



- Reopening shares gain on new pill said to reduce COVID hospitalizations ([link](#))
- ECB vigilant to second round effects of price gains ([link](#))
- Turkish core inflation increased unexpectedly in September ([link](#))
- Mexico, Colombia hike rates with markets seeing more tightening to come ([link](#))
- South Korean government considers euro-denominated green bond ([link](#))

[Mature Markets](#)




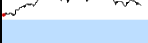
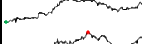
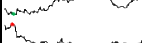




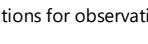
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Energy supply risks weigh on sentiment

Risk sentiment remains weak as the energy supply disruption widens and related prices pressures loom. Equity prices are marginally lower this morning across most geographies, following last week's biggest weekly loss since February in many markets. Government bond yields are a touch below Friday's levels but remain close to multi-month highs. The global energy crunch theme continues to be in focus for markets as gas prices extend last week's rapid climbs, particularly in Europe, raising the specter of drags on earnings and industrial production. Crude oil prices are also a touch higher as OPEC+ members signal comfort with letting prices rise further. In Asia, news that Evergrande's shares were suspended in connection with a major transaction weighed on regional shares.

Key Global Financial Indicators

Last updated: 10/4/21 8:09 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4357	1.1	-2	-4	30	16
Eurostoxx 50		4019	-0.4	-4	-4	26	13
Nikkei 225		28445	-1.1	-6	-2	22	4
MSCI EM		50	-0.1	-1	-5	14	-3
Yields and Spreads			bps				
US 10y Yield		1.49	0.0	0	17	79	57
Germany 10y Yield		-0.21	1.0	1	15	32	36
EMBIG Sovereign Spread		362	6	11	21	-69	11
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		55.6	0.0	0	-3	2	-4
Dollar index, (+) = \$ appreciation		93.8	-0.3	0	2	0	4
Brent Crude Oil (\$/barrel)		79.4	0.2	0	9	102	53
VIX Index (% change in pp)		22.9	1.7	4	6	-5	0

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

This week markets are expected to continue to focus on US fiscal developments, the global energy crunch, and Friday's nonfarm payrolls. In the US, the fiscal spending package negotiations and the debt ceiling will remain key watchpoints, with the US Treasury having suggested the debt limit will be hit around

mid-October. Energy prices and inflation risks will also continue to be the important themes for the market. On the economic data front, the market will be eyeing Friday's nonfarm payrolls report for August (survey:470k, previous:235k) and the unemployment rate (survey:5.1%, previous:5.2%). PMI data will be released in the US, Euro area, UK, and China. On the monetary policy front, central banks in Australia (Tuesday), Romania (Tuesday), New Zealand (Wednesday), Iceland (Wednesday), Poland (Wednesday), Serbia (Thursday), Israel (Thursday), Peru (Thursday), and India (Friday) will have meetings. New Zealand and Peru are expected to raise its policy rates. Elsewhere, OPEC+ will have a meeting on Monday to review the production plans. China will be closed until Thursday (National day holiday).

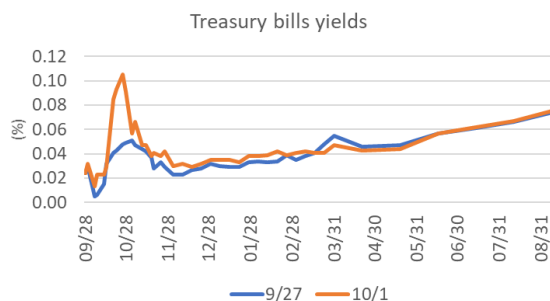
Mature Markets

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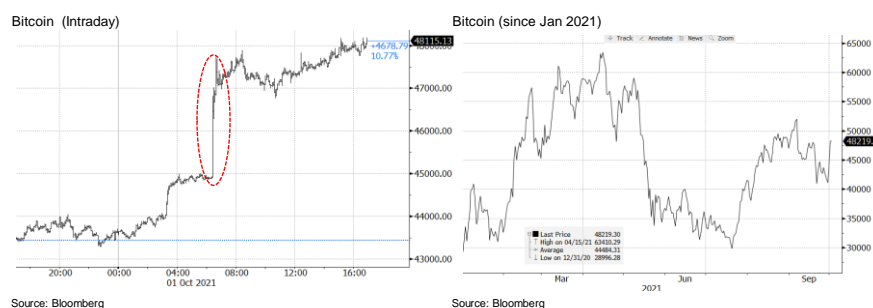
United States

