



- China's State Council urged monetary policy to be more supportive ([link](#))
- Euro area rates fall after ECB affirms guidance and flexibility ([link](#))
- President Macron widens lead in average of polls ([link](#))
- Russia reportedly considering further capital restriction easing ([link](#))
- Bank of Canada delivers the first 50bps hike among G7 central banks ([link](#))
- Turkey leaves interest rates unchanged, in line with expectations ([link](#))
- Bank of Korea raised its policy rate by 25 bps to 1.5% ([link](#))
- Monetary Authority of Singapore tightened monetary settings ([link](#))

[Mature Markets](#)





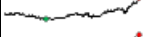





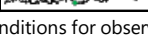
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Markets mixed ahead of ECB

Markets are mixed this morning as investors process monetary policy signals out of Europe and China. Equities are a bit higher this morning, boosted by outperformance in Japan, while US stock futures are mixed and the dollar is flat. The US yield curve is little changed overnight but is significantly steeper than a week ago, reflecting dialed-back expectations for rate hikes in the wake of the soft core CPI print and market views that quantitative tightening may lift yields at the long end. Sentiment in markets has been mixed, with optimism in Asia due to fresh signs of imminent Chinese monetary policy easing but a chill in US markets as JP Morgan raised provisions on higher recession risks and credit strategists revised spread forecasts higher on account of rising interest rates and cooling profits. In Europe, the ECB stuck with its earlier timeline to end its bond-buying program in the coming months.

Key Global Financial Indicators

Last updated: 4/14/22 8:13 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4447	1.1	-1	7	8	-7
Eurostoxx 50		3845	0.4	1	3	-3	-11
Nikkei 225		27172	1.2	1	7	-8	-6
MSCI EM		45	1.3	-1	8	-17	-8
Yields and Spreads			bps				
US 10y Yield		2.67	-2.8	1	54	104	116
Germany 10y Yield		0.78	1.0	10	41	103	95
EMBIG Sovereign Spread		412	0	15	-85	65	45
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		53.2	-0.2	0	5	-6	1
Dollar index, (+) = \$ appreciation		99.9	0.0	0	1	9	4
Brent Crude Oil (\$/barrel)		107.5	-1.2	7	1	61	38
VIX Index (% change in pp)		21.8	0.0	0	-10	5	5

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

Mature Markets

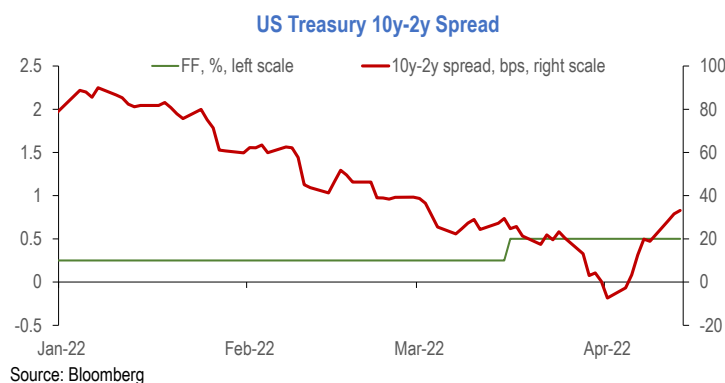
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United States

This morning, headline retail sales was slightly weaker than expected (+0.5%mom vs. +0.6% consensus). Control group also missed estimate (-0.1%mom vs. +0.1% consensus). On the earnings front, Goldman Sachs, Morgan Stanley, and Citi reported stronger-than-expected trading revenues but not enough to buoy equity index futures; S&P500 futures were little changed. Reaction in Treasury and FX markets are limited so far.

Equities traded higher and Treasury yields were lower despite higher-than-expected producer inflation readings. The S&P 500 rebounded by +1.1% for the day. Airline shares outperformed after Delta Air Lines' reported holiday travelers were back. Meanwhile, banks' shares underperformed despite a relatively solid earnings report from JPMorgan. The 1Q EPS missed while revenue beat expectations, with lower investment banking and higher trading revenues than expected. The loss tied to the nickel trading was \$120 mn and tied to commodities and derivatives linked to Russia was \$524 mn. CEO Dimon said they should expect volatile markets, which is okay with them. **Treasury 2-year yields traded lower and were down 5 bps.** Fed Governor Waller commented inflation might have peaked in March, but the Fed must press ahead with rate hikes.

