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- Earnings expectations for non-commodity sectors remain under pressure ([link](#))
- Chinese stocks fall after People's Bank of China's pledge for policy support ([link](#))
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## Pledge of Chinese central bank helps to stabilize sentiment

Global equities traded with a positive tone after the People's Bank of China released a statement pledging its support to the real economy, especially for industries and small businesses hit hard by the pandemic. Chinese equities rose sharply following the statement but reversed gains following news of a COVID-19 testing exercise in Beijing. European equities rose but bank stocks underperformed after HSBC reported a hit to its capital ratio. Analysts continue to bring forward or increase expectations for ECB tightening following stronger-than-expected economic data and hawkish comments from ECB officials. U.S. 10-yr yields have continued to trade lower after a turnaround in technology shares helped U.S. stocks close higher.

Key Global Financial Indicators

Last updated: 4/26/22 1:18 PM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
S&P 500		4296	0.6	-2	-5	3	-10
Eurostoxx 50		3795	1.0	-1	-2	-6	-12
Nikkei 225		26700	0.4	-1	-5	-8	-7
MSCI EM		42	-0.7	-5	-7	-23	-14
<b>Yields and Spreads</b>			bps				
US 10y Yield		2.77	-5.4	-17	29	120	126
Germany 10y Yield		0.82	-2.2	-10	23	107	99
EMBIG Sovereign Spread		429	10	26	-22	90	62
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		52.2	-0.3	-1	0	-8	-1
Dollar index, (+) = \$ appreciation		102.0	0.2	1	3	12	7
Brent Crude Oil (\$/barrel)		103.5	1.2	-3	-14	58	33
VIX Index (% change in pp)		27.6	0.5	6	7	10	10

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

## Mature Markets

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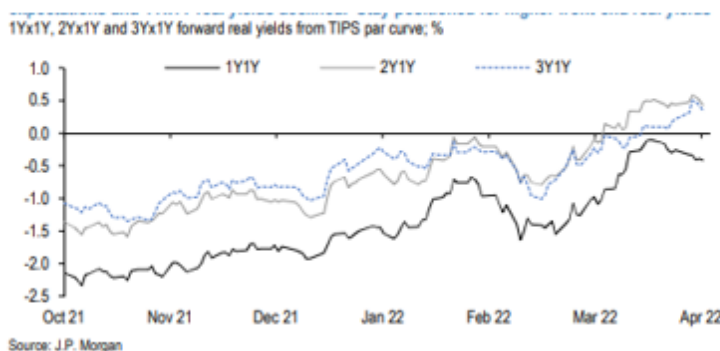
### United States

**Durable Goods orders in the US reported a 0.8% mom increase—marginally less than the 1.0% rise expectations. However, ex transportation—this number surprised positively with a 1.1% growth (vs expectations of a 0.6% rise).**

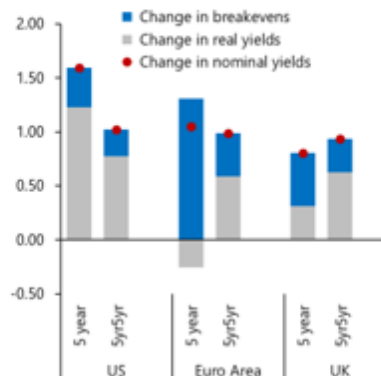
**Stocks ended in positive territory yesterday (+0.6%), with a turnaround in technology shares taking place before Twitter accepted a \$44 bn buyout deal from billionaire investor Elon Musk.** More broadly though, risks continued to compound with China's covid outbreak and lockdowns exacerbating the concerns due to faster Fed Reserve tightening. This is also reflected in a sharp 12 bps widening of US creditspreads. A flight to safe havens lifted global government bonds, with US 10-year yield declining by 8 bps. Steep declines in U.S. yields extends a period of heightened volatility as bond investors debate the scope of central-bank tightening over the next year. Swaption volatility continued to go up yesterday, even though equity volatility moderated a bit. **Dollar appreciated by 0.5% (extending the gains this month to 3.5%), paring intra-day gains after touching it's the highest level since May 2020. All G10 peers depreciated against the dollar, led in particular by the commodity currencies.**

