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- Disappointing earnings and concerns about tighter policy weigh on U.S. stocks ([link](#))
- Analysts argue euro area headline inflation has peaked ([link](#))
- German business survey shows unexpected improvement ([link](#))
- Emerging markets continue to record fund outflows ([link](#))
- EU works on sixth round of sanctions against Russia ([link](#))

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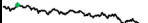
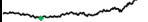






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Risk assets under pressure as growth concerns persist

Chinese equities recorded the largest one-day drop since the onset of the pandemic as concerns about slower growth intensified amid lockdowns to contain COVID-19 outbreaks. Disappointing earnings and concerns about the impact of tighter monetary policy are also weighing on U.S. stock valuations. The positive impact on the euro of a win for President Macron was short-lived and the broad U.S. dollar index appreciated as analysts believe that Chinese authorities are not too concerned about recent RMB's weakness. The Federal Reserve enters a blackout period ahead of the FOMC meeting on 4 May.

Key Global Financial Indicators

Last updated: 4/25/22 1:16 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
S&P 500		4272	-2.8	-3	-6	2	-10
Eurostoxx 50		3773	-1.7	-2	-2	-6	-12
Nikkei 225		26591	-1.9	-1	-6	-9	-8
MSCI EM		42	-0.9	-4	-6	-22	-13
Yields and Spreads							
US 10y Yield		2.82	-7.9	-3	35	126	131
Germany 10y Yield		0.89	-8.1	5	30	115	107
EMBIG Sovereign Spread		418	8	15	-38	78	51
FX / Commodities / Volatility							
EM FX vs. USD, (+) = appreciation		52.3	-0.3	-2	0	-8	0
Dollar index, (+) = \$ appreciation		101.5	0.2	1	3	12	6
Brent Crude Oil (\$/barrel)		101.8	-4.6	-10	-16	54	31
VIX Index (% change in pp)		29.7	1.5	8	9	12	13

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

Mature Markets

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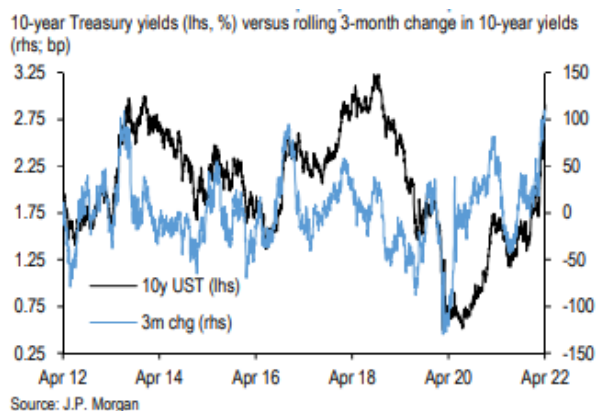
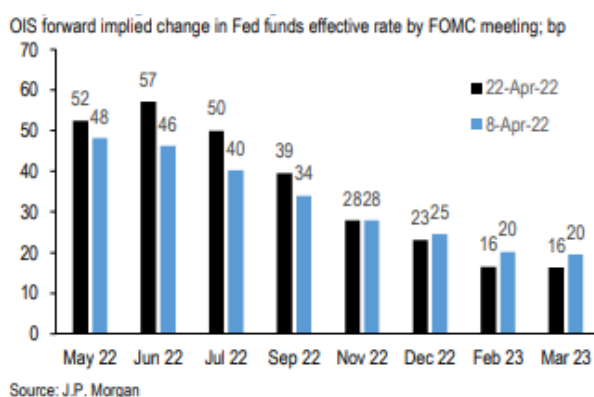
Central banks in Japan and Sweden are expected to keep rates unchanged on Tuesday, whereas Hungary (Tuesday) and Colombia (Friday) are expected to raise rates by 100 bps each. Russia (Friday) is expected to cut rates further by 200 bps to 15%. GDP prints for Q1 are also expected for a large number of countries setting the tone for 2022. CPI prints are also expected for Singapore, Australia, Brazil, and Euro Area economies. **The Federal Reserve enters a blackout period (April 23–May 5) ahead of the May 4 FOMC meeting with U.S. GDP print expected to show a qoq growth of 1% (Thursday).**

United States

The S&P 500 index closed 2.8% lower on Friday as contacts ponder the impact of upcoming Fed tightening and earnings of some large companies also disappointed the market. HCA Healthcare fell 22 percent, making its stock the worst performer in the S&P 500, after the company cut its profit forecast, citing higher labor costs; Verizon Communications Inc. had its biggest drop in two years after cutting its full-year sales forecast; American Express Co. fell after the credit-card giant reported that expenses jumped in the first quarter. Correspondingly, the equity volatility index VIX rose by 6 points. **U.S. 10-yr treasuries fell 8 bps to 2.81% as the broad U.S. dollar gained 0.4%.**

S&P 500 earnings season is well underway with 20% of the firms having reported so far. Within the sectors, consumer discretionary and IT sub-sectors have underperformed with almost 40% of the firms surprising negatively.

