



- European natural gas prices jump to new record high ([link](#))
- Oil prices jumped after OPEC agrees to hold off accelerating supply increases ([link](#))
- China orders banks to lend to coal and energy companies amid power crunch ([link](#))
- Chinese junk dollar bonds slump lower ([link](#))
- Australian central bank holds rates but points to housing market risks ([link](#))
- Local rates in Chile remain under pressure due to political uncertainty ([link](#))
- Italian spreads little changed after local elections ([link](#))
- **Emerging and Frontier Markets Issuance Monitor (Attached)**

[Mature Markets](#)






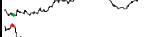




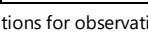
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Risk assets trim recent losses

Markets find a patch of calm after a bumpy September. Major global stock indices are paring losses or pointing to small gains after slumping yesterday. Tech shares appear to be mean-reverting higher after days of declines, while investors in the US look to ride energy shares higher on spiking fuel prices. Currencies and bond yields have been stable overnight. The relative calm in markets however appears not to signal a perception that the risks keeping investors up at night have abated. Europe's gas crisis appears to be worsening and crude oil prices are jumping, raising fears of broadening supply shocks. In China, property developer bonds took another leg lower after a smaller, long-troubled developer defaulted on a USD bond.

Key Global Financial Indicators

Last updated: 10/5/21 8:03 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		4300	-1.3	-3	-5	26	14
Eurostoxx 50		4037	1.0	-1	-4	25	14
Nikkei 225		27822	-2.2	-8	-6	19	1
MSCI EM		50	-1.5	-3	-7	11	-4
Yields and Spreads			bps				
US 10y Yield		1.49	1.0	-5	17	71	58
Germany 10y Yield		-0.22	-0.5	-2	14	29	35
EMBIG Sovereign Spread		362	1	9	24	-68	12
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		55.5	0.1	0	-3	1	-4
Dollar index, (+) = \$ appreciation		93.9	0.2	0	2	0	4
Brent Crude Oil (\$/barrel)		82.3	1.3	4	13	99	59
VIX Index (% change in pp)		22.1	-0.9	-1	6	-6	-1

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 equities had a weak start on Monday, with the S&P 500 declining -1.3 and falling through its 100-day moving average, a threshold focused on by stock traders. Losses were led by the megacap tech shares Apple (-3%), Microsoft (-2%), Amazon (-3%), Facebook (-5%), and Alphabet (-2%). These firms recently have tended to underperform when the 10-year Treasury yield rises, due to stretched valuations but also their role as a macro bet on low-for-long interest rates, and the 10-year briefly topped 1.5% again. These five companies collectively account for about 20% of the S&P 500, with few other sectors able to offset losses. Analysts from Goldman Sachs pointed out that beyond the move in rates, another driver to the recent slump in tech shares has been a portfolio rebalancing away from pandemic winners (e.g. technology and healthcare sectors) and towards firms that can manage the persistent supply chain bottlenecks that are beginning to dominate the post-pandemic landscape.

S&P 500 and 100-day moving average

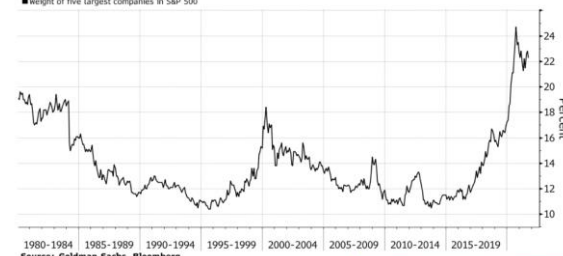


Source: Bloomberg

Big Five

Faang shares have larger influence on S&P 500 than any comparable group of stocks

■ Weight of five largest companies in S&P 500

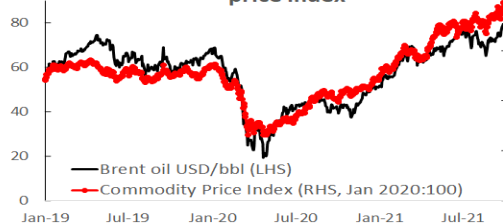


Source: Goldman Sachs, Bloomberg

Energy prices

Oil prices (+2%) rose to a 7-yr high after OPEC+ agreed to maintain its planned gradual increase of supply by 400k barrels per day scheduled for November. Analysts had hoped that OPEC+ could have made a larger supply increase due to a spike in natural gas prices that is leading to greater demand for oil products ahead of winter. Goldman Sachs expects that an extra demand of 650k barrels per day will materialize in coming months as utility companies wrestle with high natural gas prices.

