



- The latest US economic data were much stronger than expected ([link](#))
- The ECB stays on hold at 4% as expected ([link](#))
- Yen depreciates beyond 150 versus dollar ([link](#))
- Philippines delivers unexpected off cycle rate hike to counter inflation ([link](#))
- Central bank in Chile expected to cut by 75 bps tomorrow ([link](#))
- Ukraine cuts by more than expected ([link](#))

[Mature Markets](#)






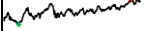

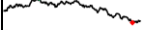



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Global markets in retreat

Markets around the world are down sharply in early morning trading, with technology stocks leading the way after weaker than expected results from some large US technology companies. Caution prevailed ahead of a key inflation report tomorrow. As the US 10-year Treasury yield retests the 5% level, markets are nervous about next week's funding announcement from the US Treasury, as the previous announcement in July triggered a major selloff of Treasuries because it was much larger than expected. The Bank of Canada stayed on hold at 5% as expected, with markets pricing a terminal policy rate a few basis points higher. The ECB stayed on hold as expected, the central bank of Ukraine cut its policy rate by more than expected, while the Turkish central bank delivered an expected 500 bps rate hike.

Key Global Financial Indicators

| Last updated: 10/26/23 8:41 AM | Level | | Change from Market Close | | | | YTD |
|--------------------------------------|---|--------|--------------------------|--------|---------|------|-----|
| | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | |
| Equities | | | % | | | | % |
| S&P 500 |  | 4187 | -1.4 | -3 | -2 | 9 | 9 |
| Eurostoxx 50 |  | 4036 | -0.9 | -1 | -2 | 12 | 6 |
| Nikkei 225 |  | 30602 | -2.1 | -3 | -5 | 12 | 17 |
| MSCI EM |  | 37 | -1.3 | -2 | -3 | 6 | -3 |
| Yields and Spreads | | | bps | | | | |
| US 10y Yield |  | 4.93 | -2.3 | -6 | 40 | 93 | 106 |
| Germany 10y Yield |  | 2.86 | -2.6 | -7 | 6 | 75 | 29 |
| EMBIG Sovereign Spread |  | 439 | -8 | -7 | 20 | -124 | -13 |
| FX / Commodities / Volatility | | | % | | | | |
| EM FX vs. USD, (+) = appreciation |  | 46.7 | 0.2 | 1 | -1 | -4 | -6 |
| Dollar index, (+) = \$ appreciation |  | 106.8 | 0.3 | 1 | 1 | -3 | 3 |
| Brent Crude Oil (\$/barrel) |  | 87.7 | -2.7 | -5 | -7 | -8 | 2 |
| VIX Index (% change in pp) |  | 21.4 | 1.2 | 0 | 2 | -6 | 0 |

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

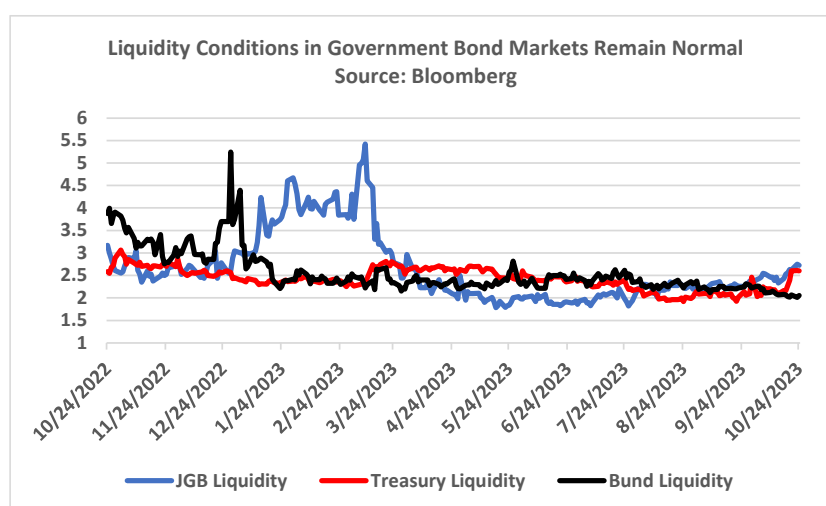
The latest economic data were much stronger than expected However, continuing jobless claims saw an uptick. The market reaction was relatively muted, with Treasury yields slightly lower and US equity index futures rising from their early morning lows. The dollar was steady, holding on to gains versus the euro and the yen.

