



- **Stocks in China rally on strong economic data** ([link](#))
- **Rising US interest costs attract greater scrutiny** ([link](#))
- **Survey shows soft landing is base case for US** ([link](#))
- **Japanese authorities warn on currency intervention** ([link](#))
- **Credit conditions for US high yield companies are deteriorating** ([link](#))
- **Inflation in Poland is back in target range for the first time since 2021** ([link](#))

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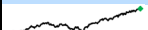

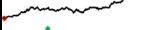



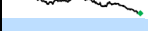



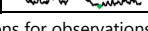
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Markets rally as new quarter begins

US equity index futures pointed to new record highs on the first day of the new quarter. The S&P 500 was up over 10% in the first quarter of 2024, the strongest start since 2019. Stocks in China staged a major rally on stronger than expected economic data. Most markets in Europe and Latin America were closed for the Easter holiday. Meanwhile, Friday's US jobs report will be the main focus for the week as investors try to determine the path of the Fed's future interest rate policy. Markets predict that the first Fed rate cut will come in either June or July, with three cuts predicted for the year, in keeping with the latest dot plot reported at the previous FOMC meeting on March 20. Last Friday's inflation data was in line with forecasts and signaled continued improvement, boosting market sentiment.

Key Global Financial Indicators

Last updated: 4/1/24 7:35 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5254	0.1	0	3	30	10
Eurostoxx 50		5083	0.0	1	4	20	12
Nikkei 225		39803	-1.4	-2	0	42	19
MSCI EM		41	0.4	0	1	4	2
Yields and Spreads			bps				
US 10y Yield		4.21	1.0	-4	3	74	33
Germany 10y Yield		2.30	0.0	-3	-11	-3	27
EMBIG Sovereign Spread		341	-5	-2	-27	-151	-42
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.5	0.0	0	0	-8	-3
Dollar index, (+) = \$ appreciation		104.6	0.1	0	1	2	3
Brent Crude Oil (\$/barrel)		86.8	-0.2	2	4	9	13
VIX Index (% change in pp)		13.6	0.6	1	0	-6	1

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

This week could see large market moves if the US jobs report due on Friday diverges significantly from the consensus forecast of 205K new jobs added and the unemployment rate holding steady at 3.9%. Durable goods and ISM PMI data could also move the needle. The euro area is due to release inflation data that could impact the market's expectations of ECB interest rate policy, while other reports on manufacturing and industrial production will also be in focus. All eyes will be on PMI data from China due to be released tomorrow. India, the UK, and Japan are also due to release PMI data this week. Central bank meetings will be held in Chile, Kenya, and the Philippines, among others.

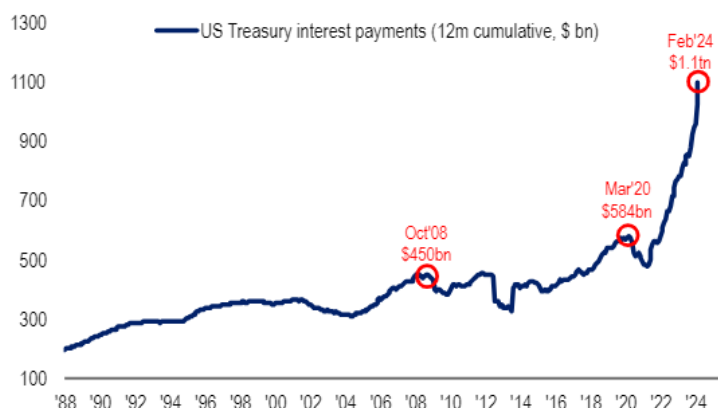
Mature Markets

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United States

Rising interest costs for the US government are drawing increasing scrutiny. The \$1.1 tn in projected interest payments this year are double the level before the Covid pandemic began. Analysts at Bank of America speculate that this could be a factor in the Fed's stance on interest rates, giving another reason for the FOMC to reduce its policy rate, a policy known as "Interest Cost Control" or ICC among market participants. The Treasury's shift towards issuing more T-Bills which have higher rates than longer maturity notes and bonds could be another factor that induces the Fed to lower rates. The analysts estimate that the US debt will increase by \$1 tn every 100 days and project that it will reach \$35 tn in May 2024 and \$40 tn by H2 2025.