Brent oil and bloomberg commodity price index



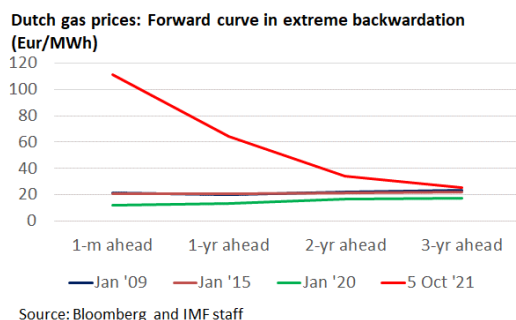
Note: Bloomberg and IMF

WTI since 2014



Source: Bloomberg

Dutch natural gas prices 1-month ahead jumped 15% to a new record high as contacts warn that a cold winter could lead to materially higher prices even from here. Prices of natural gas in the year ahead are sharply higher than long-term prices, leaving the forward curve of natural gas in what traders describe as "extreme backwardation". Contacts point out that price increases have already had real effects. Several heavy gas use firms ceased production and additional cost increases are expected to lead to more shutdowns. **News that Nord Stream 2's operator started filling the first part of the pipeline did little to alleviate concerns.**



Euro area

Equities (+0.7%) recovered as the euro area composite PMI was revised up marginally (to 56.2 from 56.1 expected). French industrial production rose 1% mom (0.4% mom expected). Bank stocks (+1.6%) outperformed as JP Morgan expects bank equities to gain another 15% on strong capital returns and rising bond yields.

German 10-yr bund yields (at -0.21%) and the euro (-0.2%) were little changed. Euro area finance ministers agreed that the current surge in inflation is mostly temporary. France and Spain called for a coordinated "European response" to increasing energy prices.

Italian 10-yr spreads (-1 bps to 103 bps) edged lower after candidates from the center-left won in Milan, Bologna and Naples and did better than expected in Rome. Lega leader Salvini said he would continue to support the government.

Australia

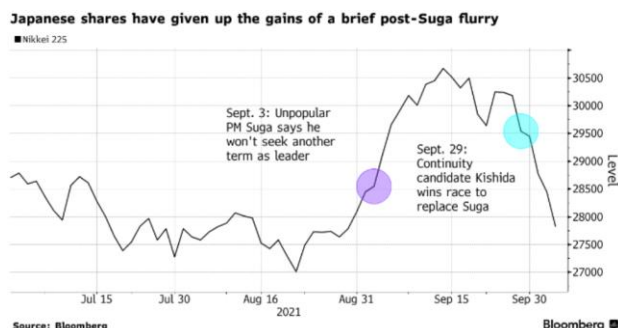
Reserve Bank of Australia (RBA) left rates unchanged emphasizing financial stability risks in the housing market. The RBA kept the 0.10% target for the cash rate and the three-year Australian government bond yield. It will continue to purchase AUD 4 bn worth of bonds each week until mid-February 2022 with the April 2024 bond retained as the target bond for the yield curve control program. The RBA projected the economy to decline materially in 3Q 2021 in response to the delta variant outbreak and associated restrictions. It reiterated its expectation that the labor market will not be tight enough to generate wage growth sufficient to sustain inflation within the 2-3% target band until 2024 at the earliest. The central bank has signaled that loan serviceability buffers could be strengthened to quell financial stability risks created by the booming property market. Some market analysts expect tightening of macroprudential policy over the coming months. **Australian stocks lost -0.4%, the 10-year bond yield was up 2.5bps, and the Australian dollar was little changed.**