Risk assets rebounded Friday on news of a promising new COVID-related treatment. The S&P 500 index was up 1.1% as prospects for an economic rebound were lifted by news of a new Merck pill with promising efficacy in limiting COVID-related hospitalizations. Airlines, cruise lines and hotel stocks jumped while vaccine maker stocks weakened on questions over their demand outlook. Energy shares also rose on rising prices, while a rebound in Bitcoin (below) helped boost risk sentiment. Meanwhile, 10-year treasury yields declined on the day.

The debt ceiling impasse remains central for investors amid a new ratings agencies warning. Fitch Ratings said Friday that if Congress failed to raise or suspend the debt limit, the U.S. AAA sovereign rating could be at risk. The yields on Treasury bills maturing around mid-October have risen more than those on other securities, but the market response has been limited so far. Strategists have noted that they still expect a deal to come together at the last minute and do not expect any broad market impacts unless the country defaults, or major credit rating companies downgrade the U.S. debt rating as occurred in 2011.



Bitcoin rose more than 10% on Friday, which is the biggest daily gain since July. The price jumped up suddenly early in New York time while there were no major headlines. Beyond thin liquidity, market participants offered a variety of possible reasons for the move, including Fed Chair Powell's comment on Thursday that the Fed has "no intention to ban cryptocurrencies." Some analysts also said that October was typically a bullish month for digital assets, with September historically a bearish period for the sector, while others cited that technical levels turned positive. Elsewhere, there is speculation that the U.S. could soon approve ETFs of Bitcoin futures after the SEC Chair Gensler reiterated his support for a narrow class of bitcoin ETFs that would invest in futures contracts instead of buying the cryptocurrency directly. Bitcoin posted a 25% gain in the third quarter and a 50% gain for the year-to-date.



Euro area

Equities (-0.3%) traded with a cautious tone as euro area investor confidence disappointed at 16.9 in October (18.6 expected). The measure tracking investor expectations continues to fall. Analysts believe that the slowdown in investor confidence is in line with a “mid-cycle slowdown.” **The Eurogroup is expected to discuss the economic impact of higher energy prices today.**

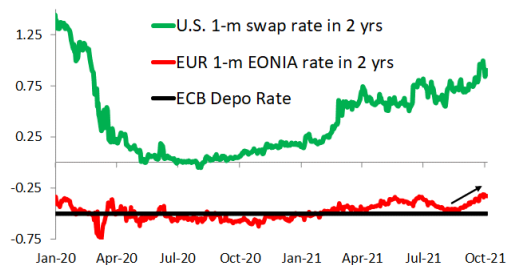
Bank stocks (-1.5%) underperformed as banks announce further dividend payments and share buybacks. ING announced a share buyback program of up to €1.7 bn (10% of the issued shares). Last week, Santander announced a cash dividend (equivalent to 40% of H1 earnings), and a share buyback of €841 mn (about 3% of outstanding share capital). **European bank equities are currently trading at pre-pandemic levels and their gains have lagged U.S. bank equities.**

European and U.S. bank equities (Jan 2020: 100)



German 10-yr bund yields (+2 bps to -0.20%) rose and the euro (+0.3%) gained as ECB vice president de Guindos warned that the ECB remains vigilant to second-round effects of price gains. The vice president added that the ECB does not see notable wage increases for now and views factors pushing up inflation as likely to wane in 2022. **In the past month, traders have priced in a first ECB depo hike in the two years ahead (from no hike expected previously).**

Euro area: EONIA 1-m money market rate in 2 years (%)



Italian 10-yr spreads (+1.5 bps to 105 bps) edged higher as investors await the outcome of local elections to help assess stability of the current coalition government. The 7-year mandate of President Mattarella will expire at the end of January 2022 and the Italian parliament will have to elect a new president in February 2022. **Analysts at Bank of America, however, see a low probability of early general elections in 2022 even if PM Draghi becomes the next Italian president.**

United Kingdom

The British pound (+0.3%) gained despite reports that the UK may unilaterally suspend parts of the Northern Ireland Protocol.

