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- **Oil prices surge due to fears of escalation in the Middle East** ([link](#))
- **Renewed gains in Chinese shares increases demand for the Hong Kong dollar** ([link](#))
- **Analysts slash Q3 earnings forecasts for US corporations** ([link](#))
- **Rally in gold and bitcoin could signal rising fears about geopolitical risk** ([link](#))
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US Jobs Report

The US jobs report was much stronger than expected, sending Treasury yields higher. Meanwhile, US dockworkers ended their strike on the East Coast and extended their contracts until January, removing a key short term risk factor for the US economy. US equity index futures turned positive in early morning trading, with a number of European markets also moving higher. Treasury and bund yields were up slightly, while the dollar held steady. Chinese equities resumed their rally in the Hong Kong SAR market as global investors continued to debate whether the stimulus measures announced by the authorities will succeed in reviving the Chinese economy. Onshore Chinese markets remain closed for the Golden Week holidays. Oil prices extended their gains from yesterday as the war in the Middle East continues. Ghana reached a deal to restructure \$13 bn in eurobonds, while a disappointing report on inflation pushed out expectations for a rate cut in Türkiye. S&P is expected to deliver a ratings report on Serbia (BB+/Ba2), with some expecting an upgrade to investment grade.

Key Global Financial Indicators

Last updated: 10/4/24 7:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5700	-0.2	-1	3	34	19.50
Eurostoxx 50		4938	0.3	-3	2	20	9
Nikkei 225		38636	0.2	-3	6	25	15
MSCI EM		47	-1.2	0	10	25	16
Yields and Spreads			bps				
US 10y Yield		3.86	1.7	11	11	-87	-2
Germany 10y Yield		2.19	4.9	6	-3	-73	17
EMBIG Sovereign Spread		357	-3	-8	-40	-84	-26
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.9	0.0	-1	0	-1	-5
Dollar index, (+) = \$ appreciation		101.9	-0.1	1	0	-5	1
Brent Crude Oil (\$/barrel)		78.6	1.3	9	8	-8	2
VIX Index (% change in pp)		19.9	-0.6	3	-1	1	7

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

Mature Markets

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United States

The latest September US NFP report was much stronger than expected. The headline number of 254K was well above forecasts, wage growth was stronger than expected and the unemployment rate unexpectedly moved lower. The number of jobs gained over the past two months was revised upwards by 72K jobs.

Jobs Variable	Consensus Forecast	Actual Data
Change in Non-Farm Payrolls	150K	254K
Unemployment Rate	4.2%	4.1%
Average Hourly Earnings mom	+0.3%	+0.4%
Average Hourly Earnings yoy	+3.8%	+4%

Treasury yields were higher in response. The dollar appreciated and stocks rallied on hopes that a recession in the US will be averted. Markets reduced their estimates of how much the Fed will cut rates in 2024.

Market Variable	Level at 8.10 am	Level at 8.40 am
10yr Treasury	3.87%	3.94%
2yr Treasury	3.73%	3.85%
September 18 Fed Funds Prediction	-1.32 cuts	-1.1
December 18 Fed Funds Prediction	-2.62 cuts	-2.26
S&P 500 Futures	+0.3%	+0.5%
USDJPY	146.62	148.31
EURUSD	1.1029	1.0979

