



- Sustainability-linked ESG debt issuance gains appeal among US corporates ([link](#))
- ECB's Lending Survey confirms benign credit conditions ([link](#))
- Australia's short-term bond yields jump on an inflation surprise ([link](#))
- Korea to tighten macroprudential measures to curb household debt ([link](#))
- Chinese equities drop on escalating US-China tensions ([link](#))
- Brazil's accelerating inflationary trajectory is reflected in the expectations for rate hikes ([link](#))
- **Special Feature: Lending Surveys Monitor (attached)**

[Mature Markets](#)



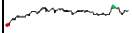

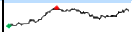




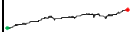

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Markets cautious amid mixed corporate earnings and escalating US-China tensions

European and Asian equities fell following a string of mixed corporate earnings and news of increased tensions between China and the US. Shares in Deutsche Bank dropped after disappointing earnings, with Banco Santander also declining despite a bullish outlook. Shares in Heineken also fell on weak earnings results while BASF warned about declining margins for its petrochemical products. Across the pond, shares in Microsoft and Twitter gained in pre-market trading after upbeat reports but Texas instruments fell on disappointing sales forecasts. US Treasury and bund yields dropped and the dollar was marginally weaker. In emerging markets, Chinese equities underperformed following reports that the US authorities revoked licenses held by China Telecom, comments from US State Secretary Blinken on the exclusion of Taiwan POC from the UN, and China warning that US efforts to support the Taiwanese could pose "huge risks".

Key Global Financial Indicators

Last updated: 10/27/21 8:01 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4575	0.2	1	3	35	22
Eurostoxx 50		4219	-0.1	1	1	37	19
Nikkei 225		29098	0.0	-1	-4	24	6
MSCI EM		52	-0.5	-1	2	13	1
Yields and Spreads			bps				
US 10y Yield		1.59	-1.6	-6	11	82	68
Germany 10y Yield		-0.16	-4.3	-3	6	46	41
EMBIG Sovereign Spread		356	0	2	6	-64	6
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		55.2	-0.1	-1	-1	1	-5
Dollar index, (+) = \$ appreciation		93.9	-0.1	0	1	1	4
Brent Crude Oil (\$/barrel)		85.4	-1.2	-1	7	107	65
VIX Index (% change in pp)		16.1	0.1	1	-3	-17	-7

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

Mature Markets

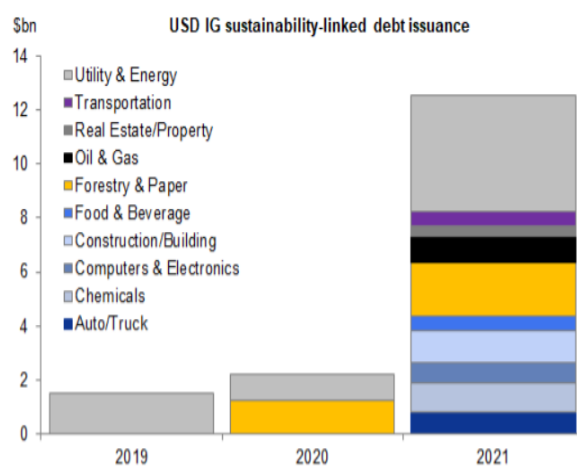
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United States

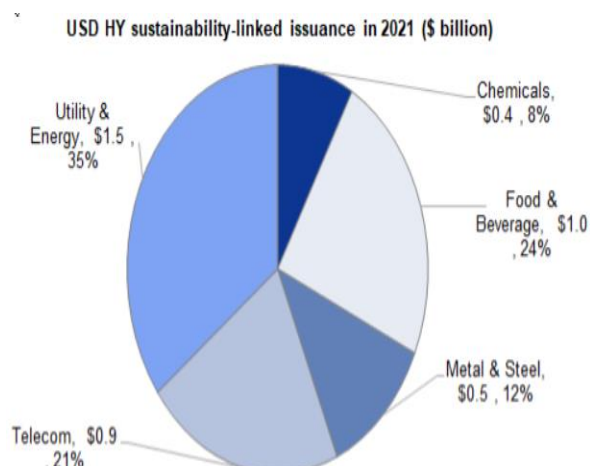
US equity markets edged higher (+0.2%) on Tuesday to set another all-time high after an encouraging consumer confidence report and generally strong corporate results. The Treasury curve flattened, with 10- and 30-year yields down 2 and 4 bps, respectively, leaving the 10-year about 10 bps off its recent high of 1.7% a week ago. **Consumer confidence beat expectations (113.8 vs 108 expected) and rose for the first time since June.** The labor market differential index—measuring consumer perceptions of the labor market—climbed to 45, the highest since 2000.