Japan

Japanese stocks continued to slide (-0.6%). Electronics makers were the biggest drag on the Topix, while the share of short-selling to total sales value on the Tokyo Stock Exchange reached 48.1% Friday, its highest since mid-July. Fumio Kishida was appointed prime minister by parliament Monday and is reportedly looking to hold a national election on October 31. 10-year yield and the yen were little changed.

Daily short-selling of Japanese stocks spikes to highest since July



Emerging Markets

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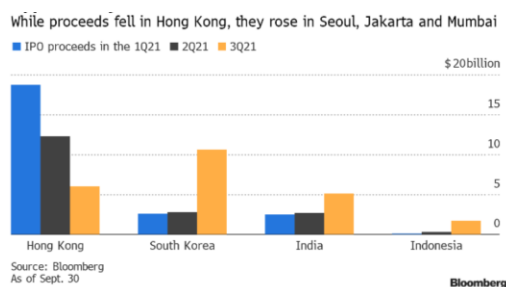
Asian stocks were down -0.2% on net. Chinese and South Korean markets were closed. **Hong Kong** equities lost -2.2%, in part as shares of **China Evergrande Group** were halted pending “inside information about a major transaction,” according to Hong Kong stock exchange filing. Chinese media reported that Evergrande will sell a half-stake in its property management unit to Hopson Development for more than \$5bn. **Indonesian** stocks gained +1.8% as the country reported the lowest number of new virus cases since June and authorities pledged to accelerate Bali reopening for international travel. **Regional currencies were mixed.** The Indonesian rupiah gained +0.3%, the Thai baht underperformed (-0.5%). **Long-term bond yields edged lower.** Philippine bonds underperformed with yields up 16bps over the last week.

Equity markets in Latin America were mixed, with Argentina (+1%) leading gains and Peru (-1%) seeing another day of small losses. After Mexico’s announcement of another rate hike (see below), the Mexican peso trimmed its daily loss, now trading at 20.6/USD, bringing its weekly depreciation to about 2%. The Colombian peso gained 0.7% against the USD over the past week, beating all other EM currencies. The weakest performer among EM currencies is the Chilean peso, having lost 3% against the dollar for the week.

EMEA equities mostly reversed opening losses with stocks up in Russia (+1.1%) Poland (+0.6%), South Africa (+0.3%). **EMEA currencies were trading mixed** with the Polish zloty (+0.4%) and the Hungarian forint (+0.4%) appreciating while the South African rand (-0.4%) and the Russian ruble (-0.3%) depreciated.

Regional Equity Markets

Asia recorded its best third quarter on record for initial public offerings (IPOs). IPO sales reached \$56bn in three months through September 30, according to Bloomberg, led by South Korea and India.



