



- Mexican peso under pressure amid judicial reform plan ([link](#))
- The yen appreciated to the strongest level since January before retracing ([link](#))
- Surging trade volume on Chinese bonds signals renewed intervention by PBC ([link](#))
- UK monthly GDP growth printed weaker than expected ([link](#))
- Private investors have been net buyers of Japanese government bonds ([link](#))

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## Hold Your Horses: Treasury yields rise following upside inflation surprise

**Core CPI inflation came in above expectations at 0.3% m/m, sending 2y Treasury yields around 7–8 bps higher and stock futures lower.** Market expectations for at least one rate cut at the September meeting remain intact, though markets are now pricing about 28 bps of cuts compared to 33 bps previously. The dollar index rebounded after selling off earlier in the morning. European bond yields also edged higher following the release. The yen appreciated past 141 per dollar following hawkish comments by a Bank of Japan board member before retracing and settling above 142 following the CPI release. The Mexican peso fell sharply yesterday before rebounding this morning after the Senate passed the outlines of a controversial judicial reform plan. Brent crude prices gained about 2% after falling below \$70 per barrel. Elsewhere, Kamala Harris gained in prediction markets following the presidential debate last night, becoming the slight favorite.

Key Global Financial Indicators

Last updated: 9/11/24 8:52 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5496	0.4	-1	3	22	15.21
Eurostoxx 50		4767	0.4	-2	2	12	5
Nikkei 225		35620	-1.5	-4	2	9	6
MSCI EM		42	-0.4	-1	0	7	4
<b>Yields and Spreads</b>			bps				
US 10y Yield		3.68	3.9	-7	-26	-61	-20
Germany 10y Yield		2.15	2.1	-7	-7	-49	13
EMBIG Sovereign Spread		396	5	-1	-13	-23	13
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.5	0.2	0	-1	-4	-5
Dollar index, (+) = \$ appreciation		101.7	0.1	0	-1	-3	0
Brent Crude Oil (\$/barrel)		70.7	2.1	-3	-11	-22	-8
VIX Index (% change in pp)		19.2	0.1	-2	-1	5	7

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

## Mature Markets

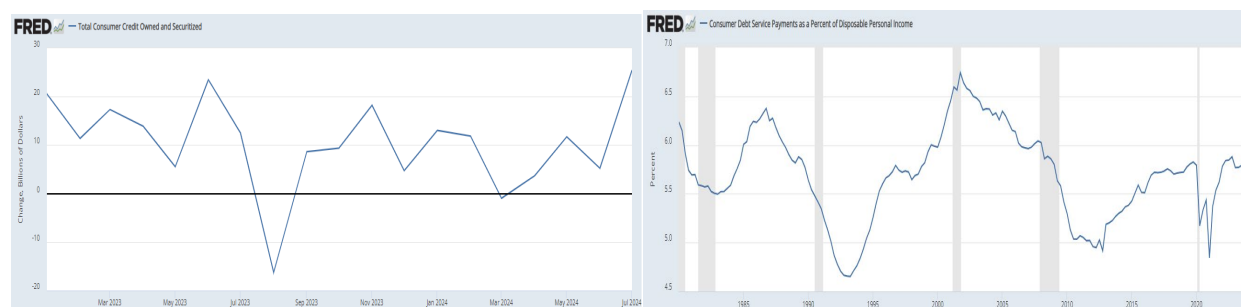
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### United States

**Core inflation surprised on the upside at 0.3% m/m, sending Treasury yields higher.** On an annual basis, both headline and core printed in line with expectations. The dollar also gained after selling off prior to the release.

	Actual	Survey
<b>CPI m/m</b>	0.2%	0.2%
<b>Core CPI m/m</b>	0.3%	0.2%
<b>CPI y/y</b>	2.5%	2.5%
<b>Core CPI y/y</b>	3.2%	3.2%