**Looking at the year to date trends, U.S. real yields have increased sharply, especially over the near term, while they have remained relatively stable for the EU and UK. Medium term real yields have increased across the board. Even though market-implied expectations of the terminal Fed funds rate rose substantially over the last two weeks, they did not keep up with the increase in inflation expectations and 1Yx1Y real yields declined.**

1yr1yr, 2yr1yr, 3yr1yr forward real yields

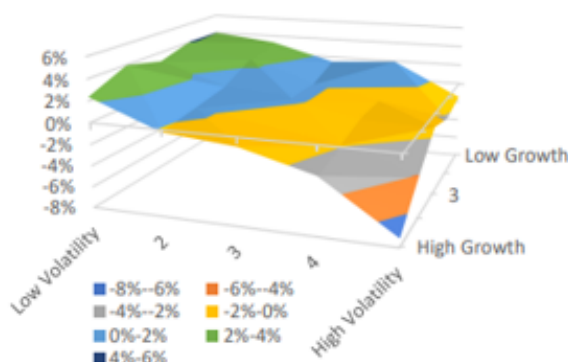


YTD change in AE bond yields

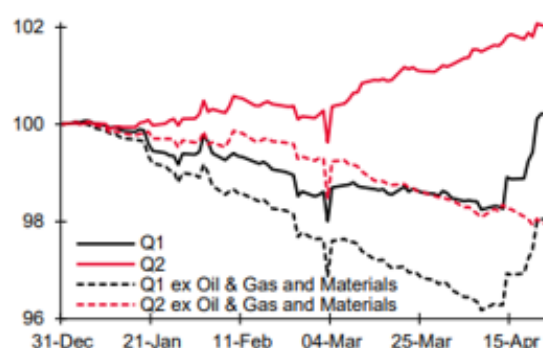


**Globally, Tech, Media and Consumer Products and Services are all down 20% or more this year, with only with Energy (+21%) and Basic Resources (+9%) up, and even they are under pressure recently from concerns over China COVID lockdowns.** Analysts note that the S&P 500 1Q22 and 2Q22 EPS estimates (right chart) are flattered by strong commodity-related earnings, but otherwise cash flow expectations are being cut sharply. The *commodity-light* Nasdaq is seeing significant downgrading of both 1Q and 2Q earnings.

## April month to date factor performance



## Consensus Earnings Change



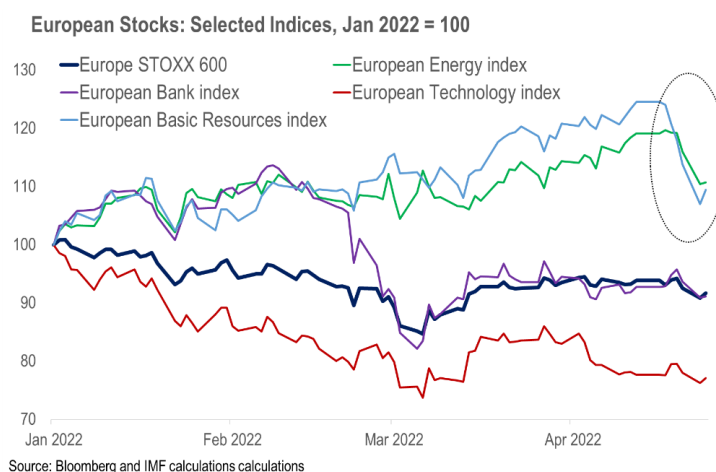
## Japan

**The unemployment rate declined to 2.6% in March**, from 2.7% in February (consensus: unchanged at 2.7%). The labor market conditions improved as COVID-19 restrictions eased, with the unemployment at the lowest level in almost two years. Nevertheless, analysts noted that the current labor market conditions are still not strong enough to generate the upward pressure on wages. **Equities gained (NIKKEI: +0.4%), while Japanese yen appreciated (+0.2%). Long-end JGB yields declined (10-year: -0.2 bp; 30-year: -2.3 bps).** The 10-year JGB yield edged up to the policy ceiling at 0.25% during the day before falling after the Bank of Japan (BOJ) announced to extend the unlimited fixed-rate bond purchase operations until April 28.