Analysts at J.P. Morgan note that market pricing now implies that the Fed could move by more than 50bp at coming FOMC meetings. This pricing is corroborated with commentary from the official authorities. Nomura analysts expect the first 75bp rate hikes since 1994 at the June and July meetings following a 50bp rate hike in May. JPM analysts also note that the market is pricing in almost 160 bps of hikes over the next three months - and it will be difficult to move market pricing more hawkish in the near term.



Japan

Equities (NIKKEI: -1.9%) fell and the Japanese yen appreciated (+0.4%) as data shows that asset managers increased their yen short positions to a record last week. Long-end JGB yields declined (10-year: -0.5 bp; 30-year: -1.4 bps). The 10-yr JGB yield dropped to 0.241% amid the Bank of Japan's unlimited fixed-rate bond purchase operations as announced last week. **The government plans introduce a package of measures to combat rising prices according to Nikkei.** Reportedly, the package would include measures to ensure stable supply for energy, raw materials and food, as well as supportive measures to small firms and low-income households. The package would require government spending of 2.7 tn yen (\$48 bn).

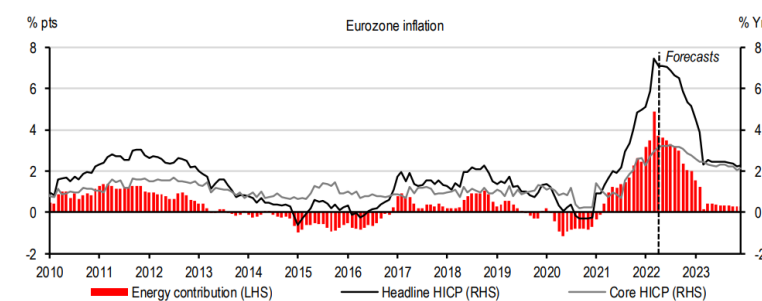
Euro area

European equities (-2.2%) fell as risk sentiment deteriorated and earnings season in Europe starts this week. Losses were broad based across sectors with the mining (-5.4%) and energy (-4%) sectors seeing the largest declines. The banking sector was trading -2.4% lower. **Sovereign yields fell (10-yr bunds -8bps) and Southern spreads edged higher.**

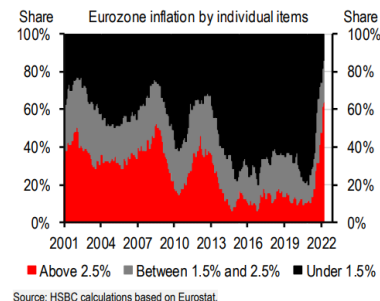
Emmanuel Macron defeated far-right challenger Marine Le Pen, securing a second term as France's President with roughly 58% of the votes. While Macron's large lead also indicates that there is a high probability that he will win a majority in parliament in the legislative elections on 12 and 19 June, ING analysts caution that there remains some uncertainty around the outcome. **The positive impact on the euro was short-lived and the euro traded -0.6% lower this morning.**

Some analysts see eurozone inflation as having peaked in March, but expect higher core inflation. Final March CPI data for the euro area showed that the inflation rate increased to +7.4%yoy, with core inflation at +2.9%yoy. HSBC analysts expect inflation to fall to +7.1%yoy in April and see inflation in 2022 at +6.3% (0.2 ppts lower than previously). However, against a backdrop of broadening inflation, HSBC analysts now see higher core inflation at +3.0% in 2022 (+0.3 ppts higher than previous forecast). Goldman Sachs expects April headline inflation to fall to 7.01%yoy, and core inflation to increase +3.25%yoy. **Flash estimates for euro area April inflation are due on Friday.**

1. Eurozone inflation surprised again to the upside in March, with energy accounting for the bulk of it, but energy pressures should start to moderate from April



