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- US consumer survey shows uptick in one-year ahead inflation expectations ([link](#))
- Focus shifts to rate cuts in Czech Republic ([link](#))
- Country Garden extended repayments on six Renminbi bonds by 3 years ([link](#))
- Mexican peso outperformed major currencies despite news of higher 2024 budget deficit ([link](#))
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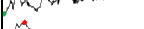
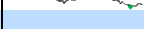



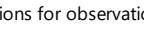
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Markets seek direction with major monetary policy meetings ahead

Over the next 10 days, central banks of the euro area, the US, the UK, Japan, Norway, Sweden and Switzerland will meet for their monetary policy decisions. Markets' focus is on tomorrow's US CPI print, which could affect expectations for the FOMC's meeting next week, and on the ECB monetary policy decisions on Thursday. This week, the market implied probability of an ECB rate hike increased from 38% to 41%. A Bloomberg article suggests that a longer-lasting plateau of policy rates across the major developed economies may have similar effects as raising rates higher and cutting them faster, but with the advantage of lower volatility. Equity markets in Asia and Europe traded mixed and/or sideways today. US equities are set to open lower with S&P 500 futures trading at -0.3%. **The technology sector has recently shown strong gyrations**, with underperformance last week, on the back of concerns about semiconductor woes between the US and China, and a comeback yesterday, whereby Tesla gained over 10% on the back of investor excitement over its Dojo Supercomputer. By contrast again, Oracle shares plunged in pre-market trading today as its earnings disappointed.

Key Global Financial Indicators

Last updated: 9/12/23 8:16 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4487	0.7	-1	1	9	17
Eurostoxx 50		4234	-0.1	-1	-2	16	12
Nikkei 225		32776	1.0	-1	1	15	26
MSCI EM		39	1.2	-1	-1	-1	3
Yields and Spreads			bps				
US 10y Yield		4.28	-0.4	2	13	92	41
Germany 10y Yield		2.63	-0.2	2	1	98	6
EMBIG Sovereign Spread		419	0	2	20	-71	-33
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.5	-0.1	0	-1	-6	-5
Dollar index, (+) = \$ appreciation		104.8	0.2	0	2	-3	1
Brent Crude Oil (\$/barrel)		91.3	0.6	1	5	-3	6
VIX Index (% change in pp)		14.2	0.3	0	-1	-10	-8

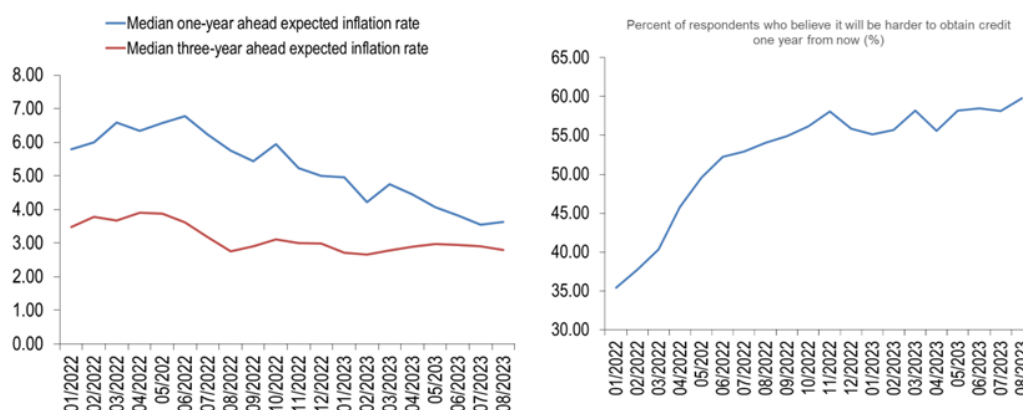
Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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United States