Japan

Japanese stocks fell further (Topix -1.3%, Nikkei 225 -2.2%). Newly appointed Prime Minister Kishida hinted at a higher capital gains tax, prioritizing wages over dividends. In the first formal news conference he stated that "growth remains an important theme", and that "if the fruits of that growth aren't distributed

properly, consumption and demand won't grow." PM Kishida pledged set up a "new capitalism" panel to lay out a vision for the economy, and policies for distributing income would include a review of taxes on investment income, as well as tax benefits for companies that raise pay, Bloomberg reports. Separately, **Tokyo's core inflation turned positive for the first time since July 2020**. Tokyo's core CPI (excluding fresh food) rose 0.1% y/y in September, up from August's 0% reading. The rise was mostly driven by energy prices and stood below consensus forecast of a 0.2% y/y increase, according to Bloomberg. **10-year yields were up +0.5bps, the yen weakened -0.2%.**



Emerging Markets

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Asian stocks were mixed, down -0.2% on net. Chinese markets remain closed. Hong Kong equities traded sideways with communication and real estate stocks losing -1%. **Indian** stocks outperformed (+0.8%) while South Korean stocks fell 1.9%. **Regional currencies were mixed.**

EMEA equities were trading mixed with the main indices in the Czech republic (+1.1%) and Russia (+1.1%) outperforming. EMEA currencies were mostly trading lower against the US dollar, while the South African rand appreciated (+0.5%).

In **Latin America, regional currencies came under pressure yesterday amid weak risk appetite** and despite a weaker dollar. In Brazil the real led the underperformance, depreciating 1.5% even though local headlines remained muted. The Colombian peso closed flat, helped by stronger oil prices. Analysts also highlight that dollar sales performed by the Treasury are also helping to keep peso volatility lower when compared to peers

Chile

Local rates are expected to increase further in October driven by political risks according to a Bloomberg survey. 10-year swap rates have increased by over 100 bps over the last month to 5.6%, the highest level since 2012. More than 75% of the respondents expect rates to increase further in October. The primary market focus is around the upcoming debate over a fourth early pension withdrawal, as well as November's presidential election. The Senate will start debating on Wednesday the bill that allows people to take about 10% of their pension saving funds. JP Morgan highlights that the fate of the pension bill ("PFW4" in the RHS side chart), as well as the 2022 fiscal plans following the November elections will play a key role on monetary policy. In their view the central bank will raise the policy rate (currently 1.5%) to its neutral level of 3.5% by December if the pension bill is approved or to 2.75% in case the pension bill is rejected.

More Than Ever, Local Politics Rule

Surveyed who chose politics as yields' main driver in Oct.

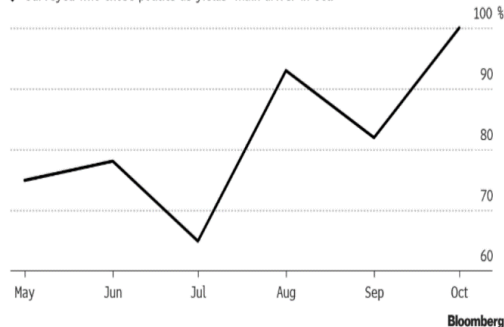
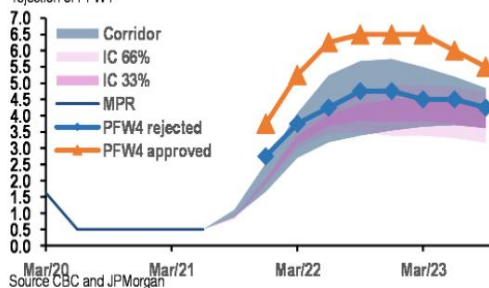


Figure 1: CBC monetary policy rate corridor and JPM scenarios

% monetary policy rate. December 2021 levels conditional on Senate approval or rejection of PFW4



China

China ordered banks to ramp up funding to coal and energy companies. China's banking regulator said in a statement Tuesday that banks and other financial institutions should prioritize lending to qualified mines and power plants so they can increase thermal coal and electricity output, Bloomberg reported. Some coal miners were reportedly struggling to secure financing after China set goals to lower the use of coal in energy production. Banks will be given more leeway in non-performing loan assessments to extend support to these industries. In addition, bank loans and financing are strictly banned from being used to speculate on commodities such as coal, steel and metals in the financial markets, it is also forbidden from being invested in related stocks, bonds and futures markets with a view to maintain price stability. In the same statement the regulator also said banks should properly monitor consumer lending and not offer consumer credit products with rates notably higher than market rates.