2. Inflation is also broadening out, with more items above the 2% ECB target

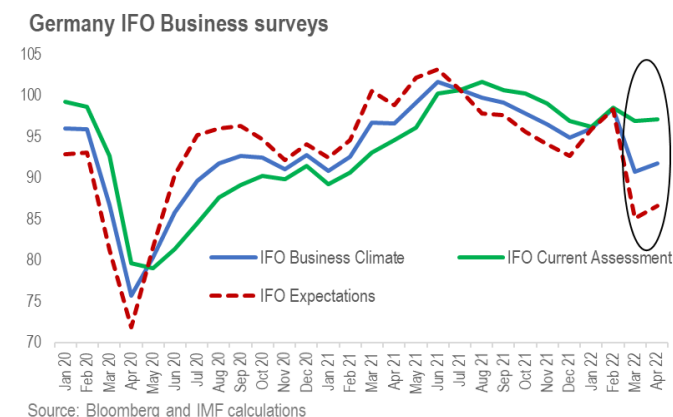


ECB President Christine Lagarde said that while both Europe and US are seeing high inflation, the EU is facing a different beast. The ECB President highlighted in commentary over the weekend that core inflation in Europe is elevated and reinforced the message that policy makers will use to sequence and tools that are most appropriate. Madame Lagarde also noted a high probability that asset purchases could be interrupted early in the third quarter.

JPMorgan analysts have brought forward ECB rate hike expectations and now expect a +25 bps increase in July instead of September. Analysts then expect a 25 bps hike in September and again in December 2022, and four additional hikes in 2023, taking the deposit rate to 1.25% at the end of next year. Analysts note that recent ECB commentary seems to indicate that policy makers are keen to start hiking interest rates as concerns have mounted over second-round effects amid high levels of headline and core inflation. **Markets are pricing in +80bps of tightening this year, with roughly+24 bps of tightening priced in for July.**

Germany's IFO business climate index, a leading indicator for Germany, surprised on the upside in April, increasing to 91.8 (vs 89 expected from 90.8 in March). The expectations index rebounded to 86.7 from 84.9, while businesses also assessed their current situation as marginally better than in March, with the current assessment indicator increasing to 97.2 from 97 (vs expected 95.9). **ING analysts note that**

despite today's bounce in IFO data, they remain 'very cautious' over Germany's economic outlook, flagging supply chain disruptions, lower expected demand and supply in addition to high energy and commodity prices. **Analysts are now looking to Friday's first estimate of 1Q GDP to shed further light on Germany's economic performance.**



Emerging Markets

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Asian markets retreated amid intensifying concerns about China's growth slowdown. Asian equities declined, -3.4% on net, led by Chinese (CSI 300: -4.9%), Hong Kong (-3.7%) and Taiwanese (-2.4%) equities. Asian currencies depreciated, led by Chinese yuan (-1.0%), Korean won (-0.8%), Malaysian ringgit (-0.7%), and Indonesian rupiah (-0.7%). Long-end government bond yields generally declined, with 10-year yields falling in Korea (-15.3 bps), Hong Kong SAR (-14.5 bps), and India (-12.3 bps). In Indonesia, government bond yields rose (10-year: +4.9 bps) on foreign fund outflows from local bonds. In Singapore, headline CPI increased 5.4% y/y in March, higher than expected (consensus: +4.7%); core CPI inflation accelerated to 2.9%. **Equities traded 2–3% weaker in Hungary, Poland, and South Africa.** The South African rand (-0.6%) and Hungarian forint (-0.6%) are weaker. Analysts expect Polish headline inflation to increase to 11.3% yoy in April but the Polish zloty (+0.2%) gained as PM Morawiecki said that the government will take care that the zloty is sufficiently strong. **Equity markets in Brazil (-2.9%), Peru (-1.3%) and Chile (-0.9%) closed lower on Friday.** Mexico reported inflation for the first half of April at 7.7% yoy, the highest in two years. In Peru, president Pedro Castillo proposes a referendum for a new constitution in a bid to assuage the ongoing protests.

