings. Analysts highlight two arguments for a weaker ruble going forward : (i) in the coming weeks the ruble could be weighed down by conflict escalation or a weakening of Russia's economy, or a reimposition of the fiscal rule or further foreign restrictions/price caps; and (ii) in the medium term the ruble could be weighed down if Russia's CA surplus declines as Russian investors find ways to invest in external markets. Analysts see the direction of the CA as skewed to the downside but note that transparency around outflows is limited.

**Exhibit 7: The Ruble is significantly stronger than what pre-invasion 'betas' would have implied**  
 Cumulative % appreciation vs USD relative to February 17th, 2022. Predictions reflect Ruble sensitivities to the displayed variables, estimated before the invasion.




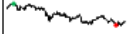


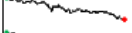





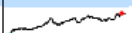














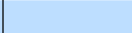


Source: Goldman Sachs, Goldman Sachs Global Investment Research, Thomson Reuters

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## Global Financial Indicators

10/25/22 8:00 AM	Level		Change				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
<b>Equities</b>			%				%	%
United States		3795	1.2	2	3	-17	-20	-10
Europe		3526	-0.1	2	5	-16	-18	-11
Japan		27250	1.0	0	3	-6	-5	3
China		3627	-0.2	-5	-5	-27	-27	-22
Asia Ex Japan		55	-4.4	-5	-9	-37	-33	-30
Emerging Markets		34	-3.8	-3	-6	-35	-31	-29
<b>Interest Rates</b>			basis points					
US 10y Yield		4.16	-8.2	15	48	253	265	217
Germany 10y Yield		2.24	-8.9	-4	22	236	242	201
Japan 10y Yield		0.26	0.0	0	2	15	18	6
UK 10y Yield		3.70	-5.0	-25	-13	256	273	222
<b>Credit Spreads</b>			basis points					
US Investment Grade		189	-2.9	-3	19	105	77	46
US High Yield		500	-6.4	-14	-6	187	162	93
Europe IG		121	-0.9	-4	-14	71	73	49
Europe HY		584	-1.5	-15	-71	324	342	232
<b>Exchange Rates</b>			%					
USD/Majors		112.00	0.0	0	-1	19	17	16
EUR/USD		0.99	-0.1	0	3	-15	-13	-13
USD/JPY		148.9	0.0	0	3	31	29	29
EM/USD		48.3	-0.1	-1	-1	-13	-8	-9
<b>Commodities</b>			%					
Brent Crude Oil (\$/barrel)		92	-1.1	2	8	20	26	7
Industrials Metals (index)		144	-1.0	1	-1	-17	-17	-23
Agriculture (index)		67	-0.3	-1	-2	16	10	-4
<b>Implied Volatility</b>			%					
VIX Index (% change in pp)		29.8	0.0	-0.7	-0.1	14.6	12.6	-1.2
US 10y Swaption Volatility		160.7	0.8	10.1	1.7	87.2	81.7	66.4
Global FX Volatility		12.6	0.0	0.2	0.5	5.6	5.2	5.1
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)					
Greece		252	-0.3	-20	-5	138	100	12
Italy		224	-2.4	-17	-8	116	89	52
Portugal		99	-1.2	-8	-6	49	35	7
Spain		108	-1.9	-7	-8	45	33	4

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

Data source: Bloomberg.

