



## Rates Overview

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## DM Headlines

- Central Banks Set for Higher for Longer to Fight Inflation  
ECB and BOE may deliver another rate hike then switch to pause  
Fed is widely seen holding as it seeks a rare soft landing  
<https://blinks.bloomberg.com/news/stories/SOVATST1UM0W>
- Inflation Drags Real US Household Incomes by Most Since 2010  
Median income fell for a third year in 2022, Census data shows  
Poverty measure rose as pandemic-relief programs expired  
<https://blinks.bloomberg.com/news/stories/SOVMYLT1UM0W>
- Morgan Stanley Says 'Fed Has Done Enough,' Lean Into Duration  
Fixed-income research chief Tirupattur sees economy slowing  
Says central bank is on trajectory to hit 2% inflation target  
<https://blinks.bloomberg.com/news/stories/SOVNB2TOAFB4>
- High-Grade Issuers Storm Market Ahead of Key Inflation Data  
Eleven firms are selling debt Tuesday ahead of CPI, PPI  
Intuit, Bank of America among those marketing high-grade bonds  
<https://blinks.bloomberg.com/news/stories/SOW3XLDWRGG0>
- Oil Holds Gain as OPEC, US See Output Cuts Tightening Market  
OPEC sees fourth-quarter deficit of 3.3 million barrels a day  
WTI trades near \$89 a barrel after rising by 1.8% on Tuesday  
<https://blinks.bloomberg.com/news/stories/SOWMOKTOAFB4>
- US 10-Year Auction Draws Highest Yield Since 2007, as Expected  
<https://blinks.bloomberg.com/news/stories/SOVU29DWLU68>
- US INSIGHT: What August CPI Surprise Would Mean for Yields (1)  
<https://blinks.bloomberg.com/news/stories/SOVVNBTOG1KW>
- Barclays Resists Pull for Higher Dollar, Predicts 'Moderation'  
<https://blinks.bloomberg.com/news/stories/SOVRECTOG1KW>
- Fed Reverse Repo Use Is Below \$1.5 Trillion, Least in 18 Months  
<https://blinks.bloomberg.com/news/stories/SOVYLG1UM0W>
  
- ECB Suspense Intensifies With Officials Split Over Rate Decision  
Decision may be least predictable since hiking cycle began  
Economists almost evenly split over a rate increase or a pause  
<https://blinks.bloomberg.com/news/stories/SOV761DWRGG0>
- ECB Sees Euro Zone Inflation Remaining Over 3% In 2024: Rtrs (1)  
<https://blinks.bloomberg.com/news/stories/SOW3K8DWLU68>
- StanChart Expects a Hawkish ECB Hold That Will Be Euro-Negative  
<https://blinks.bloomberg.com/news/stories/SOW0Z6T1UM0W>
- Euro-Area Credit Demand and Supply Are Waning  
<https://blinks.bloomberg.com/news/stories/SOWQJ5DWRGG1>
- Higher ECB Risk-Free Rates Are Passing Through, More to Come  
<https://blinks.bloomberg.com/news/stories/SOWQJ5DWRGG0>
- German Investor Outlook Improves But Still Signals Weak Momentum  
ZEW expectations index rose to -11.4; economists saw -15  
Prospects for peak in interest rates helping, Wambach says  
<https://blinks.bloomberg.com/news/stories/SOTQOADWRGG0>



