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- Shares of large US banks have underperformed despite solid earnings results ([link](#))
- The People's Bank of China kept the 1-year medium-term lending rate unchanged ([link](#))
- Ghana bond prices fall as debt restructuring hits a roadblock ([link](#))
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Geopolitical fears ease for now, while Treasury yields climb amid strong retail sales

After the large risk off move on Friday, risk sentiment stabilized on Monday despite hostilities in the Middle East over the weekend. On Friday, stocks fell, advanced economy bond yields retreated, and the dollar rose amid a flight to safety. However, in early trading Monday, Treasury yields resumed their upward move, bolstered by retail sales, and stock futures gained. US retail sales for March increased 0.7% (vs 0.4% expected), while the control group, which is more closely tied to GDP, gained 1.1% (vs 0.4% expected). Global equity markets were mixed, with European stocks higher and Asian markets generally lower, though onshore Chinese stocks gained on regulatory support measures. The Israeli shekel appreciated today, and the stock market is up slightly on net from Thursday's close. Elsewhere, the Japanese yen weakened further to 154.3 against the dollar, with officials again attempting to intervene verbally. Brent crude prices fell back below \$90/bbl. Metal prices jumped higher following new restrictions on trading Russian products on the London Metal Exchange.

Key Global Financial Indicators

Last updated: 4/15/24 8:32 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5123	-1.5	-2	0	24	7
Eurostoxx 50		5017	1.2	-1	1	14	11
Nikkei 225		39233	-0.7	0	1	38	17
MSCI EM		41	-2.3	-2	-1	2	1
Yields and Spreads			bps				
US 10y Yield		4.61	8.8	19	30	110	73
Germany 10y Yield		2.43	7.0	-1	-1	-1	41
EMBIG Sovereign Spread		337	7	7	-24	-151	-46
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.3	-0.1	-1	-1	-9	-4
Dollar index, (+) = \$ appreciation		105.9	-0.1	2	2	4	5
Brent Crude Oil (\$/barrel)		89.6	-0.9	-1	5	4	16
VIX Index (% change in pp)		16.7	-0.6	2	2	0	4

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

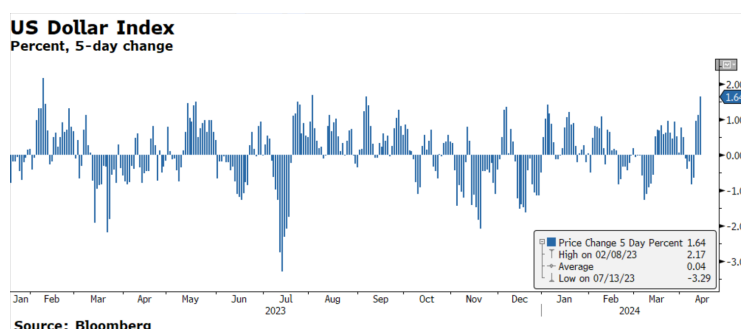
In the week ahead, US corporate earnings announcements will begin in earnest. On the macro data front, the US will report retail sales on Monday and industrial production on Tuesday. The UK will deliver a labor market report on Tuesday and inflation (CPI) on Wednesday. In China, analysts expect Q1 GDP (Tuesday) to show higher q/q growth at 1.5% but lower y/y growth at 4.8% compared to the previous quarter.

Mature Markets

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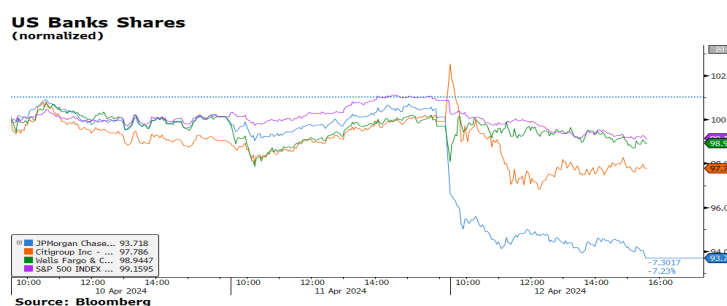
United States

On Friday, equities saw their worst day since January amid escalating geopolitical tensions in the Middle East. The S&P500 fell 1.5% and the VIX—a measure of implied equity volatility using options—rose to a year to date high. The dollar index gained 1.7% last week to reach a five-month high amid a flight to safety. The dollar also has climbed over the last three weeks as markets price out near-term rate cuts amid resilient economic activity and slowing disinflation. 10y Treasury yields were down 6 bps on Friday.



