



- Fed unanimously delivers hike of 75 bps as dot plot shifts higher ([link](#))
- Japan intervenes to support yen for first time since 1998 ([link](#))
- Bank of Japan kept policy rate and 10-yr yield target unchanged, as expected ([link](#))
- Swiss franc depreciates after Swiss National Bank hikes 75 bps ([link](#))
- Gilt yields higher after Bank of England hikes 50 bps, as expected ([link](#))
- Norway hikes 50 bps, with dovish tilt ([link](#))
- Bank Indonesia unexpectedly hikes 50 bps ([link](#))
- Central bank of Turkey unexpectedly cuts policy rate 100 bps ([link](#))
- Brazil's central bank leaves policy rate unchanged, as expected ([link](#))

[Mature Markets](#)




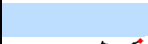

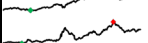
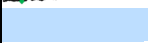

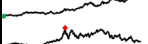

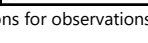
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Super Thursday for central banks as Japan intervenes to support currency

The US dollar fell against major currencies after Japan intervened to support the yen for the first time since 1998 and several central banks hiked in the wake of the Fed meeting. Yesterday, the FOMC raised the fed funds rate by 75 bps for the third time in a row and projected that the fed funds rate would be around 4.4% at end 2022 and around 4.6% at end 2023, with no rate cuts until 2024. The Bank of Japan left policies unchanged but Japan intervened to support the yen for the first time since 1998. Several central banks hiked today. Switzerland hiked 75 bps with policy rates 50 bps higher in Indonesia, Norway, the Philippines, and the UK. In contrast, the central bank of Turkey unexpectedly cut its policy rate 100 bps.

Key Global Financial Indicators

Last updated: 9/22/22 12:33 PM	Level	Change from Market Close					
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities							
S&P 500		3790	-1.7	-4	-8	-14	-20
Eurostoxx 50		3463	-0.8	-2	-5	-17	-19
Nikkei 225		27154	-0.6	-2	-5	-8	-6
MSCI EM		37	-1.7	-4	-6	-27	-24
Yields and Spreads							
US 10y Yield		3.56	3.4	11	55	226	205
Germany 10y Yield		1.90	0.8	13	60	223	208
EMBIG Sovereign Spread		507	1	13	17	156	140
FX / Commodities / Volatility							
EM FX vs. USD, (+) = appreciation		49.5	0.4	0	-1	-12	-6
Dollar index, (+) = \$ appreciation		111.1	0.4	1	2	19	16
Brent Crude Oil (\$/barrel)		90.7	0.9	0	-6	19	17
VIX Index (% change in pp)		27.8	-0.2	2	4	7	11

