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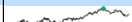



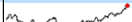





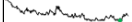
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## Market sentiment improves on dovish Fed officials remarks

**Global equities rallied after dovish comments by Fed officials boosted risk sentiment while investors continued to assess the potential impact of the Israel-Hamas conflict.** Treasury yields fell sharply, with the 10-year yield experiencing its largest daily drop since March earlier today. Fed officials hinted yesterday that the Fed may have reached the end of its rate-rising cycle. Fed vice chair Jefferson said officials could “proceed carefully” following the recent rise in Treasury yields, and Dallas Fed president Logan noted that the surge in long-term rates may mean less need for further tightening. Looking at Fed funds futures, the probability of another Fed rate hike this year fell to about 30% this morning from almost 50% on Friday. More Fed speakers are expected today. The aftermath of Hamas’ surprise attack on Israel early Saturday continued to reverberate around markets but its impact on risky assets remains contained. Analysts noted high levels of uncertainty and a lack of complete information but highlighted no impact on current oil production so far. Emerging markets also benefited from the improvement in market sentiment, but Chinese equities underperformed as investors remained bearish after the golden week holiday, Country Garden warned that it is set for a default, and there are concerns about some major construction firms that have exposure to the Middle East through Belt and Road projects.

Key Global Financial Indicators

Last updated: 10/10/23 8:23 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4336	0.6	1	-3	20	13
Eurostoxx 50		4177	1.6	2	-1	24	10
Nikkei 225		31747	2.4	0	-2	20	22
MSCI EM		38	-0.5	0	-3	7	-1
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.70	-10.4	-10	43	82	82
Germany 10y Yield		2.82	4.8	-15	21	48	25
EMBIG Sovereign Spread		452	-2	22	31	-91	0
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.4	-0.1	-1	-2	-5	-7
Dollar index, (+) = \$ appreciation		106.0	-0.1	-1	1	-6	2
Brent Crude Oil (\$/barrel)		88.0	-0.2	-3	-3	-9	2
VIX Index (% change in pp)		17.8	0.1	-2	4	-15	-4

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

For the **week ahead**, and on the data side, CPI releases are expected in the US, China, India, Brazil, Mexico and Argentina. In the US, headline CPI is forecast to slow (0.3% m/m, 3.6% y/y) while core inflation is expected to remain above target (4.1% y/y). On the monetary policy front, ECB and Fed minutes will be published while policy decisions are expected in Argentina and Singapore. On the earnings front, key consumer companies will be reporting in the first half of the week (Pepsi, Walgreens, Delta Airlines, and Dominos) and large banks are expected on Friday (JP Morgan, Citi, WFC, PNC and Blackrock).

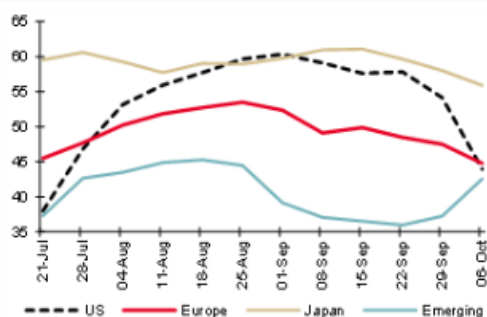
## Mature Markets

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### United States

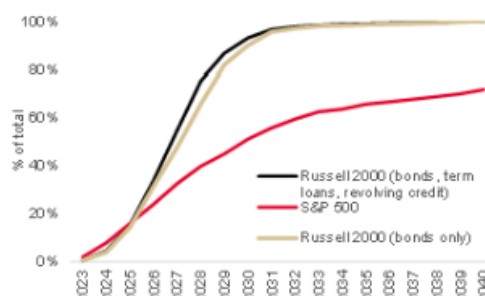
**Sell-side analysts are downbeat about the upcoming earnings season amid refinancing concerns.** Societe Generale's equity strategy analysts noted the significantly bearish turn of equity analysts ahead of the Q3 2023 earnings season as the ratio between earnings upgrades and downgrades fell by 10pp to 45% in the US, a level not seen since July. The US joins Europe and EMs which were already in bearish territory. In addition, analysts highlighted refinancing concerns for US small caps (proxied by the Russell 2000 index), which have a significantly steeper refinancing wall than large caps included in the S&P 500 index. The corporate earnings season kicks off this week, with important consumer companies reporting early in the week and major GSIBs expected on Friday.