Chart 2: Surging cost of US government debt..."Interest Cost Control" by Fed
US Treasury interest payments (\$ bn, 12-month cumulative)



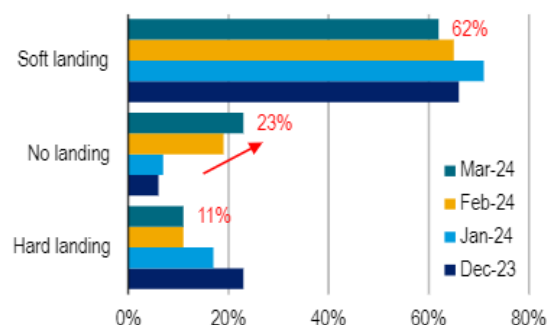
Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH

The latest fund manager survey from Bank of America shows that investors view a soft landing in the US as the new base case. In addition, bets on a "no landing" scenario where GDP remains strong are on the rise. US economic data have consistently come in stronger than expected, especially when compared to the other major economies. The Fed Funds market is now pricing fewer than three full rate cuts for 2024 as confidence in the US economy grows, less than the latest Fed dot plot from the March FOMC meeting. With US equity markets at or near record highs, many market contacts predict that rising Treasury yields will be the safety valve for markets as expectations of a more hawkish Fed take hold. Much will depend on the latest economic releases due in the weeks ahead, starting with Friday's jobs report.

Exhibit 1: Soft landing base case, "no landing" probability rising

What is the most likely outcome for the global economy in the next 12 months?



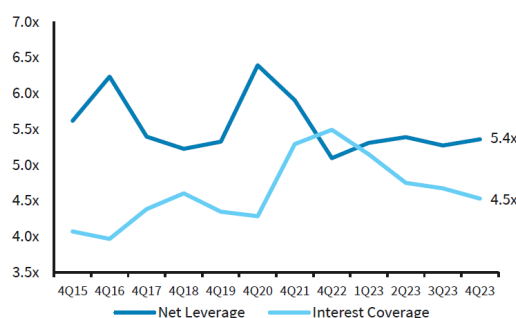
Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

US high yield companies face deteriorating credit conditions, according to analysis by Barclays.

Leverage has increased, while the burden of interest payments has increased. This is occurring in an environment where the earnings outlook of these companies is getting worse. Higher funding costs present a further challenge. These trends are made manifest by the persistent underperformance of the equity prices of smaller US corporations compared to the record levels attained by the larger companies of the S&P 500 and the Nasdaq. Delinquencies have remained low so far, but the risks of defaults and bankruptcies are going up. In contrast, one area of improvement comes from the single B sector, which has reduced its overall level of debt.

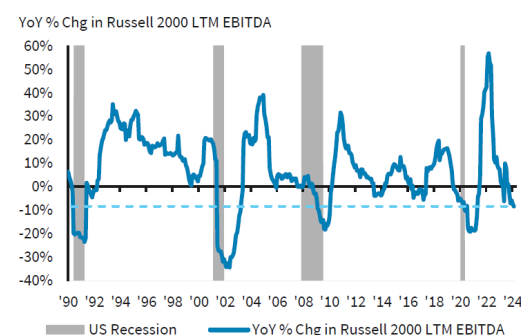
FIGURE 1. Net leverage ticked back up, while interest coverage has declined for four straight quarters



All fundamental metrics herein are weighted averages by market value of debt unless otherwise specified.

Source: Bloomberg, Capital IQ, Barclays Research

FIGURE 2. The Russell 2000 saw EBITDA decrease further in 4Q23



Source: Refinitiv, Barclays Research

Euro Area

Euro area and UK markets are closed for the Easter holiday.

The ESTR-SOFR basis tightened further in Q1 led by the long end on continued supply imbalance.

While the magnitude of the tightening was not as sharp as in Q4, the ESTR-SOFR basis is now close to the tightest level since it started to trade in 2021. A key driver of the tightening basis is the continued cross-currency supply imbalance, which created demand for the euro from issuers' hedging needs. Yankee issuance (USD issuance from European corporate) reached a 10-year high in Q1 to \$57bn dominated by financial sector issuance, which far outstrips the pace of reverse Yankee issuance (EUR issuance by US corporates).

Japan

Finance Minister Suzuki threatened intervention in the currency market as the yen hovers near a 34-year low against the dollar. The currency fell just shy of 152 versus the dollar last week, the weakest level since 1990. However, the yen was broadly unchanged in early morning trading. Meanwhile, the 10-year JGB yield was slightly higher and the Nikkei was down 1.4% as investors took profits at the start of the new fiscal year. In other news, the closely followed Tankan survey was weaker than expected.

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Many markets in Europe and Latin America were closed for the Easter holiday. **Asian stocks were higher, led by a strong rally in China.** However, equities in Indonesia declined after the authorities announced the end of certain Covid-era support measures. Inflation in Indonesia was higher than expected. Countries such as Korea and Vietnam saw weaker than expected economic data.