Strong March retail sales (+0.7% m/m versus +0.4% expected) drove Treasury yields and the dollar index higher Monday morning. 2y and 10y yields were up 3–4 bps following the release, extending their sell off, and bringing the 10y yield back above 4.6%.

Shares of large US banks have underperformed despite solid earnings results. Concerns about the outlook overshadowed last week's reasonably strong earnings reports, as JPMorgan fell 6.4% to lead large banks lower. Trading revenue generally topped estimates, while credit costs may be easing amid lower commercial real estate charge offs. However, analysts believe tighter funding conditions will dampen future revenues tied to mergers, acquisitions, and capital markets activity. While *higher for longer* can support large banks net interest income (NII), most banks expect NII to remain flat or fall this year, weighed down by deposit margin compression. JPMorgan CEO Jamie Dimon warned of an unsettling global landscape, highlighting a cascade of pressures, including war, geopolitical tensions, and inflation.



Europe

Euro area sovereign yields were higher this morning, retracing part of Friday's move when 10y bund yields closed 10 bps lower. Commerzbank analysts attributed Friday's move to a flight to quality, and noted that markets are already unwinding the move after Iran's attack on Israel did not result in significant

damage. Analysts also highlighted that in the near term, markets will continue to be driven by developments in the Middle East and any further clarity around the ECB rate cut currently expected in June. The euro was marginally stronger this morning (+0.2% at 1.066 against the dollar), after closing -0.8% weaker on Friday. **On the data front, euro area industrial production data showed output increased by +0.8% m/m in February, as expected, following a sharp decline of -3.0% in January.** European equities are mixed this morning with the STOXX 600 index 0.4% higher.

Bund yields set to reverse Friday's safe haven decline
2y Schatz and 10y Bund yields, in %, intra-day

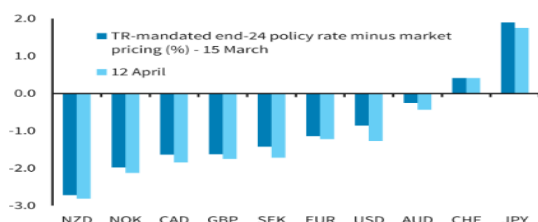


Source: Bloomberg, Commerzbank Research

United Kingdom

Some analysts believe that market pricing for Bank of England (BoE) rate cuts is too hawkish amid inflation divergence with the US. Markets have repriced policy expectations for most G10 central banks alongside the Fed following the upside surprise on US CPI. However, Barclays' analysts note that strong disinflation momentum outside the US should allow for policy divergence even beyond the sequencing of rate cuts. With UK wage and inflation data due later this week, Barclays believes that risks to inflation are skewed to the downside, and should allow for more aggressive easing. They also expect the pound to remain under pressure in the near term given its tendency to underperform on downside data surprises in the post-COVID period. Nevertheless, Barclays analysts remain constructive on the pound in the longer term, notably versus the euro, given the possibility for closer ties with the EU following the next UK general election. Rabobank analysts highlighted GFTC data showing that net long positions on the pound decreased last week. The pound gained against the dollar this morning (+0.3% to around 1.25), and is now roughly 1.9% weaker than at the start of the year.