Sustainability-linked ESG debt issuance has gained broader appeal among US corporates.

Sustainability-linked debt has become a fast growing and widely adopted segment of the corporate ESG bond market, with \$12.6 bn in new supply YTD compared to \$2.2 bn in 2020. Previously dominated by utility and energy companies, investment grade issuers in a variety of industries—transportation, automotive, chemicals, forestry—all have joined the trend this year. Sustainability-linked debt offers more flexible funding and ties funding costs to specific environmental or other social goals. More broadly, US investment grade ESG supply has reached \$70 bn (Europe leads with IG issuance of €109 bn) through October, already nearly \$20 bn above 2020's full year record, according to Dealogic. 2021 also saw the debut of sustainability-linked debt among high yield corporate issuers, with roughly \$5 bn of issuance YTD, led by energy, utilities, telecom, and food & beverage.



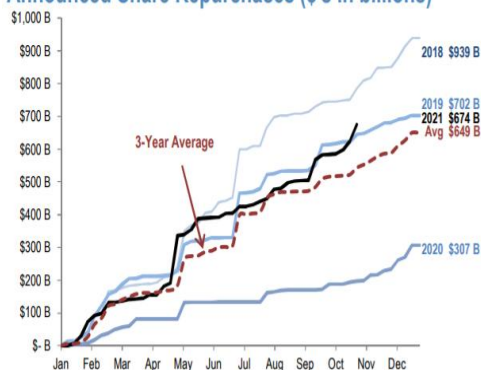
Source: Dealogic, Goldman Sachs



Corporate buybacks are back, with share repurchases on track to surpass 2019 and 2020.

US corporates have announced \$674 bn of buybacks YTD in 2021, with roughly two-thirds of the S&P 500 still to report earnings (where such announcements are often made) and is on track to surpass 2019 and 2020. Buybacks and capex have been the main beneficiaries from the Q3 earnings season, with announced buybacks up 45% y/y and 23% q/q thus far. Notably, the use of debt (vs cash) to fund repurchases fell back below a 20% share after climbing above 30% in 2020.

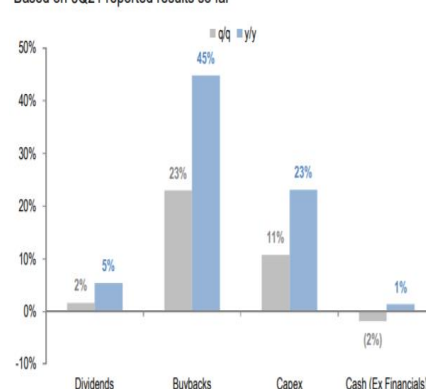
Announced Share Repurchases (\$'s in billions)



Source: J.P. Morgan Equity and Quantitative Strategy, Bloomberg Finance L.P., FactSet

Capex, Buybacks, Dividends, and Cash y/y and q/q

Based on 3Q21 reported results so far



Euro-area

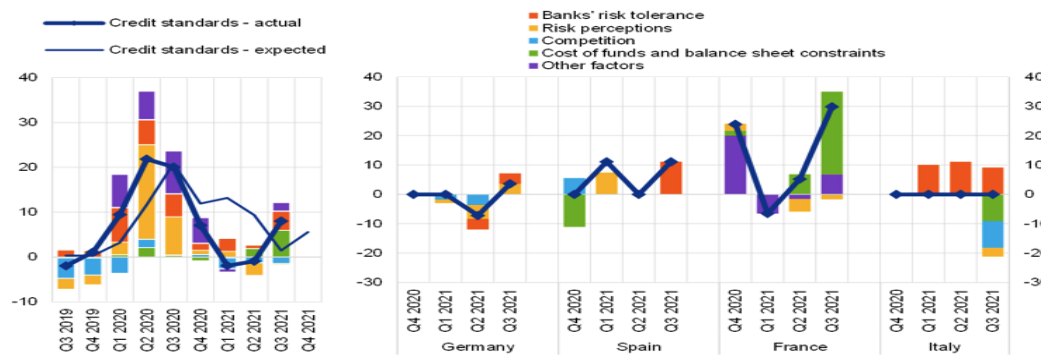
European equities fell this morning with STOXX 50 down 0.1% after trading near all time high yesterday. Energy shares (-1.5%) were trading lower, tracking crude oil prices. Deutsche Bank (-5%) shares were notably underperforming this morning as the firm was missing out on equity and deal-making revenues in its Q3 results. **European bond yields** fell by around 4bps with Southern European spreads largely unchanged. Notably, long-dated real yields hit a new low.

