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Global Macro Commentary | Global

November 6

USTs bear-flatten after better-than-feared October SLOOS; KOSPI surges, USD/KRW drops on equity short-sale ban; BTPs lag in European rates sell-off; BoJ's Ueda emphasizes negative real yields; AUD weakens ahead of November RBA meeting; US 10y at 4.643% (+7.1bp).

Please refer to our latest *Global Macro Strategist* (*If At First You Don't Succeed*) as well as our recent publications and collaborations (*Macro Monday Matters: Top Trades in FX & EM*; *Global Macro Strategy: Global FX Positioning*; Podcast: *The Global Macro Guide* | *Ep. 50*).

- **USTs** bear-flatten as **October SLOOS** shows the rate of change in tightening of lending standards slows; however, credit availability and loan demand **remain** at historically pervasive levels.
- **KOSPI** surges 5.7% after the Korean Financial Services Commission **announces** it will re-impose a short-selling ban on equity shares at least until June; **USD/KRW** (-1.9%) drops below 1,300.
- After recent outperformance, **Italian BTPs** lag in the sell-off across **European duration**; the **10y BTP-Bund spread** widens by ~4bp.
- **BoJ Governor Ueda** discusses YCC with further flexibility and **places** emphasis on negative real yields, which indicate accommodative monetary conditions can be maintained.
- **AUD** (-0.4%) trades weaker ahead of the **RBA meeting**, even as market pricing reflects greater odds (18bp) the RBA will **restart** rate hikes and continue its tightening cycle.

Developed Markets

United States:

Absent a clear fundamental catalyst to dictate trends across macro markets, there was a bit more divergence to begin the week. Price action across global sovereign bonds was decidedly bearish, except in Japan where JGBs caught up to the sizeable bond market rally at the end of the prior week. FX moves in the G10 were mixed as the US dollar showed broad, modest strength, most evident against Antipodeans. Even as market pricing reflected greater odds (18bp) for the RBA to restart rate hikes, AUD (-0.4%) traded lower. A surge in Korean equities (KOSPI: +5.7%), after the Korean Financial Services Commission announced it will re-impose a short-selling ban on equity shares at least until June, stood out clearly amid a mixed session for global equities (S&P 500: +0.18%). A streak of five consecutive sessions where

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spreads tightened for both investment grade and high yield corporate credit came to an end as spreads on both CDX indices widened marginally.

For the second time in as many quarters, closure of a small community bank preceded the Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS). Late Friday evening, the FDIC [announced](#) a small community bank in Iowa closed, with the FDIC appointed a receiver. The estimated cost to the Deposit Insurance Fund (DIF) is \$14.8mn. This was the fifth bank to fail in the nation this year and the first in Iowa since 2011.

Overall, in the October 2023 SLOOS, banks [reported](#) tighter standards and weaker demand for commercial and industrial (C&I) loans to firms of all sizes over the third quarter. Banks also reported tighter standards and weaker demand for all commercial real estate (CRE) loan categories. For households, banks reported lending standards tightened across all categories of residential real estate (RRE) loans other than government residential mortgages, for which standards remained basically unchanged. For credit card, auto, and other consumer loans, standards tightened and demand weakened on balance.

Special questions asked banks to assess the likelihood of approving credit and auto loan applications by borrower FICO score in comparison with the beginning of the year. Banks reported they were less likely to approve loans for borrowers with FICO scores of 620 and 680 in comparison with the beginning of the year. Banks were more likely to approve credit card loan applications and about as likely to approve auto loan applications for borrowers with FICO scores of 720 over this same period.

An additional special question inquired about banks' rationale for changing loan standards during the third quarter of 2023. Banks most frequently cited a less favorable or more uncertain economic outlook; reduced tolerance for risk; deterioration in the credit quality of loans and collateral values; and concerns about funding costs as important reasons for tightening lending standards over the third quarter.

Those watching the second derivative in tightening of lending standards likely were encouraged that the rate of change slowed. Accordingly, the UST curve bear-flattened as the front end (2y: 4.93%, +9.6bp) sold off sharply as this better-than-feared SLOOS was perceived to not induce an even earlier start to rate cuts. November UST coupon auctions kick off with the \$4.8bn 3y auction at 1:00pm ET on Tuesday; this is \$2bn larger than the previous auction and \$6bn larger than the August new issue.

Japan:

Following a long weekend, **JGBs** bull-flattened on Monday, after the robust rally in USTs following weak US nonfarm payrolls this past Friday. Demand to square short positions was particularly strong at the 20y tenor, which had underperformed on the curve. The BoJ conducted scheduled JGB purchase operations across the curve; the results in the 5-10y sector were particularly strong. Those JGB purchase operations led to another round of demand to square short positions. 10y JGBs rallied 4.5bp d/d to 0.87%, while 20y JGBs rallied 6.0bp d/d, to 1.63%. TONA OIS bull-flattened alongside JGBs, with the 20y sector better received. XCCY basis

tightened, led by the front end amid broad USD weakness.

The rally in USTs, after weak US nonfarm payrolls and ISM Services PMI on Friday, buoyed risk sentiment and both USD and JPY broadly underperformed. This trend continued during Tokyo trading hours on Monday. The sharp decline in US yields suggests the fair level of USD/JPY is 145-146. However, **USD/JPY** traded resiliently at 149.50 and ground higher toward 150.00 in the NY morning, as US yields retraced Friday's rally. JPY weakness relative to the level implied by policy divergence appeared to come from the buoyant risk sentiment and subsequent demand for JPY carry trades. European currencies particularly outperformed; **EUR/JPY** ground higher toward 161.

Europe:

European duration opened lower after more than a 15bp rally in 10y Bunds last week. **10y Bund yields** closed the session 9bp higher at 2.74% while 10y German breakevens were little changed. Once again, the 10y sector led the move and 2s10s steepened 4bp in swaps (against 6m) and 5s10s30s cheapened more than 3bp to 28bp. In money markets, whites were relatively stable while reds and greens sold off 6-7bp, as the market now priced in an ECB depo rate at 3.12% by December 2024.

BTPs underperformed as the **10y BTP-Bund spread** widened by 3.5bp to 185bp after a protracted tightening in the past seven sessions (23bp). **10y OATs** and **10y Bonos** followed and underperformed 10y Bunds by 1bp and 2bp, respectively. In contrast, the cheaper trend in core ASW resumed as the whole complex tightened ~2.5bp (Bund ASW at 53bp).

Dollar Bloc:

In a relatively quiet trading session, the US dollar found some support amid a move higher in US yields in the NY afternoon (DXY USD Index: +0.2%). G10 currency moves were overall relatively contained as USD long positioning [squared](#) significantly at the end of last week and as FX market participants awaited additional communication from FOMC participants later this week.