## Euro area

**European equities (+0.9%) retraced some of yesterday's losses.** Gains were broad based across sectors with the basic resources (+2.4%) and real estate (+1.3%) sectors outperforming. **That said, the basic resources index has underperformed since mid-April and is trading 12% lower than one week ago as concerns mounted over China's economic outlook.**

**The banking sector (-0.4%) was underperforming this morning, with HSBC shares (-3.6%) leading the losses after earnings results showed a lower CET1 ratio.** HSBC's adjusted pretax profit in 1Q 2022 fell to \$4.7bn in 1Q (-25%yoy), but came in ahead of the consensus of \$4.5 bn. The CET1 ratio (14.1%) came in below expectations (consensus 15.0%), and the bank noted that further buybacks in this year is unlikely and instead more distribution is seen via dividends.



The euro was trading weaker (-0.3%) with ING analysts noting a somewhat higher probability of an escalation of the war in Ukraine amid reports of Russian forces targeting rail infrastructure in Ukraine, thereby interrupting military aid from the West. **Sovereign yields generally edged lower (10-yr bunds -1bps), while yields on 10-yr Greek bonds increased (+10bps) to trade above 3% for the first time since mid-March 2020.**

**Analysts continue to bring forward or increase their expectations for ECB tightening** following recent stronger-than-expected economic data, together with higher-than-expected inflation and recent hawkish comments from ECB General Council members. **Standard Chartered analysts expect bolder adjustments by the ECB with +25 bps tightening seen in September and December** (in comparison to previous expectations of +10bps in Q3 followed by +15bps in Q4). Analysts see the deposit rate at 0.75% by the end of next year. Similar to JPMorgan analysts, **Goldman Sachs analysts now expect the first hike in July (+25bps)**, followed by rate hikes in September and December, and see the deposit rate at 1.25% at the end of 2023. **In the aftermath of yesterday's equity sell-off, markets are pricing in +75 bps of tightening by the end of 2022 (in comparison to +85 bps at the end of last week), with +22 bps seen in July.**

**Goldman Sachs analysts no longer expect a contraction in 2Q euro area growth.** Analysts have upgraded expectations for 1Q euro area GDP growth to +0.3% amid lower energy prices and stable gas flows from Russia and expect positive growth in 2Q given the upside surprise to flash April PMI data. **Activity forecasts for the second half of the year was downgraded** with overall 2022 GDP growth seen at +2.6%. **Analysts caution that sanctions on Russian gas remains a significant downside risk.**

## Emerging Markets

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**Asian equities were mixed, gaining 0.6% on net.** Share prices rose in India (+0.7%), while Chinese equities declined (-0.8%). In Sri Lanka, trading in the stock market was suspended for a second day, with trading lasting for about 40 minutes in total for the past two days. **Sri Lankan equities declined 8.4% today after falling 7.6% yesterday amid the ongoing economic crisis.** Most Asian currencies appreciated, led by Indonesian rupiah (+0.3%) and Philippine peso (+0.3%). Long-end government bond yields generally increased, with 10-year yield rising in India (+2.3 bps) on a policy signal that a rate hike could come as early as June drove up bond yields today. In Korea, real GDP grew 0.7% q/q in 2022Q1, stronger than expected (consensus: +0.6%). Equities rose (+0.4%). Korean won depreciated (-0.1%) as traders looked out for potential FX interventions after a verbal warning yesterday. **Equities traded with a positive tone after yesterday's sell-off. Markets in LATAM traded lower as commodities faltered and domestic issues loomed.** Peru, where the president is reported to have sent a bill for referendum on new constitution to the congress, registered largest losses as both equities (-4.4%) and the sol (-1%) closed in red. In Brazil, the real depreciated another 1.7% against the USD. Equities in Chile (-2.2%) and Colombia (-2.4%) also closed lower. Bloomberg's commodity index shed 3.4% in last two trading sessions.

