



- FICC trading revenue of US banks beats forecasts ([link](#))
- Survey points to expectations of a tightening of credit conditions in Europe ([link](#))
- Macron Vows to End Fossil Fuels Use in Pitch to Green Voters ([link](#))
- Libya Closes Biggest Oil Field and Warns of More Shutdowns ([link](#))
- Chinese GDP beats expectations at 4.8% y/y, though q/q growth slowed ([link](#))

[Mature Markets](#)

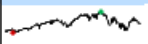



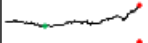



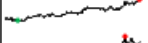

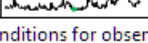
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Slowdown concerns weigh on sentiment

Risk appetite is weaker this morning, with many markets closed today due to the Easter holidays. US equity futures are down modestly, following weakness in Asian markets overnight on concerns over economic data from China. While first quarter Chinese GDP growth was reported stronger than expected, concerns remain as the data likely does not fully incorporate the slowdown from renewed lockdowns. US treasury yields are little changed. In earnings releases this morning, Bank of America continued the string of strong releases from major US banks, as trading revenue came in better than expected. BoA shares are higher this morning in pre-market trading, but overall, the KBW bank stock index is down over 2% in the past week despite the strong earnings reports.

Key Global Financial Indicators

Last updated: 4/18/22 8:20 AM	Level Last 12m Latest	Change from Market Close				YTD
		1 Day	7 Days	30 Days	12 M	
Equities		%				%
S&P 500	 4393	-1.2	-2	3	5	-8
Eurostoxx 50	 3849	0.5	1	3	-4	-10
Nikkei 225	 26800	-1.1	0	0	-10	-7
MSCI EM	 44	-1.3	-1	-2	-19	-9
Yields and Spreads		bps				
US 10y Yield	 2.86	3.3	8	71	128	135
Germany 10y Yield	 0.84	0.0	14	51	113	102
EMBIG Sovereign Spread	 403	-9	8	-85	61	36
FX / Commodities / Volatility		%				
EM FX vs. USD, (+) = appreciation	 53.1	0.2	0	4	-7	1
Dollar index, (+) = \$ appreciation	 100.6	0.1	1	2	10	5
Brent Crude Oil (\$/barrel)	 111.9	0.2	9	4	68	44
VIX Index (% change in pp)	 24.0	1.3	3	-6	7	7

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

In the week ahead, on Tuesday, Indonesia and China are scheduled to release interest rates on their monetary policy facilities: analysts expect no changes for Indonesia and a 5–10 bps decrease for China. Market participants await additional guidance from Fed Chair Jerome Powell during his speech at the panel hosted by the IMF on Thursday.

Mature Markets

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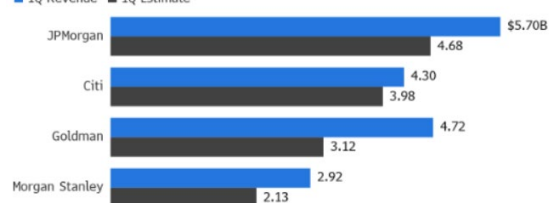
United States

Trading-related revenue of FICC (fixed income, currencies, and commodities) divisions of large US investment banks exceeded expectations in 1Q2022 (left chart below). The increased earnings were backed by the war-induced volatility. Other lines of business—including other investment banking, asset management, and traditional lending operations—generally underperformed market expectations. Analysts remain cautious about the future earnings growth in this segment due to the fears that severe geopolitical tensions will outlast the war and due to a potential recession in the US in the next couple of years (JPMorgan survey on the right chart).

FICC Surprise

Wall Street fixed-income desks soar past analysts' estimates

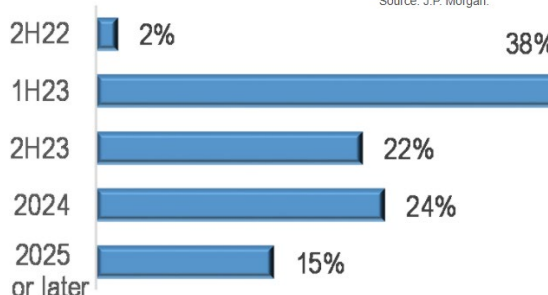
■ 1Q Revenue ■ 1Q Estimate



Source: Bloomberg

When do you think the US will experience its next recession?