Selected US Economic Data Reports 8.30 a.m.

| Data Release | Consensus Forecast | Actual Data |
|---------------------------------|--------------------|-------------|
| Q3 GDP annualized | 4.5% | 4.9% |
| GDP Price Index | 2.7% | 3.5% |
| Q3 Core PCE Price Index | 2.5% | 2.4% |
| Durable Goods | 1.8% | 4.7% |
| Durable Goods Ex-Transportation | 0.2% | 0.5% |

Source: Bloomberg

Liquidity in the major advanced economy government bond markets remain normal by historical standards. Contacts report that the US Treasury market is functioning without problems and even quite large transactions are going through the market fairly smoothly. This has surprised some analysts because the US has seen a great deal of interest rate volatility in recent weeks, as Treasury yields marched relentlessly higher and the benchmark 10-year Treasury yield topped 5% on Monday before pulling back. In addition, the US yield curve has experienced a prolonged bear market steepening as longer maturity Treasury yields rose faster than shorter maturity yields, a move that has chased some investors out of the market. The Fed's latest stability report also signaled worries about liquidity. There is still a chance that conditions could deteriorate if interest rates resume their move higher and the 10-year yield moves significantly above 5%.

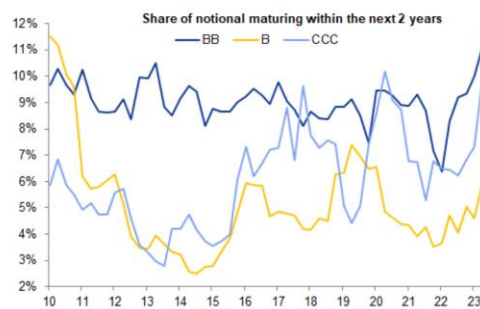


High yield (HY) bond markets are facing growing challenges in the midst of high interest rates, especially in the riskiest portion of the market. CCC-rated bonds confront a situation where the volume of maturities over the next two years is the highest since the global financial crisis. Many companies will be unable to afford to refinance their debt at these very expensive levels and could go into bankruptcy. With the spread of the Bloomberg High Yield Index over 430 bps and five and ten-year Treasury yields above 4.90%, companies are looking at paying over 9% per annum to issue new debt. The cost will be even higher

for CCC-rated companies, as indicated by the growing yield spread between BB and single rated B bonds and CCC rated bonds. Given the circumstances, analysts puzzle over why HY credit spreads remain well below historical levels despite the recent widening.

Exhibit 3: The share of CCC-rated bonds maturing in the next 24 months is near post-GFC highs

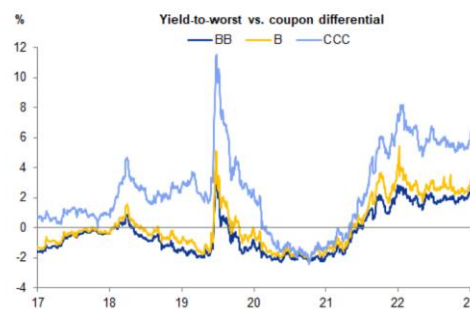
The share of outstanding bond maturing in the next 24 months, by rating group, through time



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 4: The differential between CCC-rated yields and coupons implies much higher interest expense for maturing debt