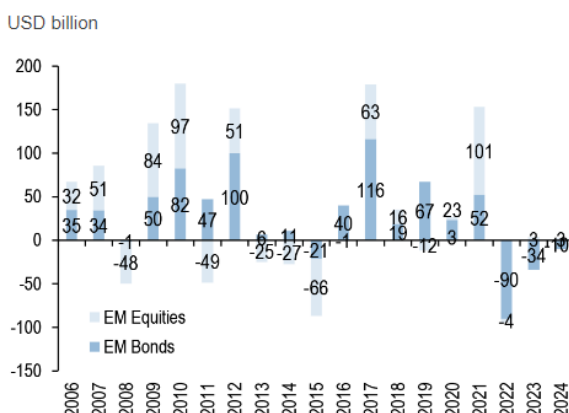
Outflows from emerging market bond funds continued for a seventh straight week (-\$1.8bn). This takes the total year-to-date figure to \$10.1bn. Outflows were from local currency funds (-\$1.8bn) in contrast to hard currency funds that saw modest inflows (+\$0.1bn). Flows into EM equity funds were relatively flat this week (\$0bn, +\$2.8bn YTD). Flows into EM equities are more visible in ETFs (+\$1.8bn, \$12.5bn YTD). High frequency portfolio flow data for a small number of major economies points to a more optimistic picture for flows into emerging markets (+\$1.2bn, +\$13.3bn YTD)

Figure 1: Weekly cross-asset flows

USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		-1.8	-7.4
EM Bonds		-1.8	-10.1
Hard Ccy		0.1	-5.7
Local Ccy ^a		-1.8	-4.4
o.w. EM ex-China		-1.7	-3.6
o.w. China		-0.1	-0.8
EM Equities		0.0	2.8
US HG		5.2	106.9
US HY		1.5	6.6
Global Equities		15.4	55.2
EM Bond and Equity ETFs		1.5	8.5
EM Bond ETFs		-0.2	-4.0
EM Equity ETFs		1.8	12.5
Non-resident EM flows*		1.2	13.3

Figure 2: EM bond and equity fund flows



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

China

The benchmark CSI 300 equity index surged by 1.6% as PMI data came in much stronger than expected. Official manufacturing PMI rose to 50.8 (previous: 49.1), returning to expansionary territory for the first time since September 2023. Caixin manufacturing PMI rose to 51.1 (previous: 50.9), the strongest in 13 months. Meanwhile, services PMI jumped to 53 (previous: 51.4). Deutsche Bank says this reflected continued positive momentum in China's recent macro data and predicts that Q1 growth will likely exceed 5%. However, the China property slump persisted in March, as new home sales contracted by -46% y/y to 358bn yuan (\$49.6bn), according to preliminary data from the China Real Estate Information Corp.

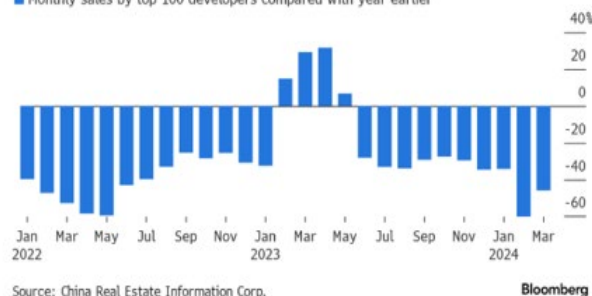
China's Factory Activity Picks Up Steam

Private, official manufacturing PMIs both expanded stronger than expected in March



China Property Sales Slowdown Persists, Hurting Developers

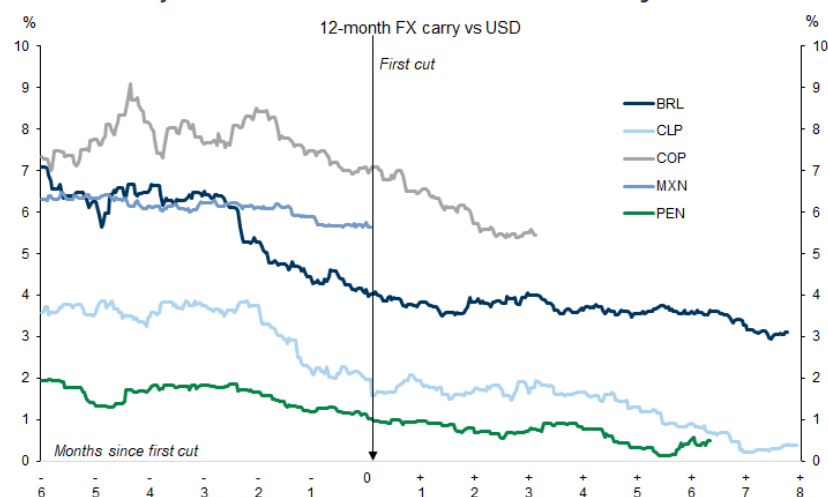
Monthly sales by top 100 developers compared with year earlier