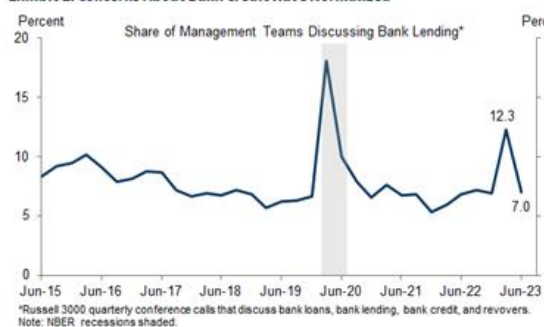
The US survey of consumer expectations shows an uptick in one-year ahead inflation, and difficulty to obtain credit. Median one-year ahead inflation expectations rose slightly to 3.6% in August while the 3-year ahead rate fell to 2.8%. The share of respondents who believe it will be harder to obtain credit one year from now continued to rise to an all-time maximum of 60%. Furthermore, the NY Fed's Survey showed an uptick in expectations for a rise in unemployment while the growth in expected household income fell to 2.9%, its lowest reading since July 2021. Households have become less optimistic about their future financial conditions, despite the fact that the Bloomberg average forecasted GDP growth for 2023 the US continues to rise (Jan 0.5%, July 1.5%, Aug 2.0%).



Source: New York Federal Reserve Survey of Consumer Expectations, Bloomberg, IMF.

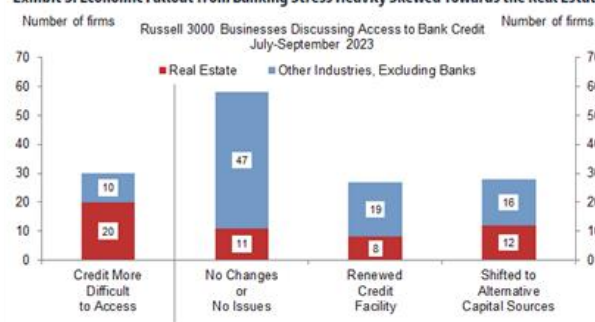
Earnings season calls show falling concerns about bank credit access. The share of management teams expressing concerns about bank lending has fallen to about 7% of companies within the Russell 3000, a 8pp drop since 1Q23. Nearly two-thirds of respondents cited no change in credit access while almost 30% of firms highlighted they had replaced or were expecting to replace bank funding with alternative sources of capital. On the other hand, real estate appeared to be most heavily impacted by banking stress as 66% of firms who discussed difficulties in accessing credit fall within that sector.

Exhibit 1: Concerns About Bank Credit Have Normalized



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: Economic Fallout from Banking Stress Heavily Skewed Towards the Real Estate Sector



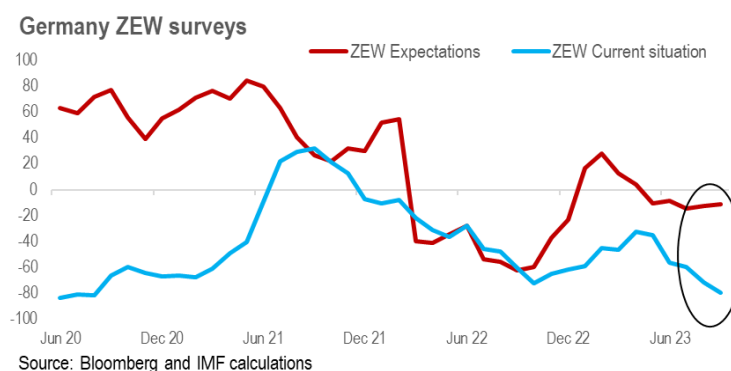
Source: Company data, Goldman Sachs Global Investment Research

Euro Area

European equities traded sideways on aggregate (Stoxx 600 Europe index +0.1%), with mixed performances across sectors. Sovereign yields were little changed while the euro weakened against the dollar (-0.3%), trading at around 1.071/\$. Markets are currently pricing in roughly 10bps of tightening for Thursday's meeting, a total of 20bps is priced in by the end of this year. **ING analysts argue that even if**

the ECB were to hike the deposit facility rate by 25bps this week, the weakening trend of the euro since July will likely not be inverted.

