



- **US recession probabilities drop** ([link](#))
- **GSIB earnings expected to show slightly deteriorating fundamentals** ([link](#))
- **German industrial production declined by less than expected in August** ([link](#))
- **Chinese equities lose steam after the stimulus briefing disappoints** ([link](#))
- **Senegal's Eurobonds extend losses following Moody's downgrade** ([link](#))
- **Special Feature: EM Local Currency Bond Holdings Monthly Monitor (attached)**

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

Market sentiment sours as Chinese stimulus briefing disappoints

Global equities fell after China's latest pledge to support its economy disappointed investors hoping for detailed plans of further fiscal stimulus. Chinese equities listed in Hong Kong SAR were the hardest hit, with the HSCEI index plunging as much as 11% earlier in the day, following gains of over 30% in the past month, likely reflecting a rotation out to onshore stocks. Onshore Chinese equities gained after the long holidays but lost steam during the day. The briefing did not unveil the size of additional fiscal stimulus, nor provide detailed plans to support consumption and property market destocking, surprising investors that had expected sizable fiscal support ranging from RMB 2–10 trn (\$283 bn – \$1.4 tn). In fixed income, advanced economy sovereign bond yields took a breather and stopped their ascent, with 10-year US Treasury and bund yields little changed this morning. Elsewhere, oil prices fell and the dollar was moderately weaker. In emerging markets, Senegal's eurobonds extended losses following Moody's downgrade last Friday.

Key Global Financial Indicators

Last updated: 10/8/24 8:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5696	-1.0	-1	5	32	19
Eurostoxx 50		4948	-0.4	0	4	19	9
Nikkei 225		38938	-1.0	1	8	26	16
MSCI EM		47	0.8	3	13	25	18
Yields and Spreads			bps				
US 10y Yield		4.03	0.4	30	32	-77	15
Germany 10y Yield		2.25	-0.4	22	8	-63	23
EMBIG Sovereign Spread		350	0	-10	-38	-102	-33
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.8	0.0	-1	0	-1	-5
Dollar index, (+) = \$ appreciation		102.4	-0.2	1	1	-3	1
Brent Crude Oil (\$/barrel)		79.2	-2.1	8	12	-6	3
VIX Index (% change in pp)		22.0	-0.7	3	0	5	10

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

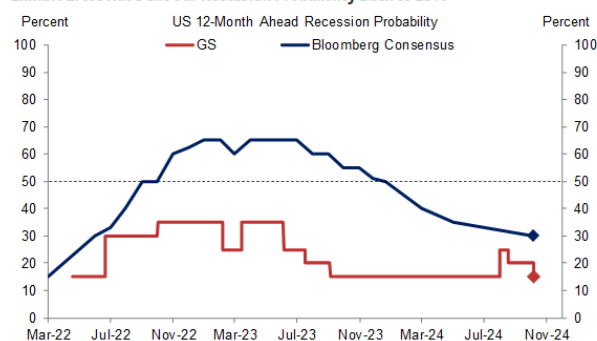
Mature Markets

[back to top](#)

United States

US recession probabilities drop. Goldman Sachs analysts have lowered their probability of US recession down to the unconditional mean of 15%. Stronger than expected labor market data in combination with forecasted GDP growth of 3.2% in the third quarter and upward revisions to the savings rate have given a stronger confidence in the US economy. Bloomberg consensus estimates of recession have been falling too since their peak of almost 70% in March 2023. Economic strength remains somewhat at odds with the expectations of steep interest rate cuts by the Fed, as a further 50 bps reduction is mostly priced in by the futures market by the end of the year, while the US 10-year Treasury has surpassed 4% for the first time since late July.

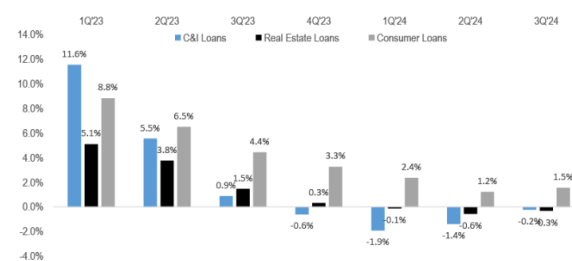
Exhibit 1: We Have Cut Our Recession Probability Back to 15%



Source: Bloomberg, Goldman Sachs Global Investment Research

GSIB earnings are expected to show slightly deteriorating fundamentals. Third quarter bank earnings kick-off Friday, October 11 with reports from some of the largest banks. JP Morgan analysts forecast a deterioration in fundamentals. Muted loan growth, further net-interest-margin compression, lower investment banking activity year-on-year, all point to sequentially weaker bank earnings. Positively, it seems like expectations are equally low as market analysts suggest they have had this in their forecast and do not expect downward surprises. Despite this, the KBW Bank Index has gained about 10% since the beginning of the third quarter, outperforming the broader S&P 500 by about 4% in the period.