## RUBRICS

- UK Mortgage Arrears Hit 7-Year High Rates Squeeze Borrowers (1)  
<https://blinks.bloomberg.com/news/stories/S0VKVPDWX2PS>
- Britain's Economy Shrinks at the Quickest Pace in Seven Months  
<https://blinks.bloomberg.com/news/stories/S0V8S2T0G1KW>
- Pound Hits Day's Low After Softer-Than-Expected UK Growth Data  
<https://blinks.bloomberg.com/news/stories/S0UXKIT1UM0W>
- Sterling Credit Levers Up on Weaker UK Earnings; Outlook Gloomy  
<https://blinks.bloomberg.com/news/stories/S0WRD7T0AFB4>
- UK's Lower Birth Rate Set to Boost Household Living Standards  
David Miles sees positive impact on economy from fewer people  
Households may be better off, but public finances could suffer  
<https://blinks.bloomberg.com/news/stories/S0VPQLDWLU68>
- BOE's New Deputy Governor Says UK Faces Two-Year Stagnation (2)  
Breedon says MPC needs to strike a balance in setting rates  
Official is replacing Jon Cunliffe starting in November  
<https://blinks.bloomberg.com/news/stories/S0VKZ3T1UM0W>
  
- (NZ) Aug. REINZ House Sales YoY, actual 9.2%, prior 1.6%
- Aussie, Kiwi Decline Ahead of US Inflation: Inside Australia/NZ  
<https://blinks.bloomberg.com/news/stories/S0WPR4T0AFB4>
- Australia Aug. Household Spending +0.7% M/m, +2.3% Y/y: Summary  
<https://blinks.bloomberg.com/news/stories/S0WQ15GQOFSW>
- New Zealand Treasury at Odds With RBNZ Over Second Recession (1)  
<https://blinks.bloomberg.com/news/stories/S0WCZJT0G1KW>
- RBNZ Aware of Illiquidity Premium in New Zealand Swap Rates  
<https://blinks.bloomberg.com/news/stories/S0W6KADWLU68>
- RBNZ Expects Liquidity Policy Review Decisions This Year  
<https://blinks.bloomberg.com/news/stories/S0W5PODWRGG0>
- New Zealand Real House Prices Fall 10% Y/y in August  
<https://blinks.bloomberg.com/news/stories/S0W4QQGFWR28>
  
- Bets Grow That World's Last Negative Rates to End With BOJ Hikes  
Swaps signal earlier end of BOJ's negative-rate policy  
Japan bank shares may double in value, Evarich president says  
<https://blinks.bloomberg.com/news/stories/S0VOQSTOG1KW>
- BOJ Watchers Bring Forward Rate Hike Forecasts on Ueda's Remarks  
<https://blinks.bloomberg.com/news/stories/S0UNIFT1UM0W>
- (Japan) 3Q BSI Large All Industry QoQ, actual 5.8, prior 2.7
- (Japan) 3Q BSI Large Manufacturing QoQ, actual 5.4, prior -0.4
- (Japan) Aug. PPI YoY, actual 3.2%, est. 3.3%, prior 3.6%, revised 3.4%
- (Japan) Aug. PPI MoM, actual 0.3%, est. 0.2%, prior 0.1%
- Japan PM Keeps Economy Team, Boosts Women in Cabinet Revamp (2)  
Finance minister asked to stay as Kishida plans stimulus  
Five women in cabinet equals record, may boost support  
<https://blinks.bloomberg.com/news/stories/S0WRFQDWX2PS>
- Yen Slides Before US CPI; 10-Yr JGB Yield at 0.7%: Inside Japan  
<https://blinks.bloomberg.com/news/stories/S0WPE7T1UM0W>