Mexico

The Mexican peso still benefits from higher carry despite the start of the easing cycle. The Mexican central bank delivered its first rate cut two weeks ago (11% from 11.25%). Goldman Sachs analysts think the central bank will take a cautious stance in its cutting cycle going forward as currency depreciation is a key risk factor for inflation. The peso remains the best performer against the greenback over the last 2.5 years. The hawkish stance of the central bank has been one of the major reasons behind the currency's performance amongst other favorable factors like strong US economic growth and equity performance.

Exhibit 1: MXN carry has not declined as fast as in other LatAm currencies heading into the first cut

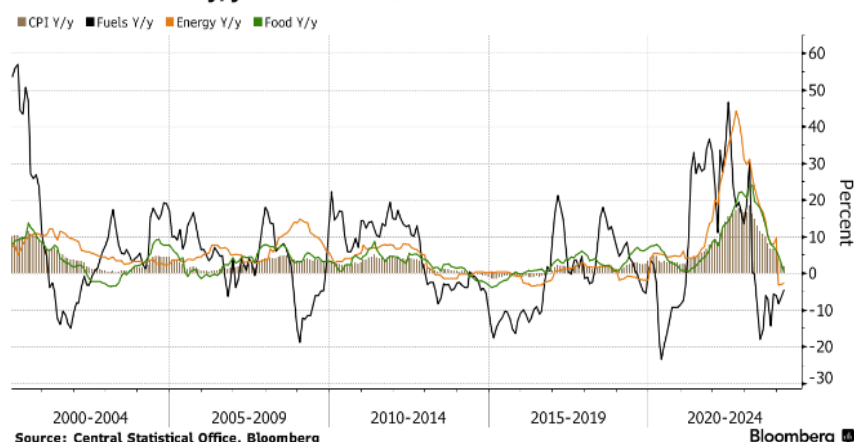


Poland

Polish inflation falls back to the central bank's target for the first time since February 2021. March CPI came in at 1.9% y/y, down from 2.8% in February and below expectations of 2.3%. The March release is the first time prices have fallen below the central bank's medium-term target of 2.5% since February 2021, before inflation started its ascent to a peak of 18.4% y/y in February 2023. Bloomberg analysts expect policy makers to keep rates unchanged at their next meeting on April 4 amid continued uncertainty regarding price growth. Analysts acknowledge risk factors such as higher food taxes and the removal of energy price caps, which increase inflation risks over the next few months.



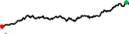



















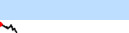


Poland's CPI Slows Down Below All Estimates

Inflation rose 1.9% y/y in March vs median est. of +2.3%



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Deputy Division Chief), Nassira Abbas (Deputy Division Chief), and Caio Ferreira (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (New York Representative), Benjamin Mosk and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Research Officer), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), Sonal Patel (Senior Financial Sector Expert-London Representative), Silvia Ramirez (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), Ying Xu (Economist), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

4/1/24 7:37 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5254	0.1	0	3	30	10
Europe		5083	0.0	1	4	20	12
Japan		39803	-1.4	-2	0	42	19
China		3596	1.6	2	2	-11	5
Asia Ex Japan		68	0.3	0	1	0	2
Emerging Markets		41	0.4	0	1	4	2
Interest Rates			basis points				
US 10y Yield		4.21	1.0	-4	3	74	33
Germany 10y Yield		2.30	0.0	-3	-11	-3	27
Japan 10y Yield		0.74	1.2	1	2	39	13
UK 10y Yield		3.93	0.0	1	-19	46	40
Credit Spreads			basis points				
US Investment Grade		120	-1.3	1	-8	-53	-14
US High Yield		347	-3.1	5	-22	-176	-39
Exchange Rates			%				
USD/Majors		104.58	0.1	0	1	2	3
EUR/USD		1.08	0.0	0	0	-1	-2
USD/JPY		151.4	0.0	0	1	14	7
EM/USD		46.5	0.0	0	0	-8	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		86.8	-0.2	2	5	14	13
Industrials Metals (index)		140	0.5	0	2	-12	-2
Agriculture (index)		60	-0.1	1	2	-11	-4
Implied Volatility			%				
VIX Index (%, change in pp)		13.6	0.6	0.6	0.2	-5.5	1.2
Global FX Volatility		6.6	0.1	0.0	0.1	-3.8	-1.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		109	0.0	4	1	-84	5
Italy		138	0.0	6	-9	-42	-29
Portugal		71	0.0	4	-2	-12	8
Spain		86	0.0	3	-3	-15	-10