EM fund flows

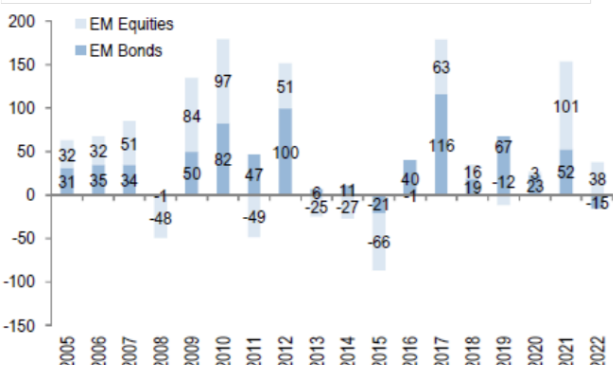
Outflows from EM continue. Last week, EMs saw an outflow of \$2.7 bn, of which \$1.1 bn were in bonds (outflow of \$0.96 bn in the week before) and \$1.6 bn in equities (outflow of \$0.34 bn in the week before). Local currency bond flows saw eighth consecutive week of outflow (-\$387 mn), while hard currency bond saw a much larger outflow of \$668 mn. Equity outflows also intensified during the week. **With this, the YTD fund flow into EMs stands at \$23 bn.**

Figure 1. Weekly Cross-Asset Flows (USD bn.)

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		-2.6	22.7
EM Bonds		-1.1	-15.2
Hard Ccy		-0.7	-10.6
Local Ccy ^A		-0.4	-4.6
o.w. EM ex-China		-0.2	-2.4
o.w. China		-0.2	-2.5
EM Equities		-1.6	37.9
US HG		-0.9	-20.4
US HY		-1.3	-30.4
Global Equities		-21.6	104.2
EM Bond and Equity ETFs		0.3	38.8
EM Bond ETFs		0.0	0.4
EM Equity ETFs		0.3	38.4
Non-resident EM flows [*]		-3.4	-38.3

^{*}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.

Figure 2. Annual EM Bond and Equity Flows (USD bn.)



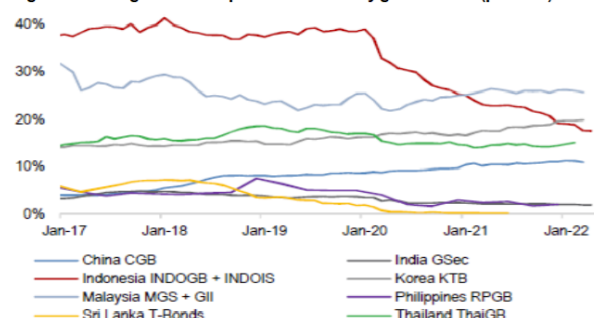
JP Morgan writes that EM Asia local currency bonds saw largest ever sale by foreigners in March 2022, of ~\$25.4 bn. The withdrawal was seen across countries in the region, with China, Indonesia, and Thailand experiencing the largest outflows of \$17.7 bn, \$3.4 bn, and \$3.1 bn, respectively.

Figure 3. Foreign bond buying of EM Asia local currency bonds (USD bn)

	2017	2018	2019	2020	2021	2022			
						Jan	Feb	Mar	YTD
China	52.0	79.4	79.7	152.8	117.2	10.4	-12.7	-17.7	-20.0
India	22.7	-5.3	-1.7	-13.7	-3.7	0.6	-0.4	-0.8	-0.6
Indonesia	12.7	4.0	12.1	-6.0	-5.8	-0.3	0.7	-3.4	-3.0
Korea	8.0	14.0	8.2	21.9	56.1	3.1	3.5	0.5	7.1
Malaysia	-1.5	-5.5	4.8	4.4	8.2	0.8	0.8	-1.0	0.6
Philippines	-0.1	1.2	-0.2	-0.9	0.4	0.1	0.1		0.2
Sri Lanka	0.4	-1.0	-0.3	-0.5	0.0				0.0
Thailand	6.2	4.4	-2.4	-2.0	5.2	2.3	1.7	-3.1	0.9
EM Asia	100.4	91.2	100.2	156.0	177.6	17.0	-6.3	-25.5	-14.8

Source: China CCDC, SCH and PBoC, India CCIL, Indonesia MOF, Korea FSS, Malaysia BNM, Philippines BSP, Thailand BOT, J.P. Morgan.

Figure 4. Foreign ownership of local currency govt. bonds (percent)



China

Stocks declined (CSI 300: -4.9%) as concerns about the economic slowdown intensified amid lockdowns to contain COVID-19 outbreaks. Today's stock market decline was the largest one-day drop since the onset of the pandemic in February 2020. Beijing became the latest major city that ordered a lockdown along with mandatory testing in a district that reported COVID-19 cases. RMB similarly depreciated (-1.0%) on deteriorating market sentiment. Analysts also noted that today's RMB fixing, which was broadly in line with expectations, was seen as a sign that Chinese authorities do not look too concerned about the recent RMB's weakness. **China's largest state-owned banks lowered deposit rates by 10 bps following the People's Bank of China (PBC)'s earlier guidance.** The PBC reportedly sought to ease financing for financially distressed property developers, including looser financing requirements for project acquisitions and extensions of qualifying overdue debt.