Source: J.P. Morgan.



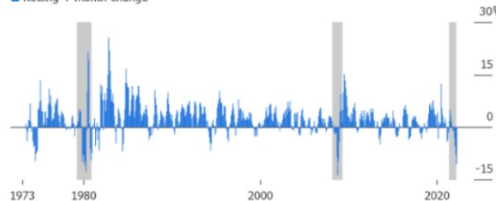
Bloomberg

The losses in US investment-grade corporate bonds approach historic records. Bloomberg reports that the rolling 4-month change of its US Corporate Bond Index stood at -10.5%—a loss exceeded only on two occasions in the past: -12.5% in 1980 and -13.7% in 2008. Analysts point out that the losses may mount further if the soft landing of policy normalization fails to materialize or if the Fed decides to allow elevated inflation to persist for longer—a scenario that was communicated by BlackRock strategists, stating in their opinion that in the trade-off between inflation and output, the Fed is likely to sacrifice the inflation target to preserve jobs.

Meltdown

Rates rout triggers rare double-digit loss for high-grade bonds

■ Rolling 4-month change



Source: Bloomberg

Note: Latest data point is 1/1/22–4/13/22, all others show four months.

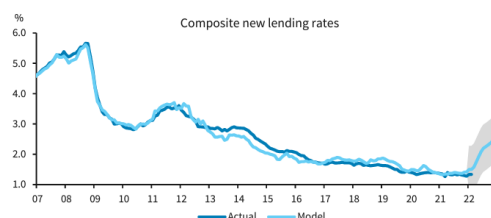
Bloomberg

Europe

Barclays analysts note that while bank lending conditions remain easy in the Euro Area, the drivers of lending rates point to a tightening ahead. Pressure on banks has increased across almost all fronts: wholesale borrowing yields have risen, CDS indices point to higher credit risk in the economy, and TLTRO support is on course to be phased out, starting in June. Also, the front end of the yield curve has repriced higher YTD, with markets expecting the ECB to hike rates at least twice in 2022 and reach a terminal rate

of 150bps in 2023. Analysts note that this could drive new composite lending rates to be ~100bps higher on average by year end, assuming market expectations realize. A tightening of downstream conditions of similar magnitude could reduce euro area growth and inflation by ~80–120bps and ~30–90bps over one year. This tightening could be especially acute for countries in which the bank-sovereign nexus is strong, such as Italy, Spain and Portugal, where growth could be hit harder, according to the analysts.

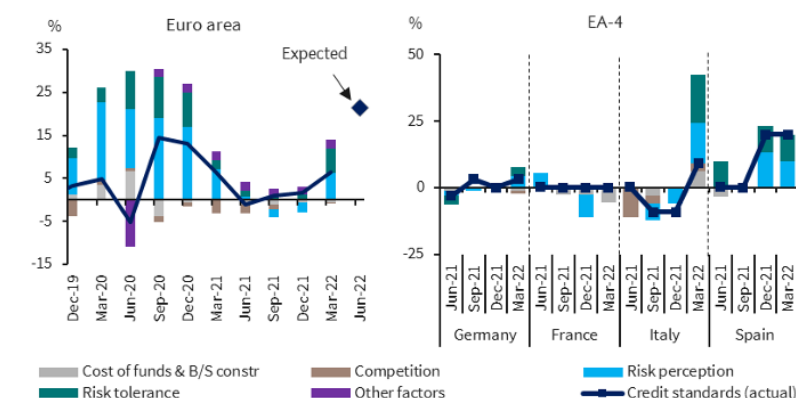
FIGURE 5. Our model points to higher rates by c.100bp, if market expectations materialise



The composite lending rate is computed as a weighted average of interest rates on new loans to NFCs and to households for mortgages, weighted by the outstanding stock of loans for each type.
Source: Bloomberg, Haver Analytics, Barclays Research

ECB's BLS survey shows that banks have tightened credit conditions in Q1 and are forecasting an acceleration of tightening in Q2. Also, across countries, the tightening has been primarily concentrated in Italy and Spain, where risk aversion and risk tolerance have been the drivers of credit institutions' decisions to impose higher standards on lending. Importantly, the period of evaluation in the survey covers includes the Ukraine-Russia war (7–22 March, covering 151 banks).