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

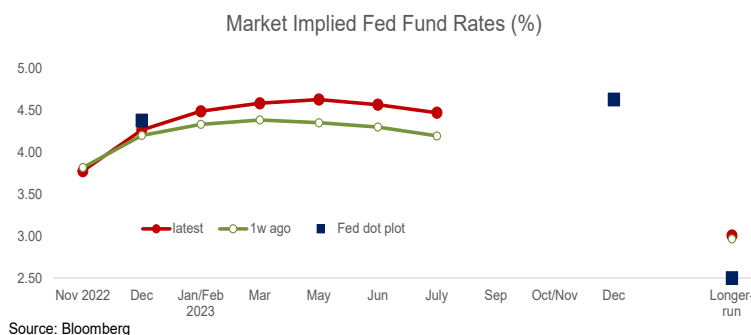
Mature Markets

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United States

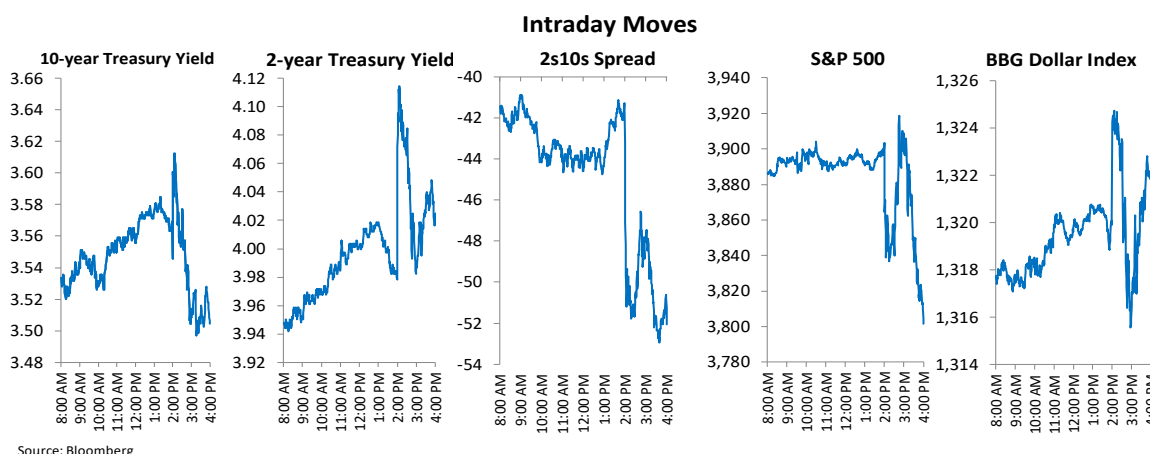
Equities closed 1.7% lower after a volatile session, while the dollar index strengthened +1% after yesterday's FOMC. The VIX rose to 28 above the post-Covid average. In this morning's data releases, US jobless claims were in line with expectations.

The Fed unanimously hiked the rate by 75 bps, as expected, with minimal changes in the statement describing inflation as remaining elevated. The central bank now sees the terminal rate, the peak rate of this hiking cycle, at 4.6%, up from 3.8% in the June FOMC dot plot, and rates ending 2022 at 4.4%. This path likely



corresponds to a 75 bps hike in November and a 50 bps in December, somewhat above consensus. Meanwhile, the median longer-run dot remains unchanged at 2.5%, and 2024–25 dots are lower than 2023, demonstrating a series of rate cuts following this rate hike cycle. The GDP forecasts were revised lower, along with higher unemployment in 2023–2024 to 4.4%, while leaving the longer-run unemployment unchanged at 4.0%. Inflation forecasts were also higher but unchanged beyond 2023. **Chair Powell told in his press conference that his main message had not changed since Jackson Hole, indicating he did not want the market to take anything he said as dovish, saying a delay getting back to price stability only delivers “more pain.”** He also noted that Fed tightening would impact US trade through a strong dollar, and that MBS sales were not being considered in the near term.

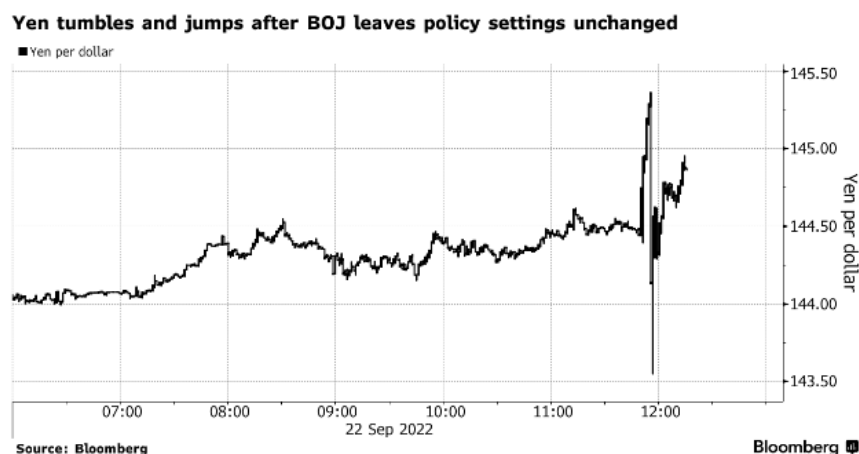
US markets were volatile in the wake of the FOMC decision. Just after the announcement, 2-yr US yields jumped by 14 bps, 10-yr yields rose 7bps, Nasdaq plummeted by 1.8%, and the dollar strengthened further against other major currencies. **Investors initially saw the new dot plot as much more hawkish than expected.** Markets, however, reversed their course soon afterward as investors digested the barrage of new information during the press conference. **Some investors saw Chair Powell indicate that ‘peak hawkishness’ might have been reached, which might explain that the equities went up and the dollar weakened temporarily.** The Treasury market finished the day with a twisted yield curve: 10-years down -3 bps while 2-years up +8 bps to 4.05% and the OIS market has repriced implied policy rates to catch up with the dot plot.