**US earnings slump ahead?**  
Regional upgrade ratios (upgrades vs total estimate changes)



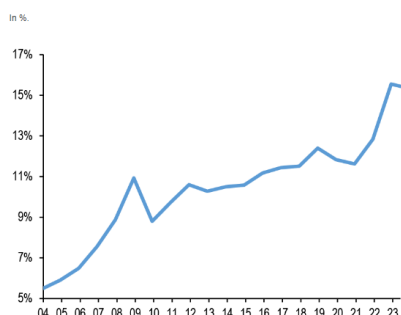
Source: SG Cross Asset Research/Quant Research, Fact Set

**US small caps have a far steeper re-financing wall (S&P 500 vs Russell 2000 cumulative debt schedule as percentage of total)**



**Fundraising for alternative investments remains resilient despite early signs of pressure.** Alternative investments including hedge funds, real estate, digital assets, private debt and private equity reached \$ 27.7 tn in Q3 2023 as quarterly inflows of \$300 bn per quarter (Q1-Q3) remain elevated by historical standards. Despite this, spreads between private credit market and public market pricing have reached 250 bps, close to the widest gap in recent years. In addition, the discount to NAV of publicly listed indices, seen as a proxy for valuation gaps between private and public markets across different assets classes, remains large. For example, the discount to NAV of the private equity LPX index remains close to 25%.

**Figure 3: Share of alternatives in the total asset universe of both alternative and traditional asset classes**



Source: EYON, Bloomberg Finance L.P., Barclays, Preqin, MSCI, HFR, J.P. Morgan.

**Figure 5: Premium/Discount to NAV for LPX Major market Index**

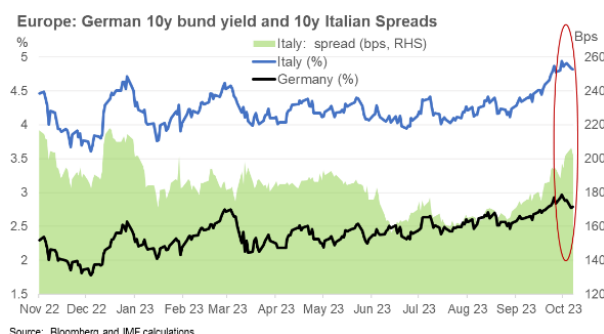


Source: LPX Group, J.P. Morgan.

## Euro-area

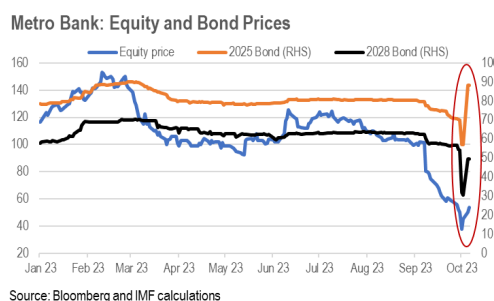
European equities rallied this morning after closing 0.3% lower yesterday, with analysts pointing to dovish Fed commentary as a supportive factor. Contacts noted that equities held up relatively well yesterday despite geopolitical concerns with lower yields possibly being a supportive factor. This morning the Stoxx 600 Europe index traded higher (+1.6%) with all sectors trading in the green and the basic resources sectors (+2.9%) outperforming. The banking sector was up +2.2%. **The euro was stronger against the dollar (+0.2% at 1.06).** Data released this morning showed an upside surprise in August Italian industrial production data, but ING analysts argue that there is not a sustainable rebound as of yet, even though the production decline could be plateauing.

**Sovereign yields resumed their upward trend (10-year bund yield +5bps to 2.82% after falling sharply yesterday.** Sovereign bond yields fell yesterday amid rising geopolitical tension in the Middle East, with the initial response relatively small, but extending later in the day. 10-year bund yields ended the day 11bps lower, with contacts pointing to dovish commentary from Fed officials and also flight to safety. With regards to the impact of the conflict on rates, contacts noted that it could increase uncertainty around inflation as a result of oil prices, add to growth concerns and also increase the “flight-to-safety” premium in core rates. In the meantime, ECB governing council member Villeroy de Galhau said that the ECB is vigilant on oil due to Middle East conflict but highlighted the downward trend in inflation. **Italian spreads to bunds narrowed this morning to 204bps.** Moreover, a Reuters article reported that ECB members said that higher Italian bond yields were appropriate, and that the ECB was not in a rush to activate the PEPP flexibility.