## EM Headlines

- Yuan Bears Heat of PBOC Defense as Funding Costs Surge (1)  
Hibor for currency climbs across curve on tighter liquidity  
PBOC also plans to issue more yuan bills in Hong Kong  
<https://blinks.bloomberg.com/news/stories/S0WN2LT0AFB4>
- China Housing Rally Fades Fast in Big Cities After Stimulus (1)  
Major cities saw initial spurt that's showing signs of fading  
Current supportive measures aren't enough, analysts say  
<https://blinks.bloomberg.com/news/stories/S0WCHGT1UM0W>
- Currency Traders Punish Emerging-Market Rates Impatience (3)  
Yuan extends loss despite verbal defense, stronger fix  
Eastern European currencies slide as Poland's cut sours mood  
<https://blinks.bloomberg.com/news/stories/S0W3LVT1UM0W>
- Yuan Rises Amid Tight Liquidity and PBOC Support: Inside China  
<https://blinks.bloomberg.com/news/stories/S0WNTAT1UM0W>
- China Support for Yuan Goes Beyond Dollar to 23 Other Currencies  
Calculations show stronger fixing bias for basket currencies  
PBOC has been ramping up its efforts to stem the yuan's slide  
<https://blinks.bloomberg.com/news/stories/S0UPB0T0AFB4>
- China's Default Rate Could Pick Up on Refinance, Payment Tests  
<https://blinks.bloomberg.com/news/stories/S0W7X4DWX2PS>
- Won Up After Nation's Unemployment Rate Falls: Inside Korea  
<https://blinks.bloomberg.com/news/stories/S0WDI7T1UM0W>
- S. Korea's Aug. Adjusted Jobless Rate Falls to 2.4%  
<https://blinks.bloomberg.com/news/stories/S0W9N4GFFW8W>
- South Korea to Tighten Rules on 50-Year Mortgage Lending (2)  
<https://blinks.bloomberg.com/news/stories/S0WMAADWLU68>
- Rupiah at Weakest Since March on Outflows: Inside Indonesia  
<https://blinks.bloomberg.com/news/stories/S0WR4ET0G1KW>
- Bonds Gain as Inflation Eases; Rupee Steady: Inside India  
<https://blinks.bloomberg.com/news/stories/S0WOMVDWX2PS>
- India's August Inflation Eases Amid Moderating Food Prices (1)  
Price gains still remain above RBI's 2%-6% tolerance level  
Policymakers remain watchful on El Nino impact. oil prices  
<https://blinks.bloomberg.com/news/stories/S0VGCRDWLU68>
- Ecuador Bonds Slump as Frontrunner Floats Tapping Reserves  
Candidate Noboa says he wants to use \$1.5b to combat El Niño  
Central bank warns against attempting to borrow from deposits  
<https://blinks.bloomberg.com/news/stories/S0VKU4DWLU68>
- Brazil Prices Rise Less Than Expected, Cementing Rate Cut (2)  
Prices rose 0.23% on month and 4.61% on year in August  
Central bank expected to lower key rate to 12.75% next week  
<https://blinks.bloomberg.com/news/stories/S0VHG2DWX2PT>
- Morena Party to Review Complaint by Mexico Hopeful Ebrard (1)  
<https://blinks.bloomberg.com/news/stories/S0WLPOT0AFB4>



## RUBRICS

- Mexico International Reserves Fell to \$203.9b, Banxico Says  
<https://blinks.bloomberg.com/news/stories/S0VOF3GFFW8W>
- Mexico to Grow 2.5% in 2024 From 1.8% Prior on Budget: JPMorgan  
<https://blinks.bloomberg.com/news/stories/S0W5IUTOAFB4>
- Brazil Politics: Lula Veto Weakens Fiscal Rules, Consultant Says  
<https://blinks.bloomberg.com/news/stories/S0VJ15T0G1KW>
- Brazil Zero Fiscal Deficit in 2024 Is Feasible: Budget Minister  
<https://blinks.bloomberg.com/news/stories/S0VVR6TOG1KW>
- Chile Economists Bet on Second Key Rate Cut of 75 Basis Points  
Economists see borrowing costs falling to 5% in 11 months  
Policymakers cut rates by 75bps this month, 100bps in July  
<https://blinks.bloomberg.com/news/stories/S0TSB0DWRGG0>
- BofA Sees More Pain for Chile's Peso, Likes Long ZAR/CLP Trade  
<https://blinks.bloomberg.com/news/stories/S0VIVZDWX2PS>
  