Figure 11: Large U.S. Domestically Chartered Commercial Bank Loan Growth by Category Y/Y

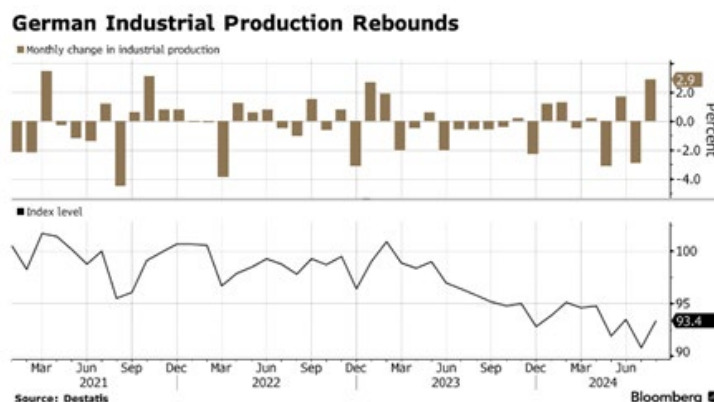


Source: Federal Reserve and J.P. Morgan.

Euro area

European equities edged lower this morning, with the Stoxx 600 index down by -0.6% dragged by losses in the consumer goods (-1.8%), materials (-1.7%) and energy (-0.9%) sectors, with the banking sector also in the red (-0.7%). Stock markets traded lower across all main European countries with France underperforming (-0.7%). The euro was slightly stronger (+0.1%) against the dollar this morning while European sovereign bond yields were little changed. Sovereign bond yield spreads of Italy and France were also little changed.

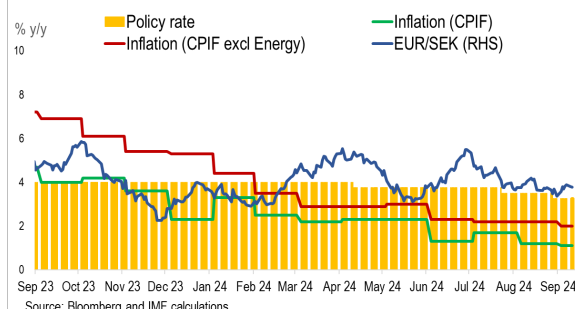
Today's data showed industrial production declining in Germany by less than expected in August (-2.7% y/y, vs est.-3.8%, from -5.6% y/y in July). Despite the positive surprise, analysts at ING do not see today's data eliminating the risk of recession in the country, noting that the rebound was mainly driven by a surge in the currently volatile automotive sector, with the construction sector continuing to bottom out with sluggish growth. HSBC believes that despite today's data a revival in economic activity is not expected until next year and continues to expect 0.5% growth in 2025, below the German government's forecast of 1.1% growth.



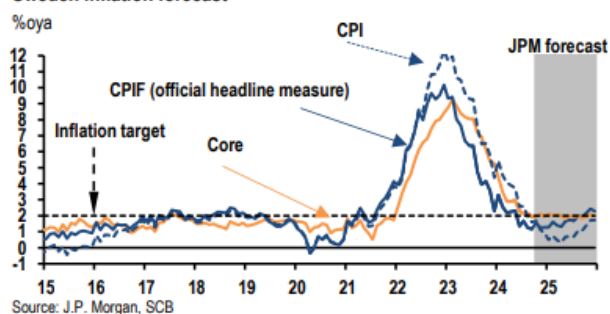
Sweden

The krona was little changed against the euro, trading at SEK 11.36/€, after today's data showed September headline inflation printing at 1.1% y/y (0.3% m/m), in line with expectations, from 1.2% y/y (-0.5% m/m) in August. Headline inflation continued to soften in September driven by declining energy prices, while core inflation (excluding energy prices) slowed to 2% y/y in September from 2.2% y/y in August, a tick above Riksbank's and consensus expectations of 1.9% y/y while still below the central bank's 2% inflation target. JP Morgan continues to expect the Riksbank to cut its policy rate by -50 bps to 2.75% at its November MPC meeting, although highlighting this is now a close call following today's data and after the Fed looks now likely to cut its policy rate only by -25bps in November. Analysts at Swedbank believe that the inflation outlook is of "less concern for the Riksbank" and continue to expect a -50 bps cut in November while noting that activity data, in particular household consumption data that will be released on Thursday, will provide further direction to markets which now price-in -37 bps of policy rate easing in November. UBS believes the Riksbank will cut its policy rate by -50 bps in November and follow with -25bps cuts in December and January 2025, to reach a terminal rate of 2.25%.