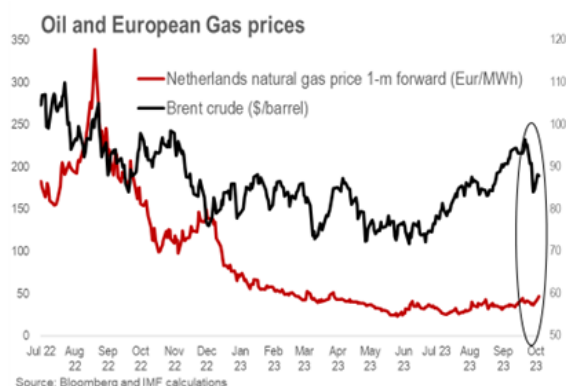
## United Kingdom

**Metro Bank shares and bonds rebounded sharply following announcements of a capital package.** The package includes the refinancing of £600 mn worth of debt and a £325 mn new capital raise mainly from existing investors. Equity prices rebounded is now 41% higher than last Thursday, at a similar level seen at the start of last week. On the data front, retail sales growth slowed in September, with data from the British Retail Consortium showing like-for-like sales slowing to +2.8%/y/y from +4.3%/y/y in August. Gilt yields rose modestly (10-year gilt yield +3bps to 4.51%), while the pound was little changed against the dollar, trading at around 1.22.



## Energy prices

**Oil prices stabilized somewhat this morning after gaining 4% yesterday as tensions in the Middle East escalated.** Goldman Sachs analysts yesterday noted **high levels of uncertainty and a lack of complete information but highlighted no impact on current oil production.** Moreover, analysts do not think that there would be an immediate effect on the short-term supply-demand balance and near-term oil inventories. **In the meantime, European gas futures increased, closing 15% higher yesterday and gained a further 5% this morning to €46.7/MWh, a level last seen in April.** Analysts highlighted reports that that Israeli officials had told Chevron to shut down output at its Tamar Gas Platform, a major gas field.



## Japan

**Japanese equities gained on improving global sentiment** (NIKKEI: +2.4%; TOPIX: +2.1). Long-end JGB yields also declined, with the 10-year yield falling to 0.79% (-2.2 bps) and the 30-year yield dropping to 1.73% (-1.3 bps). The decline in US Treasury yields supported risky assets and reduced upward pressure on JGB yields. The Japanese yen depreciated to 148.9 yen per dollar (-0.3%). Separately, Kyodo (Japanese media) reported that the BoJ considers raising its inflation outlook to near 3% from 2.5% (announced in July) for the 2023 fiscal year.

## Emerging Markets

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**Asian equities gained** on the improving global sentiment, led by Malaysian (+1.3%), Singaporean (+1.1%), Indian (+1.0%) and Hong Kong (+0.8%) stocks. **Asian currencies mostly appreciated**, led by the Thai baht (+0.7%). Meanwhile, the Indonesian rupiah depreciated (-0.3%). **Long-end government bond yields declined**, with 10-year yields falling in Indonesia (-5.1 bps), Singapore (-3.4 bps) and India (-3.3 bps) as US treasury yields fell during the Asian trading session. In **EMEA, equities gained, currencies mostly strengthened, and local currency bond yields eased.** Equities in Türkiye outperformed (+2.2%), and on the currency front, the South African rand (+1.1%) strengthened. CEE currencies were mostly trading stronger against the euro, with the Hungarian forint outperforming (+0.3% to 387.41/€). Data released this morning showed **September headline inflation easing slightly more than expected in Hungary and in the Czech Republic.** The Czech koruna bucked the trend and was trading weaker (-0.3% to 24.52/€). Separately, **IMF staff and the Ghanaian authorities reached a staff-level agreement on economic policies and reforms**, concluding the first review of the 36-month Extended Credit Facility (ECF) program. **Last Friday, Latin American equities gained, and currencies were mixed after a tough week against the dollar.** The Colombian peso (-4.2%) underperformed over the week, followed by the Mexican peso (-2.7%), Brazilian real (-1.6%), and Chilean peso (-1.1%). **Yesterday, equities finished higher in most of the region, while the Colombian peso (+0.5%) outperformed.**