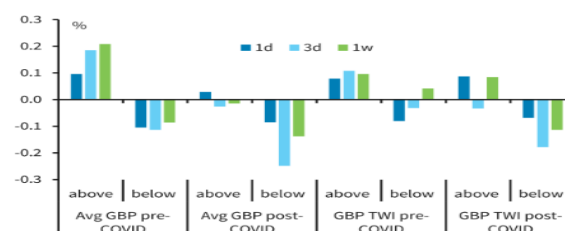
Figure 3. G10 central bank repricing is driven by the Fed



Note: Our Taylor rule is of the form: Policy rate = Nominal R* + (0.5*Inflation Gap) + (0.5*Output gap). We use as inputs local Central Bank and IMF forecasts for the inflation and output gaps in 2025 respectively, in order to obtain Taylor-rule-implied estimates for end-2024 pricing.

Source: National central banks, IMF, Haver, Barclays Research

Figure 4. GBP underperforms on downside data misses lately



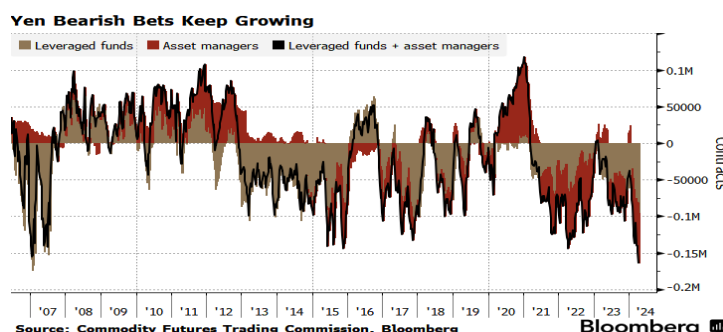
Note: The chart shows the impact of 0.1ppt miss versus the Bloomberg consensus in UK core CPI. Average GBP represents the average changes in GBPEUR, GBPUSD, GBPJPY and GBPCHF after 1 day, 3 days and 1 week from the data release.

Source: Bloomberg, Barclays Research

Japan

Japanese yen depreciated further despite verbal intervention. The yen depreciated 0.6% to climb above 154 yen per dollar, while long-end JGB yields were mixed (10y: +0.8 bp; 30y: -0.4 bp). The yen's decline accelerated following the US retail sales report Monday morning. Japanese assets did not appear to benefit from safe haven flows, plausibly because higher oil prices could widen the trade deficit and add downward pressure on the currency. Interest rate differentials between Japan and other major advanced economies are seen as the fundamental factor that have sustained a weaker yen. While Japanese

authorities have continued their verbal warnings, including Finance Minister Suzuki today, market participants are generally skeptical that FX interventions can fundamentally alter the course of the exchange rate. Speculative short positions against the yen climbed to a record according to data from the Commodity Futures Trading Commission. Japanese equities declined (NIKKEI: -0.7%), in line with regional trends.



Commodities

Analysts expect temporarily higher prices and volatility in aluminum, copper, and nickel markets following US and UK restrictions on the acquisition of Russian metals produced after April 13. The new restrictions are intended to prevent the London Metal Exchange (LME) and the Chicago Mercantile Exchange (CME) networks from accepting new Russian production of aluminum, copper, and nickel. Bloomberg reported that aluminum prices increased by as much as 9.4%, and nickel increased by as much as 8.8%, before both retraced later in the day. ING analysts argue that the new restrictions will ultimately not change supply and demand balances for the three metals, but they expect prices to remain volatile in the short term amid uncertainty around supply and LME delivery.

Emerging Markets

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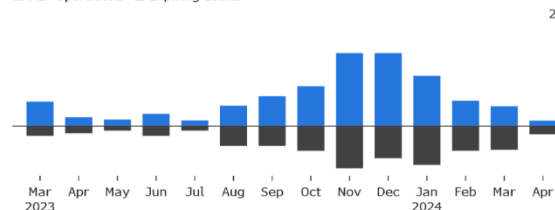
EMEA equities were mixed today while currencies were mostly lower. Equities outperformed in Poland (+0.5%) and Hungary (+0.4%), while they underperformed in Turkey (-0.3%) and South Africa (-0.6%). CEE currencies were weaker against the euro, with the forint losing (-0.2%) as Fitch warned on the negative outlook for the Hungarian sovereign rating as the budget deficit heads to 4.5% of GDP. **Asian markets retreated but sentiment remained relatively calm.** Asian equities declined, falling 1.3% on net, led by Taiwanese (-1.4%), Philippine (-1.4%) and Singapore (-1.0%). Meanwhile, onshore Chinese equities gained (CSI 300: +1.6%) on renewed regulatory support to the stock market. Most Asian currencies depreciated, led by Korean won (-0.5%) and Philippine peso (-0.4%). Cross currency swaps only showed tighter USD funding conditions for Korean won. **In Latin America, financial markets sold off on Friday, with regional equity markets down 1-2% and most currencies weakening.** The Chilean (-1.4%) and Mexican pesos (-1.2%) underperformed, with other currencies 0.5%-1% lower against the dollar.

