



- **Credit Card Debt Soars, Warning of Consumer Weakness** ([link](#))
- **Company Fundamentals Deteriorate, Challenging Tight Credit Spreads** ([link](#))
- **Growing Consensus that ECB Policy Rates Reached a Peak** ([link](#))
- **Bank of England Expected to Deliver Another Rate Hike** ([link](#))
- **Argentina's Central Bank Holds Rate Amidst Soaring Inflation** ([link](#))
- **People's Bank of China Cuts Reserve Requirement Ratio for a Second Time This Year** ([link](#))
- **Czech Republic Lowers Countercyclical Capital Buffer** ([link](#))
- **Peru's Central Bank Cuts Interest Rates for the First Time Since April 2020** ([link](#))
- **Special Feature: Local Currency Bond Holdings Monitor** ([attached](#))

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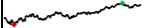

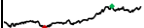




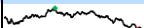

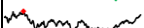
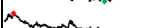
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Central Bank Moves: A Thursday Market Tango

Thursday's markets witness various central bank actions. The ECB marked its 10th consecutive rate hike, pushing all key rates up 25 basis points to a 4.4% deposit facility rate. Market watchers suggest this might be the ECB's final move in this cycle while bund yields today partially retraced yesterday's rally. The Bank of England's Inflation Attitudes Survey hints at higher inflation expectations, setting the stage for another rate hike next week. Unexpectedly, Russia's central bank raised its key rate to 13%, while Bank Indonesia introduced Bank Indonesia Rupiah Securities to support the rupiah, replacing the reverse repurchase facility. The People's Bank of China trimmed the reserve requirement ratio for the second time this year, as credit creation remains weak despite improved economic indicators. In the US, positive market sentiment drove equity gains, supported by ARM's IPO, stable Treasuries, and Brent nearing \$94/barrel.

Key Global Financial Indicators

Last updated: 9/15/23 8:35 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4505	0.8	1	2	15	17
Eurostoxx 50		4319	0.9	2	1	22	14
Nikkei 225		33533	1.1	3	7	22	29
MSCI EM		39	0.7	2	1	3	4
Yields and Spreads			bps				
US 10y Yield		4.33	4.4	7	12	88	46
Germany 10y Yield		2.66	6.5	5	-1	89	9
EMBIG Sovereign Spread		417	-6	-7	11	-77	-35
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.5	0.0	1	0	-4	-5
Dollar index, (+) = \$ appreciation		105.3	-0.1	0	2	-4	2
Brent Crude Oil (\$/barrel)		93.9	0.2	4	11	3	9
VIX Index (% change in pp)		12.7	-0.1	-1	-4	-14	-9

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

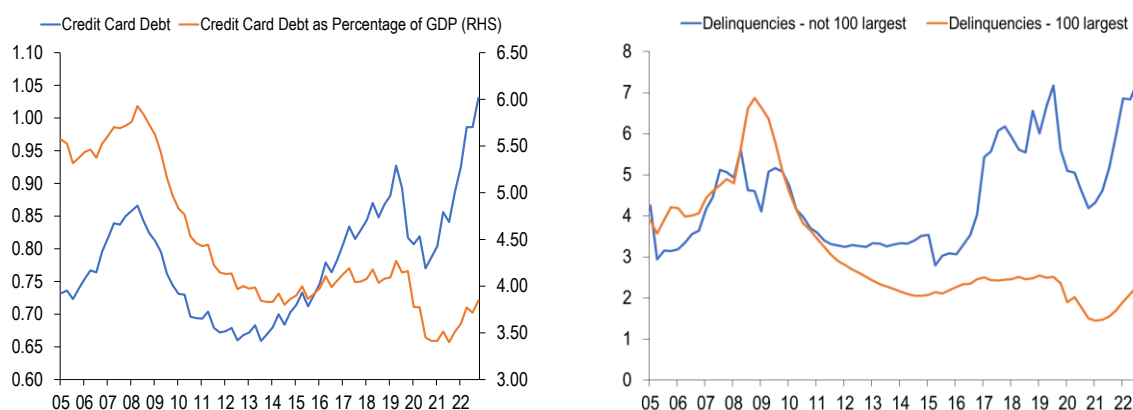
Mature Markets

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United States

On Thursday, the S&P surged by +0.9% on robust economic data and benign sentiment. The market was buoyed by lower-than-expected initial jobless claims and upbeat retail sales. Also, the IPO of chipmaker ARM was well received, but concerns arose about a potential United Auto Workers strike. Amidst stable Treasuries, oil prices continued to climb, with Brent nearing \$94/barrel.