## Copper

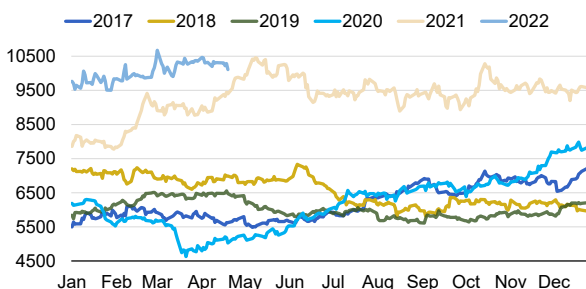
**Supply disruptions in Peru and Chile could cause near-term pressures in an otherwise balanced global copper market,** as per a Morgan Stanley report. Some of the major copper mines in Peru and Chile have closed/partially closed due to domestic issues. While mines in Peru are affected by the ongoing protests, mines in Chile have stopped production due to water outages. While this would reduce the global supply of copper, the demand is likely to be soft as well amid deteriorating macro-outlook. Copper inventories have been on a rise since mid-March, though the levels are still well below historical. **In all, the report argues, the likely supply shortage could be larger than the demand slowdown, and hence, tighten the market during 2Q 2022, or until the production from new mines starts flowing in the next 6–18 months.**

Figure 1. Copper Exchange Inventories (LME, SHFE, COMEX, kton)



Sources: Bloomberg; Morgan Stanley

Figure 2. Copper prices (USD/ Mton)



## China

**The People's Bank of China (PBC)'s pledge for policy support failed to stop the stock market decline.** Chinese equities rose as much as 1.5% in the morning before falling in the afternoon on the news of a city-wide COVID-19 testing exercise in Beijing. Investors remain cautious as past promises of market stability from Chinese authorities had a temporary impact on stock markets. **The PBC pledged to step up monetary policy's support to the real economy, especially for industries and small businesses hit hard by the pandemic.** The PBC also said that it will promote healthy and stable financial markets, and to quickly complete the ratification of large platform companies. The RMB appreciated (+0.1%) after the PBC lowered the reserve requirement ratio for FX deposits by 1ppt to 8% yesterday. Analysts viewed the PBC's action as a signal that it would not like to see too rapid RMB depreciation. **Today, the PBC's RMB fixing was stronger than expected by 16 pips.**

## Hungary

**The forint (-0.6%) reversed larger losses and local government bond yields are 3–5 bps higher after the central bank hiked its policy rate 100 bps to 5.40%, as expected.** Wage data released earlier in the session showed gross wage gains of 32% yoy in February to 545,965 forint (\$1557), materially above expectations of 14% yoy and above the growth rate of 14% yoy recorded in January. **The gross wage increase in February was the largest on record, according to Bloomberg data going back to 1998.**

## Turkey

**Shares in Garanti closed +5% higher yesterday after Spanish lender BBVA offered to pay 15 liras (\$1.02) per share for the 50.15% it does not own in Garanti bank, according to a regulatory filing.** This compares with 12.20 liras offered in November. **The lira has been relatively stable in April, depreciating 0.8% against the U.S. dollar so far this month.** In contrast, Turkish bank stocks have gained 24% mtd in April.