FIGURE 11. The ECB's Bank Lending Survey points to tightening and fragmentation



Source: ECB, Haver Analytics

French President Emmanuel Macron's approval rating dipped slightly as the country prepares to go to the ballot boxes in next weekend's presidential runoff. Macron's approval rating fell to 41% in April, down from 42% a month earlier, according to an Ifop poll conducted for the Journal du Dimanche. Macron vowed to end the use of fossil fuels during a campaign rally in Marseille on Saturday, in an effort to win over left-wing voters. Environmental issues were at the heart of Melenchon's program. But around half of Melenchon voters indicated that they would abstain in the runoff. The latest Ipsos-Sopra Steria poll showed that 33% of those who voted for Melenchon would back Macron on April 24 and 16% would support Le Pen, with the rest sitting out the final round.

Germany has released nearly 3 billion euros (\$3.2 billion) to acquire floating liquefied natural gas (LNG) import terminals, as it seeks to move away from dependence on Russian gas. In related news, media reports quote consumer portals to report that record electricity and gas prices in Germany is expected to rise further in the coming months. Major electricity suppliers announced tariff increases in April, May and June by 19.5%. Tariffs for gas increased by an average of 42.3%.

Commodities

Bloomberg reported that two Libyan ports have been forced to stop loading oil after protests against Prime Minister Abdul Hamid Dbeibah, with output halted at El Feel, a 65,000-barrel-a-day field. Libya has Africa's biggest crude reserves, with this development leading to a rise in the oil prices in the morning trade. Crude's market structure moved deeper into a bullish pattern, with Brent's prompt spread back above \$1 a barrel.



Emerging Markets

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EM Fund Flows

Both EM bond funds and EM equity funds saw redemptions last week, at -\$957 mn and -\$342 mn, respectively. Outflows were observed almost equally across hard currency funds (-\$440 mn) and local currency funds (-\$517mn). From a regional perspective, EMEA equity funds saw the largest inflows (+\$231 mn) among regions, followed by Latin America (+\$119 mn) and Asia ex-Japan (+\$1 mn). Year-to-date flows to EM bonds and equities were -\$13.4 bn and +\$36.8 bn, respectively.

Exhibit 1: Weekly Cross-Asset Flows

USD billion				
Asset	8w flows (8w ago → current)	This wk	YTD	
EM Bonds and Equities		-1.3	23.4	
EM Bonds		-1.0	-13.4	
Hard Ccy		-0.4	-10.4	
Local Ccy ^A		-0.5	-3.0	
o.w. EM ex-China		0.0	-1.2	
o.w. China		-0.5	-2.1	
EM Equities		-0.3	36.8	
US HG		0.7	-15.5	
US HY		-2.7	-26.0	
Global Equities		-18.6	117.7	
EM Bond and Equity ETFs		0.8	35.5	
EM Bond ETFs		-0.2	-0.3	
EM Equity ETFs		1.0	35.8	
Non-resident EM flows[*]		-6.1	-34.9	

^{*}High frequency non-resident EM portfolio flow data where available. ^ALocal ccy split is retail only. Source – All charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Russia

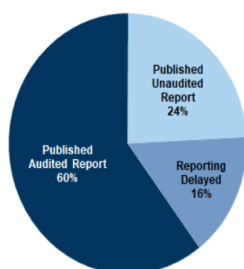
Bloomberg reported that Russia warned of record-high energy prices if more nations join a ban on Russia energy imports. Oil prices marched higher recently by a potential EU-wide ban. Meanwhile, existing EU sanctions were expected to further trim purchases of Russian oil and gas next month. Russia's Deputy Prime Minister warned that energy prices may *significantly exceed* historic highs if more nations join the ban. After rallying almost 9% last week to \$111.7 per barrel, Brent crude oil prices continued to climb on Monday on concerns of supply disruptions and the warning from Russia. According to Bloomberg, Russia's President and Saudi Crown Prince gave a *positive assessment* of their efforts to stabilize the oil market and suggested no change in production policy.