The Treasury yield curve is re-steepening as some Fed tightening has been priced out while quantitative tightening expectations have lifted longer-tenor yields. Treasury 2-year yields have peaked since the beginning of the month. Analysts' focus is whether more aggressive quantitative tightening could further push up long-term rates.



Canada

As expected, the Bank of Canada delivered the first 50 bps hike among G7 economies in this tightening cycle. The bank will stop reinvestment in government bonds on April 25 to shrink its balance sheet. Governor Macklem said rates would need to rise further to tame inflation from a three-decade high. He also said he expected 40% of the bonds in their balance sheet would mature over the next two years, and thus he did not see the need to sell bonds actively. 10-year government bond yields traded 1bp lower for the day after the 80bps increase over the last month. The Canadian dollar strengthened by 0.6% against the US dollar.

Commodities

Oil prices went up by +4% as supply concerns outweigh new bearish projections of demand. The International Energy Agency (IEA) lowered its global demand growth estimate due to China's renewed lockdowns.

Euro area

Equities (+0.4%) gained ahead of this morning's ECB meeting as President Macron seems to be widening his lead in polls. According to an average of polls, President Macron is now leading his rival Marine Le Pen 53.8% to 46.2% ahead of the second round of the French presidential election on 24 April. **Bank equities (+0.8%) outperformed.**

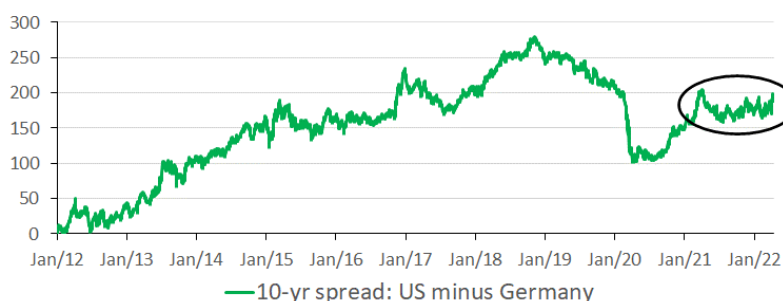
The euro (+0.1%) was little changed but 10-yr euro area rates traded 4-6 bps higher ahead of today's ECB meeting. Sovereign spreads were little changed.

Consensus for today's ECB meeting is that the ECB will affirm balance sheet guidance from its March meeting to end net asset purchases in Q3, with ECB watchers paying particularly close attention to any potential guidance on the timing of a first hike. According to a Bloomberg poll from early April, most economists expect the ECB to hike in December, but money markets are pricing in a first hike of +10 bps at the 21 July meeting with a total of 60 bps of hikes expected for 2022. **ECB President Lagarde has also said that the ECB can design and deploy new instruments to secure monetary policy transmission, but the ECB is not expected to make an announcement on any new program any time soon.**

During the meeting, euro area 10-yr rates fell 4-5 bps after the ECB affirmed its guidance on asset purchases and interest rate and emphasized that flexibility will remain an element of its monetary policy. In line with the statement in March, **monthly net purchases under the ECB's APP will amount to €40 bn in April, €30 bn in May and €20 bn in June, with the ECB Governing Council (GC) expecting to end net asset purchases in the third quarter.** The calibration of net purchases for the third quarter will be data-dependent and reflect the GC's evolving assessment of the outlook. **The ECB also reiterated that any adjustments to the key ECB interest rates will take place "some time" after the end of net asset purchases and will be gradual.** The guidance on rate hikes seems to exclude a rate hike in July and traders will be looking for more guidance on this at today's press conference. **Finally, the ECB added a sentence that under stressed conditions and within its mandate, flexibility will remain an element of monetary policy whenever threats to monetary policy transmission jeopardize the goal of price stability.** The euro (-0.1%) edged lower and money markets priced out about 10 bps of hikes for 2022 (but are still pricing in +50 bps hikes for 2022).