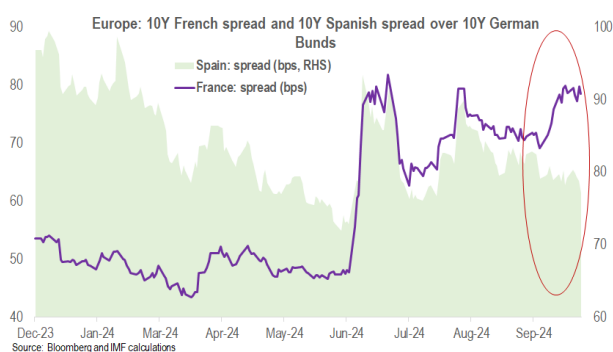
Analysts have slashed their forecasts for US corporate earnings growth for Q3 2024 from 8% in July to 4.75% today. This is also a sharp reduction from the 11% average growth delivered by US corporations in Q1 and Q2. However, some market participants think this view is too pessimistic. They believe that the current forecasts set a very low hurdle that companies will be able to cross easily. As a result, they predict further equity gains for the rest of the year as companies beat the earnings forecasts, with some calling for the S&P 500 to cross the psychologically important 6000 level by year end, which is about 5% above where the index closed yesterday. They also point to stronger than expected economic data in retail sales, durable goods, housing starts, and an upward revision of the latest estimate of Q2 GDP to 3%. Others are less sanguine, expressing the worry that most of the good news is in the past and a weakening job market could lead to lower earnings for companies. They think the stronger earnings growth projections for Q4 2024 and Q1 are far too optimistic.



Euro Area

European equities were trading marginally higher ahead of US non-farm payrolls data due later today. The Stoxx 600 index was (+0.2%) higher this morning, led by gains in the real estate (+1%) and energy (+0.9%) sectors, although the index is around 2% lower relative to last Friday's close. The euro was broadly unchanged against the dollar in early morning trade at around 1.1029 while European sovereign bond yields were higher across all tenors with the 10-year bund yield up 4bps to trade at 2.18%. Separately, Bloomberg reports that the EU voted to impose tariffs of up to 45% on Chinese made electric vehicles.

Fiscal concerns continue to weigh on French spreads. 10Y French OAT spreads continue to trade around the 80bps level as markets await further clarity on the country's fiscal trajectory. Analysts at Commerzbank note that investors were "unconvinced by plans for temporary tax hikes" which were announced earlier in the week and will look to next week's budget for additional detail on the fiscal path. In addition, Commerzbank highlighted that potential credit ratings reviews by Fitch and Moody's over the course of this month may also be weighing on sentiment. Elsewhere, positive data developments in Spain led to further tightening of Spanish government bond spreads over 10Y German bunds, pushing the Spanish spread below that of France to 77 bps.



Commodities Markets

Gold and bitcoin prices are up nearly 30% so far in 2024. The volume of futures positions in gold and Bitcoin have been rising steadily, as measured by Commodities and Futures Trading Commission (CFTC) data. Analysts at JP Morgan speculate that these moves could signal a "debasing trade" where investors are attempting to hedge against geopolitical risks such as an escalation of the war in the Middle East or turmoil associated with the upcoming US election. Gold prices have also been driven by increased buying after the start of the war in Ukraine and the sanctions on Russia as central banks sought to diversify their foreign exchange reserves away from the dollar. The analysts further speculate that a victory by the Republican candidate would add momentum to be "debasing trade" due to worries about higher tariffs and other inflationary policies.

Figure 7: Managed-Money Gold futures positions as reported by CFTC
In thousands of contracts, CFTC data till Sep 24th, extrapolated by cumulating the open interest since then.

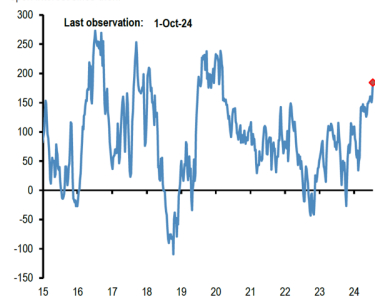
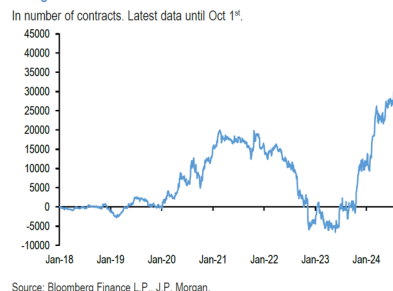


Figure 8: Our position proxy based on cumulative open interest changes in CME bitcoin futures contracts
In number of contracts. Latest data until Oct 1st.