The differential between yields and current coupons, by rating



Source: Bloomberg, Goldman Sachs Global Investment Research

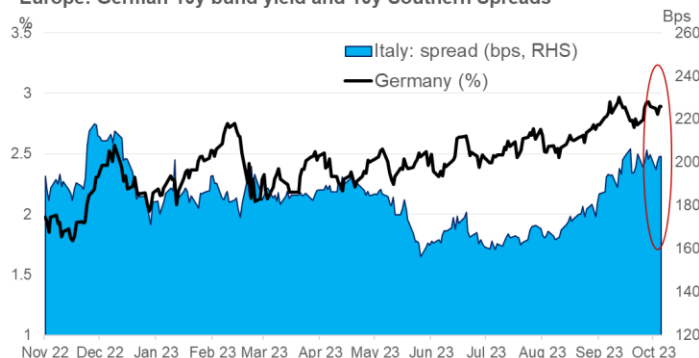
Euro Area

The ECB stayed on hold at 4% as expected but issued a statement saying that inflation remains too high and that the policy will need to remain restrictive. However, policymakers expressed confidence that the policy rate is high enough to achieve the desired result of reducing inflation over the course of time. This is the first pause after 10 consecutive rate hikes. The main refinancing rate was kept at 4.5%. Pandemic Emergency Purchase Program (PEPP) reinvestments are to continue until at least the end of 2024.

European equities were lower with the Stoxx 600 equity index down 0.8%. The banking sector was underperforming (-1.9%), with losses led by Standard Chartered (-11.8%) after it reported lower-than-expected pre-tax profit. **The euro continued to weaken (-0.2% to 1.054/\$).**

Euro area 10y sovereign yields were little changed ahead of the ECB meeting and US Q3 GDP data release later today. Yesterday, the 2–10y bund yield curve continued to steepen as 10y bund yields ended the day 6bps higher at around 2.89%, while 2y bund yields ended the day 3bps higher at around 3.13%. Ahead of the ECB meeting later today, ECB President Lagarde said that while she is confident that the ECB would bring back inflation to 2%, the fight against inflation is not yet over. **The ECB is expected to keep rates unchanged at the policy meeting today, and markets are focused on any guidance around PEPP reinvestments and the reserve remuneration.** Contacts are also focused on guidance related to future policy moves, with markets now pricing in roughly 50bps of easing by September 2024.

Europe: German 10y bund yield and 10y Southern Spreads



Source: Bloomberg and IMF calculations

Japan

Japanese equities tumbled -1.3%, a broad based decline across all sectors except utilities. PPI Services remained unchanged at 2.1% y/y in September. **The yen weakened (-0.3%) past 150 to a one-year low against the dollar.** Japan's Finance Minister Suzuki said that is monitoring currency market movements with a continued sense of urgency. Some market participants thought intervention could bring the currency back to 145. Nomura noted the October 31 BOJ meeting is viewed as a live one, especially among fixed income investors.

Dollar-Yen Well Within Last Year's Intervention Area



Emerging Markets

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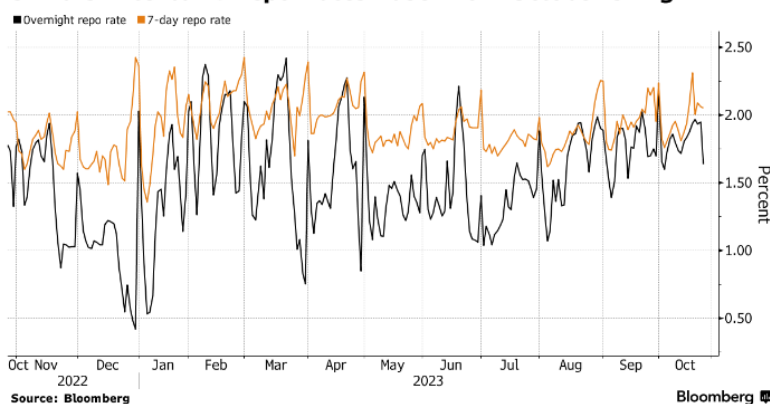
EMEA equities were mostly lower while currencies were mixed. Equities in Egypt (+1%) and Russia (+0.4%) outperformed, while those in Poland (-1%) and the U.A.E (-1%) declined. **Equities in Asia fell by 1.2%, led by technology stocks.** Stocks in South Korea fell to a 10-month low, with the electronics sector leading the way. **Thailand's** government is planning to trim a planned \$15bn cash hand out to address concerns by investors, according to Bloomberg. **Mexican stocks outperformed in Latin America as beverage company earnings from Coca-Cola Femsa were better than expected, but most regional bourses and currencies lost ground.** Brazilian investment bank Banco Stander (-1.8%) missed earnings expectations.

