



THE WEEK THAT WAS

	current	-1W	-1M	YTD
10-Year Bond Yields				
			change (bps)	
US Treasuries	1.54	-5	-10	62
Bunds	-0.34	-9	-23	23
BTPs	0.87	-9	-7	35
OATs	0.01	-10	-22	35
JGBs	0.08	0	-1	5
Gilts	0.88	-4	-29	68
Spreads over Bunds				
			change (bps)	
GIIPS	95	0	10	7
Covered Bonds	64	1	8	20
EMU Corporates (OAS)				
			change (bps)	
Non-Fin.	99	8	12	6
Fin.	101	5	14	9
Forex				
			%-change	
EUR/USD	1.13	-1.4	-3.0	-7.6
USD/JPY	114	0.1	-0.3	10.4
EUR/GBP	0.84	-1.6	-0.4	-6.1
EUR/CHF	1.05	-0.6	-2.2	-3.0
Equities				
			%-change (total return)	
S&P500	4,698	0.4	4.1	26.7
MSCI EMU	155.7	-0.2	4.1	24.1
TOPIX	2,045	0.2	0.9	15.5
FTSE	7,224	-1.6	0.3	15.6
MSCI EM (\$)	1,269	-1.3	-1.9	0.4

Current as of closing 19/11/2021

MARKET MOVES

- Amid strongly rising fresh Covid-19 cases, Germany, Austria (full lockdown) and the Netherlands introduced new restrictions.
- The US lower House approved Biden's US\$ 1.75 bn social and climate bill. US October retail sales and IP growth surprised on the upside.
- China Oct. data improved on average, except for the real estate sector.
- After several weeks of rises, European stocks fell at the end of last week on Covid worries. 10y-Bund yields also decreased.
- The Turkish Lira dropped massively upon a 100 bps rate cut. Gas prices were strongly up upon Northstream2 deferral.

KEY EVENTS

- Rising Covid-19 infections will likely prompt new fears of fresh (partial) lockdowns.
- US President Biden is likely to announce the next Fed chair nominee. In terms of monetary policy, we do not expect much difference between Powell and Brainard, but the latter could be tougher on regulations.
- In terms of data, flash PMIs will be published for a range of countries. They will shed some light on how much fresh Covid-19 worries, high inflation numbers on the produces and consumer levels may have already dented manufacturing and services production.

	Time	Market	Event	Period	Consensus	Previous
22 Nov 2021	16:00	United States	Existing Home Sales	Oct	6.20M	6.29M
23 Nov 2021	10:00	Euro Zone	Markit Comp Flash PMI	Nov	53.3	54.2
23 Nov 2021	15:45	United States	Markit Comp Flash PMI	Nov		57.6
24 Nov 2021	01:30	Japan	Jibun Bank Mfg PMI Flash	Nov		53.2
23 Nov 2021	10:30	UK	Flash Manufacturing PMI	Nov	57.3	57.8
24 Nov 2021	10:00	Germany	Ifo Business Climate New	Nov	96.8	97.7
24 Nov 2021	14:30	United States	Durables Ex-Transport	Oct	0.4%	0.5%
26 Nov 2021	00:30	Japan	CPI, Overall Tokyo	Nov		0.1%

Rating updates: Belgium (Moody's), Ireland (S&P) Bulgaria (S&P), Bahrain (S&P)

TO THE CORE

Last Friday, Japan announced a record JPY 55.7 tr spending package (about 10% of GDP). It is intended to cushion the economic blow from the COVID-19 pandemic, after Q3 GDP had dropped 3% qoq annualised.

A CHART SPEAKS A THOUSAND WORDS

China: Investment in Real Estate and Property Sales

yoy in %, 3mma



Source: datastream

IGNORE AT YOUR PERIL

China's real estate sector still a worry

China's October activity data saw a moderate improvement, except for real estate. Industrial production rebounded somewhat, not least helped by still strong exports. Retail sales took less of a hit from the Covid-19 lockdowns. Total social financing growth stopped declining. However, the real estate sector remained a worry. Property investment and sales receded further. House price inflation softened to the lowest level since early 2016. While overall property investment is still likely to advance by 5% this year, the sector could become a strong drag on growth next year.

However, as China's deleveraging policy is at the heart of the current sector downturn, policy is also able to prevent an outright recession. First steps to ease mortgage availability have been taken. We continue to see a soft, but positive property investment growth rate in 2021. Looking more generally ahead, the property sector, energy consumption controls, fresh Covid-19 outbreaks amid soaring PPI inflation continue to be headwinds to the economy. Thus, we expect some policy easing with monetary policy cutting the RRR by 50 bps. We forecast GDP growth to fall below 5% next year, after 7.8% in 2021.

Christoph Siepmann (christoph.siepmann@generali-invest.com)