Meanwhile, the oil market predicts higher oil prices due to escalating tensions in the Middle East. The prices of call options on oil futures are now higher than the prices of put options for the first time in two months, and call option volumes increased to a record after Iran's launch of missiles against Israel. Oil prices soared by more than 5.5% yesterday on news that Israel may retaliate by attacking Iran's oil infrastructure. Oil prices were up again this morning.

Oil Options' Bullish Bias

Brent options tilt toward calls for first time since August

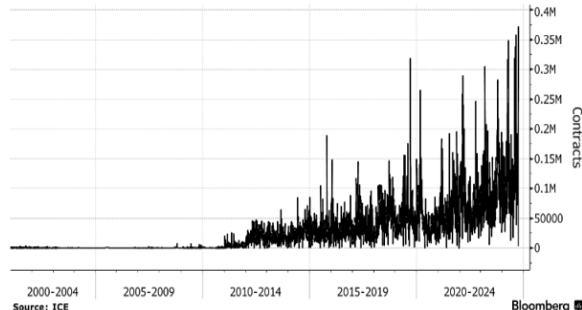
■ Brent 2nd-month 25-delta skew



Brent Call Volumes Leap to a Record

Trading surged after Iran attacked Israel

■ Brent call volume



Emerging Markets

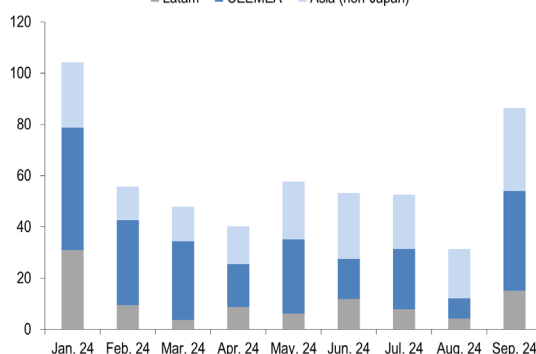
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Amid geopolitical uncertainty and ahead of the US payroll data, EMEA equities were mostly trading lower while currencies were mixed. Equities underperformed in the U.A.E (-2.2%), Poland (-1.7%) and Czechia (-1.4%). **Asian currencies were mixed.** The South Korean won underperformed its regional peers (-1.0%) amid US dollar strength while the Indonesian rupiah (-0.4%) and Malaysia ringgit (-0.2%) also weakened. **Currencies in Latin America were mostly weaker, and equities were mixed.** The Mexican peso (+0.3%) bucked the trend as the rest of the regional currencies depreciated, led by the Chilean peso (-0.9%).

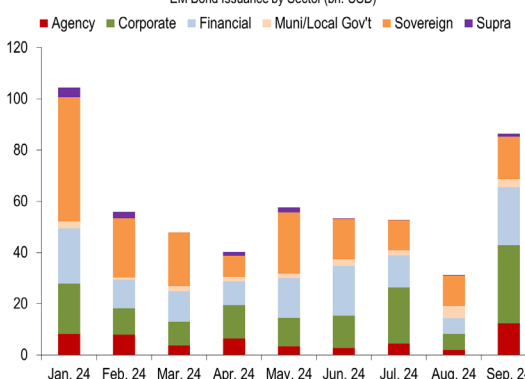
EM Bond Issuance

EM monthly bond issuance rebounded in September to levels last seen in January. Total issuance in September reached \$86.4 bn, the second highest monthly amount this year, and rebounded from the August low of \$31.3 bn. Regionally, CEEMEA led with 45% of the total issuance, followed by Asia ex-Japan (37.5%) and Latam (17.5%). Corporates (35%) and Financials (26%) were the primary issuers on the sectoral level, with Sovereigns (19%) and Agencies (14%) trailing behind. Weekly issuance through Thursday dropped to \$10.6 bn after reaching \$30.9 bn last week, the highest level of 2024.