China

The People's Bank of China (PBC) kept the 1-year medium-term lending facility (MLF) rate unchanged at 2.5% as expected. However, the PBC only provided MLF funding of 100 bn yuan (\$13.8 bn), effectively withdrawing 70 bn yuan (\$9.7 bn) of liquidity, the second consecutive monthly withdrawal. Markets had expected the PBC to fully roll over maturing MLF funding (170 bn yuan or \$23.5 bn). Overall, liquidity conditions appear adequate, with the key interbank repo rate near the policy rate (1.8%). Longer term liquidity needs may have declined amid decelerating credit growth and an earlier reduction of the reserve requirement ratio. The exchange rate was little changed at 7.24 yuan per dollar. **The PBC continued to set the daily RMB fixing stronger than expectations, with the deviation from market consensus widening to 1,465 pips** (last week: 1,398 pips on average). CGB yields were mixed (1-year: +0.3 bp; 10-year: -0.7 bp).

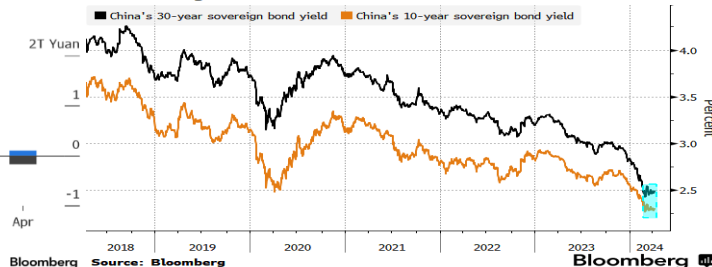
China Reduced Liquidity in March and April

■ MLF Operations ■ Expiring Loans



Source: Bloomberg, PBOC

China's Long-Term Yields Hover Near Multi-Year Lows



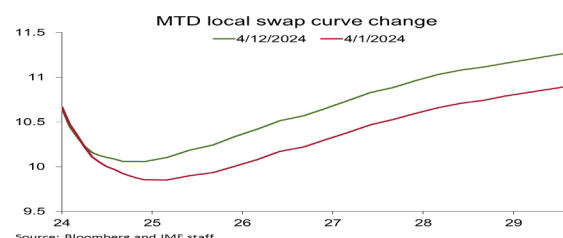
Source: Bloomberg

Onshore Chinese equities gained (CSI 300: +1.6%) on the back of renewed regulatory support, outperforming regional markets. On Friday, the State Council pledged to tighten stock listing criteria, crack down on illegal share sales, and strengthen the supervision of dividend payouts. While blue chip stocks gained (based on CSI 300), the index for small cap stocks fell (CSI 1000: -2.1%) on concerns that stronger market oversight may put small cap stocks at a disadvantage on top of escalating geopolitical tensions in the Middle East. Analysts also linked the new measures to the guidelines released in 2004 and 2014 on developing capital markets. Those earlier statements helped push through market reforms that led to milestones including the stock connect scheme and a registration-based stock listing system. Separately, the National Association of Financial Market Institutional Investors (NAFMII), a self-regulatory body for the interbank bond market, is investigating financial institutions on alleged violation of rules. Some analysts indicated that the probe reflected Chinese authorities' unease with the rally in bond markets.