## China

**Onshore Chinese equities declined** (CSI 300: -0.7%), led by stocks in energy, healthcare, and industrials sectors. Improving global sentiment on dovish Fed officials remarks only led to a short-lived gain of onshore equities in the morning session. Market sentiment remained bearish after the golden week holiday, which did not see very strong spending. Property sales also remained weak despite the earlier policy support measures. Markets were also concerned about some major construction firms that have exposure to the Middle East through Belt and Road projects. Meanwhile, Hong Kong SAR-listed Chinese equities gained (+0.9%), more in line with regional trend. **Country Garden (a major property developer) signaled a default on its offshore debt obligations.** The company ramped up warnings, saying that it will not be able to meet upcoming offshore payment obligations. It also hired advisers in preparation for debt restructuring. Its default could occur as soon as October 17 when the grace period for one of its currently missed coupon payments lapses. Its share price fell (-10.7%). The RMB was little changed at 7.295 yuan per dollar.

**Beijing reportedly considered raising the budget deficit for 2023** to unleash a new round of stimulus measures to support the economy. Based on news, an issuance of 1 tn yuan (\$137 bn) of additional central government bond was considered to finance infrastructure such as water conservancy projects. The news came out after the stock market closing, thus not moving stock prices today. Separately, according to local media, **six provinces are expected to issue 320 bn yuan (\$43.8 bn) of special refinancing bonds by mid-October for repaying existing local government debt.** The amount of upcoming issuances in October alone would exceed the issuance quota for special refinancing bonds in the 2022 fiscal year.

## EM Fund Flows

**EM bond and equity funds experienced outflows last week.** Bond fund outflows worsened (-\$2.7bn from -\$1.1bn), with both hard currency fund (-\$1.9 bn) and local currency fund (-\$817 mn) flows in negative territory. Local currency fund outflows were broad based, with both EM ex China (-\$781 mn) and China focused funds (-\$36 mn) seeing outflows. Equity outflows declined (-\$861 mn from -\$3 bn), as ETF funds saw small inflows (+\$13 2mn) while non-ETF fund outflows eased (-\$993 mn from -\$2.1 bn). Regionally, Asia ex-Japan (+\$554 mn) had inflows, while EMEA (-\$52 mn) and Latam (-\$25 mn) saw outflows.

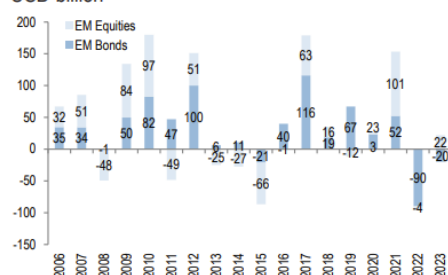
Figure 1: Weekly cross-asset flows

USD billion

Asset	1w flows (1w ago - current)	This wk	YTD
EM Bonds and Equities	-3.5	1.9	
EM Bonds	-2.7	-20.1	
Hard Ccy	-1.9	-16.1	
Local Ccy*	-0.8	-4.0	
o.w. EM ex-China	-0.8	-0.1	
o.w. China	0.0	-5.1	
EM Equities	-0.9	22.9	
US HG	2.5	25.2	
US HY	-2.8	-4.3	
Global Equities	1.2	-49.4	
EM Bond and Equity ETFs	-1.0	32.8	
EM Bond ETFs	-1.1	-2.2	
EM Equity ETFs	0.1	35.0	
Non-resident EM flows*	-4.9	16.4	

Figure 2: EM bond and equity fund flows

USD billion



\*High frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only. All charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

## Israel

**The Israeli Shekel stabilized after the Bank of Israel (BOI) yesterday announced that it is ready to provide liquidity up to \$30 bn in the FX market and up to \$15 bn in the swap market, to maintain stability during Israel's war with Palestinian militants in Gaza.** Following the announcement, the Israeli shekel stabilized at around 3.94, roughly 2.6% weaker on the day. Contacts noted that current conditions are unlikely to cause demand side concerns on inflation and think that the intervention package looks large enough to keep the currency stable for now.