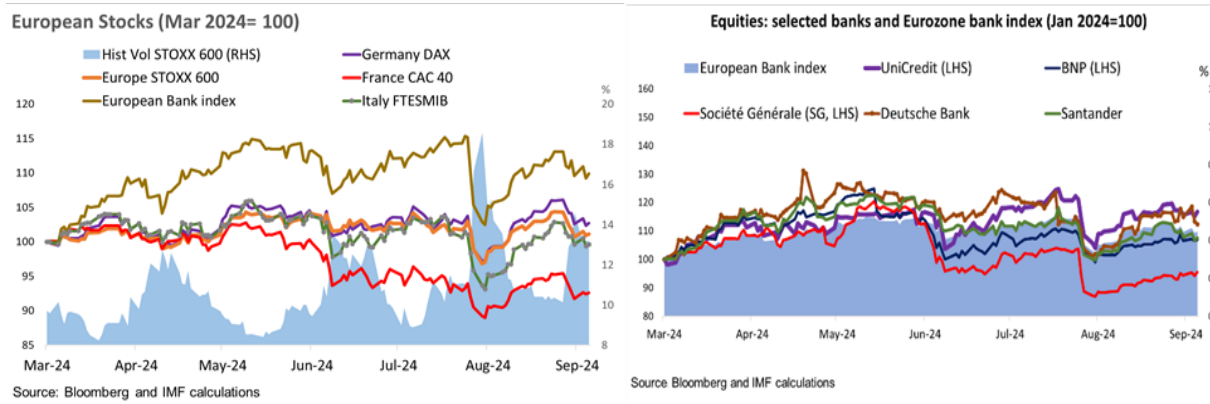
**Consumer borrowing accelerated in July as interest rates moved lower.** US consumer credit expanded by \$25.5 bn in July, compared to \$12.3 bn expected, and \$5.2 bn in June. Total outstanding consumer borrowing has been increasing at a 6.0% annual rate, with revolving credit (which includes credit card debt) and nonrevolving credit (auto and student debt) climbing 9.4% and 4.9%, respectively. The expected easing in policy rates by the Federal Reserve may further encourage consumer borrowing as personal income growth begins to moderate, especially against the backdrop of a relatively healthy household balance sheet. The household debt service to disposable income ratio has remained modest at less than 6%.



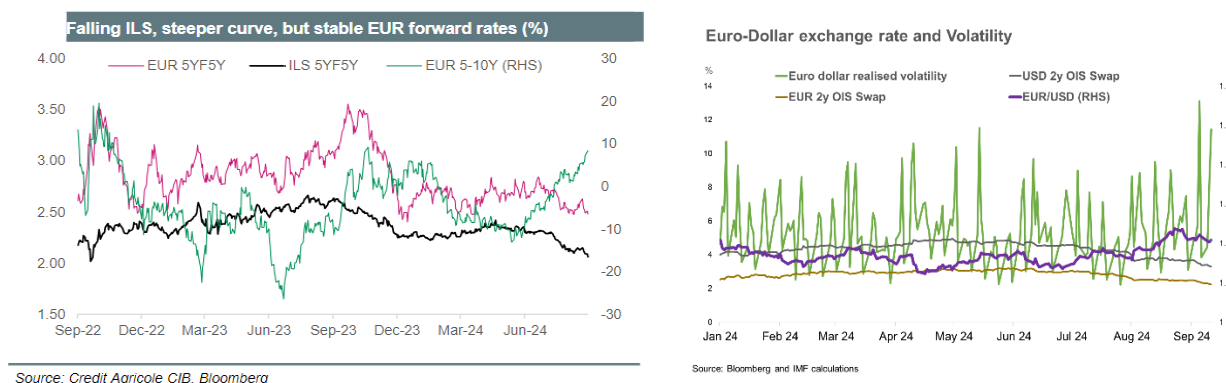
**US regulators scaled back plans for increased capital requirements for large US banks.** US regulators announced a proposal to require eight G-SIB banks to increase common equity tier 1 capital (CET1) by 9 percent, lower than the originally planned 19 percent. The proposal would also require a capital increase for medium sized banks with assets between \$100 bn and \$250 bn of 3 to 4 percent, largely driven by a requirement to recognize unrealized gains and losses on their securities in regulatory capital. The Federal Reserve's proposed regulatory changes, colloquially known as Basel III Endgame, are designed to address lingering vulnerabilities in the US financial system following the failure of several mid-sized banks last year. Bank stocks underperformed yesterday (-1.8%) after JPMorgan announced downward revisions to its net interest income forecasts, Goldman Sachs warned about lower trading revenues, and Ally Financial noted some asset quality deterioration in its auto portfolio.