In terms of data, **consumer confidence surveys** were reported for Germany and France. In Germany, the GfK gauge surprised to the upside while France INSEE survey came softer than expected on a deterioration of employment and savings capacity outlook. **Germany trimmed its 2021 growth forecast** from 3.5% to 2.6%, which is comparable to the lower range of analyst surveys. The 2022 growth projections were increased 4.1% from 3.6% earlier on expectations of easing of supply chain bottlenecks.

The ECB's Q3 Bank Lending Survey showed that credit conditions remained broadly benign amid improving loan demand. Credit standards for corporates eased slightly and were unchanged for consumer credit, while tightening somewhat for mortgage lending. The latter was driven by risk tolerance and balance sheet constraints. Loan demand increased across all categories with corporate fixed investment loans contributing positively for a second consecutive quarter. In Q4, banks expect some tightening of lending conditions for corporate and mortgage loans and easing for consumer credit.

Changes in credit standards applied to the approval of loans to households for house purchase, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)

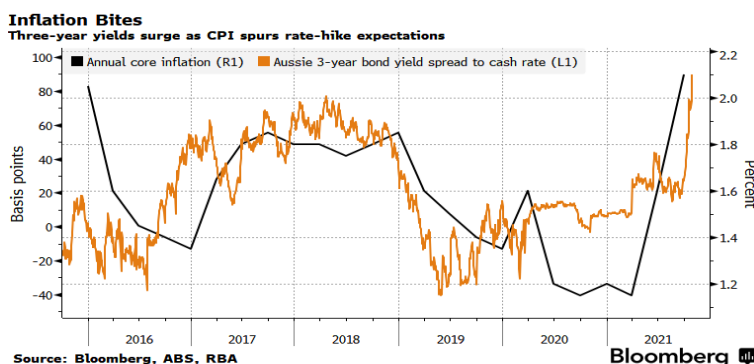


Source: ECB.

Analysts noted the growing diversification in ESG-linked bond issuance in Europe. The total issuance in 2021 has already exceeded €30 bn as compared to just €3.5 bn last year. Moreover, high-yield issuers have managed to place €9.5 bn of bonds this year. The increase in issuance has come with a greater industry diversification as well as a diversity of ESG targets, ranging from patient number for healthcare care companies to emission targets and ESG scores for polluting firms. The popular ESG penalties include coupon increases as well as increase in bond redemption amount if ESG goals are not met within time.

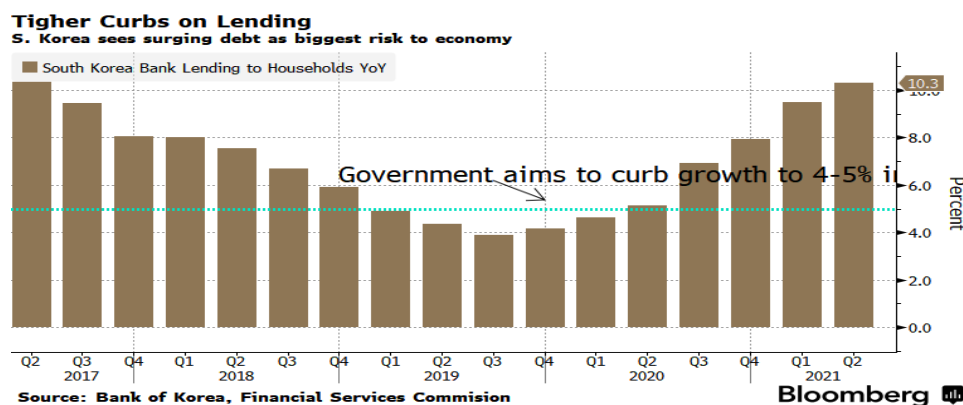
Australia

An inflation surprise led to a jump in short-term bond yields. While CPI inflation stayed at 0.8% q/q in 2021Q3 (unchanged from Q2), the CPI trimmed mean gauge accelerated to 2.1% y/y in Q3 from 1.6% in Q2 and exceeded market expectations at 1.8%. Government bond yields at the horizon targeted by the Reserve Bank of Australia (RBA) increased (3-year: +16 bps), while the increase in bond yields at other maturities were more limited (2-years: +5 bps; 10-year: +1 bp). Analysts noted that the RBA would face pressures to repeat its unscheduled purchase of April 2024 securities like it did last week to keep the yield close to its 0.1% target under the yield curve control framework. The Australian dollar was little changed; equities gained marginally.