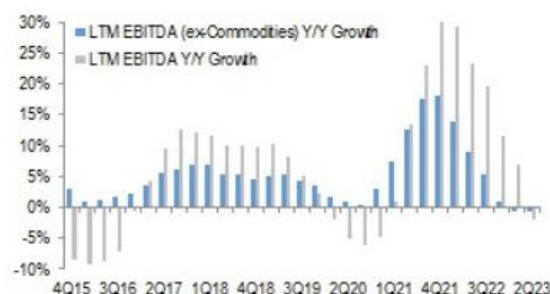
Soaring Credit Card debt is seen as a key leading indicator to portend consumer weakness. Revolving debt now exceeds US\$ 1tn after an extraordinary growth from post-covid levels. Despite this, when taken as a percentage of GDP, consumer credit card makes up only 4% of GDP close to its lowest level since 2005. Delinquencies on the other hand show a more nuanced picture as smallest banks (below 100th largest) have seen a strong surge in delinquencies (now over 7%) while largest banks (100 largest) have not breached pre-covid levels. The 2023–24 performance of the U.S. consumer seems to be the key driver of differences across economists over the recession probabilities and the ability of the Fed to deliver a “soft landing”.



Source: Bloomberg L.P., IMF.

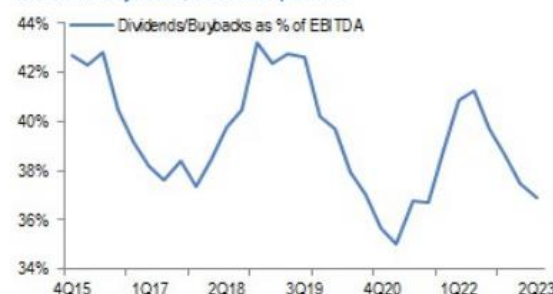
Deteriorating company fundamentals challenge tight credit spreads. EBITDA in high-grade corporations contracted for the first time since Q4 2020, while debt levels and interest expenses surged. Debt increased by +4.3% y/y, with interest expenses rising by a substantial +13.6%. Surprisingly, companies are cutting shareholder returns (cash returned down by -5.2% y/y and -3.4% q/q) while maintaining investments in the future (Capex increased +15% y/y and +2.8% q/q). Notwithstanding this, Investment Grade debt retains a tight credit spread at 146bps, with High-Yield credit spreads near 400bps, marking their lowest since March 2023.

Figure 1: EBITDA contracted for the first time since 4Q20



Source: J.P. Morgan.

Figure 2: In response, companies have been reducing dividends and share buybacks, a creditor positive



Source: J.P. Morgan.

Euro Area

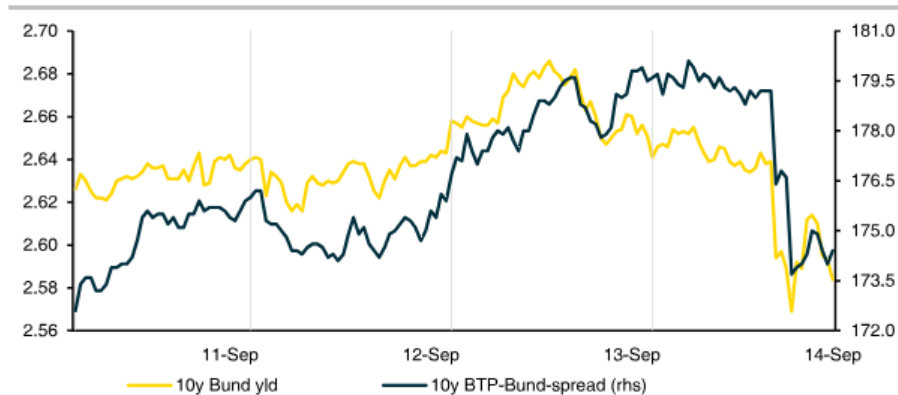
Optimism about China's growth outlook boosted equity markets. With most sectors gaining, the Stoxx 600 Europe index has been trading +0.8% higher. Sovereign bond yields retraced yesterday's moves in the aftermath of the ECB rate decision with 10-year bund yields rising +6bps to 2.64%. The euro strengthened against the dollar +0.2% to \$1.066/€ while remaining weaker so far this week following the sharp depreciation yesterday. Going forward, ING analysts contemplate that the euro/dollar exchange rate will more likely be driven by the dollar. They expect euro area data releases to lose a degree of market relevance as markets have taken on board that ECB policy rates have peaked.