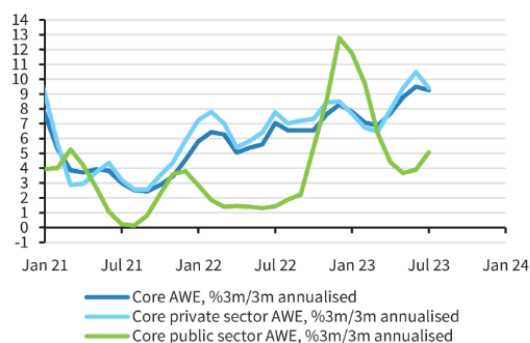
The German ZEW expectations index unexpectedly increased in September while the current assessment component continued to weaken. The expectations index increased to -11.4 in September, versus -15 expected, and -12.3 in August. The ZEW President noted that the more optimistic assessment for Germany reflects a more optimistic view of international equity market developments which is partly attributable to a higher proportion of respondents expecting stable interest rates in the US and in the euro area. However, the current assessment component fell to -79.4 (versus expected -75.5) from -71.3. Contacts note that the deterioration in the current component is not surprising, given recent data releases where leading indicators and activity data showed a worsening in Germany's downturn.



United Kingdom

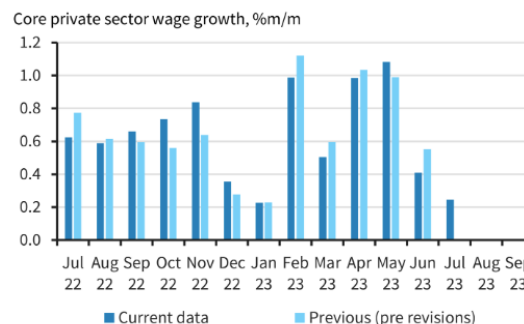
Labor market data released today were in line with expectations for a September BoE hike. Data released this morning showed average weekly earnings including bonuses surprising on the upside, but analysts highlight that higher unemployment and plateauing of private sector wage growth excluding bonuses could indicate that the labor market is softening. Private sector regular (core) pay slowed and had its weakest monthly increase since January. Analysts argue that today's data reinforced expectations for a 25bps BoE hike in September, with some contacts arguing that today's data does not point to the need to tighten much further. Focus now shifts to GDP data (due tomorrow) and next week's inflation print. In the meantime, **BoE MPC member Mann argued yesterday that holding interest rates at current levels would risk worsening inflation persistence.** This morning the pound weakened against the dollar (-0.3% to 1.25/\$) and gilt yields fell (10y yield -5bps to 4.42%), retracing yesterday's increases.

Figure 3. Core average weekly earnings, % 3m/3m, annualised



Data are seasonally adjusted. Core average weekly earnings: average weekly earnings ex bonuses.

Figure 4. Core private sector pay and previous vintage (pre-revisions)

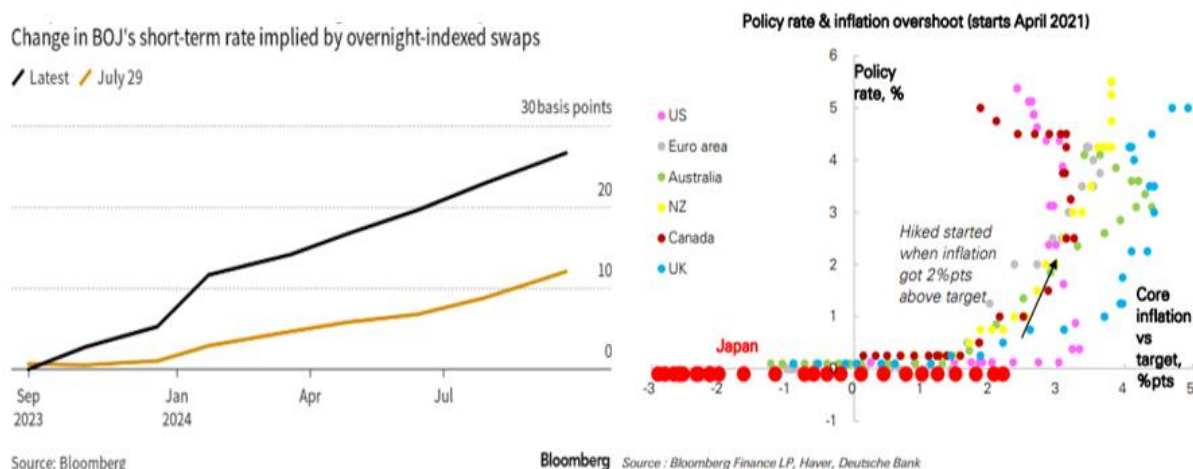


Seasonally adjusted.