Separately, **Chinese junk dollar bonds face their biggest selloff as another Chinese developer reportedly missed bond payment.** Fantasia Holdings Group Co. failed to repay a \$205.7mn bond that was due Monday, according to a company statement. Separately, a separate stock market disclosure revealed that a unit of Fantasia didn't repay a 700mn yuan (\$108mn) loan that also came due on Monday and that a default was probable. Fantasia ranked 60th in a list of contracted sales in the first quarter of this year, while Evergrande was third, according to Bloomberg. **Chinese markets remain closed for holidays, Hong Kong's Hang Seng Index closed in marginal gains near one-year low. 10-year bond yield and the renminbi were little changed.**

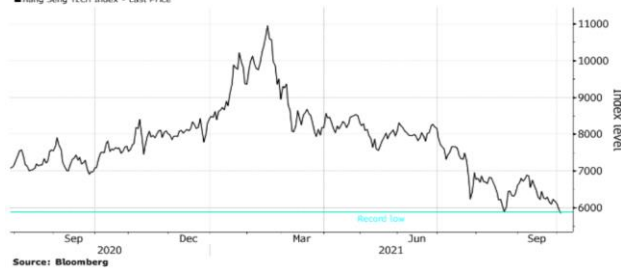
China's dollar junk bond yields are at highest in about a decade

■ Bloomberg USD Credit China HY Index - yield



Hang Seng Tech Index is on track to close at a new record low

■ Hang Seng TECH Index - Last Price



Romania

10yr yields have jumped over the past two days (+18 bps) amid prospects of a rate increase and a collapse in government. While the policy rate is largely expected to remain unchanged today at 1.25%, the possibility of an interest rate hike has gained momentum recently amid concerns over higher inflation and a weakening currency. Romania's producer prices increased to 15.9% y/y in August, up from 14% y/y

in July. On the political front, the Liberal Government is expected to be dismissed today according to media reports, following a no-confidence motion in Parliament filed by the Social Democratic Party (PSD). Romania faces its fourth wave of Covid infections. At the sale of 2024 and 2034 bonds on Monday, investor demand was below the auctioned amount and Romania rejected all bids.

Romania: currency, bond yield and policy rate









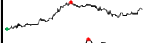
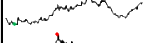



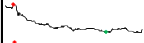









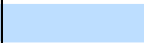



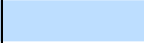


United Arab Emirates

The UAE federal government will start marketing its inaugural bonds this week, according to Bloomberg. The first bond sale by the federal government in UAE's 50-year history is expected to raise between \$3 bn and \$3.5 bn. The securities will be denominated in dollars and mature in 10 to 20 years, while proceeds will go towards infrastructure and investments by its sovereign wealth fund. The nation's debt is rated Aa2 by Moody's Investors Service.

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), Sonia Meskin (Financial Sector Expert), 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). Magally Bernal (Senior Administrative Assistant) and Andre Vasquez (Staff Assistant) are responsible for word processing and production of this monitor.