Sweden: Inflation, Yields and Currency



Sweden inflation forecast



Emerging Markets

[back to top](#)

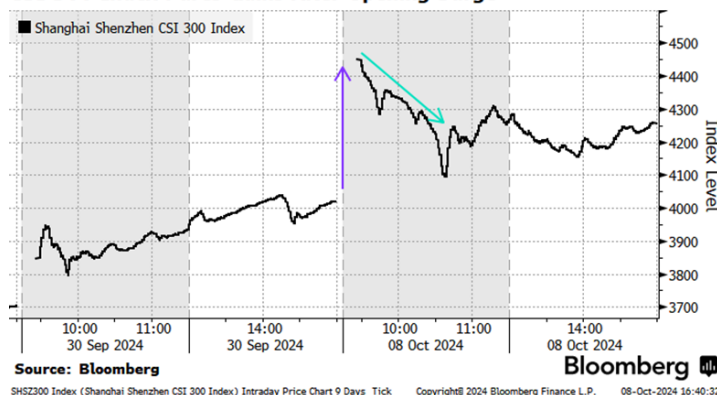
Most Asian equities declined as the Chinese stimulus briefing disappointed. Chinese equities listed in Hong Kong SAR were the hardest hit, with the HSCEI index plunging as much as 11% in a day, following gains of over 30% in the past month. Malaysia and India had recorded sizable outflows since China's stimulus measures. Stock rotation moves appeared to take a breather after the stimulus from China fell short of expectations today, with equities in Malaysia and India up 0.1% and 1.0%, respectively. **Most Asian currencies weakened**, led by the RMB (-0.5%). **EMEA equities and currencies were mixed.** Equities outperformed in Türkiye (+0.6%) but were sharply lower in Egypt (-3%) led by declines in the shares of property developers. The South African rand was weaker against the dollar (-0.5%) while CEE currencies were mostly firmer against the euro. The **Kenyan shilling** was a touch firmer (+0.2%) to the dollar at 128.9/\$ ahead of today's policy meeting where consensus expectations are for a 25 bps reduction in the benchmark rate to 12.50%. Elsewhere, Bloomberg reports that **Ghana** announced that the principal amount of new notes to be issued tomorrow as part of its debt exchange is \$9.4 bn. In **Latin America**, **Mexico's stock market dropped 1.6%** yesterday following president Sheinbaum's additional judicial reform proposals. Chilean equities also declined, while markets in Colombia and Brazil posted gains. **Regional currencies weakened** with the Colombian peso (-1.1%) underperforming. The Brazilian real also depreciated (-0.6%) despite news foreign investors have been reducing bearish positions. Also on Monday, **El Salvador** announced offers to repurchase external debt due between 2027 and 2052 from now until October 10.

China

Chinese onshore equities opened strong after the long holiday but lost steam as the stimulus briefing disappointed. The briefing did not unveil the size of additional fiscal stimulus, nor provide detailed plans to support consumption and property market destocking, surprising the market that had expected sizable fiscal support ranging from RMB 2–10 trn (US\$283 bn – US\$1.4 trn). The briefing session held by the National Development and Reform