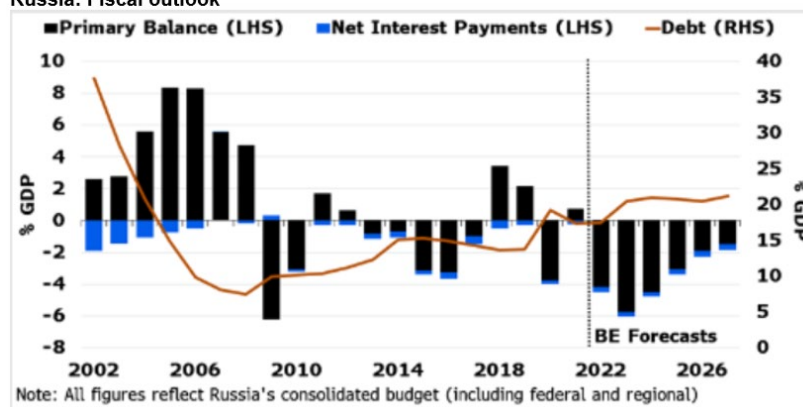
## Russia

**The ruble (+1% to 75 per \$) strengthened as oil prices remain volatile but have approached pre-invasion levels in recent weeks and Foreign Minister Lavrov said that a dialog with the U.S. on Ukraine could be useful.** Equities (+3%) rose in Moscow. Russia's MMC Norilsk Nickel, the world's biggest palladium and nickel producer, said that operations remain uninterrupted.

**Analysts expect that sanctions on Russia will result in significant primary deficits in the years ahead (from a surplus in 2021).** A voluntary pullback from buyers and steep discounts on Russian crude could put revenues under pressure. FM Siluanov said that Russia will not issue debt at home or abroad this year. **Bloomberg estimates that an embargo on oil and gas would cost Russia more than \$50 bn in annual budget revenue, or about 3% of GDP.**



Russia: Fiscal outlook



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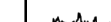
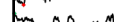

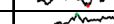
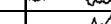


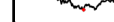





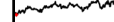




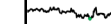

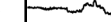








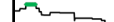

## Global Financial Indicators

Last updated: 4/26/22 1:19 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		4292	0.6	-4	-6	3	-10
Europe		3797	1.0	-1	-2	-6	-12
Japan		26700	0.4	-1	-5	-8	-7
China		2886	-1.4	-10	-10	-16	-21
Asia Ex Japan		70	-0.8	-4	-7	-26	-15
Emerging Markets		42	-0.7	-5	-7	-23	-14
<b>Interest Rates</b>			basis points				
US 10y Yield		2.76	-5.5	-17	29	120	125
Germany 10y Yield		0.82	-2.1	-9	23	107	99
Japan 10y Yield		0.25	-0.2	0	1	16	17
UK 10y Yield		1.82	-2.2	-15	12	106	85
<b>Credit Spreads</b>			basis points				
US Investment Grade		154	-0.7	6	12	60	42
US High Yield		410	5.2	28	27	76	73
Europe IG		83	-1.1	3	4	33	35
Europe HY		393	-5.7	12	32	143	151
<b>Exchange Rates</b>			%				
USD/Majors		101.97	0.2	1	3	12	7
EUR/USD		1.07	-0.4	-1	-3	-12	-6
USD/JPY		127.5	-0.5	-1	3	18	11
EM/USD		52.2	-0.3	-1	0	-8	-1
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		103	1.1	-4	-14	58	33
Industrials Metals (index)		204	0.8	-5	-6	33	18
Agriculture (index)		77	1.1	0	2	32	27
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		27.5	0.5	6.2	6.7	9.9	10.3
US 10y Swaption Volatility		126.1	0.2	2.3	-1.1	49.8	47.1
Global FX Volatility		9.7	0.0	0.5	0.7	2.6	2.3
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		229	15.2	23	6	113	77
Italy		175	1.2	12	26	70	40
Portugal		104	0.6	8	30	39	40
Spain		99	0.4	6	13	34	25