The ECB's relentless interest rate hikes seem to have peaked. With its 10th consecutive increase, the ECB raised all three key interest rates by 25 basis points towards a deposit facility rate of 4.4%. The press statements notion of sufficiently restrictive rates prompted market contacts to see the latest decision as the ECB's final interest rate hike in this cycle. While President Lagarde did not confirm an end to tightening, the focus now shifts to how long policy rates will remain restrictive. Consensus leans toward the ECB maintaining interest rates from now until around Q3 2024, although some market contacts do not entirely rule out another rate hike given the central bank's data dependency.

Market contacts see the ECB shifting focus towards adjusting its asset purchase programs. The ECB yesterday reaffirmed that reinvestments in its Pandemic Emergency Purchase Programme (PEPP) will continue at least until the end of 2024, but some market contacts expect that the end of PEPP reinvestment will be brought forward. Sovereign yields ended the day lower yesterday with 10-year bund yields dropping by -6bps to 2.58%. Italian spreads narrowed yesterday to around 175bps but have widened slightly this morning by about +2bps.

Bull-tightening as ECB is done on rates, but not on PEPP

10y Bund yld (%) and 10y BTP-Bund-spread (bp), intra-day



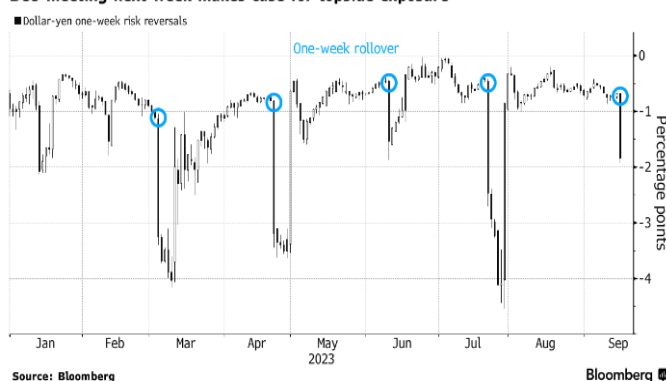
Source: Bloomberg, Commerzbank Research

Japan

FX option markets price a bullish yen sentiment. The yen slightly weakened by -0.2% to ¥147.87/\$ following comments suggesting that Governor Ueda's interview didn't signal a policy shift. The Bank of Japan (BOJ) reportedly noted a discrepancy between Ueda's statement and the market's reaction, as investors brought forward the expected timeline for monetary policy tightening. Ahead of the upcoming BOJ meeting, Bloomberg analysts pointed out that FX option markets reveal a bullish yen sentiment with USD/JPY one-week risk reversals trading at prices last seen in July. Conversely, 10-year bond yields remained relatively stable at 0.715%. The Topix approached a 33-year high with a daily gain of +1%.

Yen Bullish Bets Are Back

BOJ meeting next week makes case for topside exposure

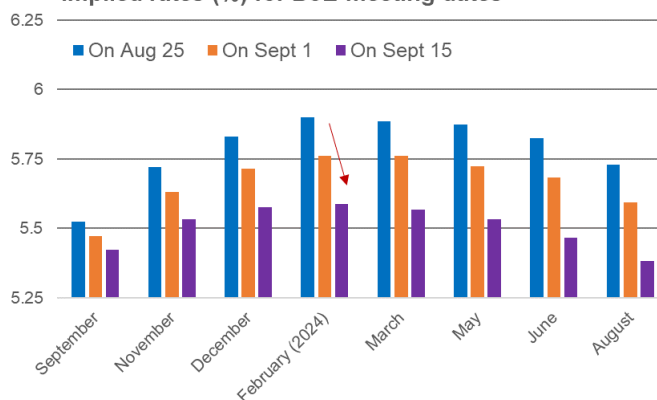


United Kingdom

The Bank of England is expected to deliver another hike and accelerate its quantitative tightening.