China

Chinese GDP beat expectations at 4.8% y/y (vs 4.2% expected), though q/q growth slowed to 1.3% from 1.6% previously. First quarter GDP figures likely did not fully incorporate the ongoing slowdown beginning in late March from renewed lockdowns in Shenzhen and Shanghai. **Retail sales in March fell more than expected at -3.5% y/y (vs -3.0%),** while the jobless rate moved higher to 5.8% (from 5.5%), the highest since May 2020. Residential property sales fell 25.6% y/y for the January-March period. Conversely, industrial production came in higher than expected at 5.0% y/y (vs 4.0% expected) for March. Fixed investment for the first 3 months of the year also beat expectations at 9.3% y/y (vs 8.4% expected).

Only 60% of Hong Kong listed Chinese property developers have released audited financial results for FY21, while investors have rewarded issuers with higher cash ratios. 60% of property developers (35 out of 58 firms) have released FY21 audited earnings so far, 24% have published unaudited results, and 16% announced they would delay their earnings reports, according to Goldman Sachs. Also, according to Goldman, unrestricted cash/short-term debt ratios held the strongest correlation with USD bond prices, accord. Unrestricted cash levels fell nearly 20% from June 2021 to December 2021, while aggregate gross debt fell 5%. Analysts attributed the drop in cash to weak presales and tight credit conditions, which forced developers to draw down cash balances, but strains are expected to continue as new home sales have remained weak, down 35% w/w and 69% y/y in the most recently weekly release.

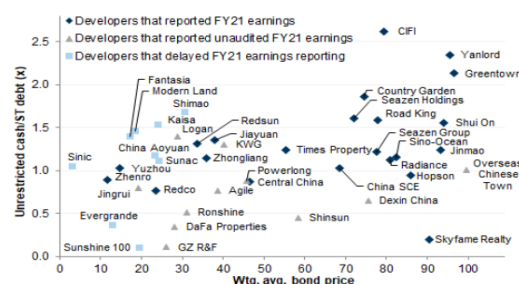
Exhibit 1: FY21 earnings reporting from HK listed China Property HY USD bond issuers



Source: HKEX, Company data, Goldman Sachs Global Investment Research

Exhibit 2: Unrestricted cash/ST debt ratio vs weighted average bond price for HK listed China Property HY USD bonds issuers

(min USD 500mn notional outstanding)



For developers that have delayed FY21 earnings reporting, 1H21 unrestricted cash/ST debt is used.

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Global Financial Indicators

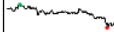




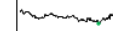







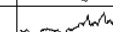

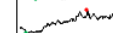




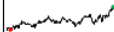






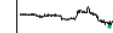
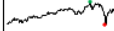

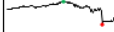


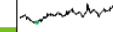

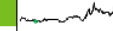
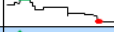


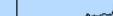
Last updated: 4/18/22 8:20 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		4387	-1.2	-2	3	5	-8
Europe		3849	0.5	1	3	-4	-10
Japan		26800	-1.1	0	0	-10	-7
China		4166	-0.5	2	-2	-18	-16
Asia Ex Japan		73	-1.3	-2	-4	-22	-11
Emerging Markets		44	-1.3	-1	-2	-19	-9
Interest Rates							
			basis points				
US 10y Yield		2.86	3.3	8	71	128	135
Germany 10y Yield		0.84	0.0	14	51	113	102
Japan 10y Yield		0.25	0.4	0	4	15	17
UK 10y Yield		1.89	0.0	14	31	115	92
Credit Spreads							
			basis points				
US Investment Grade		144	0.0	2	-2	50	32
US High Yield		385	-2.9	-6	-20	53	48
Europe IG		79	--	0	8	29	31
Europe HY		375	--	-1	35	127	133
Exchange Rates							
			%				
USD/Majors		100.61	0.1	1	2	10	5
EUR/USD		1.08	-0.1	-1	-2	-10	-5
USD/JPY		126.6	0.1	1	6	17	10
EM/USD		53.1	0.2	0	4	-7	1
Commodities							
			%				
Brent Crude Oil (\$/barrel)		112	0.2	9	7	81	47
Industrials Metals (index)		212	0.0	0	-6	43	23
Agriculture (index)		77	0.7	2	3	46	27
Implied Volatility							
			%				
VIX Index (% change in pp)		24.0	1.3	2.9	-5.8	7.4	6.8
US 10y Swaption Volatility		122.0	3.9	-8.0	29.8	44.3	43.0
Global FX Volatility		9.0	0.1	-0.1	0.0	1.8	1.6
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		208	0.0	2	-20	91	56
Italy		164	0.0	-1	12	63	29
Portugal		99	0.0	12	18	33	35
Spain		94	0.0	0	-1	28	20