Source: ONS, Haver Analytics, Barclays Research

Japan

Investors brought forward their expectations for the end of the Bank of Japan's negative interest rates policy (NIRP). Japan's bond market is increasingly pricing an earlier end to the NIRP after Governor Ueda's hawkish interview last weekend. Overnight-indexed swaps suggest the BoJ will exit the policy in January, compared with September 2024 seen after the last policy meeting in July, Bloomberg data shows. Related, Deutsche Bank argued that Japan's inflation overshoot reached the point where peers started to hike rates. The bank has brought forward its call on the removal of yield curve control (YCC) to October 2023 and end of NIRP to January 2024. They believe the timing of the recent statements can be attributed to higher-than-expected inflation, a revision in BoJ's inflation forecast in the next outlook report in October might also be on the cards. DBS noted, however, that recent wage data has been disappointing, while actual macro wage data tend to fall short of expectations, and uncertainty may not be resolved by year-end. While they do not expect changes to YCC in 2023, they project 10-year yields to shift towards 0.9%, with shorter tenors also seeing considerable upward pressure. Japanese stocks gained +0.8%. Top fund managers are reportedly snapping up Japanese banks stocks, amid expectations of monetary policy tightening. The yen depreciated -0.1% and the 10-year government bond yield rose by +0.4 bps.



Emerging Markets

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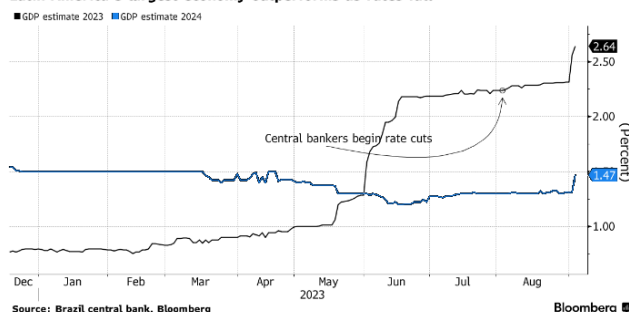
Equity markets in EMEA were mixed with currencies mostly weakening against the dollar. Equities in Nigeria (-1%) underperformed. CEE currencies were mostly trading weaker against the euro, with the Polish zloty seeing the largest losses (-0.8% to 4.67/€). On the data front headline inflation in the Serbia continued to ease in August. **Asian equities were mixed, declining -0.2%** on aggregate. Vietnam gained +1.8%, and South Korea equities lost -0.8%. The Thai baht depreciated -0.4% against the dollar, after the **Thailand PM Srettha Thavisin** pledged to raise daily minimum wage by as much as 22%, with the target at 400baht (\$11), to spur consumption. **Philippines'** central bank Deputy Governor Dakila stated at a conference that the central bank (BSP) wants CPI inflation within its 2-4% target before any change in policy stance. BSP sees headline inflation reverting to target by end 2023. **Latin American currencies appreciated against the US dollar and equities ended Monday mixed.** Currencies appreciated across the region following news on improved credit demand in China. Mexico (+1.84%), led the currency appreciation, followed by Brazil (+1.11%), Colombia (+0.85%), Chile (+0.44%), and Peru (+0.43%). Equities in Brazil (+1.36) outperformed after analysts revised GDP growth upwards.

Brazil

Brazilian stocks outperformed Monday following upward revisions of GDP growth.