### Europe

**European equities traded higher this morning, with the Stoxx 600 index up by +0.3% led by gains in the technology (+1.6%) and banking (0.8%) sectors.** The European banking sector rebounded partially from steep losses yesterday (-1.6%). Unicredit (UCG) acquired a 9% equity stake in Commerzbank (CBK) and sought regulatory approval to increase its stake further. The acquisition will reduce UCG's CET1 by 15 bps but won't constrain UCG's dividend. If fully combined, the banks' German business would have assets of about €550 bn. CBK shares spiked 17% overnight.



**Bund yields stabilized and the euro was little changed this morning ahead of the ECB meeting tomorrow.** 10y Italian BPT and French OAT spreads narrowed marginally to 143 bps and 70 bps, respectively. Crédit Agricole highlighted that long-end forward rates have remained steady despite the decline in forward inflation-linked swaps (ILS). While ING analysts were positive about the outlook for the euro ahead of the US election, Bloomberg analysts felt that a cautious ECB and weak growth would weigh on the common currency in the medium term. Markets are pricing in about 65 bps of easing through December.



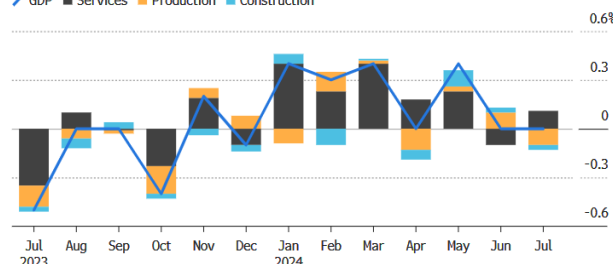
## United Kingdom

**Equities initially edged lower this morning after monthly GDP growth came in below expectations at 0% m/m vs 0.2% m/m expected.** Growth in the services sector only partially offset contractions in industrial and manufacturing production. The UK economy outperformed (+1.3%) in the first half of 2024 but Bloomberg analysts expect growth in the second half to be significantly weaker. The Bank of England also forecast growth of 0.3% on average in the third and fourth quarters. **The pound was little changed, while gilt yields declined across all tenors**, in particular on the front end (2y yield -6 bps). Markets increased their expectations of rate cuts by the Bank of England, with forward rates pricing in 50 bps of easing through December (vs 47 bps yesterday). Analysts at Bank of America continue to expect the Bank of England to keep the benchmark rate unchanged at 5% in September and to cut in November.

**UK Economy Stagnated for Second Month in July**

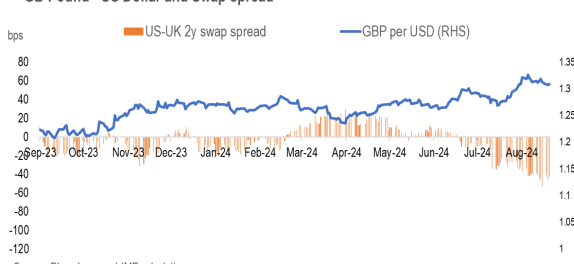
Contributions to monthly GDP growth, July 2023 to July 2024, UK

GDP ■ Services ■ Production ■ Construction



Source: UK Office for National Statistics

Bloomberg

**GB Pound - US Dollar and Swap spread**

Source: Bloomberg and IMF calculations

**Japan**

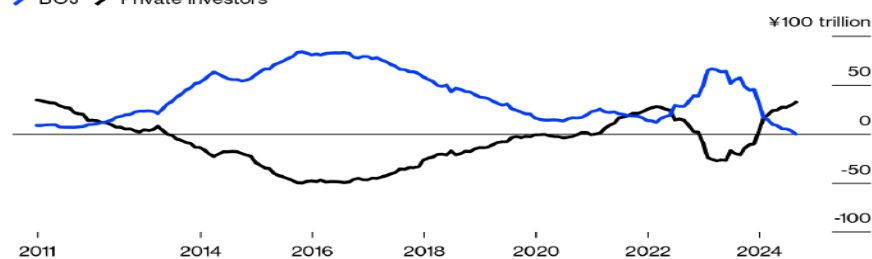
**The yen appreciated to the strongest level since January after a Bank of Japan (BoJ) official signaled potential rate hikes.** BoJ Board Member Junko Nakagawa indicated on Wednesday that future rate hikes remain possible if economic conditions align with projections. Nakagawa emphasized the need to adjust monetary easing based on economic and inflation outlooks, noting the current low level of real rates. Most economists expect the BoJ to hold rates unchanged at the meeting next week before hiking in December or January. During the August market turmoil, BoJ comments suggested the central bank would hold off on further rate increases but focus has shifted back towards the macroeconomic outlook. The yen appreciated as high as 140.7 per dollar before reversing even prior to the US CPI release. Japanese equities also slumped lower following the remarks, with the Nikkei down 1.5%.