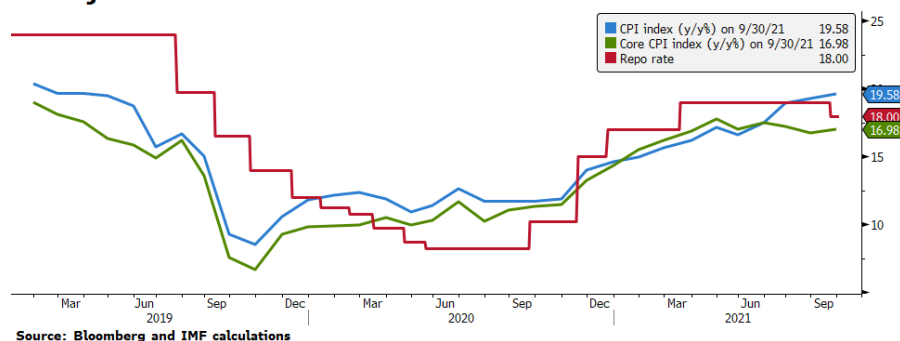
South Korea

The country is considering a euro-denominated green bond deal in what would be the first such sale from a government in Asia, Bloomberg reports. Last week, Bank of Korea announced it would apply ESG elements to all of its foreign currency assets, and also prepare guidelines that would be applied to these assets going forward.

Turkey

The lira (-0.2%) was little changed after core inflation increased unexpectedly to 17.0% y/y in September, up from 16.8% in August and against expectations of a decrease to 16.6%. Core inflation was cited as the focus of the central bank ahead of the surprise interest rate decrease in September. **Headline inflation continued to increase (19.7% y/y), broadly in line with expectations (+19.7% y/y) in September, up from 19.3% in August.** Services inflation increased to 15.1%, reflecting adverse effects from food prices, telecommunication services, and rent. Annual price gains in food, which makes up roughly 25% of the consumer basket, were little changed at 28.8%. President Tayyip Erdogan said on Sunday that Turkey had ordered agricultural cooperatives to open new markets across the country to provide "suitable" prices for consumer goods.

Turkey inflation and interest rates



Latin American Monetary Policy







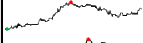
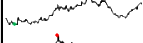

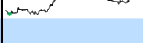















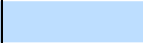


Mexico and Colombia boosted interest rates on Thursday, with further increases seen as likely this year as all the major economies in Latin America struggle to contain surging prices. Banxico increased its key rate by 25bp to 4.75%, in a 4-1 vote. Colombia's central bank started withdrawing monetary stimulus with a 25bp hike to 2.0%, but a split decision signals hikes of a larger magnitude may be coming as the economic recovery advances and inflationary pressures rise. Central banks in rich nations have held off on policy

tightening for now on the expectation that much of the recent jump in consumer prices will prove transitory. In contrast, Latin American countries including Brazil, Chile and Peru, as well as Mexico and Colombia, have begun to withdraw stimulus for fear that temporary price rises could become more permanent as businesses incorporate expectations of faster inflation into price-setting decisions. One year forward swaps on short-term rates in Mexico and Colombia have risen over 50 bps since the middle of last month, indicating firming expectations for additional hikes.

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Global Financial Indicators

Last updated: 10/4/21 8:09 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4351	1.1	-2	-4	30	16
Europe		4019	-0.4	-4	-4	26	13
Japan		28445	-1.1	-6	-2	22	4
China		3568	0.9	-2	0	11	3
Asia Ex Japan		85	-0.3	-1	-6	10	-6
Emerging Markets		50	-0.1	-1	-5	14	-3
Interest Rates			basis points				
US 10y Yield		1.49	0.0	0	17	79	57
Germany 10y Yield		-0.21	1.0	1	15	32	36
Japan 10y Yield		0.05	-0.8	-1	1	3	3
UK 10y Yield		1.01	-1.2	6	29	76	81
Credit Spreads			basis points				
US Investment Grade		89	5.4	5	-2	-45	-6
US High Yield		323	8.5	14	5	-216	-56
Europe IG		51	0.3	2	6	-6	3
Europe HY		256	1.8	14	30	-77	14
Exchange Rates			%				
USD/Majors		93.79	-0.3	0	2	0	4
EUR/USD		1.16	0.3	-1	-2	-1	-5
USD/JPY		111.1	0.0	0	1	5	8
EM/USD		55.6	0.0	0	-3	2	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		79	0.2	0	9	102	53
Industrials Metals (index)		163	1.8	-1	0	43	23
Agriculture (index)		57	-0.6	1	1	46	20
Implied Volatility			%				
VIX Index (% change in pp)		22.9	1.7	4.1	6.5	-4.8	0.1
US 10y Swaption Volatility		70.3	-3.3	0.0	-1.3	23.0	10.2
Global FX Volatility		6.8	0.1	0.2	0.3	-2.2	-1.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		108	0.2	2	-8	-45	-12
Italy		106	2.0	4	-1	-26	-6
Portugal		55	0.5	1	-3	-21	-5
Spain		65	0.4	2	-5	-11	4