Analysts revealed higher expectations for GDP growth for this year through 2025 following better-than-expected q/q results in Q1 and Q2. Expected 2023 GDP growth now sits at 2.64% (previously 2.56%), while 2024 and 2025 increased to 1.47% and 2%, respectively. Brazil's central bank cut the Selic rate by 50 bps in August and is expected to continue this pace going forward, to bring inflation back down to their 3% target. Although y/y CPI is currently at 3.99%, down from the recent 12.13% peak in April 2022, analysts are concerned that stronger activity and rising commodity prices could put upward pressure on prices.

Brazil Analysts See Stronger Growth Ahead Latin America's largest economy outperforms as rates fall



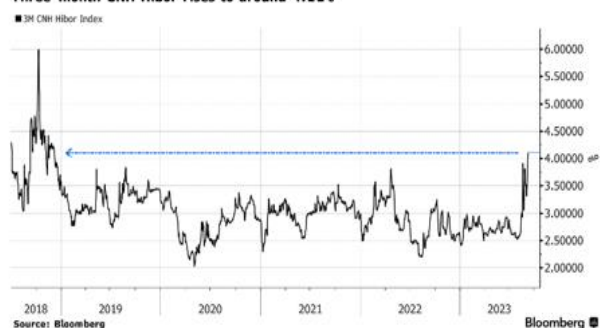
China

China's property developer Country Garden received approval from creditors to extend repayments on six onshore bonds by three years, Reuters reported. The outstanding principal of the securities totals 10.8 bn yuan (\$1.5 bn). The property giant had asked to stretch principal payments of eight renminbi notes by three years, just days after it dodged a default on dollar securities at the last minute. The voting on two remaining notes (with payments in October and November) was postponed to Tuesday. Country Garden stocks rallied by 9.7% on the news. Separately, **offshore yuan's interbank interest rates, jumped to highest since 2018**. Three-month CNH HIBOR increased above 4%, a sign that liquidity is tightening overseas, Bloomberg reported. **Chinese equities declined -0.2%, and the renminbi was little changed.**

Country Garden Dollar Bonds Are Deep In Distress Notes trade at around 10% of face value

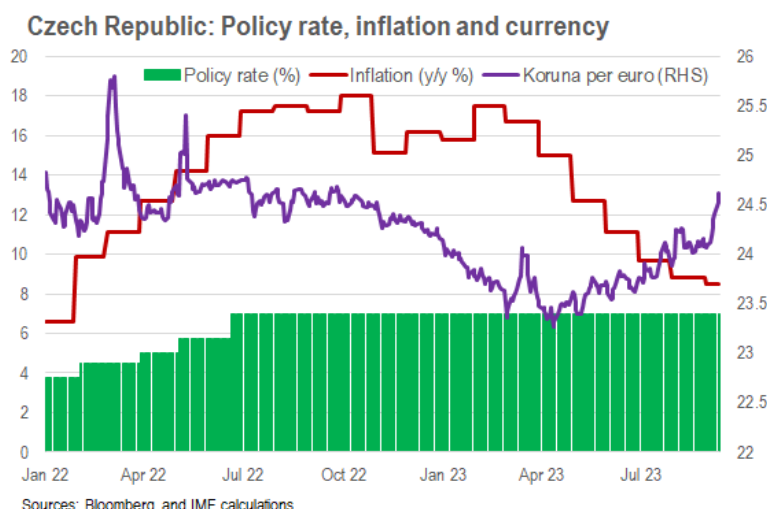


CNH Interbank Interest Rate Jumps to Highest Since 2018 Three-month CNH HIBOR rises to around 4.11%