China

China's cabinet has restricted the ability of local governments in 12 heavily indebted regions to take on new debt, Reuters reported. These governments will only be allowed to take on specified projects approved by the center, including affordable housing construction and urban redevelopment. Projects related to new railway stations and power plants will not be permitted. The plan also sets limits on the average loan growth rate for the debt expansion of LGFVs

with the aim of controlling repayment risks. J.P. Morgan wrote that the debt expansion curbs will marginally ease financing needs and local governments' credit risks. Separately, **China's outbound non-financial**

China's Interbank Repo Rates Ease From October's High



direct investment rose 18.7% y/y YTD. Ministry of Commerce (MOFCOM) estimated such investments stood at 673 bn yuan (\$92bn) in January-September 2023. **Equities rose +0.3%** with sentiment likely still aided by recent policy support. **The Renminbi and 10Y bond yields were little changed.** China's overnight repo rate slipped to 1.64%, the lowest in over two weeks after the People's Bank of China a net injected 80bn yuan (\$11bn).

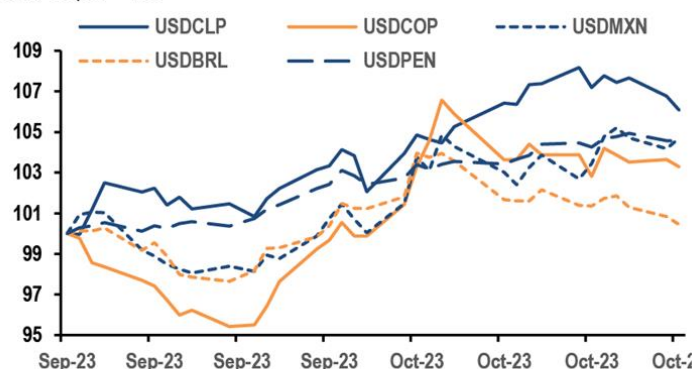
Chile

The Chilean central bank is expected to cut rates by 75bps according to analysts at JPMorgan. Their current policy rate is at 9.5%, down from a high of 11.25% earlier this year. Market consensus expects lower rates, but how low is still up for debate. One concern is the effect on the peso's value. The September inflation print (5.1% y/y) showed signs of easing, and although above expectations, showed moderate FX pass-through. However, lower interest rates could negatively affect the peso, which has been underperforming since the summer. Outside FX, tight global financial conditions play are likely to play a large role in the decision.

Source : INE and J.P.Morgan

Figure 4: Relative CLP performance

Index, Sep 5 =100



Source : J.P.Morgan

Philippines

The central bank raised its overnight reverse repo rate by +25bps to 6.5% in an off cycle move amid inflation concerns. Bangko Sentral ng Pilipinas (BSP) resumed hiking for the first time since April. The BSP stated that inflation expectations have risen sharply and that urgent monetary action was needed to prevent supply-side price pressures from inducing additional second-round. The BSP raised its 2024 inflation forecast to 4.7% from 4.3%, well above 2–4% inflation target. BSP Governor Remolona warned that BSP is still slightly behind on rate hikes and added that a further hike may be considered in November if data worsens. Analysts doubted the bank would hike twice in 20-day interval, with a rate hike at December's meeting more likely. **Philippine peso weakened -0.2%, 10Y bond yield rose by +7bps, and equities fell -0.6%.**