Brazil

Market expectations for the policy path in Brazil

have turned more hawkish amid the sell off in Treasury yields, fiscal concerns, and the commodity rally. The front end of the local swap curve moved higher following the US CPI release and expectations of a more hawkish Federal Reserve. Some analysts and hedge fund professional also have warned of increasing uncertainty around Brazil's fiscal and political outlook, which has trigger expectations of a more cautious central bank. Currently, markets



Source: Bloomberg and IMF staff

EM Fund Flows

EM bond fund flows were positive for the second consecutive week, accelerating to \$842 mn from \$248 mn previously. Notably, hard currency funds saw sizeable inflows of just under \$1 bn, while local currency funds lagged (-\$130 mn). EM equity funds saw continued outflows of \$821 mn, in line with the prior week (-\$822 mn). Regionally, Asia ex-Japan (+\$51 mn) received small inflows alongside outflows from Latin America (-\$147 mn) and EMEA (-\$31 mn). Year to date flows for bond and equity funds stand at -\$9 bn and +\$1.1 bn respectively.

Figure 1: Weekly cross-asset flows

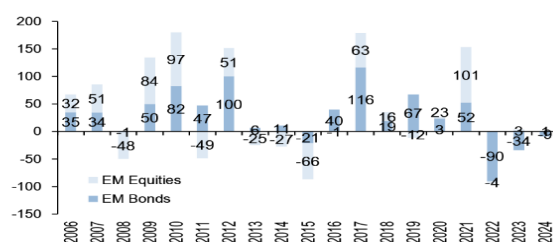
USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities	-	0.0	-7.9
EM Bonds	-	0.8	-9.0
Hard Ccy	-	1.0	-4.7
Local Ccy ^A	-	-0.1	-4.4
o.w. EM ex-China	-	-0.1	-3.5
o.w. China	-	0.0	-0.8
EM Equities	-	-0.8	1.1
US HC	-	3.8	117.0
US HY	-	-1.4	4.5
Global Equities	-	-17.2	47.2
EM Bond and Equity ETFs	-	1.0	9.2
EM Bond ETFs	-	0.9	-3.1
EM Equity ETFs	-	0.1	12.2
Non-resident EM flows [*]	-	2.3	15.8

^{*}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.

Figure 2: EM bond and equity fund flows

USD billion



Malaysia

Bank Negara Malaysia (BNM)

pledged to support the Malaysian ringgit as the currency hit a 26-year low.

The BNM released a statement pledging to ensure the orderly functioning of the foreign exchange market with support from government-linked firms, corporates, and exporters. The pledge came after Malaysian ringgit depreciated (-0.2%) to the

weakest level since January 1998 (at the peak of the Asian financial crisis). The ringgit had rebounded from its February lows after BNM announced in early March that it would encourage state-linked firms to repatriate foreign investment income and convert it into local currency more consistently.

Ringgit Hovers Near Weakest Level Since 1998



Source: Bloomberg

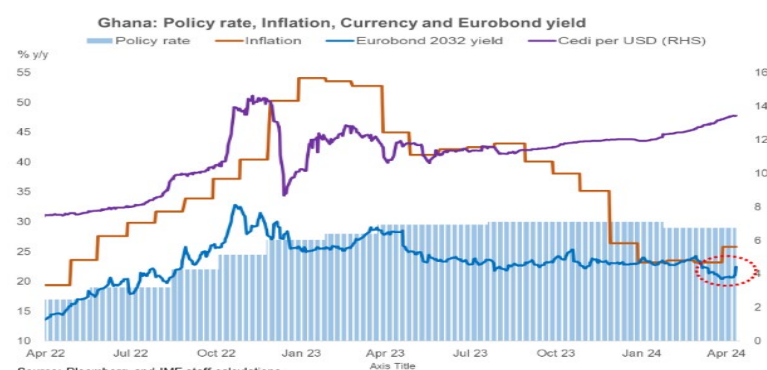
Bloomberg

Ghana

Prices on Ghana's USD bonds fell after media reports that the government and bondholders failed to agree to a restructuring deal.