EM Bond Issuance by Region (bn. USD)

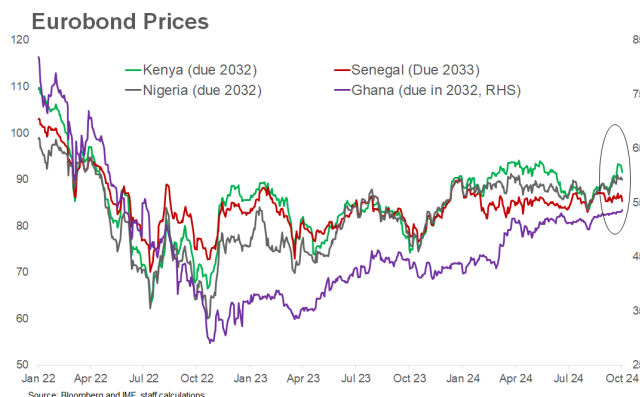


EM Bond Issuance by Sector (bn. USD)



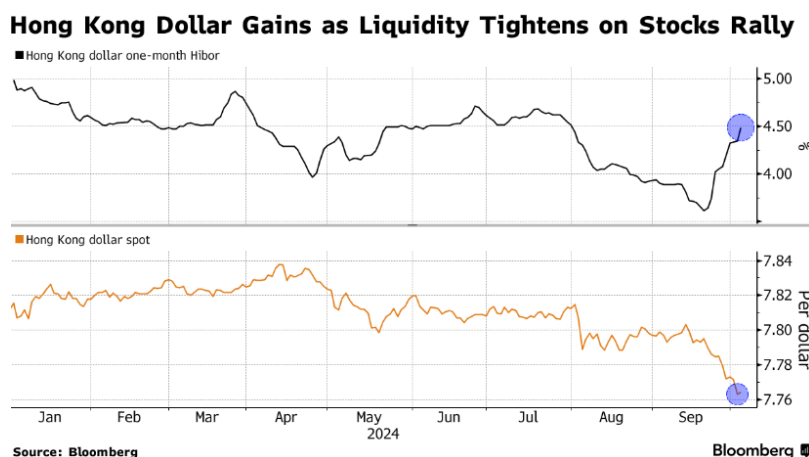
Ghana

Ghana receives overwhelming support to restructure \$13bn of eurobonds. The government yesterday announced that eligible eurobond holders of over 90% of the outstanding bonds agreed to a debt restructure and exchange. The statement notes that the new notes will be issued on or around October 9, with the complete settlement process expected to be finalized shortly thereafter. This came after an agreement in principle on restructuring of its dollar bonds was reached in June and a consent solicitation was launched in September. Ghana had suspended payments on most of its external debt in 2022. This morning the 2032 bond traded at 53.69 cents on the dollar today, according to Bloomberg data, little changed from Wednesday.