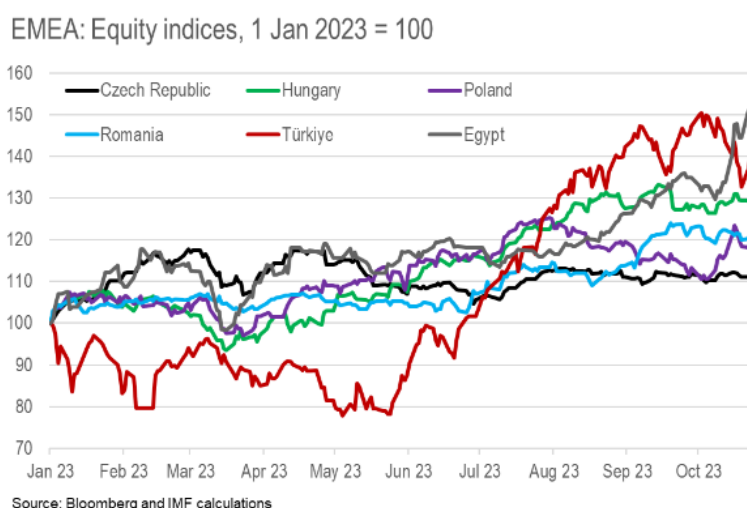
Increase in inflation expectations usually leads to BSP hiking



Source: Haver Analytics, Barclays Research

Türkiye

The central bank today hiked the one-week repo rate by 500bps to 35%, as expected. The lira was little changed, now trading roughly 33% against the dollar than at the start of the year. **Turkish equities fell sharply yesterday, with the Borsa Istanbul 100 index closing 7.1% lower amid investor anxiety over geopolitical developments.** Bloomberg reports that the speed of declines yesterday saw two market-wide suspensions. The Borsa Istanbul index had gained roughly 50% between January and end-September this year but has declined by roughly 11% so far this month. This morning Turkish stocks retraced some losses (+2.1%).



Ukraine

The National Bank of Ukraine lowered its key rate to 16% from 20%, its third cut since Russia invaded in February 2022. Analysts had expected a 200bps rate cut to 18%. Due to declining prices, the central bank eased capital controls at the start of this. The 400bps cut followed a 200bps reduction in September and a 300bps cut at the end of July. Year-on-year inflation fell for the ninth consecutive month running in September, dropping to 7.1% from 8.6% in August, from a peak of close to 27% at the end of last year.

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Deputy Division Chief), 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), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Benjamin Mosk (Senior Financial Sector Expert), 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 Srujana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