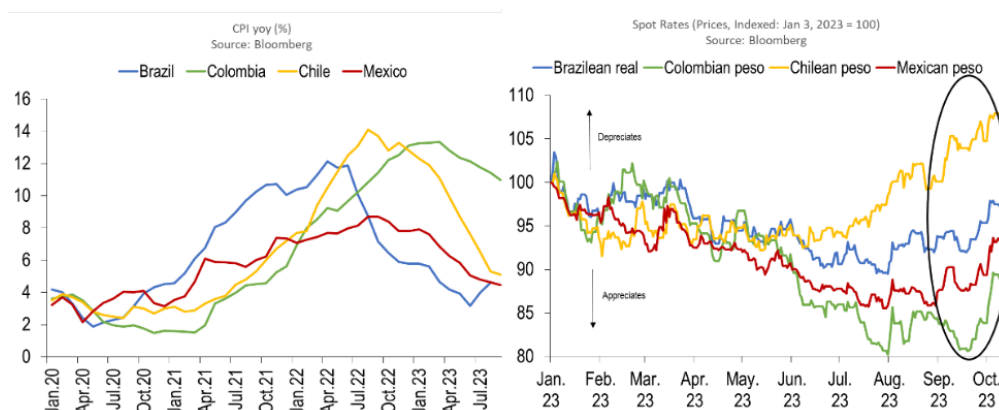


Israel: Equity market and Exchange rate



## Latam Inflation














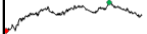





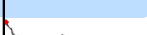



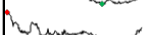
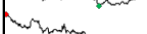
**Several CPI prints confirm the general disinflation trend in Latin America, but analysts warn weakening currencies could add to inflationary pressures.** Since Friday morning, inflation prints for Chile, Colombia, and Mexico revealed that y/y price increases in September declined from August. Chile's print came in at 5.1% y/y (from 5.3%), Colombia's was 10.99% y/y (from 11.43%), and Mexico's inflation was 4.45% y/y (from 4.64%). Although most of the region continues to see price pressures ease, weakening currencies could limit the decline. Since the start of September, the Chilean peso (-7.3%), Mexican peso (-6.2%), and Colombian peso (-5.9%) are among the worst performing EM currencies. Colombia and Mexico are expected to start cutting rates before year-end, although weakening currencies are expected to increase import costs, potentially impacting both the disinflation process and potentially their central bank policy rate decisions.



*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), and Caio Ferreira (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (New York Representative), Benjamin Mosk (Senior Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Research Officer), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), Silvia Ramirez (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), Ying Xu (Economist), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srjana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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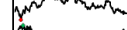


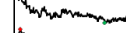






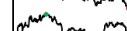


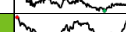



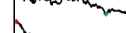
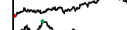











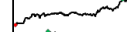
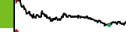