- BofA Closes Long EURPLN Call Amid Intervention Expectations  
<https://blinks.bloomberg.com/news/stories/S0VR1ODWLU68>
- SocGen Says Turkey to 'Over-Deliver' on Rates With 600bps Hike  
<https://blinks.bloomberg.com/news/stories/S0WMIAT0AFB4>
- S. African Bonds Extend Losses as Tax Shock Strains Budget (1)  
Treasury DG acknowledges 'resistance' from debt investors  
Bond supply overwhelming demand, says Foord Asset Management  
<https://blinks.bloomberg.com/news/stories/S0VMXDT1UM0W>
- Zloty Slide Sends Warning Across EU's East on Rate Cut Risks (2)  
Polish currency has been sliding since rate cut last week  
Forint, koruna follow zloty lower, sparking rate cut debates  
<https://blinks.bloomberg.com/news/stories/S0VYUQT0AFB4>
- Poland to Extend Ukraine Grain-Import Ban, Pressuring EU (2)  
Ruling party appeals to farmers a month before elections  
Hungary and Romania also call for extension of restrictions  
<https://blinks.bloomberg.com/news/stories/S0VG0UT0AFB6>
- Polish Official: No Reason to Be Overly Concerned About Zloty  
<https://blinks.bloomberg.com/news/stories/S0WTJ5DWRGG0>
- Zloty Level Favorable for Exports: Polish MPC's Janczyk on PAP  
<https://blinks.bloomberg.com/news/stories/S0WR82DWRGG0>
- Polish Ruling Party May Win Parliament Majority: Ipsos Poll  
<https://blinks.bloomberg.com/news/stories/S0VP61DWLU68>
- Hungary Flags Easing Step by Streamlining Interest Rates (1)  
Central bank plans to align two key rates amid easing cycle  
Authority to simplify two-tiered system of interest rates  
<https://blinks.bloomberg.com/news/stories/S0VJGFT1UM0W>
- Hungarian Economy Seen Stagnating in 2023, Nagy Tells Index  
<https://blinks.bloomberg.com/news/stories/S0VJM3DWRGG0>
- Ramaphosa Faces Tough Choice as South Africa Seeks Spending Cuts  
Treasury to table reductions in number of state-owned entities  
President likely faces pushback from his ANC over state cuts  
<https://blinks.bloomberg.com/news/stories/S0VT5PT0G1KW>

## Citadel Rates Comment

YESTERDAY Treasuries traded choppy without a clear theme or direction, which is typical on the day a before major data like CPI. After trading rangebound during overnight session, duration found a bid right when NY walked in. But the pop was quickly reversed as futures got smashed down at pit open, led by the front end and belly as roster of IG issuance shows corporate supply almost entirely under 10y. Then as stocks started to climb back up in the late morning, duration eased back toward 4.4% yield on 30s. In flows we saw flattening interest from domestic RM while FM has been muted ahead of CPI.

10YR AUCTION came on the screw after a small concession driven by dealer setup just before the auction. Looking at the allocation data afterwards, dealer takedown of 13.8% is in line with past average for a reopening, and it seems that supply is well digested as duration extended the rally in the afternoon, although granted that part of this rally is fueled by some of the corporate issuance being swapped in the 10y point. By the end of day, 10s had richened 1.1bp on the 5/10/30 fly.

OVERNIGHT USTs opened cheaper before bouncing back to 5PM levels without much change in the shape of the curve. Volumes tell us that markets were slightly livelier so far, about 600m 10s have traded and better buying was seen going through the 30y bonds. Nevertheless, most of our clients are choosing to stay on the sidelines before this CPI print. Our flows saw RV receiving in 2s5s10s structures, flatteners in 2s10s and better outright receiving from options desks. In USTs there were some buying in 5s and 10s in small size. News was notably light; Japan PPI data came in below expectations at +3.2% vs 3.3% surveyed and put some downward pressure on JPY. Markets were also disappointed by the BoJ's outright purchase announcements, where some had expected a reduction in the program size, but the BoJ kept amounts unchanged which put further pressure on JPY and helped 10y yields rally 3bps. In other markets, equities are down with Shanghai leading the leg lower at -1%, followed by Nikkei and Kospi at -0.4% and -0.2% respectively. The dollar is stronger and commodities are unchanged.