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Global Financial Indicators

Last updated: 10/5/21 8:03 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4307	-1.3	-1	-5	26	15
Europe		4037	1.0	-1	-4	25	14
Japan		27822	-2.2	-8	-6	19	1
China		3568	0.9	-2	0	11	3
Asia Ex Japan		83	-1.4	-3	-7	7	-7
Emerging Markets		50	-1.5	-3	-7	11	-4
Interest Rates			basis points				
US 10y Yield		1.49	1.0	-5	17	71	58
Germany 10y Yield		-0.22	-0.5	-2	14	29	35
Japan 10y Yield		0.06	0.6	-3	2	3	4
UK 10y Yield		1.03	1.8	4	31	74	83
Credit Spreads			basis points				
US Investment Grade		89	2.5	5	-2	-46	-6
US High Yield		327	5.0	18	8	-213	-53
Europe IG		51	-0.3	1	6	-6	3
Europe HY		258	-1.2	9	32	-75	16
Exchange Rates			%				
USD/Majors		93.94	0.2	0	2	0	4
EUR/USD		1.16	-0.1	-1	-2	-2	-5
USD/JPY		111.2	0.2	0	1	5	8
EM/USD		55.5	0.1	0	-3	1	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		82	1.3	4	13	99	59
Industrials Metals (index)		161	-0.6	-2	-1	41	22
Agriculture (index)		57	-0.4	1	0	45	19
Implied Volatility			%				
VIX Index (% change in pp)		22.1	-0.9	-1.1	5.7	-5.8	-0.6
US 10y Swaption Volatility		77.0	2.7	0.8	11.0	9.8	16.9
Global FX Volatility		6.8	0.0	0.0	0.2	-2.3	-1.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		108	0.4	2	-8	-41	-12
Italy		103	-1.1	-2	-3	-28	-8
Portugal		54	-0.5	0	-4	-21	-6
Spain		64	-1.0	0	-6	-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: 10/5/2021 8:04 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	YTD
	vs. USD		(+) = EM appreciation					% p.a.					
China		6.44	0.4	0.2	0	5	1		3.0	-1	2	-26	-26
Indonesia		14253	0.1	0.1	0	4	-1		6.2	4	15	-63	18
India		74	-0.2	-0.5	-2	-2	-2		6.4	3	3	20	42
Philippines		51	0.1	0.7	-1	-4	-5		4.3	8	1	70	68
Thailand		34	0.0	0.2	-4	-7	-11		1.9	2	20	41	55
Malaysia		4.18	-0.1	0.1	-1	-1	-4		3.5	4	20	97	94
Argentina		99	-0.1	-0.2	-1	-22	-15		49.8	62	310	900	-635
Brazil		5.44	0.3	-0.1	-5	3	-4		10.3	9	38	401	476
Chile		807	-0.1	-0.6	-4	-1	-12		5.7	40	68	299	290
Colombia		3792	0.0	1.3	0	1	-10		7.4	2	50	211	228
Mexico		20.52	-0.2	-0.9	-3	4	-3		7.4	16	42	132	183
Peru		4.1	0.0	-0.2	-1	-13	-12		6.4	-9	-2	214	277
Uruguay		43	0.1	-0.6	-1	-1	-2		7.9	-3	-2	49	63
Hungary		308	-0.4	0.1	-5	-1	-3		3.1	31	46	134	155
Poland		3.96	-0.3	0.1	-4	-4	-6		1.6	24	29	92	101
Romania		4.3	-0.1	-0.6	-2	-3	-7		4.0	38	43	73	125
Russia		72.5	-0.1	0.3	1	8	2		7.4	14	45	156	164
South Africa		15.0	0.5	0.9	-5	11	-2		10.2	18	54	-11	52
Turkey		8.85	0.1	0.3	-6	-12	-16		17.7	-15	91	500	464
US (DXY; 5y UST)		94	0.2	0.2	2	0	4		0.96	-6	18	62	60

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4866	0.0	0	0	6	-7		211	3	-5	-30	-18
Indonesia		6288	-0.9	3	3	26	5		181	8	7	-63	-19
India		59745	0.8	0	2	51	25		146	1	-2	-86	-5
Philippines		6981	0.3	1	2	18	-2		120	12	13	-25	8
Malaysia		1530	0.5	-1	-3	1	-6		131	2	0	-55	-4
Argentina		77579	-0.1	2	4	75	51		1595	-19	124	250	239
Brazil		110393	-2.2	-3	-6	15	-7		310	12	24	-32	51
Chile		4243	0.0	-2	-5	15	2		159	12	17	-31	3
Colombia		1382	0.8	2	4	18	-4		303	9	29	33	88
Mexico		50863	-0.4	-1	-2	38	15		357	4	12	-143	0
Peru		18192	-0.9	-2	3	1	-13		181	13	10	3	52
Hungary		53273	0.1	4	2	59	27		118	-10	-16	-35	-31
Poland		71503	0.3	3	0	43	25		28	5	2	-3	0
Romania		12621	0.1	1	3	42	29		211	19	24	-41	8
Russia		4172	1.4	2	4	45	27		168	10	4	-57	-11
South Africa		64230	0.2	1	-3	18	8		371	12	33	-166	-13
Turkey		1392	-0.1	1	-5	20	-6		503	-5	46	-116	56
Ukraine		526	0.0	0	0	5	5		536	30	62	-195	43
EM total		50	0.1	-3	-7	11	-4		379	9	31	-33	41

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

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