AUD (-0.4%) traded weaker ahead of the RBA meeting, even as market pricing for the November meeting increased by ~2bp on Monday. Market pricing implies a greater likelihood the RBA will resume its tightening cycle than remaining on hold (18bp priced).

Emerging Markets

Asia:

AxJ currencies continued to rally following the soft US labor market report on Friday, which strengthened the case for an earlier start to rate cuts. **KRW** outperformed once again, as **USD/KRW** fell 1.8%, below the 1,300 level. This was aided by the 5.7% rally in KOSPI and \$918mn of foreign equity inflows after the FSC announced a short-selling ban on domestically listed stocks until June 2024. **MYR** outperformed, as **USD/MYR** fell 1.7% to a two-month low of 4.64, despite a lack of major positive domestic factors, akin to KRW. **USD/IDR** fell 1.2%, to 15,539, as foreign market participants acquired Indonesian equities and INDOGB rallied 22bp

over Friday and Monday. AxJ rates rallied broadly. **Hong Kong, Singapore, and Korea** rates outperformed after the decline in US yields on Friday. **Thailand** rates rallied meaningfully; the 10y yield fell 4bp after headline CPI turned negative for the first time in two years. **China** rates were little changed; the curve shifted ~1bp lower.

Latin America:

LatAm currencies ended the session mixed amid US dollar strength. **BRL** (+0.3%) outperformed after headlines which reiterated the finance minister's continued pursuit of meeting the 0% deficit goal, although no concrete steps were taken. Meanwhile, **MXN** (-0.51%) and **CLP** (-0.76%) weakened. LatAm rates followed USTs during the session. **TIEs** had losses concentrated in the belly (5y: +7bp), while **DIs** bear-steepened (January 2025s/2031s: +9bp). **Colombian** markets were closed on Monday in observance of a local holiday.

Exhibit 1: G4 Rates Closes (5pm NY)

Tenor	US			Germany			UK			Japan		
	6-Nov	1d Δ (bp)	2wk	6-Nov	1d Δ (bp)	2wk	6-Nov	1d Δ (bp)	2wk	6-Nov	1d Δ (bp)	2wk
2y	4.935	9.6		3.006	5.1		4.704	4.7		0.129	(1.4)	
3y	4.725	8.6		2.778	5.9		4.429	6.3		0.189	(1.7)	
5y	4.588	8.4		2.622	8.2		4.322	6.1		0.425	(2.6)	
7y	4.642	8.4		2.641	8.8		4.212	8.8		0.642	(4.3)	
10y	4.643	7.1		2.737	9.4		4.375	9.0		0.877	(4.3)	
20y	4.991	4.9		3.014	9.2		4.818	7.9		1.636	(5.4)	
30y	4.809	4.2		3.002	8.7		4.850	8.0		1.825	(4.7)	

Source: Morgan Stanley Research, Bloomberg

Exhibit 2: Inflation Closes (5pm NY)

Tenor	US TIPS			10y Real Yields, BEI							
	6-Nov	1d Δ (bp)	2wk	10y	6-Nov	1d Δ (bp)	2wk	10y	6-Nov	1d Δ (bp)	2wk
5y	2.222	6.3		DBRi	0.485	8.9		BTPi	2.454	12.7	
BEI	2.362	2.2		BEI	2.181	0.7		BEI	2.060	0.6	
10y	2.226	5.3		UKTi	0.611	1.8					
BEI	2.417	2.1		BEI	3.764	(1.3)					
30y	2.295	2.2		JGBi	-0.514	(2.1)					
BEI	2.524	2.1		BEI	1.365	(2.3)					

Source: Morgan Stanley Research, Bloomberg

Exhibit 3: Macro Closes (5pm NY)

Spot	Majors			EM			Equities / Commodities				
	6-Nov	1d Δ (%)	2wk	Spot	6-Nov	1d Δ (%)	2wk	Index	6-Nov	1d Δ (%)	2wk
DXY	105.27	0.2		CNH	7.28	(0.1)		S&P	4365.98	0.2	
EUR	1.072	(0.1)		INR	83.22	(0.1)		Stoxx	4158.64	(0.4)	
GBP	1.234	(0.3)		THB	35.50	(0.6)		FTSE	7417.76	0.0	
JPY	150.07	0.5		KRW	1297.45	(1.9)		Nikkei	32708.48	2.4	
CHF	0.899	0.1		ZAR	18.29	0.2		VIX	14.89	(0.1)	
AUD	0.649	(0.4)		MXN	17.55	0.5		Gold (S)	1978.14	(0.7)	
CAD	1.370	0.3		BRL	4.89	(0.3)		WTI (Fut)	80.82	0.4	

Source: Morgan Stanley Research, Bloomberg

Please refer to our [Market Data](#) section for a more comprehensive snapshot.

The Day Ahead

Developed Markets

- On Monday, at 10:30pm ET, our economists [expect](#) the **RBA** will deliver a 25bp hike at its **November meeting** to bring the cash rate to 4.35% (P: 4.10%) - the first move after four consecutive meetings on

hold. Data have materially beaten the RBA forecasts in recent months, and our economists expect the inflation path (which already was conditioned on further tightening) to be raised through the forecast horizon as part of the quarterly update of staff forecasts (to be detailed in full in Friday's Statement of Monetary Policy). This will be the key catalyst for a rate hike, consistent with the new Governor's recent communication. Our economists expect a tightening bias to be retained, but are on watch for any further shift in hawkish rhetoric given reaccelerating inflation, tight labor market and globally higher for longer rate expectations

- On Tuesday, at 7:00am GMT, our economists expect **German Industrial Production** fell 0.1% m/m in **September** (C: -0.1%; P: -0.2%), in line with subdued industrial activity, in particular construction, in recent PMIs and the IFO Business Climate
- At 10:00am GMT, our economists expect **Euro Area Producer Prices** fell 10.3% y/y in **September** (C: -12.5%; P: -11.5%), base effects from last year's surge in commodity prices keep the y/y growth rate in negative territory
- At 7:30pm GMT, **ECB Governing Council Member Nagel** will give a speech in London
- At 9:15am ET, **Fed Vice Chair for Supervision Barr** will speak about financial technology at the 7th Annual DC Fintech Week at Fannie Mae headquarters
- At 9:50am ET, **Kansas City Fed President Schmid** will deliver opening keynote remarks at energy conference hosted by the Dallas and Kansas City Fed banks
- At 10:00am ET, **Fed Governor Waller** will speak about using economic data to understand the economy at a St. Louis Fed conference
- At 12:00pm ET, **New York Fed President Williams** will moderate a discussion at an event hosted by the Economic Club of New York
- At 1:25pm ET, **Dallas Fed President Logan** will participate in a fireside chat at the Energy and the Economy conference hosted by the Dallas and Kansas City Fed banks
- At 1:30pm ET, **Dallas Fed President Logan** will speak at joint energy conference hosted by the Federal Reserve Banks of Dallas and Kansas City
- At 3:00pm ET, consensus expects **US Consumer Credit** increased \$9.5bn in **September** (P: -\$15.6bn). Consumer credit outstanding fell sharply last month because of Federal lending, most likely student lending. The restart of student loan payments is likely to restrain consumer spending this winter