**Private investors have been net buyers of Japanese government bonds, partially offsetting the BoJ's reduced bond purchases.** BoJ data show that private investors bought ¥32.2 trn (\$225 bn) of Japanese government bonds (JGBs) in the twelve months through August, while the BoJ's net purchases turned negative. Bloomberg reported that trust banks, often proxies for pension funds, have been the largest buyers. Global investors have been closely considering the potential impact of any portfolio rebalancing by the Government Pension Investment Fund amid the BoJ's quantitative tightening plans.

**Private Investors Surpass BOJ in Japanese Debt Purchases**

Rolling 12-month sum of net purchases

BOJ ■ Private investors



Sources: Bloomberg, Bank of Japan

Bloomberg

**Emerging Markets**[back to top](#)

**EMEA equities were mostly trading lower while regional currencies gained against the dollar this morning.** The Romanian leu was little changed after headline inflation eased by less than expected in August. Nigeria raised \$900 mn in its first domestic dollar denominated issuance. **In Asia, most equity markets declined, led by Thailand (-1.4%), Malaysia (-1%), Hong Kong (-0.7%), and China (-0.3%).** In contrast, several regional currencies gained amid broad dollar weakness, led by the Philippine peso (+0.8%), Thai baht (+0.3%), and Indonesian rupiah (+0.3%). **In Latin American, major currencies**

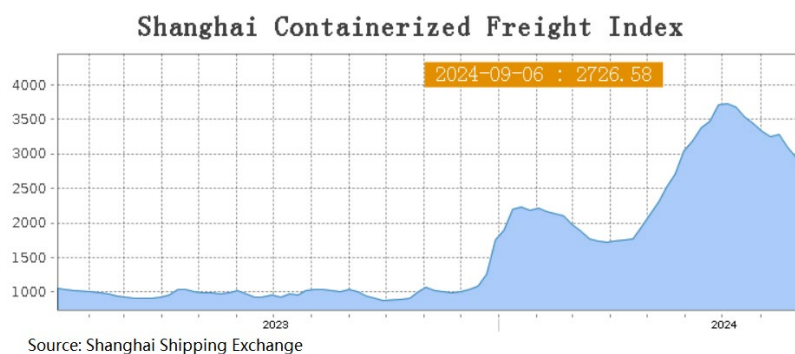
declined on Tuesday, with the Brazilian real (-1.3%), Mexican peso (-1.1%), and Colombia peso (-0.9%) all closing lower.

## China

**Trading volume in Chinese government bonds surged, likely signaling central bank intervention.**

Bloomberg reported that over 250 batches of a 10y special sovereign bond were traded on Tuesday, more than triple the number of transactions in the previous session. Market participants attributed the surge in volume to the People's Bank of China (PBC) selling bonds again in an attempt to prevent yields from falling too quickly. Local media had reported earlier in the week that PBC sales in the secondary market could resume soon. The authorities have expressed concern that some urban and rural commercial banks, which have been aggressively purchasing bonds, would face significant balance sheet risks if bond yields reverse course quickly. 10y yields have fallen from 2.56% in January to 2.11% in recent days. According to Caixin, urban commercial banks and rural commercial banks traded over RMB9 tn (\$1.3 tn) and RMB7.5 tn in bonds in June, respectively.