Russia

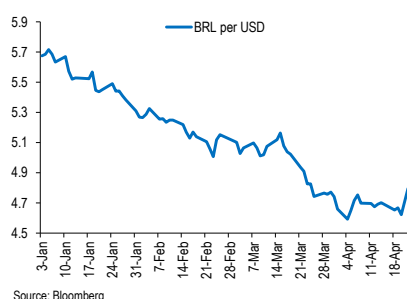
Equities (-1.8%) fell with no expectations of any near-term progress in negotiations between Russia and Ukraine. The Russian ruble (+3% to 75 per \$) strengthened after the central bank of Russia (CBR) eased the requirement for the mandatory sale of proceeds for all exports. The CBR softened the need for exporters to sell 80% of export proceeds by extending the term from 3 days to 60 days. This relaxation was previously introduced only for non-commodity and non-energy exporters.

EU leaders are preparing a new round of sanctions against Russian oil imports that will try to minimize economic damage to Europe's economies. EC Executive Vice President Dombrovskis said that measures may include the gradual phase-out of Russian oil or tariffs on exports beyond a certain price cap. **The EU is also considering removing Sberbank from the Swift payment system.**

Brazil

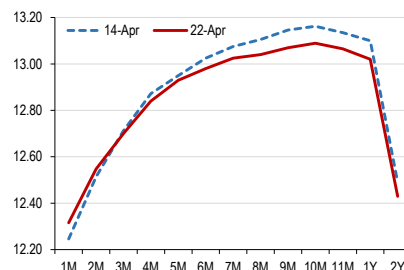
On Friday, the real (BRL) fell 4.5%, the largest drop seen since March 2020, before partially recovering and closing 3.8% against the USD. While the Fed has just embarked on the hiking cycle in March, Brazil's central bank (BCB) has already increased their policy rate by 9.75 percentage points (pp) over the past year. **The BCB has also lately signaled an end to the tightening cycle post the final 1 pp hike in May, however market participants are pricing in another ~50 bps hike in June.** Despite the recent depreciation, the BRL is up 15.8% YTD.

Figure 1. The Brazilian real depreciated against the USD on Friday



Source: Bloomberg

Figure 2. Brazilian real denominated Interest Rate Swap Curve (percent)



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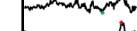



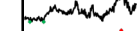





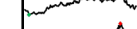



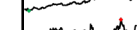


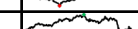
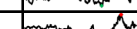


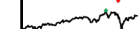

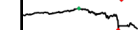


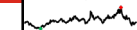

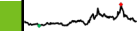





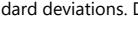
Global Financial Indicators

Last updated: 4/25/22 1:20 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4257	-2.8	-3	-6	2	-11
Europe		3773	-1.7	-2	-2	-6	-12
Japan		26591	-1.9	-1	-6	-9	-8
China		2929	-5.1	-8	-9	-15	-20
Asia Ex Japan		71	-0.5	-4	-6	-25	-15
Emerging Markets		42	-0.9	-4	-6	-22	-13
Interest Rates			basis points				
US 10y Yield		2.82	-7.9	-3	35	126	131
Germany 10y Yield		0.89	-8.1	5	30	115	107
Japan 10y Yield		0.25	-0.3	0	1	18	18
UK 10y Yield		1.90	-6.4	1	20	116	93
Credit Spreads			basis points				
US Investment Grade		156	1.8	8	15	63	44
US High Yield		405	12.4	13	22	70	68
Europe IG		84	2.1	5	4	33	36
Europe HY		396	8.6	21	28	146	154
Exchange Rates			%				
USD/Majors		101.46	0.2	1	3	12	6
EUR/USD		1.08	-0.4	0	-2	-11	-5
USD/JPY		128.2	-0.3	1	5	19	11
EM/USD		52.3	-0.3	-2	0	-8	0
Commodities			%				
Brent Crude Oil (\$/barrel)		102	-4.6	-10	-16	54	31
Industrials Metals (index)		203	-3.2	-5	-7	35	17
Agriculture (index)		76	-0.8	-3	0	34	25
Implied Volatility			%				
VIX Index (% change in pp)		29.7	1.5	7.6	8.9	12.4	12.5
US 10y Swaption Volatility		127.3	3.5	6.2	4.6	51.0	48.3
Global FX Volatility		9.4	-0.1	0.4	0.4	2.2	2.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		209	7.6	2	-13	93	58
Italy		173	3.0	9	23	69	38
Portugal		104	2.1	4	30	38	39
Spain		99	2.0	5	13	33	24