Japan

The yen strengthened +1.2%, back below 145 per US dollar after Japan intervened to support the yen, for the first time since 1998. Japan also intervened in the 2000s and 2010s but to lean against a stronger yen. Head FX official Kanda said *decisive action* was taken in the FX markets and confirmed intervention, Reuters reports.

The Bank of Japan (BOJ) also kept its short-term policy rate (-0.1%) and 10-year yield target (0%) unchanged, as expected. The BOJ also said it will phase out special COVID financing support for smaller firms by end-2022 or March-2022, depending on loan type. Further, the bank announced no limits on collateral-backed funding-provision, as a form of continued financing support for smaller firms. **Equities slipped -0.2%, 10-year yields declined -2 bps.**



Euro area

Equities traded lower (-1.1%). While most sectors were trading in the red, the banking sector (+0.8%) outperformed. On the data front France's business confidence deteriorated to 102 in September, in line with expectations. Business climate is now back at levels seen in April 2021 but remains above its long-term average. **The euro was trading stronger against the dollar (+0.3%) while sovereign yields were little changed.**

Norway

The Norwegian krone depreciated (-0.5% against the euro) but retraced some losses in later trade after a dovish 50 bps hike brings deposit rate to 2.25%. While the central bank's hike was in line with consensus expectations, the projected policy path was dovish relative to market expectations. **The central bank hinted that the end of the tightening cycle may be approaching. The policy rate is seen reaching 3% in the coming months and peak at 3.1% in Q3 2023** (earlier than previously expected). Emphasizing that forecasts are more uncertain than usual, central bank forecasts for 2022 and 2023 showed a substantial upward revision to core inflation and a downward revision to economic growth, with a mild contraction in mainland GDP now seen in 2023. **In line with the policy rate path, Morgan Stanley expects three more 25 bps hikes—in November, December and March 2023.**

Switzerland

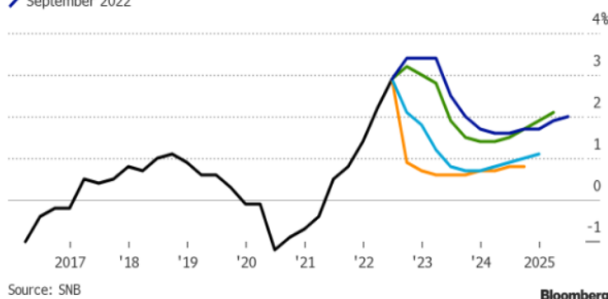
The Swiss franc depreciated sharply (-2% against the euro and -1.8% against the dollar) after the central bank hiked its policy rate by 75 bps to 0.5%, ending negative interest rates. While consensus expected a 75 bps hike, some had anticipated a bolder move today as the next monetary policy meeting is only scheduled to take place in December. The press release showed inflation forecasts up to mid-2024 were revised upwards while economic growth forecasts were revised downward and noted that further

tightening cannot be ruled out. **With rates now in positive territory, the press release also said that monetary policy implementation will be adjusted—banks' sight deposits held at the central bank are remunerated at the policy rate up to a certain threshold and earn zero interest above this threshold.** The press statement also said that the central bank will use liquidity-absorbing measures. **ING analysts expect another 75 bps hike in December with no policy rate changes seen in 2023.**