Korea

Korea will tighten macroprudential measures to curb household debt. The Financial Services Commission (SFC) announced yesterday that it will bring forward the timetable for enhanced debt services ratio regulations to tighten lending rules to January 2022 from July 2022. Measures on nonbank financial companies will also be tightened to prevent regulatory arbitrage. The SFC also noted that household debt is excessively large compared to the real economy and that the excessive growth can create a bubble-bust cycle. The Bank of Korea in its previous policy meeting also signaled further policy rate hikes to curb financial stability risks. The Korea won depreciated (-0.3%); equities declined (-0.8%); 10-year government bond yield increased (+6 bps).



Emerging Markets

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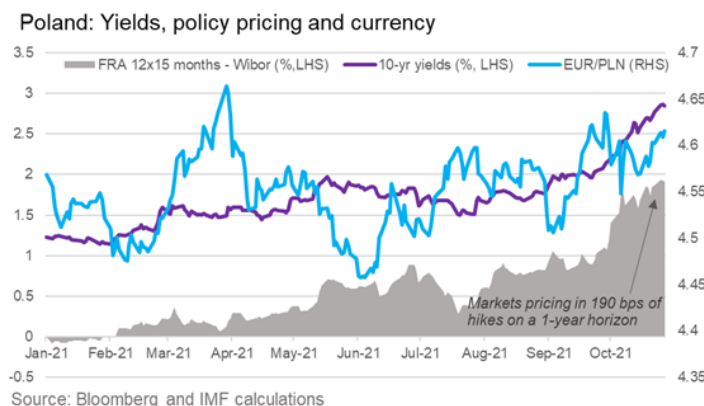
Asian equities generally declined, -1.5% on net, led by Hong Kong (-1.6%) and Chinese (CSI 300: -1.3%) equities. An escalation in China–US tensions weighed on market sentiment in the region. Most **Asian currencies depreciated**, led by Thai baht (-0.7%). Long-end government bond yields were mixed, with 10-year yields falling in India (-2.7 bps). In **Thailand**, the Bank of Thailand extended the corporate bond stabilization fund program to end-2022, noting the need to maintain market liquidity amid high uncertainty from the pandemic. In **Singapore**, the Monetary Authority of Singapore Chairman Tharman Shanmugaratnam said regulated stablecoins will have a useful role in a traditional payment system in the future. **EMEA equity markets traded mostly lower** with Serbia (-1.6%) and Poland (-0.8%) underperforming. EMEA currencies were weaker, with the Russian ruble (-1.1%) and the South African rand (-1%) showing the largest declines. The Turkish lira (+0.3%) recovered following better than expected trade data. **Latin American equities and currencies printed mixed on Tuesday**. Stocks gained in Chile (+1.7%), Colombia (+0.8%), and Mexico (+0.7%), but retreated in Brazil (-2.1%), Peru (-1.1%), and Argentina (-0.5%). Currencies depreciated or remained flat, except for a strengthened Chilean peso (+0.5%). Peruvian assets retreated subsequent to president Castillo's plea for legal action to nationalize the Camisea gas field. Hard currency treasury yield curves followed their flattened US peer.

China

The escalation of China–US tensions drove a decline in Chinese equities (CSI 300: -1.3%; Hang Seng China Enterprises: -1.7%). The US authorities yesterday revoke licenses held by China Telecom., forcing the firm to close its US operations. On the same day, US State Secretary Blinken said that the exclusion of Taiwan POC from the UN undermines the important work of the international body. In response, Beijing warned that US efforts to support Taiwan POC could bring huge risks. RMB depreciated (-0.2%). **Beijing told property developers to meet their offshore debt obligations**. The National Development and Reform Commission (NDRC) and the State Administration of Foreign Exchange (SAFE) held a meeting with property developers yesterday, asking them to make payments on time if possible. Otherwise, the firms must inform regulators immediately. Reportedly, Evergrande founder Hui Ka Yan was urged by Chinese authorities to use his personal wealth to alleviate the company's liquidity crunch.