For the meeting next week, consensus expectations are for another 25 bps hike to take the bank rate to 5.5% and an increased quantitative tightening pace. Market pricing has also scaled back hiking expectations over the past weeks, now pricing in roughly +18bps of tightening for the BoE's impending September meeting, and a total of 34bps of tightening priced in by end-2023. As regards QT, market contacts see the total proposed pace for QT increasing to £90bn-£100bn (for the period October 2023 to September 2024) from £80bn, as the redemption profile is set to increase in the coming year. Morgan Stanley analysts are expecting bank rate cuts from May 2024, and see passive sales continuing when the easing cycle starts but are less convinced that active sales could continue.

Implied rates (%) for BoE meeting dates



Source: Bloomberg and IMF calculations

Emerging Markets

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Asian equities broadly up while currencies remained stable. Asian equities rose +0.7% on robust economic data and Chinese policy backing. Singapore led with a +1.1% gain, while the Philippines and China lagged at -1.3% and -0.7%. Meanwhile, most Asian currencies held steady, with the Renminbi up by +0.2%.

EMEA markets posted mixed results with currencies mostly strengthening against the dollar. CEE currencies were marginally stronger against the euro, with the Czech koruna outperforming +0.2%.

Latin American currencies appreciated, and equities rallied. On Thursday, the Brazilian real led the region, up +1.0%, followed by the Colombian peso and the Mexican peso, which rose +0.7% and +0.2%. The Chilean peso lagged, depreciating -0.7%. Equities broadly gained, led by the Argentine, in Chilean and Brazil stock markets, up +3.3%. +1.5% and +1.0%, respectively.

Argentina

Argentina's central bank, as widely expected, maintained its policy rate at 118%. The bank's recent monetary policy statement noted a price deceleration since late August. This decision followed the release of August's CPI, which revealed the highest inflation levels in over three decades. Inflation surged by +124.4% y/y (expected +122.4% from +113.4%) and +12.4% m/m (expected 11.5% from +6.3%). Analysts attribute this inflation spike to the August depreciation of the Argentine Peso, making the central bank's decision widely anticipated. In response to the anticipated meeting outcome, the Merval Index staged a relief rally, up +3.3% on the day.

Argentina's Consumer Prices Rose 124.4% in August From Year Ago
Last month's peso devaluation helped to fuel fastest inflation since 1990s



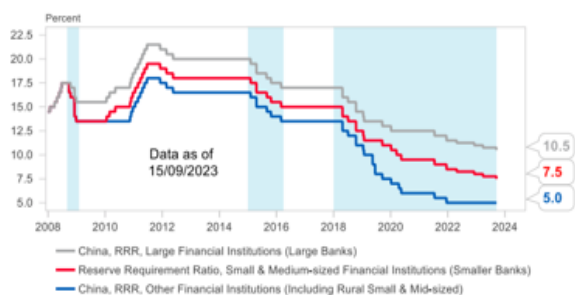
China

Chinese stocks declined -0.6% led by energy and consumer stocks. Foreign investors continued to sell mainland equities. The Renminbi appreciated +0.2% on news that the People's Bank of China reportedly told brokers earlier this week to cut back on proprietary foreign currency trading.

The People's Bank of China (PBC) offered further policy support. The central bank unexpectedly reduced the reserve requirements ratio (RRR) by 25 bps, while keeping MLF borrowing costs unchanged, as expected. This move marks the second RRR reduction in 2023, injecting over 500 billion yuan (\$68.8 billion) of liquidity into the interbank system, according to Citibank analysts. Additionally, the PBC provided a net 191 billion yuan through a one-year policy loan and 34 billion yuan via a 14-day money-market loan. Market observers view these actions as a signal that the PBC is prepared to address increased liquidity demand in September, including quarter-end effects and government bond issuance. Some market contacts also note that the RRR cut indicates that FX considerations are not overshadowing domestic monetary policy, with FX policy tools aimed at preventing speculative or herd behavior.

RRR Cut By 25 Bps In Mar And Sep

Source: Macrobond, UOB Global Economics & Markets Research



PBOC Net Injected One-Year Policy Loans In September

■ MLF Operations ■ Expiring Loans



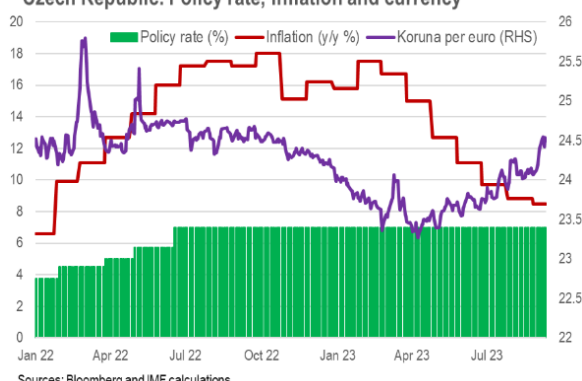
Czech Republic

The Czech Republic has lowered its countercyclical capital buffer for the second time this year.