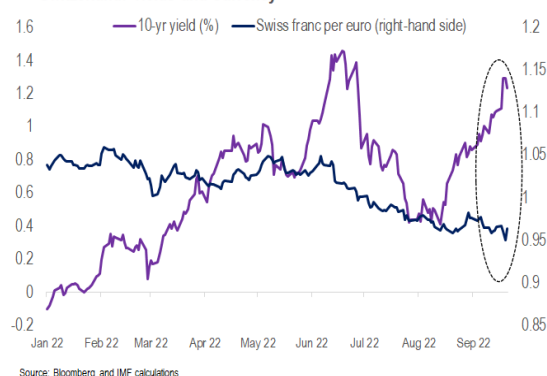
Swiss Action

The SNB increases rates to keep inflation under control

Swiss inflation rate December 2021 forecast March 2022 June 2022 September 2022



Switzerland: Yields and Currency



United Kingdom

10-yr gilt yields are 8 bps higher while the pound (+0.3%) retraced some opening gains after the Bank of England (BoE) hiked its policy rate by 50 bps to 2.25%, in line with consensus expectations. Five MPC members voted for a 50 bps hike while 3 MPC members for a 75 bps hike and one member voted for a 25 bps hike. **With conditions seen as appropriate, the committee also voted unanimously to start active gilt sales shortly,** in line with the previously communicated strategy. **Given the Energy Price Guarantee, inflation is now seen to peak at just under 11% in October (lower than previously anticipated).** The BoE policy summary noted that the committee will respond forcefully as required if the outlook suggests more persistent inflationary pressures.

Emerging Markets

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Asian equities slumped -1%. Hong Kong SAR lost -1.6%. **Taiwan Province of China** was down -0.9%, its central bank raised policy rate by 12.5 bps to 1.625%. **Thailand** bucked the trend +0.8%, shares of electronics and energy exporters led the rally as acting PM said the government would not interfere with central bank's FX policy. **Asian currencies depreciated.** South Korean won weakened -1.2%, Indian rupee declined (-0.9%) to a new record. In the **Philippines**, peso was down -0.9%. Its central bank hiked its policy rates by +50 bps. Governor Medalla alluded peso weakness mainly to the size of the US Fed's earlier +75 bps rate hike. Deputy Governor Dakila reiterated the BSP's readiness to intervene against FX volatility albeit with no specific target peso level. **10-year yields were mostly little changed.** **EMEA equities were mixed while currencies mostly strengthened against the dollar.** Equities in Russia (+2.1%) and the Russian ruble (+1.7%) outperformed. The Hungarian forint (+0.5%) was trading stronger against the euro with the central bank leaving the one-week deposit rate unchanged at 11.75%, as expected. **The South African rand (+0.5%) was trading stronger against the dollar ahead of the central bank monetary policy decision later today,** where consensus expects the SARB to increase the repo rate by 75 bps to 6.25%. **In Egypt, market participants expect on average a 50 bps hike in the deposit rate to 11.75%.** **LATAM currencies saw a modest depreciation against the USD, however, the Brazilian real declined 0.6%, partly reversing the gains (2%) it made in the previous two sessions.** Equities were mixed. While equity markets of Peru (0.4%), Chile (0.5%), and Colombia (0.2%) were up, those in Brazil (-0.5%) and Mexico (-0.2%) closed lower.