| 10/26/23 8:40 AM | Level | | Change | | | | YTD |
|-----------------------------|----------|--------|----------------------------------|--------|---------|------|------|
| | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | |
| Equities | | | % | | | | % |
| United States | | 4172 | -1.4 | -2 | -2 | 9 | 9 |
| Europe | | 4036 | -0.9 | -1 | -2 | 12 | 6 |
| Japan | | 30602 | -2.1 | -3 | -5 | 12 | 17 |
| China | | 3514 | 0.3 | -1 | -5 | -3 | -9 |
| Asia Ex Japan | | 62 | -1.6 | -2 | -2 | 9 | -5 |
| Emerging Markets | | 37 | -1.3 | -2 | -3 | 6 | -3 |
| Interest Rates | | | basis points | | | | |
| US 10y Yield | | 4.93 | -2.3 | -6 | 40 | 93 | 106 |
| Germany 10y Yield | | 2.86 | -2.6 | -7 | 6 | 75 | 29 |
| Japan 10y Yield | | 0.88 | 1.6 | 4 | 13 | 62 | 45 |
| UK 10y Yield | | 4.59 | -1.8 | -8 | 27 | 102 | 92 |
| Credit Spreads | | | basis points | | | | |
| US Investment Grade | | 160 | 1.2 | -1 | 13 | -28 | 1 |
| US High Yield | | 469 | 5.7 | 3 | 36 | -25 | -11 |
| Exchange Rates | | | % | | | | |
| USD/Majors | | 106.81 | 0.3 | 1 | 1 | -3 | 3 |
| EUR/USD | | 1.05 | -0.2 | 0 | 0 | 5 | -1 |
| USD/JPY | | 150.3 | 0.0 | 0 | 1 | 3 | 15 |
| EM/USD | | 46.7 | 0.2 | 1 | -1 | -4 | -6 |
| Commodities | | | % | | | | |
| Brent Crude Oil (\$/barrel) | | 87.7 | -2.7 | -5 | -5 | 5 | 7 |
| Industrials Metals (index) | | 137 | -0.4 | 0 | -2 | -9 | -17 |
| Agriculture (index) | | 65 | 0.0 | -2 | 0 | -3 | -5 |
| Implied Volatility | | | % | | | | |
| VIX Index (% change in pp) | | 21.4 | 1.2 | 0.0 | 2.5 | -5.9 | -0.3 |
| Global FX Volatility | | 8.0 | 0.0 | -0.1 | -0.1 | -3.8 | -2.7 |
| EA Sovereign Spreads | | | 10-Year spread vs. Germany (bps) | | | | |
| Greece | | 134 | -4.8 | -14 | -16 | -119 | -71 |
| Italy | | 199 | -4.1 | -3 | 5 | -23 | -16 |
| Portugal | | 71 | -3.0 | -1 | -6 | -31 | -31 |
| Spain | | 110 | -0.9 | 0 | 1 | 1 | 1 |

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

Emerging Market Financial Indicators

| Last updated: 10/26/2023 8:43 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 | | 7.32 | 0.0 | -0.1 | 0 | -2 | -6 | | 2.8 | 3.4 | -2 | 6 | -5 | -30 | | |
| Indonesia | | 15920 | -0.3 | -0.7 | -3 | -2 | -2 | | 7.2 | -4.9 | 32 | 33 | -45 | 26 | | |
| India | | 83 | 0.0 | 0.0 | 0 | -1 | -1 | | 7.8 | 3.9 | 0 | 6 | 18.3 | 35 | | |
| Philippines | | 57 | -0.2 | -0.2 | 0 | 3 | -2 | | 5.9 | 3.5 | 5 | 5 | 4 | -13 | | |
| Thailand | | 36 | -0.1 | 0.3 | 0 | 4 | -5 | | 3.4 | 1.0 | -11 | 13 | 26 | 78 | | |
| Malaysia | | 4.79 | -0.1 | -0.4 | -2 | -2 | -8 | | 4.1 | 1.6 | 4 | 17 | -30 | 11 | | |
| Argentina | | 350 | 0.0 | 0.0 | 0 | -56 | -49 | | 106.8 | 18.8 | 136 | -949 | 1575 | 1859 | | |
| Brazil | | 5.00 | 0.0 | 1.4 | 0 | 8 | 6 | | 11.8 | 1.9 | -20 | -8 | -21 | -76 | | |
| Chile | | 924 | 0.1 | 1.7 | -2 | 3 | -8 | | 6.1 | 1.2 | 6 | 40 | -31 | 81 | | |
| Colombia | | 4204 | 0.3 | 1.2 | -4 | 18 | 15 | | 9.4 | 0.0 | 5 | 34 | -131 | -34 | | |
| Mexico | | 18.33 | 0.0 | 0.0 | -4 | 9 | 6 | | 9.8 | -3.0 | 10 | 22 | 49 | 102 | | |
| Peru | | 3.9 | -0.3 | -0.2 | -3 | 3 | -2 | | 7.7 | -0.1 | -5 | 45 | -84 | -25 | | |
| Uruguay | | 40 | -0.1 | 0.2 | -4 | 3 | 0 | | 9.9 | -1.2 | 7 | 53 | -165 | -80 | | |
| Hungary | | 363 | 0.3 | -0.3 | 2 | 12 | 3 | | 7.8 | 12.0 | 23 | 65 | -286 | -184 | | |
| Poland | | 4.23 | 0.1 | -0.5 | 3 | 11 | 3 | | 5.1 | -3.0 | -5 | 25 | -218 | -106 | | |
| Romania | | 4.7 | -0.2 | -0.1 | 0 | 3 | -2 | | 6.9 | -1.4 | -3 | 17 | -216 | -82 | | |
| Russia | | 93.7 | -0.3 | 3.3 | 3 | -34 | -21 | | | | | | | | | |
| South Africa | | 19.0 | 0.5 | -0.1 | 0 | -6 | -10 | | 10.0 | 7.2 | -6 | 16 | 58 | 86 | | |
| Turkey | | 28.16 | -0.1 | -0.7 | -3 | -34 | -34 | | 28.9 | -26.0 | -35 | 197 | 1779 | 1907 | | |
| US (DXY; 5y UST) | | 107 | 0.2 | 0.5 | 0 | -3 | 3 | | 4.86 | -5.6 | -9 | 26 | 68 | 86 | | |