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

Emerging Market Financial Indicators

Last updated: 10/4/2021 8:11 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	
	vs. USD		(+)= EM appreciation					% p.a.					
China		6.44	0.4	0.2	0	5	1		3.0	0	2	-26	-26
Indonesia		14267	0.3	-0.1	0	4	-2		6.2	6	15	-62	17
India		74	-0.3	-0.6	-2	-1	-2		6.4	5	-2	20	41
Philippines		51	0.2	0.6	-1	-5	-5		4.3	3	-3	71	64
Thailand		34	-0.2	-0.5	-4	-7	-11		1.9	5	22	38	54
Malaysia		4.17	0.1	0.3	-1	-1	-4		3.5	5	19	93	94
Argentina		99	-0.1	-0.2	-1	-23	-15		49.8	66	338	902	-639
Brazil		5.38	-0.3	0.2	-4	4	-3		10.2	11	49	412	466
Chile		804	0.0	-1.2	-4	-1	-12		5.6	39	68	285	283
Colombia		3792	0.5	1.2	-1	1	-10		7.3	-7	48	203	221
Mexico		20.51	-0.3	-2.0	-3	4	-3		7.4	14	38	131	178
Peru		4.1	0.1	-0.5	-1	-13	-12		6.4	1	9	219	281
Uruguay		43	-0.1	-0.6	-1	-1	-2		7.9	-3	-2	50	63
Hungary		306	0.8	0.1	-4	0	-3		2.9	20	36	116	141
Poland		3.93	0.6	0.1	-3	-3	-5		1.6	18	33	83	93
Romania		4.3	0.3	-0.5	-2	-3	-6		3.9	27	43	60	112
Russia		72.8	-0.2	-0.3	0	7	2		7.3	8	38	146	155
South Africa		14.9	0.0	0.5	-4	11	-1		10.0	9	40	-26	36
Turkey		8.84	0.3	-0.2	-6	-12	-16		17.8	-9	80	512	465
US (DXY; 5y UST)		94	-0.3	0.4	2	0	4		0.95	-4	16	66	58

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	
								basis points					
China		4866	0.0	0	0	6	-7		213	4	-3	-29	-16
Indonesia		6343	1.8	4	4	28	6		181	8	2	-66	-19
India		59299	0.9	-1	2	52	24		148	1	0	-85	-3
Philippines		6961	0.5	0	1	17	-3		120	12	10	-27	8
Malaysia		1522	-0.1	-1	-4	1	-6		134	3	2	-52	-1
Argentina		77626	0.3	5	4	78	52		1593	-9	115	261	237
Brazil		112900	1.7	0	-3	20	-5		310	13	24	-34	51
Chile		4327	0.0	-1	-3	18	4		158	12	15	-35	2
Colombia		1370	0.6	2	3	18	-5		303	12	28	30	88
Mexico		51060	-0.6	0	-1	39	16		356	7	6	-142	-1
Peru		18349	0.4	0	4	2	-12		181	15	10	0	52
Hungary		53667	0.1	4	3	60	28		119	-10	-15	-38	-30
Poland		71200	0.5	2	0	45	25		29	5	4	-3	1
Romania		12608	-0.2	1	2	42	29		207	16	23	-46	4
Russia		4123	1.1	1	3	45	25		166	11	-1	-59	-13
South Africa		63641	0.0	-1	-4	17	7		374	18	32	-161	-10
Turkey		1405	0.2	1	-4	23	-5		509	7	54	-113	62
Ukraine		526	0.0	0	0	5	5		530	29	52	-199	37
EM total		50	-0.2	-1	-5	14	-3		379	12	29	-35	40

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

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