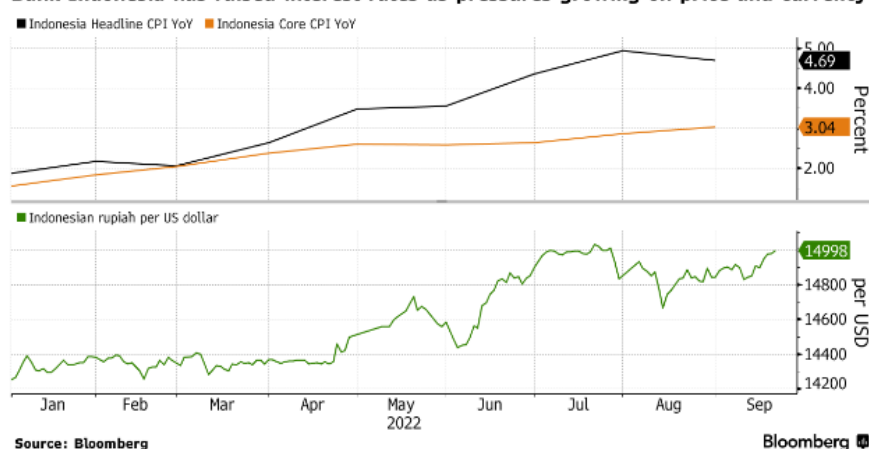
China/Hong Kong

Hong Kong Monetary Authority (HKMA) hiked its policy rate by +75 bps, alongside the US Fed. The authority warned of imminent bank rate hikes thereafter. Major lenders HSBC and Standard Chartered raised their prime lending rates by +12.5 bps following HKMA's move, Bloomberg reports. Relatedly, Hong Kong SAR's interbank rates (HIBOR) surged to 2009 highs after HKMA's hike. **Mainland equities slipped (CSI 300: -0.8%), Hong Kong SAR fell -1.6%.** Hong Kong SAR's share of Asia IPOs dived to a 23-year low of 7% in August, in contrast with offerings in Mainland China (69% of Asia), Bloomberg reports. **Renminbi weakened further (onshore: -0.4%, offshore: -0.1%). 10-year yields were little changed.**

Indonesia

Bank Indonesia (BI) surprisingly hiked its 7-day repo rate by +50 bps to 4.25% (consensus: +25 bps). Deposit and lending facility rates were also raised by +50 bps to 3.5% and 4% respectively. BI projects inflation peaking at above 6% by end-2022 with rising price pressures seen from Indonesia's fuel price hike. **BI also said that more aggressive hikes are likely not needed, as core inflation is expected to be controlled and to come back to 2–4% target range by H2 2023.** Some analysts now the BI to hike by another +50 bps in 4Q, followed by further +75 bps in 2023. **Equities rose +0.4%. Indonesian rupiah weakened -0.1%. 10-year yields rose +3.4 bps.**

Bank Indonesia has raised interest rates as pressures growing on price and currency

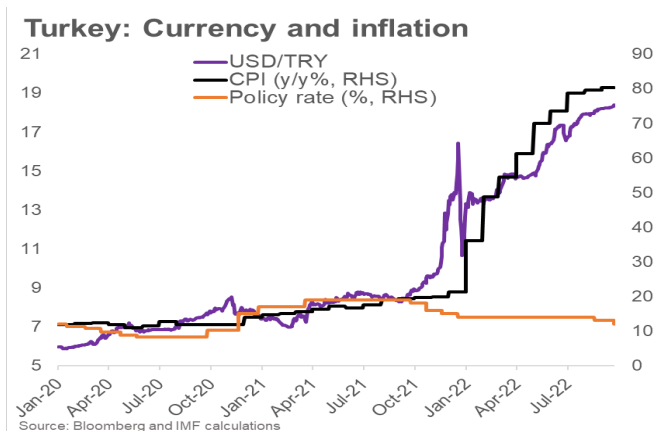


GCC

Central banks in the Gulf Cooperation Council, whose members have pegged their currencies to the US dollar, mostly followed the Fed's interest rate hike yesterday. Most GCC members raised their policy rate by 75 bps. Saudi Arabia's repo rate is now 3.75% (reverse repo at 3.25%), the UAE's overnight deposit facility is 3.15%, Bahrain's one-week deposit rate is 4% (overnight deposit rate 3.75%), and Qatar's deposit rate is 3.75% (lending rate 4.5% and repo rate 4%), and Oman raised its repo rate for local banks to 3.75%. Kuwait, which currency is not pegged to the US dollar but to an undisclosed weighted basket of currencies, followed the decision only partially by raising its discount rate by 25 bps to 3%.

Turkey

The Turkish lira depreciated against the dollar (-0.7% to 18.16) after the Central Bank unexpectedly cut interest rates by 100 bps to 12%, while consensus had expected no change. The press statement notes that the Committee expects disinflation to start and highlight the importance of supportive financial conditions to sustain economic growth momentum, as leading indicators are pointing to a slowdown. Headline inflation reached 80% in August and the lira is now trading roughly 28% weaker than at the start of 2022.