The country's central bank reduced the countercyclical capital buffer rate from 2.25% to 2%, starting in October. This move reflects a gradual decrease in systemic risk in the banking sector's balance sheet. Additionally, the central bank's decision to end the remuneration of minimum reserves from October 5 has raised speculation about whether financial conditions are considered too tight. So far, discussions among central bank board members emphasize apprehension to rate cuts with discussions focused for how long the central bank keeps its policy rate at 7%.

Notwithstanding this, Morgan Stanley analysts anticipate a -25bps policy rate cut in November, highlighting that change to the remuneration of required reserves usually coincides with, or precedes, changes in the key policy rate.

Czech Republic: Policy rate, inflation and currency

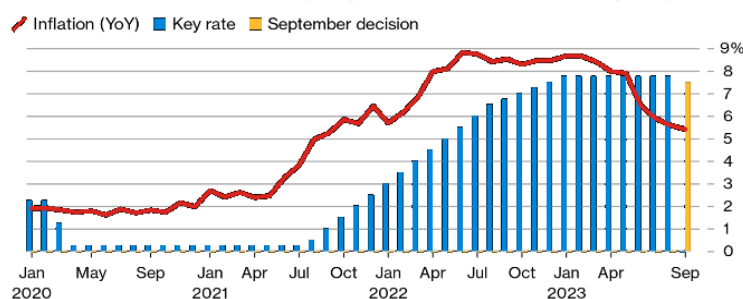


Peru

Peru's central bank cut its policy rate, marking its first such decision since April 2020. This widely anticipated move comes after an intense period of rate hikes, during which the central bank raised its key interest rate from 0.25% in August 2021 to 7.75%, where it remained since January this year, aiming to combat inflation, which peaked at 8.81% y/y in June 2022. Subsequently, inflation has fallen, with the latest August reading at +5.6% y/y, steadily approaching the central bank's 1–3% inflation target range. Notably, Q2 GDP results released on August 23 printed at -0.5% y/y, indicating Peru's entry into a technical recession with two consecutive quarters of economic contraction.

Peru Central Bank Cuts Key Rate From Two-Decade High to 7.5%

Most economists had forecast policymakers' decision to lower by 25bps

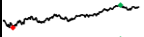




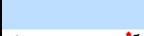

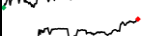

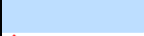

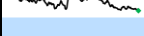

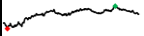





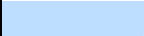


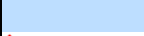
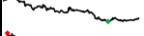
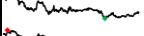


Bloomberg

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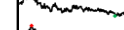

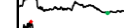

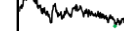




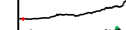







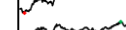

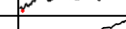
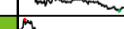













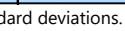
Global Financial Indicators

9/15/23 8:36 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4501	0.8	1	1	15	17
Europe		4319	0.9	2	1	22	14
Japan		33533	1.1	3	7	22	29
China		3709	-0.7	-1	-2	-6	-4
Asia Ex Japan		66	0.7	1	1	2	2
Emerging Markets		39	0.7	2	1	3	4
Interest Rates			basis points				
US 10y Yield		4.33	4.4	7	12	88	46
Germany 10y Yield		2.66	6.5	5	-1	89	9
Japan 10y Yield		0.72	-0.1	6	8	46	29
UK 10y Yield		4.35	7.3	-7	-24	119	68
Credit Spreads			basis points				
US Investment Grade		146	-0.3	0	-2	-15	-13
US High Yield		402	-2.9	-10	-14	-79	-79
Exchange Rates			%				
USD/Majors		105.30	-0.1	0	2	-4	2
EUR/USD		1.07	0.1	0	-2	6	-1
USD/JPY		147.9	0.3	0	2	3	13
EM/USD		47.5	0.0	1	0	-4	-5
Commodities			%				
Brent Crude Oil (\$/barrel)		93.9	0.2	4	11	16	14
Industrials Metals (index)		143	-0.7	2	4	-6	-13
Agriculture (index)		67	0.2	1	3	-3	-3
Implied Volatility			%				
VIX Index (% change in pp)		12.7	-0.1	-1.1	-3.7	-13.6	-9.0
Global FX Volatility		8.1	0.0	-0.1	-0.5	-3.2	-2.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		143	4.6	7	13	-106	-62
Italy		179	4.0	5	10	-50	-36
Portugal		73	-0.4	0	1	-30	-28
Spain		107	1.9	3	3	-9	-3