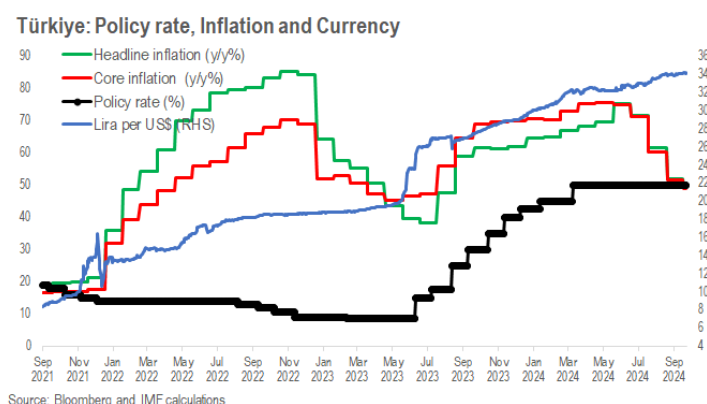
Hong Kong SAR

Renewed gains in Chinese shares heightened demand for the Hong Kong dollar. Following a bout of profit taking in the previous session, the Hang Seng China Enterprises Index—an index of Hong Kong-listed Chinese stocks—climbed 3.1% on the day, while the broader Hang Seng Index rose 2.8%. Investors continue to debate the durability of the current market rally. Although most analysts agree that China's medium-term growth outlook remains challenging, market sentiment appears to have turned. Anecdotal reports from stockbrokers point to rapid increases in new account openings from retail investors. Meanwhile, demand for the Hong Kong dollar soared amid the current rally in Chinese stocks. The Hong Kong dollar, which is pegged to the US dollar at a trading band of 7.75 to 7.85 per dollar, reached 7.7663 on Friday, near its strongest level in nearly two years. The one-month HIBOR—an indicator of funding costs for the Hong Kong dollar—has risen for 10 consecutive days to 4.50%, the highest since late July. Trading volume of the Hong Kong dollar options also rose, totaling roughly \$4.8 bn on Thursday, about six times of the recent daily average, according to data from the Depository Trust & Clearing Corp.



Türkiye

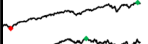




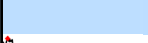



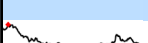



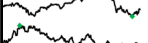
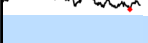


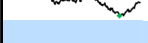
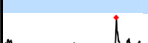

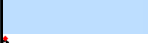




Analysts delayed rate cut expectations after September inflation surprised on the upside. Data released yesterday showed headline inflation increasing to 3.0% m/m in September, versus expectations to ease to 2.2% from 2.5%. On an annual basis, headline inflation eased, albeit less than expected, but analysts attribute the easing to favorable base effects (headline inflation eased to 49.4% y/y versus expected 48.3% from 52.0%). Following the data release, analysts at BNP Paribas revised their inflation forecasts upward to 43.5% y/y in December (from 40.0% y/y) and have also revised their expectation for the timing of the first rate cut to January 2025 from November 2024. JPMorgan analysts similarly no longer expect the first rate cut in November, and now see the central bank of Türkiye easing rates by 250 bps in each meeting starting in January 2025 through August 2025 to take the policy rate to 30%. The analysts also note the risk of smaller rate cuts and pauses.



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Global Financial Indicators

10/4/24 7:48 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5700	-0.2	-1	3	34	19
Europe		4938	0.3	-3	2	20	9
Japan		38636	0.2	-3	6	25	15
China		4018	8.5	25	21	9	17
Asia Ex Japan		80	-1.4	1	12	28	20
Emerging Markets		47	-1.2	0	10	25	16
Interest Rates			basis points				
US 10y Yield		3.86	1.7	11	11	-87	-2
Germany 10y Yield		2.19	4.9	6	-3	-73	17
Japan 10y Yield		0.89	5.3	3	0	8	27
UK 10y Yield		4.07	5.5	9	14	-51	53
Credit Spreads			basis points				
US Investment Grade		127	-0.4	-3	-9	-29	-7
US High Yield		352	-3.1	-7	-25	-100	-33
Exchange Rates			%				
USD/Majors		101.85	-0.1	1	0	-5	1
EUR/USD		1.10	0.0	-1	0	5	0
USD/JPY		146.5	-0.3	3	2	-2	4
EM/USD		45.9	0.0	-1	0	-1	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		78.6	1.3	10	9	1	5
Industrials Metals (index)		156	1.0	1	11	13	9
Agriculture (index)		58	0.1	0	5	-8	-7
Implied Volatility			%				
VIX Index (% change in pp)		19.9	-0.6	3.0	-1.4	1.4	7.5
Global FX Volatility		8.7	0.0	0.3	0.1	0.2	0.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		97	-2.6	-1	-6	-51	-7
Italy		132	-2.3	0	-12	-63	-36
Portugal		55	-2.2	-2	-6	-18	-9
Spain		76	-2.4	-3	-5	-33	-20