TODAY eyes will be on CPI where markets are expecting a YoY figure of 3.6%, the recent flattening in 2s10s shows markets have priced in some upside to the print and we think the data could offer a good opportunity to enter into steepeners on a beat. Looking at the 30y auction, it's a difficult one to call especially with CPI in between but all else unchanged we think the curve flatness and a break higher in yields still warrants caution from investors.

## Bloomberg UST Comment

### Treasuries See Late Gains, Curve Flattens After Solid 10Y Sale

By Edward Bolingbroke

(Bloomberg) --

Treasury yields across long-end of the curve edged lower in US afternoon session, breaking out of a narrow trading range to leave 2s10s, 5s30s spreads near flattest levels of the session shortly after 3pm New York. Solid 10-year auction stopped on the screws, adding some support to long-end of the curve later on, ahead of Wednesday 30-year bond reopening and CPI data, key market risk events.

- Treasury yields on the day ended richer by up to 3bp across long-end of the curve with 2s10s, 5s30s spreads flatter by 4bp and 3bp on the day; 10-year yields ended around 4.265%, close to richest levels of the day following grind lower after 10-year auction
  - The auction stopped on the screws while drawing the highest yield since 2007; 13.8% primary dealer award was higher than previous as indirect bidder award dropped to 66.3%, offsetting increase in direct bidder award to 19.9%
- Leading into the auction, price action was limited with yields trading in narrow range as investors look ahead to Wednesday's CPI data
- In SOFR options, stand-out trades included a large dovish hedge targeting multiple rate cuts by the middle of next year — by the end of the session positioning in the Jun24 call spread structure was up to around 50,000, paying a premium of about \$11 million

## Bloomberg Asia Comment

### Bund Futures Fall on ECB Inflation Report; Treasuries Steady

By Marcus Wong and Masaki Kondo

(Bloomberg) --

Bund futures drop to lowest since August after a report said the European Central Bank expects inflation in the euro zone to remain elevated next year. Treasuries hold steady before the release of US consumer-price data.

- Futures of Germany's 10-year government notes fall 22 ticks to 130.41 after reaching lowest since Aug. 15
  - The ECB expects inflation in the euro zone to remain above 3% next year, Reuters reported, citing an unidentified person with direct knowledge of the matter
  - The majority of economists in a Bloomberg survey predict that the central bank will keep rates on hold at Thursday's review
- Treasury 10-year yields are little changed at 4.29%, while similar-dated futures fall 4/32 to 109 23/32
  - The single biggest qualitative takeaway from August's CPI print most likely will be the divergence between headline and core CPI – with the headline elevated and core close to the Fed's desired level, according to a note from Bloomberg Economics
- New Zealand 10-year yields are steady
  - August food prices rose 0.5% m/m after declining 0.5% the previous month
- Japan 10-year yields are little changed
  - Bank of Japan conducts bond-buying as scheduled
  - Overnight-indexed swaps show traders expect the BOJ to raise rates by end-January, compared with expectations for a September 2024 move seen after the last policy meeting in July



## Bloomberg Europe Daybook

### FX/RATES DAYBOOK EUROPE: GBP in Tight Range Ahead of UK Eco Data

By David Finnerty

(Bloomberg) --

Sterling consolidates as investors wait for a slew of UK economic data to gauge the health of the economy. The euro weakens versus dollar after initially rising following report that the European Central Bank expects inflation in the Euro zone to remain above 3% next year.