Poland

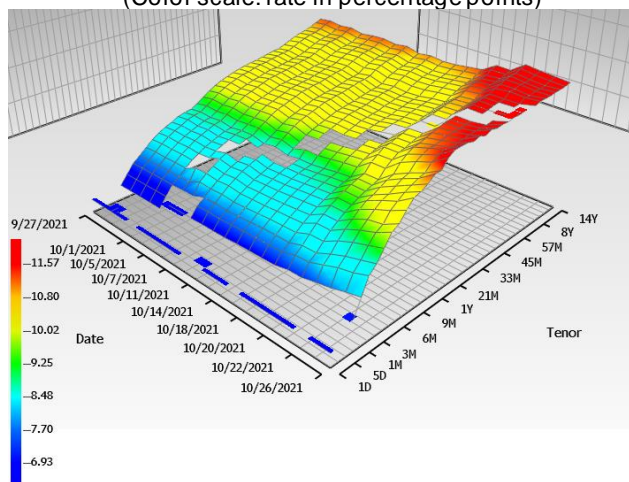
Government bond yields continued to rise as markets price in higher interest rates. The 10-year bond yield (2.87%) yesterday reached its highest level since May 2018, as markets continue to expect further interest rate hikes. Analysts at Goldman Sachs have flagged that Polish, Czech and Hungarian sovereign bonds could be vulnerable amid an outlook for further monetary tightening and high government borrowing. For Poland, **markets are pricing in 190bps of increases in the next year**. Last week, the central bank reduced its bond purchases to \$148 million, roughly ten times less than the previous four monthly auctions respectively. This morning the 10-yr yields were slightly lower (-2 bps) and the Polish zloty was trading weaker (-0.2%) against the euro.



Brazil

Brazil's inflationary trajectory is reflected in the swap yield curve and increasing expectations for the rate hikes expected later today. Yesterday's higher-than-expected inflation print of 10.3% y/y, reflected the accelerating inflationary pressures. Local currency yield curves have continued to steepen over the past week. Analysts and traders expect now that the central bank will hike the Selic target rate, currently at 6.25%, by a range of 150 to 175 bps later today, well above the forward guidance of 100 bps provided in the last Copom minutes. J.P. Morgan analysts observe some risks around the conjunction of increasing household indebtedness—household credit inched up in September to 30.3% of GDP, its highest level since 2011—and rising borrowing costs as yield levels increase, which could weigh on future domestic demand.

Brazil's interest rate swap curve continued to move up
(Color scale: rate in percentage points)







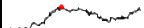

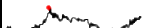
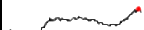






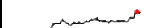


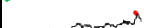

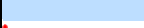


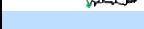
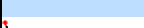




Source: Bloomberg.

This monitor is prepared under the guidance of Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Tom Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sergei Antoshin (Senior Economist), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Senior Financial Sector Expert), Torsten Ehlers (Senior Financial Sector Expert), Deepali Gautam (Research Officer), Rohit Goel (Financial Sector Expert), Frank Hespeler (Senior Financial Sector Expert), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Esti Kemp (London Representative), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Xingmi Zheng (Research Assistant). Javier Chang (Senior Administrative Assistant) and Srujana Samanta (Staff Assistant) are responsible for word processing and production of this monitor.

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Global Financial Indicators

Last updated: 10/27/21 8:01 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4575	0.2	1	3	35	22
Europe		4219	-0.1	1	1	37	19
Japan		29098	0.0	-1	-4	24	6
China		3562	-1.0	-1	-1	9	3
Asia Ex Japan		88	-0.5	-1	2	9	-2
Emerging Markets		52	-0.5	-1	2	13	1
Interest Rates			basis points				
US 10y Yield		1.59	-1.6	-6	11	82	68
Germany 10y Yield		-0.16	-4.3	-3	6	46	41
Japan 10y Yield		0.10	-0.8	1	4	7	8
UK 10y Yield		1.05	-6.1	-10	10	82	85
Credit Spreads			basis points				
US Investment Grade		85	-0.4	-4	-2	-38	-10
US High Yield		316	1.7	0	5	-195	-63
Europe IG		49	-0.2	-1	0	-10	1
Europe HY		253	-0.3	0	11	-90	11
Exchange Rates			%				
USD/Majors		93.90	-0.1	0	1	1	4
EUR/USD		1.16	0.1	0	-1	-2	-5
USD/JPY		113.7	-0.4	-1	2	9	10
EM/USD		55.2	-0.1	-1	-1	1	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		85	-1.2	-1	7	107	65
Industrials Metals (index)		167	-2.6	-8	1	38	26
Agriculture (index)		58	-0.4	0	2	38	21
Implied Volatility			%				
VIX Index (% change in pp)		16.1	0.1	0.6	-2.7	-17.3	-6.7
US 10y Swaption Volatility		68.7	-2.3	-4.7	-3.7	-2.3	8.6
Global FX Volatility		7.0	0.0	0.1	0.4	-1.7	-1.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		119	2.3	6	13	-36	-1
Italy		110	-1.0	6	9	-21	-1
Portugal		55	1.2	3	1	-20	-5
Spain		64	0.0	1	1	-13	2