Emerging Markets

- On Tuesday, our economists expect **China Exports** fell 3.0% y/y in

October (C: -3.5%; P: -6.2%), mainly due to a low base, while sequential momentum of external demand **showed** mixed signals. Our economists expect **Imports** fell by 5.0% y/y in **October** (C: -5.0%; P: -6.3%), due to incrementally better domestic demand. Overall, our economists expect the **Trade Surplus** came in at US\$83bn in **October** (C: US\$82bn; P: US\$77.8bn)

- At 9:00am HKT, consensus expects **Philippines CPI** eased to 5.6% y/y in **October** (P: 6.1%). Consensus expects **Exports** fell by 4.7% y/y in **September** (P: 4.2%) while **Imports** contracted by 9.0% y/y in **September** (P: -13.1%). Consensus expects the **Trade Deficit** remained largely stable at US\$4.10bn in **September** (P: -US\$4.13bn)
- At 12:00pm HKT, consensus expects **Malaysia Industrial Production** fell 0.1% y/y in **September** (P: -0.3%)
- At 7:30am GMT, consensus expects **Hungary Industrial Production** fell 6.4% y/y in **September** (P: -6.1%)
- At 4:00pm HKT, our economists and consensus expect **Taiwan Headline CPI** moderated **slightly** to 2.80% y/y in **October** (P: 2.93%). Consensus expects **Exports** stagnated in **October** in y/y terms (P: 3.4%) while **Imports** fell by 15.2% y/y in **October** (P: -12.2%). Consensus expects the **Trade Surplus** narrowed to US\$8.89bn in **October** (P: US\$10.32bn)
- At 5:00pm HKT, **Singapore FX Reserves** data for **October** will be released, the prior month came in at US\$337.4bn
- **Hong Kong** and the **Philippines** will release **October FX Reserves** data, the prior releases came in at US\$415.7bn and US\$98.1bn, respectively

Exhibit 4: G4 Central Bank Implied Pricing

Fed	Implied			Central Bank OIS			BOE			BOJ					
	1d Δ (bp)	Total Δ		ECB	Implied	1d Δ (bp)	Total Δ	Implied	1d Δ (bp)	Total Δ	Implied	1d Δ (bp)	Total Δ		
EFFR (11/3)	5.330	0.0	--	EOIA (11/3)	3.902	0.0	--	SONIA (11/3)	5.187	0.0	--	TGNAR (11/2)	-0.011	0.0	--
12/13/23	5.347	0.5	1.7	12/14/23	3.897	0.1	(0.5)	12/14/23	5.225	(0.1)	3.8	12/19/23	-0.008	0.2	0.3
01/31/24	5.367	1.0	3.7	01/25/24	3.890	0.2	(1.2)	02/01/24	5.251	0.6	6.4	01/23/24	0.022	(0.6)	3.3
03/20/24	5.301	1.7	(2.9)	03/07/24	3.814	(0.2)	(8.8)	03/21/24	5.227	0.5	4.0	03/19/24	0.060	0.0	7.1
09/18/24	4.741	9.9	(58.9)	09/12/24	3.245	1.7	(65.7)	08/01/24	4.982	4.0	(20.5)	07/31/24	0.209	(1.0)	22.0

Source: Morgan Stanley Research, Bloomberg

Central Bank Monitor

Developed Markets

- The **BoJ** released **Minutes** from its **September Monetary Policy Meeting**. Regarding the inflation outlook, some members **pointed** out the pass-through effect from higher import prices appears more persistent than projected. A few members mentioned this inflation is driven by cost-push type inflation, despite risk of a prolonged rise in prices alongside a weaker JPY and higher oil prices. Many members also acknowledged the change in corporates' price-setting behavior. Some members cited a high probability of higher base pay at the next round of spring wage negotiations. Accordingly, many members want to monitor if wage growth will translate to higher

consumer prices. Regarding the monetary policy outlook, members agreed sustainable and stable achievement of the price stability target, accompanied by wage increases had not yet come into sight. Thus, the BoJ needed to patiently continue monetary easing under its YCC policy. A few members pointed out the importance to confirm the linkage between wage growth development, including small enterprises, and subsequent price developments. Many members agreed the current YCC policy, with greater flexibility is appropriate. However, a few members noted market functioning remained low, but has shown some improvement in a reference to the August bond market survey

- **BoJ Governor Ueda** spoke at the regional leader meeting in Nagoya. He reiterated his view the recent upward revision to the inflation outlook was mainly driven by the prolonged effect from “first force” (i.e., pass-through effect from higher import prices). Given the recent slowdown in imports and corporate prices, he believes cost push inflation may gradually decelerate. He explained this is why the median FY25 forecast was below the FY24 forecast in their inflation outlook. He also mentioned the “second force” (i.e., wage/inflation spiral) will gradually take effect, as long-term inflation expectations as well as retail price outlooks grind higher. He said conviction for the 2% price stability target increased gradually, but not enough to have confidence. To assess the positive spiral between wage and inflation, he closely monitors: (1) if wage growth will continue going forward and become entrenched in society; and (2) if corporates set retail prices with future wage growth in mind. Regarding YCC with further flexibility, he said it was to balance between the positive effects to stimulate the economy by lowering long-term yields and side-effects related to long-term yields. He noted the importance of monitoring real yields to assess the easing impact. Given the recent rise in inflation expectations, he said real yields remain in negative territory, which suggests accommodative monetary conditions can be maintained
- **BoE Chief Economist Pill** said October inflation may drop below 5%, and he expects UK inflation will match price pressures in the rest of the world soon
- **ECB Governing Council Member Holzmann** said he “belong[s] to those that think we should be very careful, that we should stand ready again to hike if needed, and certainly don't declare victory too early on,” but he added “We need to stay vigilant”
- **Boston Fed President Cook** reiterated the US banking system is resilient, but cautioned financial system risks have risen in recent years, and non-bank fragilities could amplify stress as growth slows
- The **Fed's Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS)** showed credit availability and loan demand continued to fall. For businesses, lending standards continued to tighten for commercial real estate and C&I loans. A slightly smaller share of banks tightened than in recent quarters, but the tightening was still unusually pervasive. Demand for business loans also weakened sharply. In the residential mortgage space, banks reported tighter standards, and demand weakened across all residential real estate categories. For consumer loans, lending standards tightened for all consumer loan products, while demand weakened on

balance for auto, credit card, and other consumer loans (for more, read [here](#))