| | 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 | | 3514 | 0.3 | -1 | -5 | -3 | -9 | | 168 | 1 | -15 | -52 | -9 | | |
| Indonesia | | 6715 | -1.8 | -2 | -3 | -5 | -2 | | 120 | -1 | -5 | -101 | -20 | | |
| India | | 63148 | -1.4 | -4 | -4 | 6 | 4 | | 135 | 1 | -4 | -92 | -7 | | |
| Philippines | | 6018 | -0.6 | -3 | -6 | -3 | -8 | | 96 | -3 | -5 | -75 | -1 | | |
| Thailand | | 1371 | -2.2 | -5 | -8 | -14 | -18 | | 0 | 0 | 0 | 0 | 0 | | |
| Malaysia | | 1441 | -0.1 | 0 | 0 | -1 | -4 | | 93 | 1 | -4 | -34 | -7 | | |
| Argentina | | 686238 | 4.9 | -14 | 26 | 373 | 240 | | 2479 | 84 | 97 | -33 | 274 | | |
| Brazil | | 112830 | -0.8 | -1 | -1 | 0 | 3 | | 213 | -4 | -10 | -70 | -61 | | |
| Chile | | 5516 | -0.8 | -3 | -4 | 7 | 5 | | 140 | -1 | 19 | -46 | 8 | | |
| Colombia | | 1104 | -0.1 | -2 | 1 | -8 | -14 | | 338 | -7 | 17 | -141 | -34 | | |
| Mexico | | 48766 | 1.0 | -1 | -5 | -1 | 1 | | 362 | 0 | -3 | -55 | -19 | | |
| Peru | | 22159 | -0.2 | 0 | -2 | 6 | 4 | | 158 | -1 | 9 | -57 | -22 | | |
| Hungary | | 56801 | -0.2 | 0 | 2 | 40 | 30 | | 194 | 1 | 9 | -124 | -28 | | |
| Poland | | 70260 | 0.1 | 2 | 7 | 44 | 22 | | 112 | 1 | -4 | 33 | 39 | | |
| Romania | | 14205 | 0.0 | 0 | 0 | 31 | 22 | | 212 | 0 | 14 | -154 | -43 | | |
| South Africa | | 69754 | -0.7 | -2 | -4 | 4 | -5 | | 390 | -7 | 10 | -62 | 23 | | |
| Turkey | | 7681 | 3.5 | -1 | -7 | 93 | 39 | | 387 | -10 | 9 | -173 | -53 | | |
| Ukraine | | 507 | 0.0 | 0 | 0 | -2 | -2 | | 3720 | -25 | 442 | -547 | -359 | | |
| EM total | | 37 | -1.1 | -2 | -3 | 6 | -3 | | 399 | -5 | 16 | -58 | 23 | | |

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

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