## Emerging Market Financial Indicators

Last updated: 10/25/2022 8:02 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)				YTD	Since 23-Feb-22	Level		Change (in basis points)				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M			Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
	vs. USD		(+) = EM appreciation						% p.a.							
China		7.31	-0.6	-1.5	-2	-13	-13	-14		2.8	2.5	4	2	-26	-1	-2
Indonesia		15623	-0.2	-1.0	-3	-9	-9	-8		7.7	3.5	23	39	162	129	118
India		83	-0.1	-0.4	-1	-9	-10	-10		7.6	-3.7	-2	-19	96.5	130	
Philippines		59	0.1	0.0	0	-14	-13	-13		5.8	2.5	3	10	145	135	85
Thailand		38	-0.1	-0.5	-1	-14	-13	-16		3.2	-6.5	1	3	131	139	101
Malaysia		4.74	0.0	-0.4	-3	-12	-12	-12		4.5	-6.3	5	18	89	91	83
Argentina		155	-0.6	-1.4	-5	-36	-34	-31		90.5	125.2	391	702	4061	3996	4256
Brazil		5.30	0.1	-1.1	2	5	5	-5		12.1	7.8	35	10	0	137	53
Chile		979	0.7	-0.9	1	-17	-13	-19		6.6	-4.5	8	-60	86	117	68
Colombia		4991	-1.5	-5.3	-9	-25	-19	-22		11.7	0.0	50	171	505	526	379
Mexico		19.92	0.1	0.6	2	1	3	2		9.5	0.0	17	-2	170	195	163
Peru		4.0	-0.4	-0.6	-2	-1	0	-7		8.7	0.0	3	36	279	277	267
Uruguay		41	0.0	0.0	0	6	8	3		11.5	0.0	-9	6	344	280	338
Hungary		419	0.1	0.1	1	-25	-23	-24		11.0	-22.0	10	122	708	644	614
Poland		4.84	0.1	0.3	2	-18	-17	-16		7.4	-14.5	7	72	462	388	351
Romania		5.0	0.0	0.6	3	-14	-12	-12		9.5	-8.5	43	119	502	464	432
Russia		62.1	-0.3	-0.2	-6	12	21	31		10.6	5.0	56	169	211	182	-59
South Africa		18.5	-0.3	-1.9	-2	-20	-14	-18		9.7	-14.5	23	2	190	229	213
Turkey		18.61	-0.2	-0.1	-1	-48	-29	-26		10.9	-29.0	42	-68	-940	-1339	-1149
US (DXY, 5y UST)		112	0.0	-0.1	-1	19	17	16		4.29	-7.5	7	31	312	302	238

	Equity Markets								Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)				Since		Level		Change (in basis points)				Since	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	23-Feb-22	Last 12m	Latest	7 Days	30 Days	12 M	YTD	23-Feb-22	
								basis points								
China		3627	-0.2	-5	-5	-27	-27	-22		214	7	27	8	11	6	
Indonesia		7048	-0.1	3	-1	6	7	2		213	-7	26	43	48	28	
India		59544	-0.5	1	4	-3	2	4		219	15	60	76	87	65	
Philippines		6073	0.7	-1	-3	-16	-15	-18		181	5	38	73	80	44	
Thailand		1601	0.6	2	-1	-2	-3	-6		0	0	0	0	0	0	
Malaysia		1444	-0.1	4	2	-9	-8	-9		124	1	27	-4	7	-9	
Argentina		139733	0.6	1	-2	56	67	53		2528	-323	-10	872	848	791	
Brazil		116013	-3.3	2	4	7	11	4		275	-32	-27	-49	-36	-56	
Chile		5108	-0.8	0	-2	22	19	17		184	-12	2	26	44	10	
Colombia		1196	-2.9	1	3	-15	-15	-21		502	15	68	215	154	110	
Mexico		47765	1.4	3	5	-8	-10	-7		423	-24	-29	76	91	53	
Peru		20223	-1.3	1	7	-5	-4	-14		216	-18	4	58	66	26	
Hungary		40452	0.9	-1	5	-26	-20	-15		319	4	43	209	195	166	
Poland		47423	0.1	0	-1	-36	-32	-25		83	25	63	45	51	67	
Romania		10869	0.4	-1	0	-15	-17	-18		378	-4	50	180	185	146	
Russia		2100	1.7	3	0	-51	-45	-32		3411	-577	938	3228	3234	2897	
South Africa		65384	0.6	-1	3	-2	-11	-13		476	-19	24	123	121	87	
Turkey		3999	0.5	4	22	168	115	98		571	-37	-50	56	-7	8	
Ukraine		519	0.0	0	0	-1	-1	0		4227	68	604	3729	3468	2754	
EM total		34	-0.1	-3	-6	-35	-31	-29		465	-8	18	91	78	7	

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

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