Emerging Markets

- **PBoC** pledged to [improve](#) the efficiency of existing loans and make sure funds flow into the real economy. It reiterated it will stick to a stable and prudent monetary policy by keeping money supply neither too tight nor too loose, and ensure credit support for the real economy without excessive money supply through quantitative easing, while also looking to enrich the monetary policy toolbox. The central bank also said it will step up management of the FX market to keep CNY exchange rate stable at a reasonable and balanced level
- **Minutes** from the **October NBU Meeting** showed 10 MPC members spoke in favor of keeping interest rates unchanged. In addition, “MPC Members discussed the sustainability of the downtrend in inflation, the effects of previous steps to ease interest rate policy, the transition to managed flexibility of the exchange rate, the updated macroeconomic forecast, and changes to the balance of risks” (for more, read [here](#))

Economic Release Notes

Developed Markets

- In **Germany**, **Manufacturing Orders** rose by 0.2% m/m in **September** (C: -1.5%; P: 1.9%)
- In **France**, the **final October Composite PMI** came in at 44.6 (C: 45.3; September: 44.1), 0.7pt below the preliminary estimate
- In **Germany**, the **final October Composite PMI** came in at 45.9 (C: 45.8; September: 46.4), 0.1pt above the preliminary estimate
- In the **Euro Area**, the **final October Composite PMI** came in at 46.5 (C: 46.5; September: 47.2), in-line with the preliminary estimate while the **Services PMI** came in at 47.8 (C: 47.8; September: 48.7), in-line with the preliminary estimate

Emerging Markets

- In **Thailand**, Headline CPI on a y/y basis fell into negative territory for the first time in two years. **Headline CPI** fell 0.31% y/y in **October** (C: 0.05%; P: 0.30%) while **Core CPI** ticked up to 0.66% y/y in **October** (C: 0.60%; P: 0.63%)
- In **Indonesia**, **3Q23 GDP** grew 4.94% y/y (C: 5.00%; P: 5.17%) and 1.60% q/q (C: 1.67%; P: 3.86%). Fixed investment and private consumption were strong, up 5.77% y/y and 5.06% y/y, respectively
- In the **Czech Republic**, the **Trade Balance** rose to CZK12.8bn in **September** (C: CZK6.4bn; P: -CZK5.7bn)
- In the **Czech Republic**, **Industrial Production** fell 7.8% y/y in **September** (C: -5.4%; P: -1.7%)

Tactical Trading Model Signals – Currently Active Strategies

G4 10y Futures Smarter (beta) Trading Strategy – A "Smarter" (beta) Way to Trade G4 10y Futures Duration? (please see [Exhibit 15](#) found later in this publication for detailed breakdown)

- l **US 10y:** Total 100%, Trade Longs Only: 100%, Fade Shorts Portfolio: 0%
- l **German 10y:** Total 200%, Trade Longs Only: 100%, Fade Shorts Portfolio: 100%
- l **Japan 10y:** Total 200%, Trade Longs Only: 100%, Fade Shorts Portfolio: 100%
- l **UK 10y:** Total 200%, Trade Longs Only: 100%, Fade Shorts Portfolio: 100%

Notes:

On Tuesday, the Treasury is scheduled to auction \$48bn in 3y notes, and our algorithms forecast a 0.1bp tail. In our full dataset, 3y auctions have averaged a 0.2bp tail and a 0.7bp tail over the past 1y and 10y, respectively.

Following a "Trade Longs" signal in the US price indices on Friday after a 5d MA cross above the 20d MA, US "Trade Longs" portfolio exposure increased to 100% on Monday with an anticipated exit date of December 12, 2023. This rendered total US "Trade Longs/Fade Shorts" exposures 100%.

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Supply Calendar

Exhibit 6: Upcoming Issuance

Day	Date	Country	Time (GMT)	Time (EST)	Event		
Tuesday	7-Nov	New Zealand	1:35 AM	8:35 PM	NZ\$100 Million 182-Day Bills		
		New Zealand	1:35 AM	8:35 PM	NZ\$100 Million 98-Day Bills		
		New Zealand	1:35 AM	8:35 PM	NZ\$50 Million 364-Day Bills		
		Japan	3:35 AM	10:35 PM	10-Year Linker Bonds		
		Spain	9:30 AM	4:30 AM	182-day Bills		
		Spain	9:30 AM	4:30 AM	364-day Bills		
		U.K.	10:00 AM	5:00 AM	GBP3.75 Billion of 4.625% 2034 Bonds		
		Switzerland	10:00 AM	5:00 AM	183-day Bills		
		Austria	10:00 AM	5:00 AM	0% 2028 Bonds		
		Austria	10:00 AM	5:00 AM	2.9% 2033 Bonds		
		Belgium	10:30 AM	5:30 AM	EU1 Billion of 119-day Bills		
		Germany	10:30 AM	5:30 AM	I/L Bond		
		Canada	3:30 PM	10:30 AM	C\$11.6 Billion of 98-day Bills		
		Canada	3:30 PM	10:30 AM	C\$4.2 Billion of 182-day Bills		
		Canada	3:30 PM	10:30 AM	C\$4.2 Billion of 364-day Bills		
		U.S.	4:30 PM	11:30 AM	USD75 Bln 42-Day CMB		
		U.S.	6:00 PM	1:00 PM	USD48 Bln 3-Year Notes		
Wednesday	8-Nov	Australia	12:00 AM	7:00 PM	A\$800 Million 2.75% 2035 Bonds		
		Denmark	9:15 AM	4:15 AM	2.25% 2033 Bonds		
		Denmark	9:15 AM	4:15 AM	0.1% 2034 Linkers		
		Switzerland	10:00 AM	5:00 AM	Bonds		
		Norway	10:00 AM	5:00 AM	NOK2 Billion of 1.75% 2027 Bonds		
		Sweden	10:00 AM	5:00 AM	SEK2.5 Billion of 1.75% 2033 Bonds		
		U.K.	10:00 AM	5:00 AM	GBP900 Million of 0.125% 2051 Linkers		
		Germany	10:30 AM	5:30 AM	EU4 Billion of 2.6% 2033 Bonds		
		U.S.	4:30 PM	11:30 AM	17-Week Bills		
		Canada	5:00 PM	12:00 PM	C\$4 Billion of 4% 2029 Bonds		
		U.S.	6:00 PM	1:00 PM	USD40 Bln 10-Year Notes		
		Australia	11:30 PM	6:30 PM	A\$1 Billion 105-Day Bills		
		Australia	11:30 PM	6:30 PM	A\$1 Billion 133-Day Bills		
		Thursday	9-Nov	New Zealand	1:35 AM	8:35 PM	NZ\$30M 2.5% 2035 Inflation-Linked Bonds
New Zealand	1:35 AM			8:35 PM	NZ\$100 Million 2.75% 2037 Bonds		
New Zealand	1:35 AM			8:35 PM	NZ\$225 Million 2% 2032 Bonds		
New Zealand	1:35 AM			8:35 PM	NZ\$175 Million 4.5% 2030 Bonds		
Japan	3:30 AM			10:30 PM	4 Trillion Yen of 6-Month Bills		
Japan	3:35 AM			10:35 PM	30-Year Bonds		
Italy	10:00 AM			5:00 AM	EU6 Billion of 366-day Bills		
U.S.	4:30 PM			11:30 AM	4-Week Bills		
U.S.	4:30 PM			11:30 AM	8-Week Bills		
U.S.	6:00 PM			1:00 PM	USD24 Bln 30-Year Bonds		
Friday	10-Nov			Japan	3:30 AM	10:30 PM	5.6 Trillion Yen of 3-Month Bills
				Italy	10:00 AM	5:00 AM	Bonds
				U.K.	11:00 AM	6:00 AM	GBP2 Billion of 91-day Bills
		U.K.	11:00 AM	6:00 AM	GBP1 Billion of 28-day Bills		
		U.K.	11:00 AM	6:00 AM	GBP2.5 Billion of 182-day Bills		