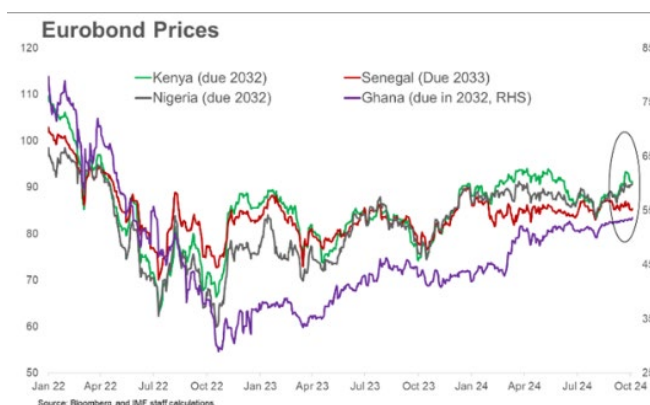
Commission (NDRC) today indicated that the authorities remain committed to achieving 5% growth this year. All local government special bonds under the current quota will be issued by the end of October, with RMB 100 bn (\$14.2 bn) investment in key strategic areas front-loaded from the 2025 central budget. Key focuses include increasing financial support for low-income groups, the unemployed, and students, as well as spending on elderly and childcare. **Gains in the CSI300 slid to +2% after opening as much as +10% higher at the opening, before picking up again to close +6% higher** with a record high turnover, as some analysts speculated another fiscal plan remains possible later this year. Standard Chartered Bank analysts expect fiscal stimulus to be announced by the end of the month by the Ministry of Finance, while Deutsche Bank analysts believe the likely timing could be mid-to-late October after the NPC Standing Committee meetings. **The HSCEI index, a gauge for Chinese equities listed in Hong Kong SAR, fell as much as 11% earlier in the day, the largest slump in a day since 2008**, likely reflecting a rotation out to onshore stocks. Commodities reversed gains as hopes for sizable stimulus faded, with iron ore prices down -6.7% from the opening and Brent oil slipping 1.9% to below \$80 a barrel. The **RMB depreciated** by -0.5% to 7.05, but was still stronger than the RMB fixing at 7.07 today, largely reflecting a catch-up to the dollar strength during the long holidays.

CSI 300 Index Pares Gains After Opening Surge



Senegal

Senegal's Eurobonds extended losses after Moody's downgrade. On Friday, Moody's downgraded Senegal's rating to B1 from Ba3 and placed the country's long-term ratings on review for a downgrade, citing a significantly weaker fiscal and debt position than previously thought. According to Bloomberg data, the country's dollar bonds maturing in 2033 declined to 85 cents on the dollar yesterday with notes maturing in 2048 declining to 73 cents on the dollar. In its downgrade statement, Moody's noted that "Senegal's elevated debt burden, estimated by the preliminary findings at 84% of GDP in 2023 at the central government level—around 10 percentage points higher than the previously published ratio—reduces shock-absorption capacity and increases susceptibility to higher funding costs."



Romania

National Bank of Romania kept rates unchanged, in line with expectations. Last Friday, the National Bank of Romania (NBR) kept the key rate on hold at 6.5%, in line with analyst expectations. Analysts at JP Morgan noted that recent inflation developments were an upside surprise relative to the NBR's August forecasts and therefore expect rates to remain unchanged for the remainder of the year. For next year, JP Morgan expects a 75 bps reduction in the policy rate, but note that this will "depend on the composition of the fiscal adjustment." The analysts note that there is a risk that the NBR delivers fewer than 75 bps of rate cuts in 2025. Separately, the new NBR Board was approved by parliament last week for another 5-year term starting on October 11 with four new board members out of nine. The analysts expect policy continuity however, given governor Isaescu remains in his post. This morning, the Romanian leu was trading broadly unchanged at 4.97/€ and is flat against the euro on a YTD basis.

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

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.



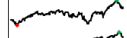
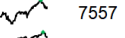
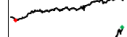
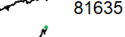

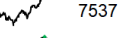
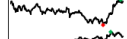


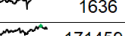
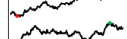
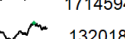

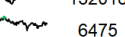

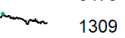

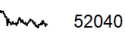
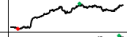
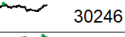

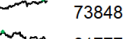

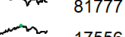
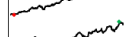
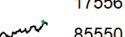
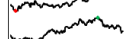
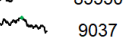


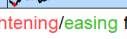
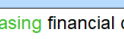


Global Financial Indicators

10/8/24 8:07 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5710	-1.0	0	6	33	20
Europe		4948	-0.4	0	4	19	9
Japan		38938	-1.0	1	8	26	16
China		4256	5.9	27	33	16	24
Asia Ex Japan		82	1.4	5	17	29	23
Emerging Markets		47	0.8	3	13	25	18
Interest Rates			basis points				
US 10y Yield		4.03	0.4	30	32	-77	15
Germany 10y Yield		2.25	-0.4	22	8	-63	23
Japan 10y Yield		0.93	-0.7	7	7	12	31
UK 10y Yield		4.20	-1.3	25	31	-38	66
Credit Spreads			basis points				
US Investment Grade		124	0.3	-5	-14	-31	-10
US High Yield		341	-0.5	-18	-47	-112	-44
Exchange Rates			%				
USD/Majors		102.37	-0.2	1	1	-3	1
EUR/USD		1.10	0.1	-1	0	4	0
USD/JPY		147.9	-0.2	3	3	0	5
EM/USD		45.8	0.0	-1	0	-1	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		79.2	-2.1	8	12	2	6
Industrials Metals (index)		152	-2.3	-2	10	10	7
Agriculture (index)		57	-0.7	-3	5	-11	-9
Implied Volatility			%				
VIX Index (% change in pp)		22.0	-0.7	2.7	-0.4	4.5	9.5
Global FX Volatility		8.8	0.0	-0.1	0.1	0.5	0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		97	0.3	-3	-7	-55	-7
Italy		132	0.3	-1	-13	-71	-36
Portugal		53	0.3	-5	-11	-24	-10
Spain		77	0.1	-3	-6	-36	-20