German 10-yr bund yields have traded 11 bps higher in the past week, compared to a rise of just 2 bps in 10-yr U.S. yields over the same period. Speculation on a near-term peak in U.S. inflation intensified after monthly growth in U.S. core CPI data was less than expected in contrast to concerns on upside risks to euro area inflation in the months ahead. **In the past year, the "Atlantic spread", the difference between U.S. and German 10-yr rates, has traded in a range of 150-200 bps.**

Atlantic spread: 10-yr U.S. minus 10-yr German yields (bps)

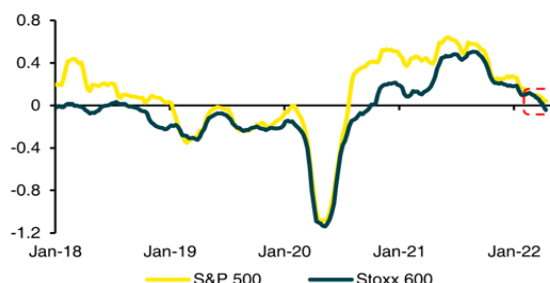


Source: Bloomberg and IMF staff

European aggregated earnings expectations have held up well so far in 2022 but analysts at Commerzbank warn that earnings revisions had already started to lose pace in H2 and finally turned negative on a 12-week rolling basis earlier in April for the first time since September 2020. Commerzbank warns that the changing macro backdrop with its combination of persistent supply chain issues, higher input prices, and collapsing consumer sentiment could set the stage for further guidance cuts.

Direction of corporate earnings revisions: U.S. versus euro area

Directionality of earnings estimate revisions [(#Up-#Down)/#Total], 12w rolling



Source: Bloomberg, Commerzbank Research

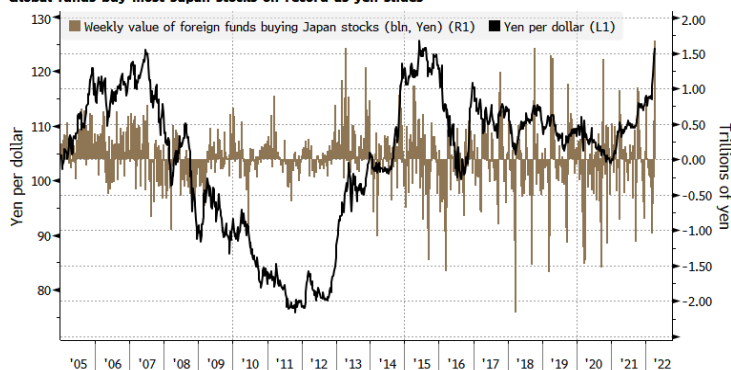
The Ukraine war looks set to prompt many European Union countries to switch some of their gas usage to coal, raising the EU's total CO2 emissions as much as 5% in 2022 and those of Germany up to 15%, according to Bloomberg. The EU is expected to cut Russian gas imports by 66% in 2022 and to zero by 2025 and to boost LNG purchases from the U.S. and Qatar. The ban on Russian coal is expected to increase coal buying from the U.S., Colombia, and Australia.

Japan

Japanese yen appreciated (+0.2%), ending a nine-day depreciation streak as U.S. yields continued to fall. However, market participants expect to see Japanese yen reaching 130 yen per dollar in the coming months. Analysts noted that there is no reason to buy the yen as Japan faces a trade deficit and is far away from monetary policy normalization. Foreign funds bought most Japanese stocks on record during the week ending April 8, taking advantage of the weakening yen recently. Equities gained (NIKKEI: +1.2%); long-end JGB yields dropped (10-year: -1.1bp; 30-year: -4.9 bps).

Record High

Global funds buy most Japan stocks on record as yen slides



Source: Ministry of Finance Japan, Bloomberg

Bloomberg

Emerging Markets

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Asian equities were mixed. Chinese (CSI 300: +1.3%) and Hong Kong (+0.7%) stocks gained, while share prices declined in Indonesia (-0.4%) and Taiwan Province of China (-0.3%). **Most Asian currencies appreciated,** led by Singapore dollar (+0.6%). **Long-end government bond yields generally dropped,** with 10-year yields falling in Singapore (-9.8 bps), Korea (-9.5 bps), and Taiwan Province of China (-7.6 bps).