Brazil

The central bank (BCB) maintained its policy rate at 13.75% (unchanged), becoming the first EM central bank to end the hiking cycle. The move was on the expected lines as Brazil's inflation (8.73% y/y in Aug.), while still much higher than the upper bound of BCB's target band (5%) has been on a decline post June (11.89% y/y). However, the bank indicated that future trajectory of policy rate would be guided by inflation and inflation expectations. This, coupled with the fact that two of the 9 committee members voted for a 25 bps hike, has pushed the expectations of monetary policy easing farther in the future. JP Morgan now expects the first rate cut of 25 bps in June 2023 and an additional 200 bps by end of 2023, conditional on fiscal policy adopted, domestic and global economic growth, and inflation. However, as per a Bloomberg report, Brazil's overnight rate curve had been pricing in a 225 bps rate cut in 2023 till yesterday, i.e., before BCB's announcement.

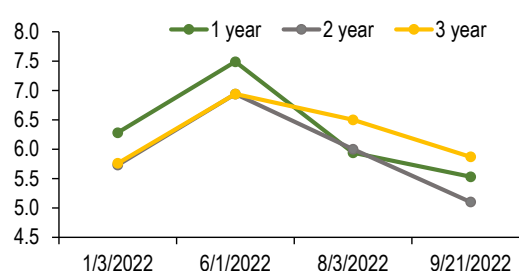
BCB Inflation expectations forecast since Aug meeting

	September 21, 2022			August 3, 2023			
	2022	2023	2024	2022	2023	2024	
BCB Forecasts							
Selic (consensus from Focus survey)	13.75%	↔ 11.25%	↑ 8.00%	↔	13.75%	11.00%	8.00%
BRL (stable in PPP terms at pre-meeting levels)	5.20	↓ + 5.20	↓ 5.20	↓	5.30	5.30	5.30
Regulated prices (BCB's assumption)	-4.0%	↓ 9.3%	↑ 3.7%	↑	-1.3%	8.4%	3.6%
IPCA Inflation, YoY	5.8%	↓ 4.6%	↔ 2.8%	↑	6.8%	4.6%	2.7%
Focus Survey							
Market consensus IPCA	6.0%	↓ 5.0%	↓ 3.5%	↑	7.2%	5.3%	3.3%

Inflation targets: 3.5% for 2022, 3.25% for 2023 and 3% for 2024 (tolerance band of +/- 1.5 percentage point).

Source: Bloomberg

Brazil: Breakeven inflation rates



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Global Financial Indicators

Last updated: 9/22/22 12:33 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3790	-1.7	-4	-8	-14	-20
Europe		3463	-0.8	-2	-5	-17	-19
Japan		27154	-0.6	-2	-5	-8	-6
China		3109	-0.3	-3	-5	-15	-15
Asia Ex Japan		63	-1.7	-4	-6	-27	-24
Emerging Markets		37	-1.7	-4	-6	-27	-24
Interest Rates			basis points				
US 10y Yield		3.56	3.4	11	55	226	205
Germany 10y Yield		1.90	0.9	13	60	223	208
Japan 10y Yield		0.24	-2.2	-2	2	20	17
UK 10y Yield		3.43	11.7	26	91	263	246
Credit Spreads			basis points				
US Investment Grade		163	-0.4	2	2	74	51
US High Yield		487	-1.9	12	18	167	150
Europe IG		125	2.6	16	15	76	77
Europe HY		614	12.2	75	62	371	372
Exchange Rates			%				
USD/Majors		111.07	0.4	1	2	19	16
EUR/USD		0.99	0.2	-1	-1	-16	-13
USD/JPY		142.7	-0.9	-1	4	30	24
EM/USD		49.5	0.4	0	-1	-12	-6
Commodities			%				
Brent Crude Oil (\$/barrel)		91	0.9	0	-6	19	17
Industrials Metals (index)		152	0.5	0	-3	-8	-12
Agriculture (index)		70	0.0	2	4	25	15
Implied Volatility			%				
VIX Index (% change in pp)		27.8	-0.2	1.5	4.0	6.9	10.6
US 10y Swaption Volatility		126.3	-4.0	-0.4	-6.7	59.4	47.3
Global FX Volatility		11.3	0.0	0.1	-0.1	4.5	3.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		257	-0.2	8	6	148	105
Italy		221	-2.8	-7	-11	123	86
Portugal		101	-2.0	-2	-7	47	37
Spain		112	-1.7	-4	-6	48	38