Source: Morgan Stanley Research, Bloomberg

Cyclical and Secular Trends

Government Bonds

In [The Tactical Bull Market Is Back](#), we discussed a simple methodology based on the Ichimoku Kinko charting technique for classifying market movements as bullish, bearish, or range-bound. Then, we define whether the movement is cyclical or secular in nature.

Exhibit 7: Summary of cyclical (tactical & strategic) and secular bull, bear, and range-bound rates markets

					Cyclical	Cyclical	Secular
	Daily	Daily	Daily	200d MA	Tactical	Strategic	
	Last	Cloud Lower	Cloud Upper		Daily	Weekly	Monthly
UST 2y	4.935	4.957	5.040	4.625	Bull Market	Bear Market	Bear Market
UST 5y	4.588	4.360	4.524	4.075	Bear Market	Bear Market	Bear Market
UST 10y	4.643	4.214	4.431	3.948	Bear Market	Bear Market	Bear Market
UST 30y	4.809	4.322	4.543	4.080	Bear Market	Bear Market	Bear Market
DBR 2y	3.023	3.122	3.214	2.958	Bull Market	Bear Market	Bear Market
DBR 5y	2.627	2.686	2.750	2.527	Bull Market	Bear Market	Bear Market
DBR 10y	2.739	2.689	2.773	2.509	Range bound	Bear Market	Bear Market
DBR 30y	3.006	2.798	2.932	2.602	Bear Market	Bear Market	Bear Market
UKT 2y	4.721	4.972	5.045	4.404	Bull Market	Bear Market	Bear Market
UKT 5y	4.329	4.546	4.546	4.076	Bull Market	Bear Market	Bear Market
UKT 10y	4.377	4.386	4.449	4.074	Bull Market	Bear Market	Bear Market
UKT 30y	4.852	4.644	4.785	4.390	Bear Market	Bear Market	Bear Market
JGB 10y	0.883	0.605	0.720	0.539	Bear Market	Bear Market	Bear Market
JGB 20y	1.644	1.269	1.443	1.231	Bear Market	Bear Market	Bear Market
JGB 30y	1.831	1.526	1.703	1.464	Bear Market	Bear Market	Bear Market
JGB 40y	2.070	1.678	1.850	1.657	Bear Market	Bear Market	Bear Market
ACGB 2y	4.374	3.936	3.986	3.680	Bear Market	Bear Market	Bear Market
ACGB 5y	4.411	3.949	4.011	3.669	Bear Market	Bear Market	Bear Market
ACGB 10y	4.768	4.221	4.303	3.910	Bear Market	Bear Market	Bear Market
ACGB 20y	5.073	4.515	4.604	4.260	Bear Market	Bear Market	Bear Market
NZGB 2y	5.387	5.284	5.284	5.104	Bear Market	Bear Market	Range bound
NZGB 5y	5.034	4.863	4.863	4.607	Bear Market	Bear Market	Range bound
NZGB 10y	5.208	4.892	4.892	4.631	Bear Market	Bear Market	Bear Market
CAN 2y	4.445	4.744	4.827	4.339	Bull Market	Bear Market	Bear Market
CAN 5y	3.868	4.061	4.143	3.627	Bull Market	Bear Market	Bear Market
CAN 10y	3.810	3.766	3.893	3.393	Range bound	Bear Market	Bear Market
CAN 30y	3.607	3.591	3.705	3.310	Range bound	Bear Market	Bear Market

Source: Morgan Stanley Research, Bloomberg

Foreign Exchange

Exhibit 8: Summary of cyclical (tactical and strategic) and secular bull, bear, and range-bound FX markets