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

Emerging Market Financial Indicators

Last updated: 4/1/2024 7:38 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)					YTD	Level		Change (in basis points)					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M			
	vs. USD		(+) = EM appreciation						% p.a.							
China		7.23	-0.1	-0.3	0	-5	-2		2.4	2.5	2	-3	-78	-16		
Indonesia		15895	-0.2	-0.6	-1	-6	-3		6.7	-4.0	7	9	-11	21		
India		83	0.0	-0.3	-1	-1	0		7.2	-0.1	-7	-4	(33.1)	-5		
Philippines		56	-0.1	0.2	0	-3	-2		5.4	-0.1	0	0	-55	-20		
Thailand		36	-0.3	-0.3	-2	-6	-6		2.5	0.2	-4	-7	-9	-20		
Malaysia		4.73	-0.1	-0.1	0	-7	-3		3.9	-0.4	1	0	-5	12		
Argentina		858	-0.1	-0.5	-2	-76	-6		52.7	0.0	-560	-2216	-3905	-3368		
Brazil		5.01	-0.6	-0.7	-1	3	-3		11.1	1.4	7	14	-204	67		
Chile		978	0.2	0.0	-1	-17	-10		5.2	0.0	4	1	-1	26		
Colombia		3859	-0.1	1.1	2	21	0		7.8	6.5	4	22	-75	17		
Mexico		16.55	0.1	0.8	3	9	3		8.8	0.4	-2	13	40	30		
Peru		3.7	-0.1	-0.9	2	1	0		7.3	3.9	34	49	-21	67		
Uruguay		37	0.1	0.8	4	4	4		9.0	0.0	1	-1	-136	-53		
Hungary		365	0.0	0.4	0	-5	-5		6.6	0.4	15	52	-196	79		
Poland		3.98	0.1	0.0	0	8	-1		5.0	0.0	-18	15	-48	49		
Romania		4.6	-0.1	-0.5	-1	-2	-2		6.4	0.0	-3	-1	-84	16		
Russia		92.4	0.0	0.5	-1	-15	-3									
South Africa		18.9	0.0	0.0	1	-5	-3		9.8	0.0	15	26	75	67		
Türkiye		32.42	-0.1	-0.8	-3	-41	-9		26.5	-37.0	-9	-81	1596	-30		
US (DXY; 5y UST)		105	0.1	0.1	1	2	3		4.21	-0.4	-2	5	64	36		

	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		3596	1.6	2	2	-11	5		149	0	0	-40	-9		
Indonesia		7205	-1.1	-2	-1	6	-1		100	3	-7	-55	4		
India		74015	0.5	2	0	25	2		107	-1	6	-63	-9		
Philippines		6980	1.1	0	1	7	8		87	5	-2	-43	7		
Thailand		1379	0.1	1	1	-14	-3		0	0	0	0	0		
Malaysia		1544	0.5	0	0	9	6		83	-2	1	-21	-2		
Argentina		1213485	-0.1	2	21	401	31		1459	6	-296	-1046	-454		
Brazil		128106	0.3	0	-1	26	-5		213	5	-1	-63	-2		
Chile		6644	0.7	2	3	25	7		124	3	-5	-22	-1		
Colombia		1333	1.1	2	4	19	12		293	12	-7	-117	22		
Mexico		57369	0.3	1	4	8	0		311	-2	-14	-99	-23		
Peru		28367	-1.5	-4	0	30	9		141	6	0	-54	-3		
Hungary		65385	0.0	-1	-1	54	8		153	4	-7	-79	4		
Poland		82746	0.0	1	1	45	5		98	4	3	23	1		
Romania		17028	0.0	2	6	41	11		184	1	-14	-72	-17		
South Africa		74536	0.0	3	2	-3	-3		359	15	9	-54	51		
Türkiye		9071	-0.8	0	0	88	21		301	-1	-10	-162	-13		
Ukraine		#N/A	0.0	#N/A	#N/A	#N/A	#N/A		3526	-116	-440	-1386	-478		
EM total		41	-0.1	0	1	4	2		294	-2	-32	-124	-51		

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

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