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

Emerging Market Financial Indicators

Last updated: 22/09/2022 12:36 PM	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		7.08	-0.4	-1.2	-3	-9	-10		2.8	2.5	1	4	-22	-9		
Indonesia		15023	-0.2	-0.8	-1	-5	-5		7.2	4.9	7	8	112	87		
India		81	-1.1	-1.4	-1	-9	-8		6.3	0.0	0	9		0		
Philippines		58	-0.9	-2.3	-4	-14	-13		5.7	5.0	8	40	193	125		
Thailand		37	-0.6	-1.3	-4	-11	-11		3.1	10.0	16	50	138	120		
Malaysia		4.57	-0.3	-0.7	-2	-8	-9		4.2	2.8	10	27	88	65		
Argentina		145	-0.2	-1.4	-6	-32	-29		83.2	88.1	409	757	3502	3268		
Brazil		5.17	-0.6	-0.2	0	2	8		11.6	-18.0	-27	-52	74	93		
Chile		932	0.4	-0.9	1	-15	-9		6.8	0.0	21	-8	199	138		
Colombia		4404	0.4	-0.4	0	-13	-8		9.7	0.0	-9	17	337	329		
Mexico		19.92	0.5	0.8	1	1	3		8.9	2.5	9	34	174	139		
Peru		3.9	-0.2	-0.7	-1	5	2		8.2	-1.2	8	28	196	234		
Uruguay		41	0.2	-0.5	-1	5	9		11.4	0.0	-2	52	347	267		
Hungary		411	0.6	-0.6	0	-26	-21		9.5	4.5	5	25	646	504		
Poland		4.83	0.4	-2.3	-1	-18	-17		6.1	4.0	4	20	408	252		
Romania		5.0	0.2	-1.8	-2	-16	-13		8.1	3.3	1	41	458	327		
Russia		59.7	2.3	0.8	1	22	26		8.6	0.0	33	30	101	-19		
South Africa		17.6	0.7	-0.3	-4	-16	-10		9.3	4.5	9	42	189	183		
Turkey		18.39	-0.3	-0.7	-2	-53	-28		11.6	1.0	11	-235	-574	-1271		
US (DXY; 5y UST)		111	0.4	1.2	2	19	16		3.82	5.7	16	67	297	256		

	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		3869	-0.9	-4	-7	-20	-22		194	-5	-20	-17	-9		
Indonesia		7219	0.4	-1	1	18	10		188	8	12	4	23		
India		59120	-0.6	-1	0	-1	1		162	1	10	12	30		
Philippines		6302	-0.6	-4	-5	-9	-12		143	15	19	27	42		
Malaysia		1439	-0.6	-2	-3	-7	-8		101	3	-10	-31	-16		
Argentina		146980	-0.6	0	11	97	76		2411	71	-54	830	731		
Brazil		111936	-0.5	1	1	0	7		298	5	-19	1	-13		
Chile		5369	0.0	-4	1	22	25		183	1	8	30	43		
Colombia		1198	0.2	-1	-7	-9	-15		420	19	16	130	72		
Mexico		46993	-0.2	0	-2	-8	-12		439	19	30	92	107		
Peru		19660	0.4	2	1	9	-7		211	6	26	39	61		
Hungary		39494	0.6	-3	-8	-23	-22		262	34	52	125	138		
Poland		49728	0.5	-2	-7	-30	-28		14	-2	5	-12	-18		
Romania		11266	-0.2	-5	-10	-8	-14		317	27	54	123	124		
Russia		2163	1.5	-12	-3	-46	-43		3411	-577	938	3228	3234		
South Africa		65530	-1.0	-3	-5	3	-11		441	14	-8	83	86		
Turkey		3292	1.4	-2	7	134	77		606	14	-67	124	28		
Ukraine		519	0.0	0	0	-1	-1		3582	155	285	3098	2823		
EM total		37	-0.7	-4	-6	-27	-24		435	12	12	70	49		

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

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