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

## Emerging Market Financial Indicators

Last updated: 26/04/2022 1:20 PM	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		6.54	0.3	-2.3	-3	-1	-3		2.9	1.5	1	0	-36	3		
Indonesia		14411	0.3	-0.5	0	1	-1		7.0	-3.8	2	30	56	62		
India		77	0.1	-0.1	-1	-2	-3		6.3	0.0	0	9	75	0		
Philippines		52	0.3	0.4	0	-7	-2		5.3	0.0	5	8	90	83		
Thailand		34	-0.4	-1.4	-1	-8	-3		2.8	1.0	15	21	83	90		
Malaysia		4.36	0.0	-2.3	-3	-6	-4		4.3	3.6	15	44	117	71		
Argentina		115	-0.4	-0.8	-4	-19	-10		52.1	8.3	181	231	553	151		
Brazil		4.92	-0.8	-5.1	-3	11	13		12.0	-26.6	-6	20	301	127		
Chile		845	-1.0	-3.3	-8	-17	1		6.4	0.0	5	21	289	102		
Colombia		3933	-2.1	-5.1	-4	-6	3		8.3	0.0	10	4	280	186		
Mexico		20.29	-0.5	-1.3	-1	-2	1		8.8	5.0	11	23	220	130		
Peru		3.8	-1.0	-1.8	-2	1	5		8.0	0.1	51	108	233	208		
Uruguay		41	-1.5	1.3	2	8	10		9.8	21.9	47	115	236	104		
Hungary		351	-1.0	-1.8	-3	-14	-8		6.7	7.0	18	38	425	220		
Poland		4.36	-0.5	-1.2	-2	-13	-7		5.6	-6.5	16	59	380	208		
Romania		4.6	-0.4	-1.1	-3	-12	-6		6.5	0.0	2	45	385	163		
Russia		74.9	0.2	7.4	26	0	0		12.3	-14.8	-4	-635	508	353		
South Africa		15.7	-0.4	-4.7	-7	-9	1		8.2	1.0	-3	15	78	81		
Turkey		14.80	-0.1	-0.9	0	-44	-10		21.7	-5.0	-70	-591	295	-263		
US (DXY; 5y UST)		102	0.2	1.0	3	12	7		2.78	-7.7	-13	24	195	152		

	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		3784	-0.8	-8	-9	-26	-23		209	2	-3	-2	6	
Indonesia		7232	0.2	0	3	21	10		188	26	14	18	23	
India		57357	1.4	2	0	17	-2		169	-2	9	1	37	
Philippines		6980	-0.6	-1	-2	10	-2		146	32	25	49	45	
Malaysia		1597	0.4	1	0	-1	2		121	6	-2	-7	4	
Argentina		91155	-0.6	0	-2	90	9		1755	78	-33	198	75	
Brazil		110685	0.0	-5	-7	-8	6		285	13	-6	20	-26	
Chile		4759	0.0	-3	-4	-2	10		167	25	17	32	27	
Colombia		1576	-2.4	-2	-2	23	12		355	12	18	123	7	
Mexico		52704	-0.9	-3	-5	8	-1		372	24	35	33	40	
Peru		22319	-4.4	-5	-13	16	6		189	25	22	15	39	
Hungary		42458	0.4	-1	-3	-2	-16		155	17	23	16	31	
Poland		59665	0.4	-6	-7	0	-14		18	5	-27	-18	-14	
Romania		12838	-1.3	-1	1	15	-2		225	32	17	40	32	
Russia		2275	4.1	-2	-8	-37	-40		3411	-577	938	3228	3234	
South Africa		70861	1.6	-4	-5	5	-4		361	33	3	24	6	
Turkey		2471	-0.5	-2	14	80	33		516	8	-33	19	-62	
Ukraine		519	0.0	0	0	-2	-1		3571	303	369	3061	2812	
EM total		42	0.4	-5	-7	-23	-14		403	27	-133	39	17	

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

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