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

Emerging Market Financial Indicators

Last updated:	Exchange Rates							Local Currency Bond Yields (GBI EM)						
25/04/2022	Level		Change (in %)					Level		Change (in basis points)				
1:23 PM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD	
	vs. USD		(+) = EM appreciation					% p.a.						
China		6.55	-0.8	-2.8	-3	-1	-3		2.9	3	-4	-29	-1	
Indonesia		14454	-0.6	-0.7	-1	0	-1		6.8	11	21	31	52	
India		77	-0.3	-0.6	-1	-3	-3		7.1	1	29	75	59	
Philippines		52	-0.2	-0.3	-1	-8	-3		5.8	29	63	152	74	
Thailand		34	-0.2	-1.0	-1	-8	-2		2.9	26	56	108	94	
Malaysia		4.36	-0.7	-2.4	-3	-6	-4		4.3	22	54	114	74	
Argentina		114	-0.1	-1.1	-4	-19	-10		52.0	185	292	526	143	
Brazil		4.83	-0.6	-3.6	-2	13	15		12.6	2	19	475	155	
Chile		836	-1.3	-2.6	-5	-15	2		6.6	12	27	314	98	
Colombia		3851	-2.1	-2.8	-2	-6	6		9.9	38	18	363	179	
Mexico		20.34	-0.5	-2.5	-1	-2	1		8.9	5	38	215	122	
Peru		3.8	-0.8	-0.9	0	0	6		7.7	36	99	251	171	
Uruguay		40	-0.1	2.9	6	10	11		9.5	26	108	215	83	
Hungary		348	-1.1	-0.5	-2	-14	-7		6.9	21	54	489	248	
Poland		4.32	-0.2	-0.7	-1	-13	-7		6.5	37	126	559	278	
Romania		4.6	-0.4	-0.4	-2	-11	-5		6.5	3	63	384	163	
Russia		75.1	2.2	8.1	36	0	0		0.0	0	0	-669	-831	
South Africa		15.7	-0.4	-6.5	-7	-9	2		10.3	12	4	40	33	
Turkey		14.76	-0.1	-0.8	1	-44	-10		21.1	-176	-413	325	-222	
US (DXY; 5y UST)		102	0.3	0.7	3	12	6		2.86	7	31	204	159	

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)					YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD	
								basis points						
China		3815	-4.9	-8	-9	-25	-23		207	1	-14	-5	4	
Indonesia		7216	-0.1	-1	3	21	10		172	11	-14	3	7	
India		56580	-1.1	-1	-1	17	-3		166	-5	4	-3	34	
Philippines		7021	0.3	0	-1	10	-1		129	13	-10	32	28	
Malaysia		1590	-0.7	0	-1	-2	1		117	3	-17	-9	0	
Argentina		91717	0.2	1	-1	94	10		1778	90	-11	218	98	
Brazil		111078	0.0	-5	-7	-8	6		283	9	-18	14	-28	
Chile		4868	0.0	0	-2	1	13		163	22	10	27	23	
Colombia		1615	-0.1	1	0	26	14		351	9	5	118	3	
Mexico		53192	-0.1	-2	-4	8	0		371	30	25	32	39	
Peru		23338	-1.3	-2	-9	23	11		185	22	13	4	35	
Hungary		42408	-1.8	-1	-4	-1	-16		146	1	7	6	22	
Poland		59770	-1.9	-6	-7	1	-14		9	1	-40	-29	-23	
Romania		13004	0.0	1	2	17	0		210	13	1	22	17	
Russia		2187	-2.0	-7	-12	-39	-42		3411	-577	938	3228	3234	
South Africa		70156	-2.9	-4	-6	4	-5		341	9	-22	3	-14	
Turkey		2487	0.6	-1	14	85	34		501	-12	-63	9	-77	
Ukraine		519	0.0	0	0	-2	-1		3511	323	128	2989	2752	
EM total		42	-2.2	-4	-6	-22	-13		396	21	-145	30	10	

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

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