					Cyclical	Cyclical	Secular
	Daily	Daily	Daily	200d MA	Tactical	Strategic	
	Last	Cloud Lower	Cloud Upper		Daily	Weekly	Monthly
DXY	105.27	103.43	105.32	103.52	Range bound	Range bound	Bull Market
USDJPY	150.07	143.89	147.80	140.49	Bull Market	Bull Market	Bull Market
USDCAD	1.3700	1.3408	1.3511	1.3492	Bull Market	Bull Market	Bull Market
USDCHF	0.8994	0.8889	0.9032	0.9003	Range bound	Bear Market	Bear Market
USDNOK	11.0599	10.4000	10.7104	10.6075	Bull Market	Bull Market	Bull Market
USDSEK	10.9146	10.7433	11.0338	10.6739	Range bound	Bull Market	Bull Market
EURUSD	1.0718	1.0665	1.0859	1.0806	Range bound	Bull Market	Bear Market
GBPUSD	1.2344	1.2348	1.2554	1.2435	Bear Market	Bull Market	Bear Market
AUDUSD	0.6489	0.6424	0.6589	0.6619	Range bound	Bear Market	Bear Market
NZDUSD	0.5964	0.5963	0.6084	0.6118	Range bound	Bear Market	Bear Market
EURJPY	160.84	155.59	157.88	151.78	Bull Market	Bull Market	Bull Market
NOKSEK	0.9870	1.0293	1.0324	1.0066	Bear Market	Bear Market	Bull Market
AUDNZD	1.0881	1.0813	1.0824	1.0819	Bull Market	Range bound	Bull Market
USDBRL	4.8870	4.8878	4.9600	4.9973	Bear Market	Bear Market	Range bound
USDMXN	17.55	17.22	17.33	17.70	Bull Market	Bear Market	Bear Market
USDARS	350.03	307.28	349.96	261.28	Bull Market	Bull Market	Bull Market
USDCLP	881.97	857.83	885.09	833.06	Range bound	Range bound	Bull Market
USDCOP	3,977.38	3,999.92	4,031.23	4,364.90	Bear Market	Bear Market	Bull Market
USDPEN	3.7610	3.6804	3.7551	3.7386	Bull Market	Bear Market	Bull Market
USDZAR	18.29	18.38	18.93	18.58	Bear Market	Bull Market	Bull Market
USDTRY	28.4364	26.3903	26.9269	23.3342	Bull Market	Bull Market	Bull Market
USDILS	3.8914	3.7182	3.8184	3.7072	Bull Market	Bull Market	Bull Market
USDRUB	118.69	76.43	77.44	#N/A	Bull Market	Bull Market	Bull Market
USDPLN	4.1571	4.1916	4.3034	4.2217	Bear Market	Bear Market	Bull Market
USDCZK	22.9049	22.2549	22.7972	22.1368	Bull Market	Range bound	Bull Market
USDHUF	354.02	356.24	363.54	352.17	Bear Market	Bear Market	Bull Market
USDCNY	7.2702	7.2347	7.2930	7.0728	Range bound	Bull Market	Bull Market
USDIDR	15,538.00	15,261.50	15,417.75	15,191.85	Bull Market	Bull Market	Bull Market
USDINR	83.22	82.47	82.93	82.47	Bull Market	Bull Market	Bull Market
USDKRW	1,297.45	1,300.23	1,330.11	1,308.08	Bear Market	Range bound	Bull Market
USDMYR	4.6430	4.6022	4.6810	4.5529	Range bound	Bull Market	Bull Market
USDPHP	55.92	55.66	56.68	55.63	Range bound	Bull Market	Bull Market
USDSGD	1.3506	1.3477	1.3638	1.3457	Range bound	Range bound	Range bound
USDTWD	32.1520	31.5325	32.0165	31.1261	Bull Market	Bull Market	Bull Market
USDTHB	35.4980	35.1755	35.9103	34.7812	Range bound	Bull Market	Bull Market
GOLD	1,978	1,898	1,917	1,934	Bull Market	Bull Market	Bull Market

SILVER	23.03	23.25	23.69	23.28	Bear Market	Bull Market	Range bound
CRUDE OIL	80.82	83.20	87.18	76.74	Bear Market	Bull Market	Bull Market

Source: Morgan Stanley Research, Bloomberg

Pivot Points

Pivot points are charting levels used by day traders to determine market direction, support, and resistance levels. We calculate daily pivot points using the previous week's open, high, low, and closing levels.

Exhibit 9: US Treasury benchmark daily pivots, support, and resistance levels

	UST 2y	UST 3y	UST 5y	UST 7y	UST 10y	UST 30y
Daily resistance 3	5.004	4.802	4.672	4.727	4.721	4.875
Daily resistance 2	4.987	4.782	4.651	4.706	4.701	4.859
Daily resistance 1	4.967	4.764	4.632	4.688	4.685	4.847
Daily pivot high	4.917	4.713	4.579	4.634	4.637	4.810
Daily pivot low	4.908	4.704	4.568	4.623	4.627	4.802
Daily Support 1	4.891	4.684	4.547	4.602	4.608	4.785
Daily Support 2	4.872	4.666	4.529	4.583	4.591	4.774
Daily Support 3	4.849	4.643	4.504	4.558	4.569	4.757

Source: Morgan Stanley Research

Exhibit 10: US Treasury futures daily pivots, support, and resistance levels

	TU1	FV1	TY1	UXY1	US1	WN1
Daily resistance 3	101-226	105-286	108-150	111-23+	113-263	117-255
Daily resistance 2	101-202	105-227	108-066	111-131	113-133	117-076
Daily resistance 1	101-186	105-193	108-016	111-067	113-053	116-285
Daily pivot high	101-162	105-13+	107-25+	110-28+	112-243	116-105
Daily pivot low	101-156	105-122	107-235	110-261	112-212	116-06+
Daily Support 1	101-136	105-075	107-172	110-181	112-113	115-246
Daily Support 2	101-122	105-041	107-122	110-117	112-033	115-135
Daily Support 3	101-108	105-007	107-076	110-062	111-28+	115-040

Source: Morgan Stanley Research

Exhibit 11: 10y government bond yield daily pivots, support and resistance levels

	UST 10y	CAN 10y	DBR 10y	UKT 10y	JGB 20y	ACGB 10y
Daily resistance 3	4.721	3.865	2.785	4.424	1.689	4.786
Daily resistance 2	4.701	3.852	2.774	4.413	1.673	4.782
Daily resistance 1	4.685	3.839	2.760	4.398	1.664	4.778
Daily pivot high	4.637	3.803	2.725	4.362	1.649	4.768
Daily pivot low	4.627	3.796	2.719	4.356	1.644	4.766
Daily Support 1	4.608	3.783	2.708	4.345	1.633	4.762
Daily Support 2	4.591	3.770	2.694	4.330	1.624	4.758
Daily Support 3	4.569	3.754	2.678	4.314	1.618	4.753

Source: Morgan Stanley Research

Exhibit 12: Foreign exchange rates daily pivots, support, and resistance levels

	DXY	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD
Daily resistance 3	105.58	1.0770	150.63	1.2460	0.6537	1.3751
Daily resistance 2	105.50	1.0755	150.49	1.2426	0.6522	1.3739
Daily resistance 1	105.41	1.0745	150.31	1.2404	0.6514	1.3723
Daily pivot high	105.18	1.0730	149.87	1.2370	0.6499	1.3684
Daily pivot low	105.14	1.0727	149.80	1.2362	0.6496	1.3677
Daily Support 1	105.06	1.0715	149.66	1.2336	0.6484	1.3665
Daily Support 2	104.97	1.0705	149.48	1.2314	0.6476	1.3649
Daily Support 3	104.86	1.0697	149.29	1.2296	0.6468	1.3632

Source: Morgan Stanley Research

Exhibit 13: Foreign exchange rates daily pivots, support, and resistance levels

	EURJPY	EURCHF	EURNOK	EURSEK	NOKSEK	AUDNZD
Daily resistance 3	161.52	0.9667	11.8996	11.7521	0.9906	1.0915
Daily resistance 2	161.35	0.9656	11.8885	11.7277	0.9890	1.0907
Daily resistance 1	161.18	0.9650	11.8805	11.7126	0.9881	1.0899
Daily pivot high	160.73	0.9640	11.8551	11.6882	0.9865	1.0878
Daily pivot low	160.64	0.9636	11.8495	11.6788	0.9859	1.0874
Daily Support 1	160.47	0.9629	11.8384	11.6638	0.9849	1.0866
Daily Support 2	160.30	0.9623	11.8304	11.6487	0.9840	1.0858
Daily Support 3	160.10	0.9619	11.8186	11.6432	0.9836	1.0849

Source: Morgan Stanley Research

Auction Preview

3y Auction Outlook

On Tuesday, the Treasury is scheduled to auction \$48bn in 3y notes, and our algorithms forecast a 0.1bp tail. In our full dataset, 3y auctions have averaged a 0.2bp tail and a 0.7bp tail over the past 1y and 10y, respectively.