#### WHAT TO WATCH:

- UK July GDP, industrial and manufacturing production, trade balance
- Eurozone industrial production

#### OVERNIGHT TRADING SESSIONS:

- GBP/USD consolidates under 1.25 while EUR/USD trades mid 1.07-1.08. USD/JPY grinds higher to hold above 147 while AUD/USD falls to hover near 0.64
- U.S. 2-year yields little changed at 5.02% while 10-year yields are steady at 4.28%. In Tuesday's US trading session the auction of 10-year US Treasury notes drew the highest yield since 2007. The \$35 billion sale was awarded at 4.289%. The result was in line with expectations, based on yield levels at the 1 p.m. New York time bidding deadline. 2-year yields ended up 3bps while 10-year fell 1bp

#### TOP NEWS:

- The European Central Bank expects inflation in the Euro zone to remain above 3% next year, Reuters reports, citing an unidentified person with direct knowledge of the matter
- Bank of Japan watchers moved forward their forecasts for an end to negative interest rates after Governor Kazuo Ueda touched on that possibility in an interview published over the weekend
- The pressure is ratcheting up on yuan shorts again with key offshore borrowing costs rising to fresh five-year highs and expected to remain elevated at least through the end of the quarter
- Companies are flocking to sell investment-grade debt Tuesday in an effort to get ahead of consumer and producer price index data set to be released later this week
- Oil steadied after rallying to a 10-month high on forecasts by OPEC and the US that output cuts will tighten the market in the months ahead.
- A spurt of home sales in China's biggest cities is losing momentum less than two weeks after authorities loosened mortgage restrictions, raising doubts over whether the steps are enough to revive the market before a crucial busy season
- Speaker Kevin McCarthy launched an impeachment probe into President Joe Biden for what the Republican leader called a "culture of corruption," stoking partisan passions as Washington barrels toward a potential government shutdown

#### KEY VIEWS:



- StanChart Expects a Hawkish ECB Hold That Will Be Euro-Negative
- Barclays Resists Pull for Higher Dollar, Predicts 'Moderation'
- BofA Closes Long EUR/PLN Call Amid Intervention Expectations
- SocGen Says Turkey to 'Over-Deliver' on Rates With 600bps Hike

#### ECONOMIC DATA RELEASED:

- (NZ) Aug. REINZ House Sales YoY, actual 9.2%, prior 1.6%
- (Japan) 3Q BSI Large All Industry QoQ, actual 5.8, prior 2.7
- (Japan) 3Q BSI Large Manufacturing QoQ, actual 5.4, prior -0.4
- (Japan) Aug. PPI YoY, actual 3.2%, est. 3.3%, prior 3.6%, revised 3.4%
- (Japan) Aug. PPI MoM, actual 0.3%, est. 0.2%, prior 0.1%

#### ECONOMIC DATA (All times CET):

- 08:00: (UK) July Index of Services 3M/3M, est. 0.2%, prior 0.1%
- 08:00: (UK) July Index of Services MoM, est. -0.1%, prior 0.2%
- 08:00: (UK) July Construction Output YoY, est. 2.8%, prior 4.6%
- 08:00: (UK) July Construction Output MoM, est. -0.5%, prior 1.6%
- 08:00: (UK) July Manufacturing Production YoY, est. 2.7%, prior 3.1%
- 08:00: (UK) July Visible Trade Balance (BP), est. -GBP15.9b, prior -GBP15.5b
- 08:00: (UK) July Trade Balance Ex Precious Meta, prior -GBP5.25b
- 08:00: (UK) July Visible Trade Balance Ex Precious metals, prior -GBP15.9b
- 08:00: (UK) July Monthly GDP (MoM), est. -0.2%, prior 0.5%
- 08:00: (UK) July Manufacturing Production MoM, est. -1.0%, prior 2.4%
- 08:00: (UK) July Industrial Production YoY, est. 0.4%, prior 0.7%
- 08:00: (UK) July Monthly GDP (3M/3M), est. 0.3%, prior 0.2%
- 08:00: (UK) July Industrial Production MoM, est. -0.6%, prior 1.8%
- 08:00: (UK) July Trade Balance GBP/Mn, est. -GBP4.5b, prior -GBP4.79b
- 10:00: (Italy) 2Q Unemployment Rate Quarterly, prior 8.0%
- 11:00: (Eurozone) July Industrial Production WDA YoY, est. -0.3%, prior -1.2%
- 11:00: (Eurozone) July Industrial Production SA MoM, est. -0.9%, prior 0.5%