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

Emerging Market Financial Indicators

Last updated: 10/8/2024 8:05 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		7.05	-0.5	-0.5	0.9	3	1		2.0	2.5	4	13	-70	-50
Indonesia		15655	0.2	-2.9	-1	0	-2		6.7	2.1	28	13	-27	27
India		84	0.0	-0.2	0	-1	-1		7.1	-4.6	14	11	(79.8)	-13
Philippines		57	-0.2	-1.3	-1	0	-3		4.8	4.8	-2	-14	-96	-85
Thailand		33	0.2	-2.7	1	11	3		2.5	-0.8	10	11	-91	-17
Malaysia		4.29	-0.1	-3.0	2	10	7		3.8	-1.2	4	2	-32	3
Argentina		975	-0.4	-0.6	-2	-64	-17		40.3	34.6	84	89	-6761	-4607
Brazil		5.51	-0.3	-1.2	1	-7	-12		12.2	-7.7	-11	49	32	177
Chile		932	-0.7	-3.0	1	-1	-6		4.9	-4.3	21	18	-91	-6
Colombia		4214	-1.1	-0.2	1	3	-8		7.8	-4.5	17	30	-188	16
Mexico		19.24	0.2	2.0	3	-5	-12		9.0	0.0	30	15	-49	55
Peru		3.7	-0.3	-1.0	2	2	-1		6.5	#####	27	1	-108	-18
Uruguay		41	0.3	0.8	-2	-4	-6		9.4	-4.2	-31	-35	-41	-13
Hungary		364	0.5	-1.3	-1	1	-5		6.2	-7.0	41	39	-132	46
Poland		3.92	0.5	-1.2	-1	10	0		4.8	-4.1	26	31	-32	29
Romania		4.5	0.1	-0.8	-1	4	-1		6.5	4.0	10	2	-46	33
Russia		96.7	-0.7	-0.9	-6	3	-7							
South Africa		17.5	-0.4	-0.3	2	11	5		8.7	0.3	23	18	-123	-38
Türkiye		34.27	0.0	-0.2	-1	-19	-14		29.8	-20.0	85	97	313	302
US (DXY; 5y UST)		102	-0.2	1.2	1	-3	1		3.86	-0.9	35	37	-90	1

	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		4256	5.9	27	33	16	24		117	-6	-8	-56	-41	
Indonesia		7557	0.7	-1	-2	10	4		90	-8	-23	-39	-6	
India		81635	0.7	-3	0	25	13		96	-7	-16	-51	-20	
Philippines		7537	-0.2	2	8	21	17		76	-6	-22	-30	-4	
Thailand		1453	0.0	-1	2	1	3		0	0	0	0	0	
Malaysia		1636	0.0	-1	-1	15	12		74	-3	-12	-24	-11	
Argentina		1714594	-2.4	1	0	173	84		1208	-80	-279	-1471	-705	
Brazil		132018	0.2	0	-2	16	-2		202	-16	-35	-25	-13	
Chile		6475	-0.1	0	4	14	4		110	-4	-18	-26	-15	
Colombia		1309	0.4	0	-1	19	10		304	-12	-28	-56	33	
Mexico		52040	-1.1	-1	2	5	-9		290	-18	-45	-86	-44	
Peru		30246	-0.3	1	8	36	17		133	-1	-16	-26	-11	
Hungary		73848	-0.2	0	2	34	22		144	-9	-17	-64	-5	
Poland		81777	-0.3	-1	0	28	4		105	-6	-6	-29	8	
Romania		17556	-1.1	0	1	25	14		187	-9	-24	-36	-13	
South Africa		85550	-0.9	-1	5	19	11		267	-8	-44	-136	-41	
Türkiye		9037	0.1	-3	-8	7	21		274	-5	-36	-126	-40	
EM total		47	-2.1	3	13	25	18		385	-9	-29	-30	40	

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

[back to top](#)