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

Emerging Market Financial Indicators

Last updated: 10/4/2024 7:49 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	1 Day	7 Days	30 Days	12 M			
	vs. USD		(+) = EM appreciation						% p.a.							
China		7.02	-0.1	0.5	1.4	4	1		2.0	0.0	1	9	-72	-53		
Indonesia		15485	-0.4	-2.3	0	1	-1		6.6	11.3	18	-2	-46	17		
India		84	0.0	-0.3	0	-1	-1		7.0	4.0	9	2	(80.5)	-17		
Philippines		56	0.1	-0.4	1	1	-2		4.8	0.0	-1	-29	-101	-83		
Thailand		33	0.2	-2.1	3	12	4		2.5	1.3	7	6	-104	-22		
Malaysia		4.22	0.0	-2.2	3	12	9		3.7	-1.2	0	-4	-36	-1		
Argentina		972	-0.1	-0.4	-2	-64	-17		40.3	-15.4	-123	-72	-7300	-4604		
Brazil		5.48	-0.6	-0.7	3	-6	-11		12.2	3.3	9	21	6	184		
Chile		918	0.1	-2.0	3	0	-4		4.8	0.3	7	-11	-102	-16		
Colombia		4188	-0.1	-0.7	0	1	-7		7.7	0.5	16	-22	-174	5		
Mexico		19.28	0.4	2.1	3	-7	-12		8.8	0.6	15	-17	-66	35		
Peru		3.7	-0.4	-0.1	2	2	-1		6.2	0.0	-6	-30	-125	-44		
Uruguay		42	0.1	-0.1	-3	-7	-7		9.4	-8.1	-43	-14	-22	-9		
Hungary		364	0.0	-2.3	-2	1	-5		6.2	13.0	44	27	-135	40		
Poland		3.91	-0.1	-2.0	-1	12	1		4.6	9.0	18	8	-45	17		
Romania		4.5	0.0	-1.2	-1	5	0		6.5	0.1	-3	-5	-31	26		
Russia		95.2	-0.7	-2.0	-8	5	-6		8.7	3.5	30	9	-151	-45		
South Africa		17.5	0.3	-2.0	2	11	5		29.7	21.0	125	88	324	295		
Türkiye		34.25	-0.4	-0.2	-1	-20	-14		29.7	21.0	125	88	324	295		
US (DXY; 5y UST)		102	-0.2	1.4	0	-5	0		3.65	2.4	15	10	-107	-20		

	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		4018	0.0	25	21	9	17		122	-2	-3	-48	-36			
Indonesia		7496	-0.6	-3	-3	9	3		93	-6	-17	-30	-3			
India		81688	-1.0	-5	1	24	13		103	-4	-7	-37	-13			
Philippines		7468	1.1	1	8	19	16		79	-3	-16	-20	-1			
Thailand		1444	0.1	0	1	0	2		0	0	0	0	0			
Malaysia		1630	-0.7	-2	-1	15	12		77	-4	-7	-19	-8			
Argentina		1754992	2.3	2	-2	196	89		1269	-36	-204	-1380	-644			
Brazil		131672	-1.4	-1	-3	16	-2		204	-16	-27	-20	-11			
Chile		6390	0.0	-2	0	12	3		109	-8	-15	-21	-16			
Colombia		1303	0.2	-1	-2	19	9		307	-11	-16	-45	36			
Mexico		51675	-1.0	-3	0	2	-10		295	-17	-34	-82	-39			
Peru		30052	-0.3	0	7	37	16		130	-6	-16	-30	-14			
Hungary		73219	0.8	-2	1	31	21		148	-1	-7	-50	-1			
Poland		81575	-0.2	-4	-3	27	4		106	-7	-2	-17	9			
Romania		17365	-0.1	-2	-4	23	13		191	-5	-16	-20	-9			
South Africa		86460	0.0	-1	6	23	12		274	6	-29	-127	-34			
Türkiye		8874	-0.3	-9	-11	6	19		284	3	-24	-115	-30			
EM total		47	1.1	0	10	25	16		390	-4	-20	-17	45			

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

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