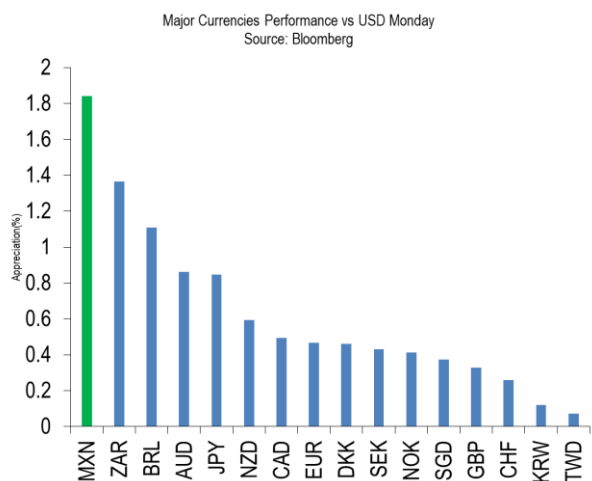
Czech Republic

Analysts focus shift to rate cuts, expected to start in Q4 2023. Data released yesterday showed headline inflation easing to +8.5%/y/y in August as expected (from 8.8%/y/y), mainly as a result of base effects in food and housing. Goldman Sachs analysts highlight that core inflation also eased (to 6.0%/y/y in July), coming in below the central bank's forecast (6.2%/y/y). Analysts do not expect the inflation print to impact monetary policy significantly going forward, and pointing to uncertainty around the short-term inflation outlook as a result of higher energy prices, analysts see the central bank leaving rates unchanged at the September policy meeting. That said, with the momentum of core inflation slowing and downside surprises in wage growth, analysts expect the central bank to start cutting rates in Q4 2023. Earlier this week the Czech koruna depreciated to its lowest level since early November against the euro, with contacts noting that focus has shifted to interest rate cuts. The currency is roughly 1.8% weaker than at the start of the year.



Mexico






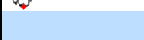






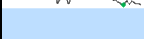











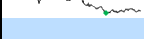

The Mexican peso outperformed major currencies despite news regarding its 2024 budget deficit. The peso (+1.84%) led major currencies Monday despite the Finance Ministry's proposed 2024 budget, which would increase the country's deficit to 4.9% of GDP from 3.3% in 2023. The proposed budget would increase expenditures to the armed forces by 81%. According to Bloomberg analysts, projects including the Maya Train and new state-owned airline, Mexicana, are included in the budget of the Defense Ministry. Analysts also revealed that investors were anticipating the increase, allowing the news on improved credit demand in China absorb all the attention. The peso, along with most emerging market currencies appreciated following the overall positive data releases in China.



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

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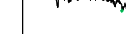


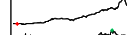


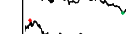




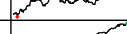
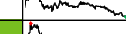
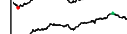










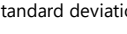






Global Financial Indicators

9/12/23 8:16 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4481	0.7	0	0	9	17
Europe		4234	-0.1	-1	-2	16	12
Japan		32776	1.0	-1	1	15	26
China		3761	-0.2	-2	-3	-8	-3
Asia Ex Japan		66	1.1	-1	-1	-2	2
Emerging Markets		39	1.2	-1	-1	-1	3
Interest Rates			basis points				
US 10y Yield		4.28	-0.4	2	13	92	41
Germany 10y Yield		2.63	-0.2	2	1	98	6
Japan 10y Yield		0.71	0.2	5	13	46	29
UK 10y Yield		4.43	-4.1	-10	-10	134	75
Credit Spreads			basis points				
US Investment Grade		146	0.6	-1	1	-16	-12
US High Yield		411	-1.1	-2	-4	-50	-70
Exchange Rates			%				
USD/Majors		104.83	0.2	0	2	-3	1
EUR/USD		1.07	-0.3	0	-2	6	0
USD/JPY		146.9	0.2	-1	1	3	12
EM/USD		47.5	-0.1	0	-1	-6	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		91.3	0.7	1	6	8	11
Industrials Metals (index)		143	-0.6	-1	1	-8	-14
Agriculture (index)		66	-0.4	-1	0	-6	-4
Implied Volatility			%				
VIX Index (% change in pp)		14.2	0.3	0.1	-0.7	-9.7	-7.5
US 10y Swaption Volatility		106.4	-0.2	-15.6	-12.3	-22.1	-19.3
Global FX Volatility		8.3	0.0	0.0	0.0	-2.6	-2.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		142	5.5	10	14	-112	-64
Italy		175	-1.0	2	12	-56	-39
Portugal		73	-1.7	-1	2	-32	-29
Spain		105	-0.2	0	4	-10	-4