Exhibit 14: 3y Auction Preview

Auction Date	11/7/2023	Variables Our Models Considered	Input Value
Auction Tenor	US 3Y	Auction Maturity	3Y
Auction Issuance	\$48bn	Size of Auction (\$USD Bn)	48
Our Call	Tail	% Change in Size of Auction	4.35%
		3 Day Change in Nominal Yield leading into Auction	-2.8
		4 Day Change in Nominal Yield leading into Auction	-20.1
		1 Day Change in DXY leading into Auction	0.222
		1 day change in 2s10s curve leading into Auction	-2.5
		1 day change in 2s30s curve leading into Auction	-5.4
		Morgan Stanley Financial Conditions Index	-2.727
		2 day change in Libor Swap Spread leading into Auction	-0.1
		Binary: Is the Auction a Reopening?	No
		Change to Fed Funds Target Rate over Past 6 months	0.25
		6m Slope of Fed Funds Futures Curve	-13.8

Model	Predicted Tail (Signal <0 is Through)
Extreme Gradient Boosting	0.0
K-Nearest Neighbors	0.3
Gradient Boosting	0.1
Random Forest	0.4
Lasso Regression	-0.6
Multiple Linear Regression	-0.7
XGB and KNN Hybrid	0.1
All Models Hybrid	-0.1

Source: Morgan Stanley Research

G4 Smarter (beta) Trading Strategy

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Enhancements to a G4 10y government bond futures momentum strategy have produced higher Sharpe ratios and stronger returns, relative to total return government bond indices for the G4, US, Germany, Japan, and the UK since 2000. See [A "Smarter" \(Beta\) Way to Trade G4 10y Futures Duration?](#) for more information on these strategies.

Trading Strategy 1 – "Trade Longs/Fade Shorts"

When the 5-day moving average crosses above the 20-day moving average, buy the futures contract (long duration) and hold for a 25-business-day period. When the 5-day moving average crosses below the 20-day moving average, buy the futures contract and hold for a 25-business-day period. In short, this strategy buys futures when the Simple Moving Average Crossover (SMAX) generates both a long and a short signal, given the historical outperformance of long signals traded long and the underperformance of short signals traded short. Given that the SMAX could generate both a long and a short signal within the predefined holding period, an investor may have a 200% long position since each of the two signals would be traded in separate portfolio sleeves.

Trading Strategy 2 – Trade "Longs Only"

When the 5-day moving average crosses above the 20-day moving average, buy the futures contract (long duration) and hold for a 25-business-day period. When the 5-day moving average crosses below the 20-day moving average, do nothing. In short, an investor ONLY trades long signals initiated by the SMAX given their historical precedent to outperform.

Exhibit 15: Trading Signals for G4 Smarter (beta) Trading Strategy

Current Risk, G4 10y Futures	G4 Strategy Weight	Trade Longs Portfolio	Fade Shorts Portfolio	Total Risk Trade Longs Only	Total Risk Trade Longs/Fade Shorts (max 200%)	Trade Longs Portfolio Entry Date	Trade Longs Portfolio Exit Date	Fade Shorts Portfolio Entry Date	Fade Shorts Portfolio Exit Date
JB 10y Future	32.50%	100%	100%	100%	200%	10/16/2023	11/21/2023	10/23/2023	11/29/2023
GE 10y Future	29.25%	100%	100%	100%	200%	10/30/2023	12/4/2023	10/20/2023	11/24/2023
US 10y Future	30.50%	100%	0%	100%	100%	11/6/2023	12/12/2023	-	-
UK 10y Future	7.75%	100%	100%	100%	200%	11/9/2023	12/8/2023	10/19/2023	11/23/2023

Source: Morgan Stanley Research

US Holiday Trading Strategy

Combining the individual trading signals based on 10y Treasury future (TY) price patterns before and after US holidays has generated an annual strategy with no down years since 1987. See [Trading 10y Treasury Futures Around US Holidays](#) for more information.

Using historical data since 1983, we created a trading strategy using 10y Treasury futures (TY) that trades 11 times per year, either long or short, before or after the following US holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Thanksgiving, and Christmas. [Exhibit 16](#) displays the trading rules:

Exhibit 16: Trading rules for US holiday trading model using US 10y futures contracts (TY)

Holiday	Day of Week	Direction	Before/After Holiday	Trading Rule (business days, 3pm NY unless specified)	Trade Entry (business days)	Trade Exit (business days)
New Year's Day	Rotates	Long TY	After	Buy TY New Years +1, Sell TY New Years +4	New Year + 1	New Year + 4
Martin Luther King Day 1	Monday	Long TY	Before	Buy TY Tuesday before MLK, Sell Friday before MLK	MLK - 4	MLK - 1
Martin Luther King Day 2	Monday	Short TY	After	Sell TY Tuesday after MLK, Buy Friday after MLK	MLK + 1	MLK + 4
President's Day	Monday	Long TY	After	Buy TY Tuesday after Pres. Day, Sell TY Friday after Pres. Day	Pres. Day + 1	Pres. Day + 4
Good Friday	Friday	Long TY	After	Buy TY Monday after Good Friday, Sell TY Friday after Good Friday	Good Friday + 1	Good Friday + 5
Memorial Day	Monday	Long TY	After	Buy TY Tuesday after Mem. Day, Sell TY Friday after Mem. Day	Mem. Day + 1	Mem. Day + 4
Independence Day (July 4th)	Rotates	Long TY	After	Buy TY Independence Day + 2, Sell TY Independence Day + 4	Ind. Day + 2	Ind. Day + 4
Labor Day	Monday	Long TY	Before	Buy TY Monday before Labor Day, Sell TY Thursday before Labor Day	Labor Day - 4	Labor Day - 2
Columbus Day	Monday	Short TY	Before	Sell TY Monday before Col. Day, Buy TY Thursday before Col. Day	Colum. Day - 5	Colum. Day - 2
Thanksgiving	Thursday	Long TY	Before	Buy TY Friday before Thanksgiving, Sell TY Tuesday before Thanksgiving	Thanksgiving - 4	Thanksgiving - 2
Christmas	Rotates	Short TY	Before	Sell TY Christmas Day - 4, Buy TY Christmas Day - 1	Christmas - 4	Christmas - 1

Source: Morgan Stanley Research. Note: Past performance is no guarantee of future results.