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

Emerging Market Financial Indicators

Last updated: 9/15/2023 8:36 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		7.28	0.0	0.9	0	-4	-5		2.7	3.0	-4	10	-5	-35
Indonesia		15353	0.0	-0.2	0	-3	1		6.7	4.7	14	27	-49	-25
India		83	-0.2	-0.3	0	-4	-1		7.8	6.0	13	20	14.8	32
Philippines		57	-0.1	-0.3	0	1	-2		5.9	1.5	-3	-20	26	-9
Thailand		36	-0.1	-0.8	-1	3	-3		3.1	2.5	10	26	23	49
Malaysia		4.68	0.0	-0.1	-1	-3	-6		3.9	-0.1	3	2	-26	-16
Argentina		350	0.0	0.0	0	-59	-49		119.4	-195.8	64	2234	4027	3121
Brazil		4.87	0.0	2.3	2	8	8		11.4	4.8	-9	9	-61	-119
Chile		887	0.2	1.0	-3	4	-4		5.3	0.0	-1	0	-127	-1
Colombia		3921	0.8	3.0	3	12	24		8.6	0.0	9	50	-123	-123
Mexico		17.12	-0.1	2.8	0	17	14		9.0	-1.0	1	33	26	28
Peru		3.7	-0.2	-0.1	0	5	2		6.8	-0.2	-13	6	-133	-112
Uruguay		38	0.4	-0.1	0	7	5		9.3	-0.9	2	25	-208	-135
Hungary		361	0.1	-0.2	-1	13	3		6.8	-6.5	-18	-46	-274	-284
Poland		4.35	0.0	-0.8	-6	9	1		4.7	0.9	12	-20	-138	-149
Romania		4.7	0.1	-0.6	-3	5	-1		6.6	-3.6	-1	-3	-151	-111
Russia		96.2	0.2	1.8	2	-37	-23							
South Africa		19.1	-0.4	0.2	0	-8	-11		9.5	4.5	10	-5	36	37
Turkey		26.98	-0.1	-0.5	0	-32	-31		27.1	-10.0	335	504	1564	1731
US (DXY; 5y UST)		105	-0.1	0.2	2	-4	2		4.47	4.6	6	9	80	46

	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		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		3709	-0.7	-1	-2	-6	-4		184	0	4	-15	7	
Indonesia		6983	0.3	1	2	-3	2		129	-2	11	-51	-11	
India		67839	0.5	2	4	15	12		141	-1	10	-20	-1	
Philippines		6126	-1.3	-2	-3	-6	-7		105	-2	11	-23	8	
Thailand		1542	-0.2	0	2	-5	-8		0	0	0	0	0	
Malaysia		1459	0.7	0	1	-1	-2		98	0	6	0	-2	
Argentina		571753	3.3	4	8	295	183		2172	22	72	-168	-33	
Brazil		119392	1.0	3	3	9	9		227	-7	0	-66	-47	
Chile		6002	1.5	2	-3	9	14		126	-2	11	-56	-6	
Colombia		1083	0.5	1	-4	-11	-16		333	-7	16	-68	-39	
Mexico		51756	0.5	-1	-3	11	7		356	-4	-9	-64	-25	
Peru		23143	1.4	2	0	20	8		157	3	10	-48	-23	
Hungary		57928	0.4	2	5	42	32		191	-9	2	-37	-31	
Poland		67518	0.5	1	-4	34	17		125	-1	17	109	52	
Romania		14098	-0.3	2	8	19	21		209	-10	12	-81	-47	
South Africa		74829	0.6	2	-1	11	2		373	-13	0	-54	6	
Turkey		8108	-0.1	-3	5	141	47		401	3	4	-191	-39	
Ukraine		507	0.0	0	0	-2	-2		3283	-122	-120	-144	-796	
EM total		39	0.0	2	1	3	4		378	-4	10	-45	3	

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

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