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 4/18/2022 8:21 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
	vs. USD		(+)= EM appreciation					% p.a.						
China		6.37	0.1	0.1	0	2	0		2.9	5.0	3	4	-30	4
Indonesia		14356	0.2	0.1	0	1	-1		7.0	4.9	12	26	49	60
India		76	-0.1	-0.4	-1	-2	-3		6.3	0.0	0	9	75	0
Philippines		52	-0.2	-0.4	0	-7	-2		5.3	0.0	0	20	68	78
Thailand		34	-0.1	-0.1	-1	-7	-1		2.6	5.0	5	33	69	79
Malaysia		4.25	-0.4	-0.5	-1	-3	-2		4.1	5.0	10	45	108	55
Argentina		113	-0.2	-1.0	-3	-18	-9		50.1	0.0	-10	210	392	-42
Brazil		4.70	0.1	0.0	7	18	19		12.1	19.0	56	-62	241	140
Chile		815	0.2	0.1	0	-14	5		6.4	-3.0	-19	55	308	101
Colombia		3743	0.0	0.4	2	-3	9		7.9	0.0	-11	13	267	149
Mexico		19.94	0.1	0.0	2	-1	3		8.7	-3.3	26	11	197	116
Peru		3.7	0.0	-0.8	0	-3	7		7.3	0.0	21	73	242	139
Uruguay		41	0.1	1.9	3	7	8		9.3	0.0	0	90	190	57
Hungary		347	0.1	0.2	-2	-14	-7		6.2	0.0	-46	45	381	168
Poland		4.27	0.2	0.2	0	-12	-6		5.3	0.3	-10	79	354	177
Romania		4.6	0.0	-0.7	-2	-11	-5		6.4	0.0	17	49	373	160
Russia		81.2	2.0	2.7	28	-6	-7		12.4	12.3	15	-1279	501	363
South Africa		14.6	0.0	-0.4	2	-3	9		8.1	0.0	-2	1	75	63
Turkey		14.65	-0.1	0.1	1	-45	-9		22.5	-117.0	-240	-395	451	-185
US (DXY, 5y UST)		101	0.1	0.8	2	10	5		2.80	1.0	1	65	197	153

	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		4166	-0.5	2	-2	-18	-16		206	2	-22	-4	3	
Indonesia		7275	0.5	1	5	20	11		161	6	-41	-6	-4	
India		57167	-2.0	-3	-1	19	-2		171	16	-26	1	39	
Philippines		6996	0.2	1	0	8	-2		116	10	-37	18	15	
Thailand		1668	-0.4	-2	-1	6	1		0	0	0	0	0	
Malaysia		1581	-0.5	-1	-1	-1	1		114	2	-31	-12	-3	
Argentina		91041	0.8	0	7	92	9		1688	-17	-120	132	8	
Brazil		116182	0.0	-2	7	-4	11		274	-7	-51	2	-37	
Chile		4917	0.0	-1	6	-1	14		141	2	-31	8	1	
Colombia		1615	-0.7	-1	6	22	14		342	22	-31	123	-6	
Mexico		54173	0.5	-2	3	12	2		341	2	-28	7	9	
Peru		23712	-1.0	-2	-5	12	12		163	-2	-22	8	13	
Hungary		42999	0.0	3	0	1	-15		145	-2	-11	8	21	
Poland		63760	0.0	0	5	6	-8		8	5	-44	-30	-24	
Romania		13077	0.6	3	3	17	0		197	-7	-46	6	4	
Russia		2366	-2.4	-7	#N/A	N/A	-34		3411	-577	938	3228	3234	
South Africa		73383	0.0	-1	4	8	0		332	4	-36	-7	-23	
Turkey		2503	0.4	2	17	78	35		513	-21	-106	23	-65	
Ukraine		519	0.0	0	0	-2	-1		3188	234	-726	2641	2429	
EM total		44	-0.2	-1	-2	-19	-9		375	8	-214	11	-11	

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

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