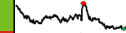

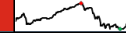
## Global Financial Indicators

10/10/23 8:23 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		4334	0.6	2	-3	20	13
Europe		4177	1.6	2	-1	24	10
Japan		31747	2.4	0	-2	20	22
China		3657	-0.7	-2	-3	-2	-6
Asia Ex Japan		63	-0.5	0	-2	9	-2
Emerging Markets		38	-0.5	0	-3	7	-1
<b>Interest Rates</b>			basis points				
US 10y Yield		4.70	-10.4	-10	43	82	82
Germany 10y Yield		2.82	4.8	-15	21	48	25
Japan 10y Yield		0.78	-2.2	2	13	53	36
UK 10y Yield		4.52	4.4	-8	10	5	85
<b>Credit Spreads</b>			basis points				
US Investment Grade		154	0.1	-1	8	-28	-5
US High Yield		454	0.0	2	43	-51	-26
<b>Exchange Rates</b>			%				
USD/Majors		106.02	-0.1	-1	1	-6	2
EUR/USD		1.06	0.1	1	-2	9	-1
USD/JPY		149.1	0.4	0	2	2	14
EM/USD		46.4	-0.1	-1	-2	-5	-7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		88.0	-0.2	-3	-2	6	8
Industrials Metals (index)		138	-1.2	-1	-2	-6	-17
Agriculture (index)		63	-0.7	-1	-4	-9	-8
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		17.8	0.1	-2.0	4.0	-14.7	-3.9
Global FX Volatility		8.4	0.0	-0.1	0.2	-4.1	-2.3
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		154	0.5	3	19	-101	-51
Italy		203	-3.9	5	29	-27	-12
Portugal		76	-4.1	1	2	-28	-26
Spain		113	-1.9	3	10	-1	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: 10/10/2023 8:25 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		7.30	-0.1	0.0	0	-2	-5		2.7	2.5	3	2	-9	-32
Indonesia		15739	-0.3	-1.0	-3	-3	-1		7.0	-6.8	-7	40	-34	1
India		83	0.0	-0.1	0	-1	-1		7.8	-6.8	0	4	8.4	36
Philippines		57	0.2	-0.1	0	4	-2		5.8	5.2	-1	-14	5	-20
Thailand		37	0.7	0.9	-3	3	-6		3.4	-2.0	4	35	19	79
Malaysia		4.73	0.1	-0.1	-1	-2	-7		4.1	-1.7	4	20	-33	1
Argentina		350	0.0	0.0	0	-57	-49		111.4	344.3	-688	-1108	2270	2315
Brazil		5.12	0.3	1.0	-4	1	3		11.9	4.7	-28	46	28	-68
Chile		924	-0.3	-0.7	-3	2	-8		5.7	-6.0	-16	43	-107	37
Colombia		4320	0.1	-4.1	-8	7	12		9.7	0.0	14	110	-61	-10
Mexico		18.20	0.1	-0.7	-5	10	7		9.5	0.0	-14	28	22	76
Peru		3.8	-0.2	-1.0	-4	3	-1		7.6	-0.7	12	59	-108	-40
Uruguay		40	-0.9	-2.5	-4	4	1		9.8	0.0	25	50	-161	-87
Hungary		366	0.4	1.6	-3	20	2		7.3	-23.0	-13	43	-282	-228
Poland		4.31	0.2	2.7	0	16	2		5.0	-3.8	5	50	-195	-112
Romania		4.7	0.1	1.3	-2	8	-2		7.0	0.6	23	42	-153	-69
Russia		99.4	0.4	0.4	-4	-36	-25							
South Africa		19.2	0.9	1.0	-2	-6	-11		9.9	-6.5	-21	48	38	73
Turkey		27.73	-0.1	-0.8	-3	-33	-33		27.0	0.0	54	321	1467	1717
US (DXY; 5y UST)		106	0.0	-0.9	1	-6	2		4.66	-9.8	-14	26	52	65

	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		3657	-0.7	-2	-3	-2	-6		173	1	-8	-24	-4	
Indonesia		6922	0.4	0	-1	0	1		129	-1	4	-72	-11	
India		66079	0.9	1	-2	16	9		147	8	9	-44	5	
Philippines		6264	0.2	-1	0	7	-5		106	0	4	-50	9	
Thailand		1434	0.2	-1	-7	-8	-14		0	0	0	0	0	
Malaysia		1435	1.3	1	-1	3	-4		98	2	1	-13	-2	
Argentina		648631	3.1	16	22	348	221		2679	132	502	-99	474	
Brazil		115156	0.9	0	0	-1	5		227	5	-4	-68	-47	
Chile		5659	0.8	-2	-4	11	8		136	10	8	-49	4	
Colombia		1118	1.5	1	5	-7	-13		360	23	23	-82	-12	
Mexico		49297	-0.7	-4	-6	8	2		376	5	11	-67	-5	
Peru		22296	0.3	1	-2	12	5		159	3	6	-57	-21	
Hungary		55518	0.8	-1	-2	42	27		208	8	13	-103	-14	
Poland		66206	1.8	4	-1	44	15		134	9	18	78	61	
Romania		14081	1.3	-2	2	30	21		224	17	14	-119	-32	
South Africa		73065	2.0	3	-1	13	0		403	12	18	-62	36	
Turkey		8379	2.3	-2	1	134	52		400	11	8	-211	-40	
Ukraine		507	0.0	0	0	-2	-2		3715	307	262	-121	-364	
EM total		38	1.0	0	-3	7	-1		415	19	34	-38	39	

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

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