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

Emerging Market Financial Indicators

Last updated: 9/12/2023 8:17 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		7.29	0.0	0.2	0	-5	-5		2.7	-1.5	1	6	-2	-35
Indonesia		15340	-0.1	-0.5	0	-3	1		6.6	4.2	21	31	-50	-30
India		83	0.1	0.1	0	-4	0		7.8	0.0	14	20	30.5	32
Philippines		57	0.0	0.3	0	0	-2		5.9	0.0	0	0	31	-7
Thailand		36	-0.4	-0.5	-2	2	-3		3.1	2.0	9	28	33	46
Malaysia		4.68	-0.1	-0.3	-1	-4	-6		3.9	-0.5	2	3	-18	-18
Argentina		350	0.0	0.0	-18	-59	-49		121.3	-109.7	277	2815	4288	3313
Brazil		4.93	1.1	0.1	0	3	7		11.4	-3.9	14	36	-13	-114
Chile		892	0.4	-3.8	-4	1	-5		5.3	0.0	-13	-6	-131	-7
Colombia		3990	0.8	1.6	-1	9	22		8.6	0.0	20	47	-111	-120
Mexico		17.33	-0.3	0.5	-2	14	13		9.2	19.0	39	58	58	48
Peru		3.7	0.4	-0.2	0	4	3		6.9	-8.6	3	21	-119	-108
Uruguay		38	0.2	-0.8	-1	7	5		9.4	11.5	20	41	-191	-125
Hungary		360	-0.8	0.5	-2	9	4		6.9	0.0	-8	-25	-255	-271
Poland		4.36	-1.1	-4.0	-7	6	0		4.7	13.6	-5	-20	-109	-148
Romania		4.6	-0.5	-0.3	-2	5	0		6.6	-2.6	-3	-7	-151	-114
Russia		94.7	1.0	3.0	6	-36	-22							
South Africa		19.0	-0.5	1.3	1	-10	-10		9.5	7.0	-4	1	55	32
Turkey		26.90	-0.1	-0.4	1	-32	-30		25.6	66.0	290	494	1418	1573
US (DXY; 5y UST)		105	0.2	0.0	2	-3	1		4.41	0.2	4	11	96	41

	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		3761	-0.2	-2	-3	-8	-3		183	-2	1	-20	6	
Indonesia		6934	-0.4	-1	1	-5	1		129	5	14	-47	-11	
India		67221	0.1	2	3	11	10		140	-1	6	-20	-2	
Philippines		6230	-0.1	0	-3	-7	-5		104	6	13	-26	7	
Thailand		1546	0.3	0	1	-7	-7		0	0	0	0	0	
Malaysia		1453	-0.1	0	0	-2	-3		97	-1	5	0	-3	
Argentina		514074	-3.5	-19	7	255	154		2175	79	248	-151	-30	
Brazil		116883	1.4	-1	-1	3	7		230	1	7	-59	-44	
Chile		5879	0.2	-1	-6	5	12		127	6	14	-42	-5	
Colombia		1063	-0.6	1	-7	-14	-17		344	21	32	-57	-28	
Mexico		52267	-0.5	-1	-2	9	8		357	-2	-5	-53	-24	
Peru		22782	0.1	-2	-3	16	7		156	12	12	-31	-24	
Hungary		57365	0.3	3	2	38	31		194	2	9	-28	-28	
Poland		66423	-0.1	-2	-6	29	16		125	8	18	99	52	
Romania		14113	0.9	7	8	19	21		216	12	25	-82	-40	
South Africa		73846	-0.4	-2	-4	6	1		370	-9	7	-41	3	
Turkey		8179	0.4	-1	6	124	48		390	-1	3	-215	-50	
Ukraine		507	0.0	0	0	-2	-2		3325	-82	54	-503	-754	
EM total		39	-0.1	-1	-1	-1	3		380	6	21	-38	4	

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

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