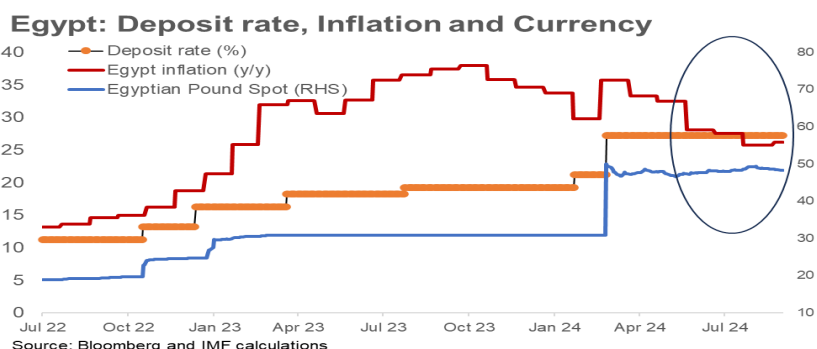
**Freight charges for container shipments have fallen sharply,** with the Shanghai export container settlement freight index for the North America route dropping nearly 40% from July highs. Many smaller companies who entered the market during the aftershocks of the pandemic are now struggling due to a lack of orders. Yicai reported that over 44,600 agencies de-registered last year as revenue collapsed, with no immediate expectations for a rebound.



## Egypt

**Inflation accelerated to 26.2% y/y in August, prompting some analysts to push back their expectations of central bank easing.** Egypt's headline inflation rose to 26.2% y/y in August after decelerating for five consecutive months to 25.7% in July. Core inflation also accelerated. The central bank of Egypt had left policy rates unchanged at its September MPC meeting with the deposit rate at 27.25%, with the statement pointing to perceived upside risks to the inflation path. Goldman Sachs analysts, who had expected a 100 bp rate cut at the MPC meeting earlier this month, continue to expect 300 bps of cuts by end-2024, but now see risks for the central bank to only start easing in Q1 2025. JPMorgan analysts also highlighted risks of a later start to the easing cycle. The Egyptian pound has remained in a narrow range of around EGP47–49/USD after the devaluation in March. In contrast, Bloomberg analysts argue that the buffer created by Egypt's healthier external position could provide currency stability and allow for rate cuts start before end-2024.





## Mexico





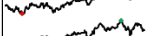
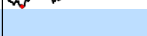




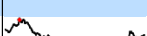

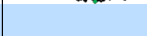



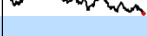



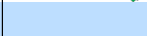


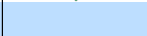

**The Mexican peso weakened to the lowest level in two years before stabilizing amid a judicial reform plan.** The exchange rate depreciated past MXN20 per dollar for the first time since 2022, extending its YTD decline to over 15%, before retracing slightly this morning to around 19.96. After steadily appreciating in the recent years, the peso has come under heavy pressure in recent months from both the unwinding of carry trades and increased political risk. The Mexican Senate passed the broad outlines of a controversial judicial reform plan last night that some say would erode the independence of the judiciary, with some details still to be finalized. One-month implied volatility on peso options is the highest in Latin America, while some analysts highlighted the exchange rate at 20 as a key psychological threshold. The peso also has remained correlated with oil prices, which have fallen below \$70 per barrel in recent days.



*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 Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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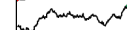


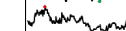



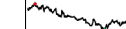

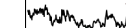


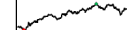



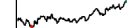


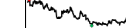

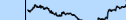
## Global Financial Indicators

9/11/24 8:50 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5495	0.4	0	3	22	15
Europe		4767	0.4	-2	2	12	5
Japan		35620	-1.5	-4	2	9	6
China		3186	-0.3	-2	-4	-15	-7
Asia Ex Japan		71	-0.4	-1	0	8	6
Emerging Markets		42	-0.4	-1	0	7	4
<b>Interest Rates</b>			basis points				
US 10y Yield		3.68	3.9	-7	-26	-61	-20
Germany 10y Yield		2.15	2.1	-7	-7	-49	13
Japan 10y Yield		0.86	-4.4	-3	0	15	24
UK 10y Yield		3.80	-1.5	-13	-14	-67	27
<b>Credit Spreads</b>			basis points				
US Investment Grade		138	-1.0	1	-3	-8	4
US High Yield		389	-7.0	7	-3	-22	4
<b>Exchange Rates</b>			%				
USD/Majors		101.75	0.1	0	-1	-3	0
EUR/USD		1.10	-0.1	-1	1	2	0
USD/JPY		142.4	0.0	-1	-3	-3	1
EM/USD		45.5	0.2	0	-1	-4	-5
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		70.7	2.1	-3	-10	-15	-6
Industrials Metals (index)		140	1.2	-1	1	-3	-2
Agriculture (index)		55	0.5	-1	2	-18	-13
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		19.2	0.1	-2.2	-1.2	5.4	6.7
Global FX Volatility		8.4	0.0	-0.2	-0.3	0.2	0.3
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		102	-3.4	-1	-8	-35	-2
Italy		143	-2.6	-1	1	-33	-25
Portugal		62	-0.3	2	-2	-12	-1
Spain		82	-0.5	1	-4	-23	-15