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 10/27/2021 8:13 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	7 Days	30 Days	12 M	YTD
	vs. USD		(+)= EM appreciation					% p.a.					
China		6.39	-0.1	0.0	1	5	2		3.1	-4	10	-20	-16
Indonesia		14173	-0.1	-0.7	1	3	-1		6.2	-5	-2	-48	9
India		75	-0.1	-0.2	-2	-2	-3		6.5	1	15	47	51
Philippines		51	0.1	0.1	1	-5	-5		4.4	10	18	88	79
Thailand		33	-0.2	0.3	1	-6	-10		2.0	3	21	54	70
Malaysia		4.15	-0.2	0.1	1	0	-3		3.7	2	24	117	112
Argentina		100	-0.1	-0.2	-1	-21	-15		50.0	88	94	187	-611
Brazil		5.56	0.1	0.7	-3	3	-7		12.0	120	190	570	645
Chile		803	0.2	1.3	-1	-4	-11		6.1	-19	89	345	333
Colombia		3771	-0.1	-0.1	2	1	-9		7.8	34	40	244	269
Mexico		20.18	0.2	0.1	0	4	-1		7.6	11	35	149	199
Peru		4.0	-0.4	-1.1	3	-10	-9		6.1	6	-34	191	245
Uruguay		44	0.4	0.4	-2	-2	-3		8.1	6	17	74	84
Hungary		313	0.4	-0.9	-2	-1	-5		3.4	3	65	166	187
Poland		3.98	-0.1	-1.1	-1	-2	-6		2.4	12	96	173	171
Romania		4.3	0.1	-0.4	-1	-3	-7		4.4	-8	85	123	170
Russia		70.2	-0.9	0.9	4	10	6		8.0	55	78	231	225
South Africa		15.0	-0.8	-3.8	0	8	-2		10.2	12	26	5	53
Turkey		9.48	0.6	-2.8	-7	-14	-22		18.7	2	90	483	563
US (DXY; 5y UST)		94	-0.1	0.4	1	1	4		1.17	1	19	84	81

	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	7 Days	30 Days	12 M	YTD
								basis points					
China		4898	-1.3	0	0	3	-6		206	0	-3	-32	-23
Indonesia		6602	-0.8	-1	8	29	10		173	4	0	-56	-27
India		61143	-0.3	0	2	53	28		137	-5	-10	-69	-14
Philippines		7230	-0.3	-1	5	13	1		110	4	2	-25	-2
Malaysia		1583	-0.1	-1	2	6	-3		128	1	-3	-43	-7
Argentina		88908	-0.5	5	17	90	74		1649	27	47	213	293
Brazil		106420	-2.1	-4	-6	7	-11		319	17	22	0	60
Chile		4246	0.0	5	-2	15	2		158	-1	12	-24	2
Colombia		1413	0.8	0	5	22	-2		288	3	-3	36	73
Mexico		52207	0.7	0	1	37	18		348	2	-1	-120	-9
Peru		21006	-1.1	2	13	16	1		161	-1	-5	-1	32
Hungary		55005	-0.3	1	7	67	31		116	5	-13	-29	-33
Poland		73232	-0.9	-1	5	55	28		48	17	24	26	20
Romania		12732	0.0	0	2	45	30		201	6	11	-36	-1
Russia		4206	-0.7	-2	3	52	28		154	4	-1	-60	-25
South Africa		67415	-0.3	1	5	25	13		354	7	-2	-133	-30
Turkey		1512	0.2	6	9	31	2		501	-4	-1	-129	54
Ukraine		526	0.0	0	0	5	5		499	17	-2	-233	6
EM total		52	-1.1	-1	2	13	1		373	5	6	-32	34

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

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