Equity markets in EMEA were mostly trading higher and currencies were generally strengthening against the dollar. Hungarian stocks increased (+0.7%) and the forint strengthened (+0.5%) after the central bank of Hungary left the one-week deposit rate unchanged at 6.15%, in line with expectations. **The Turkish lira was trading slightly weaker** (-0.1%) after the central bank left interest rates unchanged at 14%, in line with expectations. According to the press release, the Monetary Policy Committee expects disinflation to start as a result of measures taken as well as base effects. **The Bank of Namibia increased the repo rate by 25 bps to 4.25%.** The central bank also revised inflation forecasts upward to 6% in 2022 compared to a forecast of 4.4% in February.

In Latin America, market performance was mixed across the region. Equities were mostly higher, led by Argentina (+0.8%), while currencies weakened on balance, led by Brazil (-0.7%). Argentina raised its key policy rate by 250 bps to 47%, the fourth increase this year, after official inflation rose to 6.7% in March.

China

The State Council urged monetary policy to be more supportive, explicitly calling for reserve ratio requirement (RRR) cuts. Analysts now expect the People's Bank of China to cut the policy rate by 10 bps tomorrow and a RRR cut in the coming days. In addition, the State Council emphasized the need to expand consumption in key areas such as healthcare, elderly care and childcare and called local governments to relax restrictions on automobile purchase. Banks were urged to lower funding costs for the real economy and provide more support to SMEs and the self-employed. **Equities gained** (CSI 300: +1.3%), led by consumer stocks, on expectations that monetary policy easing is imminent. However, some analysts questioned whether a policy rate cut, which is likely to be small (i.e., 10 bps), would be sufficient to boost credit demand. **Some coastal provinces were warned about a potential shortfall of coal for industry and cooling needs.** The China Coal Transportation and Distribution Association said that pandemic-related restrictions have slowed the transport of coal from inland mining hubs to coastal provinces. At the same time, coal imports declined this year after domestic price controls made imports less economical. **RMB was little changed.**

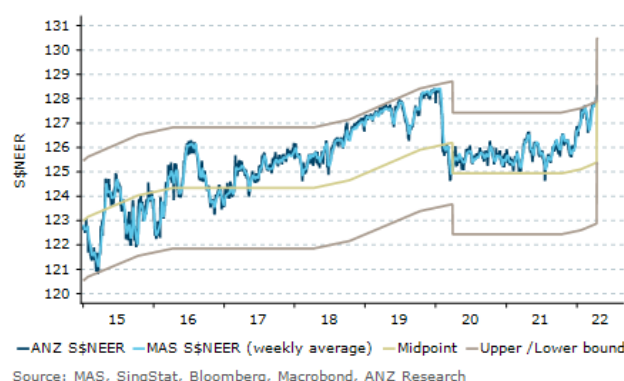
Korea

The Bank of Korea (BOK) raised its policy rate by 25 bps to 1.5%. The policy committee unanimously supported the rate hike, while analysts' opinions were split between no hike and a 25 bps hike, in part due to the absence of a central bank governor. The BOK revised its CPI inflation forecast for this year to about 4% (previously, 3.1%) and expects to see inflation remaining above target for a considerable time. Long-end government bond yields dropped (10-year: -9.5 bps). Analysts noted that the rate hike removed some uncertainty about the BOK's resolve to tackle inflation, with uncertainty spurring a recent sell-off. The won appreciated (+0.2%) and equities were little changed.

Singapore

The Monetary Authority of Singapore (MAS) tightened its monetary settings more than expected. The decision is to increase slightly the slope of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band and to re-center the midpoint at the prevailing level of S\$NEER. The double tightening was viewed as a hawkish move by markets, which largely expected either a slope increase or a mid-point adjustment. The MAS also raised its headline CPI inflation forecast for this year by 200 bps to 4.5%–5.5%; core CPI inflation was also revised up by 50 bps. **Real GDP grew 0.4% q/q in 2022Q1, weaker than expected** (consensus: +0.9%). Singapore dollar appreciated (+0.6%). Long-end government bond yields dropped (10-year: -9.8 bps). Equities were little changed.