#### GOVERNMENT (All times CET):

- 12:00: (Swede) Swedish Party Leaders Debate in Parliament

#### BOND SALES/PURCHASES (All times CET):

- 11:00: (UK) U.K. to Sell GBP3.75 Billion of 3.25% 2033 Bonds
- 11:00: (Italy) Italy to Sell Up to EU1 Billion of 5% 2040 Bonds
- 11:00: (Italy) Italy to Sell Up to EU4 Billion of 4% 2030 Bonds
- 11:00: (Italy) Italy to Sell Up to EU3.25 Billion of 3.85% 2026 Bonds
- 11:00: (Italy) Italy to Sell Up to EU1.5 Billion of 4.5% 2053 Bonds
- 11:00: (Norway) Norway to Sell 1.75% 2025 Bonds
- 11:00: (Swede) Sweden to Sell SEK1 Billion of 1.75% 2033 Bonds
- 11:00: (Swede) Sweden to Sell SEK1.5 Billion of 0.75% 2028 Bonds
- 11:00: (Swiss) Switzerland to Sell 1.5% 2038 Bonds
- 11:30: (Ger) Germany Calls for Bids on Auction of EU1.5B 1.8% 2053 Bonds
- 11:30: (Ger) Germany Calls for Bids on Auction of EU1 Billion 0% 2052 Bonds

## Bloomberg Inside EM

### Chilean Peso, Brazilian Real Fall as Dollar Rebounds: Inside EM

By Leda Alvim and Colleen Goko

(Bloomberg) --

The Chilean peso falls in a session marked by a rebound in the US dollar. The Brazilian real declines after data showed that annual inflation accelerated less than expected in August, ahead of next week's monetary policy meeting.

- The Chilean peso is down 0.19%, reaching a fresh YTD low earlier and briefly passing the 900/USD psychological level for the first time since November 2022
  - The peso's lower liquidity and higher volatility makes it particularly vulnerable when faced by a stronger dollar
- Brazil's real falls 0.48% after August inflation accelerated less than expected, stoking rate-cut expectations as central bankers prepare to meet next week
  - They are expected to lower the key rate to 12.75%
- Ecuador bonds led losses in emerging markets after the frontrunner in next month's presidential election floated a plan to tap foreign reserves to combat the impact of the El Niño weather pattern
- Rising oil prices scuppered bonds across emerging markets as investors weighed the potential impact on current account balances
  - It's a double whammy for those already in need of dollar financing as US interest rates remain elevated
  - Yields on South African 10-year local notes rose for a third day, touching their highest levels since July
    - The nation's Medium-Term Budget Policy Statement (MTBPS) on Nov. 1 may reveal ongoing weak government finances, high debt projections and elevated deficits as a percentage of gross domestic product, according to Anchor Capital
    - NOTE: S. African Bonds Extend Losses as Tax Shock Strains Budget (1)
  - Yields on Poland's domestic bonds due 2033 rose seven basis points to 5.6%
  - Pakistan's local-currency debt maturing in 2035 saw its yield climb 10 basis points to 17.26%

#### Top EM Stories

- Currency traders are revolting against dovishness in emerging-market central banks, as the prospects of a soft landing in the US raise the stakes for countries considering interest-rate cuts.
- Brazil's annual inflation accelerated less than expected in August as central bankers prepare to extend interest rate cuts at next week's policy meeting.
- Argentina will exempt millions of workers from paying income taxes, a dramatic attempt by Economy Minister Sergio Massa to improve his standings in next month's presidential election at the risk of deepening the country's fiscal hole
- The steep rout in eastern European currencies is raising speculation among market strategists that policymakers will have to slow their plans to ease monetary policy.