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

## Emerging Market Financial Indicators

Last updated: 9/11/2024 7:19 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		7.11	0.1	0.0	1	2	0		1.9	-0.5	-4	-19	-86	-65
Indonesia		15400	0.3	0.5	4	0	0		6.6	-3.2	-8	-19	-1	11
India		84	0.0	0.0	0	-1	-1		6.9	-8.0	-13	-9	(88.9)	-33
Philippines		56	0.8	1.1	2	1	-1		5.1	-0.1	0	-10	-85	-55
Thailand		34	0.3	1.7	5	6	1		2.4	-4.5	-6	-12	-71	-34
Malaysia		4.33	0.3	0.5	3	8	6		3.7	-2.2	-4	-4	-15	-1
Argentina		957	0.0	-0.4	-2	-63	-16		38.7	-36.1	-236	-597	-8374	-4769
Brazil		5.66	-1.3	-0.3	-3	-13	-14		11.7	2.3	-32	18	26	130
Chile		949	-0.4	-2.1	-2	-6	-7		4.7	0.0	-22	-36	-63	-26
Colombia		4280	-0.9	-2.2	-5	-7	-10		7.5	0.0	-46	-22	-113	-19
Mexico		19.93	0.8	0.0	-4	-13	-15		8.9	-0.8	-9	6	-32	43
Peru		3.8	0.2	-0.5	-2	-3	-3		6.4	-3.4	-12	#VALUE!	-47	-24
Uruguay		41	-0.5	-0.6	-1	-6	-4		9.8	4.3	21	29	47	26
Hungary		359	0.4	-1.1	0	-1	-3		5.8	-7.0	-11	-18	-110	2
Poland		3.88	0.1	-0.6	1	11	1		4.4	-5.4	-19	-16	-17	-11
Romania		4.5	0.3	-0.3	1	3	0		6.5	0.5	1	17	-5	32
Russia		91.0	0.0	-3.8	0	5	-2							
South Africa		17.9	0.4	-0.1	2	6	3		8.5	-4.5	-11	-23	-94	-64
Türkiye		34.01	0.1	0.0	-1	-21	-13		28.7	-16.0	-10	40	382	197
US (DXY; 5y UST)		101	-0.3	0.0	-2	-3	0		3.41	-1.2	-14	-39	-100	-44

	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		3186	-0.3	-2	-4	-15	-7		127	2	-27	-55	-31		
Indonesia		7761	0.0	1	6	12	7		118	8	1	-11	22		
India		81523	-0.5	-1	2	21	13		114	4	-3	-26	-2		
Philippines		6945	-0.6	1	5	11	8		102	7	3	-2	22		
Thailand		1415	-0.9	4	9	-8	0		0	0	0	0	0		
Malaysia		1640	-1.2	-2	2	13	13		92	8	-6	-5	7		
Argentina		1715185	-1.3	-1	8	234	84		1449	-24	-112	-714	-464		
Brazil		134320	-0.3	0	3	15	0		242	11	6	11	27		
Chile		6215	-0.3	-3	-2	6	0		132	8	0	5	7		
Colombia		1314	-0.6	-2	0	24	10		339	16	13	-1	68		
Mexico		50973	-0.3	-1	-4	-2	-11		344	15	21	-12	10		
Peru		28007	-1.0	0	-2	23	8		157	11	3	2	13		
Hungary		71864	0.2	-1	0	26	19		170	15	7	-25	21		
Poland		80339	-1.1	-5	1	21	2		121	13	8	-4	24		
Romania		17364	-0.6	-4	-3	24	13		219	12	22	4	19		
South Africa		81317	-0.4	-1	1	10	6		320	17	0	-55	12		
Türkiye		9585	-0.4	-4	-3	18	28		319	11	3	-71	5		
EM total		42	0.0	-1	0	7	4		421	11	-2	42	75		

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

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