S\$NEER to head towards the new upper bound in the next few months



Russia

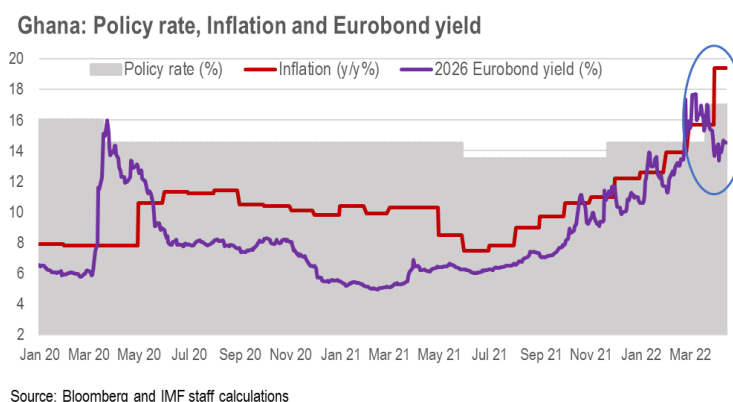
The Central bank of Russia (CBR) is reportedly considering further easing capital restrictions that were introduced since the invasion of Ukraine as companies struggle to sell hard currencies. According to Bloomberg, CBR discussions are focused on potentially lowering the share of companies' foreign proceeds that have to be sold, currently set at 80%, and expanding the time that exporters have to

convert foreign currency, currently set at three days. The CBR already eased some restrictions on foreign transfers and removed a commission for buying foreign currency via brokers. Earlier this week, reports were circulating that Russian exporters were facing difficulties selling hard currency revenues, with demand for forex low amid sanctions. **This morning the offshore Russian ruble retraced opening losses (+0.1% to 82.2 against the dollar) while equities in Moscow (-2%) were trading lower.**

Weekly inflation in Russia slowed for the fifth consecutive week to +0.66% in the week ending April 8 (from +0.99%), with consumer prices up +10.8% so far this year. **The CBR said they expected inflation to keep accelerating in annual terms due to base effects,** while warning that ruble volatility will continue and could contribute to upside inflationary pressure. The head of Russia's audit chamber, Alexei Kudrin, noted that inflation could increase up to 20% in 2022.

Ghana







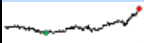









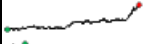




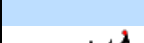



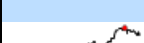


Ghana's headline inflation surprised on the upside in March, jumping to +19.4% yoy (consensus expectations +16.5%, from +15.7%), **mainly driven higher by food and transportation costs.** The central bank of Ghana, with an inflation target band between 6% and 10%, increased its benchmark interest rate by +250 bps to 17% in March. **Analysts expect further interest rate hikes,** with Fitch Solutions analysts seeing the benchmark interest rate at 19% at the end of 2022, and at 20% at the end of 2023. **Yields on Ghana's 2026 Eurobond has increased by roughly 90 bps since the start of April.**



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Global Financial Indicators

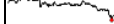



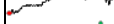
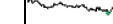











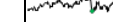

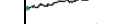



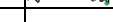












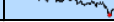


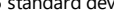
Last updated: 4/14/22 8:13 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4444	1.1	-1	7	8	-7
Europe		3845	0.4	1	3	-3	-11
Japan		27172	1.2	1	7	-8	-6
China		4192	1.3	0	5	-15	-15
Asia Ex Japan		74	1.6	-1	7	-20	-10
Emerging Markets		45	1.3	-1	8	-17	-8
Interest Rates			basis points				
US 10y Yield		2.67	-2.8	1	54	104	116
Germany 10y Yield		0.78	1.0	10	41	103	95
Japan 10y Yield		0.23	-0.9	0	3	14	16
UK 10y Yield		1.82	1.9	9	22	101	85
Credit Spreads			basis points				
US Investment Grade		146	1.1	9	-21	54	34
US High Yield		403	5.0	25	-43	67	65
Europe IG		79	-0.7	2	-2	28	31
Europe HY		374	-4.6	8	-8	126	132
Exchange Rates			%				
USD/Majors		99.91	0.0	0	1	9	4
EUR/USD		1.09	-0.1	0	-1	-9	-4
USD/JPY		125.3	-0.2	1	6	15	9
EM/USD		53.2	-0.2	0	5	-6	1
Commodities			%				
Brent Crude Oil (\$/barrel)		108	-1.2	7	4	73	41
Industrials Metals (index)		211	0.1	0	-6	44	22
Agriculture (index)		77	0.6	5	4	47	27
Implied Volatility			%				
VIX Index (% change in pp)		21.8	0.0	0.3	-10.0	4.8	4.6
US 10y Swaption Volatility		112.0	-4.3	-8.9	8.3	36.2	33.0
Global FX Volatility		9.0	0.0	0.0	-0.7	1.8	1.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		207	0.6	-6	-26	89	56
Italy		161	-0.2	-5	1	55	26
Portugal		98	-1.9	7	13	29	34
Spain		92	-1.7	-6	-6	25	18