In Case You Missed It

Global Macro

[Global Macro Strategy: Global FX Positioning: Largest Weekly Drop In USD Positioning Since July](#)

6 Nov 2023

In the week ending Friday, November 3, options pricing data indicate that investors added long NZD and CAD positions, and increased short NOK (versus EUR) and USD (DXY) positions. In the futures market, USD shorts were added against AUD and JPY, while investors bought USD against CHF and CAD in the week ending Tuesday, October 31.

[Global Macro Strategist: If At First You Don't Succeed](#)

3 Nov 2023

Buy, buy bonds again. After the FOMC meeting, we reengaged with the long duration trade in the US. We remain neutral on the USD for now. While financial conditions have returned to nearly September FOMC meeting levels, economic data come mixed, with more recent data showing negative momentum.

[Government Bond Auction Pipeline: The Month Ahead](#)

3 Nov 2023

We review the supply, coupon and redemption picture for the US, UK, Euro, JPY, AUS, NZ, CAN and CNY government bond markets over the next month. This week, G7 net DV01 to be \$107.2m/bp, compared to an average* \$55.7m/bp. US \$82.9 m/bp; Euro \$9.3m/bp; UK \$7.4m/bp; JPN \$5.5m/bp.

[Podcast: The Global Macro Guide: November 3](#)

3 Nov 2023

In this podcast series, host Martin Tobias discusses the most important highlights of the week just past, and talks about the most important events of the week to come.

[US Economics & Global Macro Strategy: FOMC Reaction: Comfortable and Balanced](#)

2 Nov 2023

On balance, the door to a December hike remains ajar, even as support on the Committee has waned. We do not see the data and financial conditions supporting further tightening. Our strategists add 3m30y ATM -25 receivers, and stay long SFRZ4 on SFRU3Z4Z5 fly, and long agency MBS.

[Nordic Macro Watch | Norges Bank: All Eyes on Inflation](#)

2 Nov 2023

Norges Bank remained on hold, in line with expectations. The forward guidance from September was re-affirmed, noting that a 25bp hike in December is likely. The guidance came with what we see as a slightly dovish twist – explicitly noting the chance of a hold, should downwards momentum in underlying inflation be confirmed in the upcoming data. On balance, we see a hike in December, but the decision will be very close.

[UK BoE Reaction: Events, Dear Boy, Events](#)

2 Nov 2023

In line with expectations, the BoE kept Bank Rate on hold today. The messaging was clear

– rates will, on current forecasts, have to stay restrictive for some time. Data developments, as has been the case through this entire cycle, can change the forecasts, and the BoE's stance. Hence, we continue to expect 2024 cuts, and Bank Rate at 4% by the end of next year.

[US Public Policy & Economics Brief: Figuring Out Fiscal Policy](#)

1 Nov 2023

Fiscal expansion is often cited as a reason for positive US growth surprises & government bond yield increases in 2023. Yet, we assess that expansion has peaked, at least until after the 2024 election. Hence, investors focused on upside catalysts for growth & yields should look elsewhere.

[Japan Economics & Macro/Equity Strategy: BoJ Further Increasing Flexibility in Conduct of YCC](#)

31 Oct 2023

BoJ decided to regard the upper bound of 1.0% as a "reference", which will allow 10yr JGB yields to inch slightly above 1%. We discuss implications on USDJPY, JGB yields and Japanese equities.

Global EM

[Macro Monday Matters: Top Trades in FX & EM](#)

6 Nov 2023

Reducing USD longs against the G10 was the right call. From here, falling bond yields will help but don't guarantee a weaker USD given continued soft global data, now neutral USD positioning and the significant loosening of financial conditions.

[Mexico Economics & Strategy: Central Bank Preview: Staying the Course](#)

3 Nov 2023

Our call: We think that the central bank will hold rates constant at 11.25% at the November 9 meeting. Strategy view: We expect the Banxico meeting to be broadly a non-event from a markets standpoint, though risks are skewed very mildly to the hawkish side via a potential revision higher of CPI projections.

[Saudi Arabia Economics and Sovereign Credit Strategy: Oil Output Cuts Take Their Toll](#)

3 Nov 2023

Real GDP and budget balance data for 3Q23 came in weak, reflecting the impact of deep oil production cuts. We revise our 2023 growth forecast to -0.5%Y from 0.6%Y previously, and see the budget deficit widening to 2.4% in 2023. In sovereign credit, we prefer Abu Dhabi over Saudi Arabia in the belly and prefer pipeline bonds in the quasi-sovereign space.

[EM Strategy: The GBI-EM Investors' Lowdown](#)

3 Nov 2023

Investors started to cut duration risks more meaningfully from mid-September. Given that it normally takes three months to cut duration from OW to neutral, they are still in the middle of position reduction. EM duration could continue to be a pain trade should US data surprise on the upside.

EM Fixed Income Flows Update: Where Supply Meets Demand

3 Nov 2023

EM flows: EMDD flows registered outflows worth US\$1.9bn this week versus outflows of US\$2.0bn in the previous week.

Brazil Economics and Strategy: Central Bank Review: Unchanged Forward Guidance

2 Nov 2023

Central bank decision: In line with our call, the central bank decided to cut rates by 50bp, to 12.25%. As expected, it was an unanimous decision. Market reading (EM Strategy): The November BCB statement was a non-event from a market standpoint, as policymakers highlighted the challenging global outlook (as expected), but did not address the ongoing fiscal noise.

Egypt Economics and Sovereign Credit Strategy: Update: Rerouting to the Roadmap

1 Nov 2023

Despite the improvement in the BoP and continued privatisation efforts, Egypt still faces challenges to its external and fiscal accounts, with additional uncertainty related to recent geopolitical developments. Strengthening the IMF anchor will be key for Egypt's macro stabilisation post-elections, in our view. We remain neutral on the credit.

EM Sovereign Credit Strategy: Taking a Closer Look at MENA Exporter Resilience

31 Oct 2023

MENA exporter fundamentals should remain comparatively resilient, even in an escalated conflict. We prefer Abu Dhabi over Saudi Arabia/Qatar in the belly, turn neutral on Bahrain following decompression and move Sharjah to a dislike stance given growth risks.

EM Strategy: Asia Macro Strategy: Are Asia Bond Yields Attractive Now?

31 Oct 2023

We stay bearish on Asia FX and local duration. Despite the sell-off, the Asia real rates spread over US real rates is rather tight, suggesting that its valuation is not attractive yet. We increase our bearish exposure.

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Equal-weight/Hold	1664	46%	299	47%	18%	700	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	588	16%	61	10%	10%	220	15%
Total	3,592		630			1515	

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