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 4/14/2022 8:09 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %) 30 Days						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		6.37	-0.1	-0.2	0	2	0		2.8	0.5	3	3	-35	-1		
Indonesia		14344	0.1	0.1	0	2	-1		6.9	-0.2	15	21	35	55		
India		76	-0.1	-0.6	1	-1	-2		6.3	0.0	0	9	75	0		
Philippines		52	-0.3	-1.5	1	-7	-2		5.3	0.0	0	23	60	78		
Thailand		34	-0.4	-0.5	-1	-7	-1		2.6	-0.5	20	28	64	74		
Malaysia		4.23	0.0	-0.3	-1	-2	-2		4.0	-3.8	4	33	92	42		
Argentina		113	-0.2	-1.0	-3	-18	-9		50.1	7.6	64	214	421	-42		
Brazil		4.70	-0.1	1.2	9	20	19		11.8	-9.9	31	-94	203	108		
Chile		806	0.0	-0.7	1	-12	6		6.4	0.0	2	33	290	93		
Colombia		3724	0.7	0.7	2	-2	9		7.9	0.0	19	-32	269	149		
Mexico		19.83	-0.2	1.6	5	1	4		8.7	-3.3	26	11	197	116		
Peru		3.7	-0.1	-0.3	0	-3	7		7.3	7.8	36	56	242	139		
Uruguay		41	0.0	1.2	3	7	8		9.3	0.1	26	90	188	57		
Hungary		346	0.1	0.4	-1	-14	-6		6.1	-11.1	-64	35	371	163		
Poland		4.27	-0.3	-0.3	2	-11	-6		5.2	2.0	10	63	350	170		
Romania		4.5	-0.2	-0.1	-1	-10	-4		6.4	-1.1	27	46	381	161		
Russia		82.7	-0.5	-3.6	46	-8	-9		12.4	-45.8	-125	-1892	494	358		
South Africa		14.6	-0.6	0.7	3	-2	9		8.1	1.5	11	-3	64	63		
Turkey		14.62	-0.2	0.8	1	-45	-9		24.1	20.0	-163	-184	612	-20		
US (DXY; 5y UST)		100	0.0	0.2	1	9	4		2.61	-4.4	-10	52	175	135		

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	
								basis points					
China		4192	1.3	0	5	-15	-15		209	2	-18	0	6
Indonesia		7236	-0.4	2	5	19	10		173	13	-37	3	8
India		58339	0.0	-2	3	20	0		170	19	-25	1	38
Philippines		6985	0.0	-2	2	7	-2		126	15	-29	25	25
Thailand		1674	0.0	-2	1	9	1		0	0	0	0	0
Malaysia		1596	-0.1	0	2	-1	2		115	3	-33	-12	-2
Argentina		91041	0.8	0	7	92	9		1709	-4	-108	139	29
Brazil		116782	0.0	-1	6	-3	11		286	4	-41	11	-25
Chile		4921	0.0	-1	7	0	14		148	7	-29	14	8
Colombia		1615	-0.7	-1	6	22	14		347	26	-31	125	-1
Mexico		54173	0.5	-2	3	12	2		346	7	-27	8	14
Peru		23712	-1.0	-4	-3	11	12		170	9	-19	12	20
Hungary		42953	0.7	3	0	1	-15		157	19	-10	18	33
Poland		63659	-0.6	0	6	6	-8		7	4	-66	-33	-25
Romania		12851	1.1	2	4	15	-2		207	0	-42	17	15
Russia		2459	-2.8	-7	#N/A	N/A	-31		3411	-577	938	3228	3234
South Africa		73487	0.5	-1	2	8	0		340	2	-38	-9	-15
Turkey		2476	0.6	6	19	76	33		530	-7	-103	28	-48
Ukraine		519	0.0	0	0	-2	-1		3186	207	-858	2599	2427
EM total		45	0.0	-1	8	-17	-8		384	16	-212	12	-2

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

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