The USD denominated bond due in 2035 fell about 3.5 cents on the dollar to 47.9, with other maturities falling by similar amounts. Reuters cited a government statement saying restructuring talks were derailed amid indications from the IMF that the

proposed deal would not fit its debt sustainability parameters. Reportedly, a group of regional African bondholders also had rejected part of the proposal. On Saturday, April 13, the IMF communicated that it had reached a staff-level agreement on the second review of the extended credit facility to Ghana, which will provide approximately \$360 mn once formally approved. Ghana's Minister of Finance explained that the authorities have "put in place sufficient control and monitoring mechanisms to ensure key targets under the IMF-supported program are met, even though 2024 is an election year."




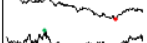


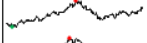











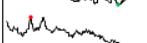



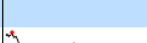

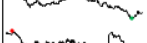


Source: Bloomberg and IMF staff calculations

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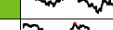










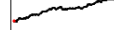







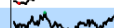



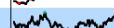

Global Financial Indicators

4/15/24 7:09 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5123	-1.5	-2	0	24	7
Europe		5004	1.0	-1	0	14	11
Japan		39233	-0.7	0	1	38	17
China		3549	2.1	0	-1	-13	3
Asia Ex Japan		67	-2.4	-2	-1	-1	0
Emerging Markets		41	-2.3	-2	-1	2	1
Interest Rates			basis points				
US 10y Yield		4.57	4.7	15	26	106	69
Germany 10y Yield		2.40	4.5	-3	-4	-4	38
Japan 10y Yield		0.86	0.9	6	8	39	25
UK 10y Yield		4.20	6.4	12	10	53	66
Credit Spreads			basis points				
US Investment Grade		120	2.1	1	-4	-43	-14
US High Yield		356	11.1	7	-3	-129	-30
Exchange Rates			%				
USD/Majors		105.89	-0.1	2	2	4	4
EUR/USD		1.07	0.2	-2	-2	-2	-3
USD/JPY		153.9	0.4	1	3	14	9
EM/USD		46.3	0.0	-1	-1	-9	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		89.9	-0.6	-1	6	13	17
Industrials Metals (index)		152	1.1	2	6	-4	7
Agriculture (index)		59	-0.2	-1	0	-14	-5
Implied Volatility			%				
VIX Index (%, change in pp)		17.0	-0.3	1.9	2.6	0.0	4.6
Global FX Volatility		7.4	0.0	0.8	1.0	-2.4	-0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		105	-2.7	2	6	-81	1
Italy		140	-0.5	0	14	-46	-28
Portugal		68	-1.9	1	3	-17	5
Spain		82	-0.1	1	2	-21	-15

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

Emerging Market Financial Indicators

Last updated: 4/15/2024 7:11 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		7.24	0.0	-0.1	-1	-5	-2		2.3	1.5	-2	0	-82	-20
Indonesia		15845	0.3	0.1	0	-6	-3		6.7	-1.9	-4	0	-4	17
India		83	0.0	-0.2	-1	-2	0		7.4	-1.1	5	21	(1.0)	19
Philippines		57	-0.5	-0.6	-2	-2	-3		5.5	5.0	5	-2	-50	-15
Thailand		37	-0.6	0.3	-3	-6	-7		2.9	14.0	30	42	35	21
Malaysia		4.78	-0.2	-0.6	-2	-7	-4		3.9	1.6	3	5	9	19
Argentina		867	-0.1	-0.5	-2	-75	-7		45.8	-45.3	-209	-1302	-4371	-4057
Brazil		5.12	-0.5	-1.0	-3	-4	-5		11.5	3.2	14	71	-107	113
Chile		970	-1.4	-2.1	-1	-17	-9		5.3	-9.3	5	27	11	41
Colombia		3862	-0.9	-2.5	2	15	0		8.6	0.0	24	83	-38	93
Mexico		16.57	0.5	-1.5	1	9	2		9.3	0.0	20	56	79	89
Peru		3.7	-0.4	-0.7	-1	2	0		7.4	-8.0	19	40	-13	70
Uruguay		39	-0.4	-0.6	0	0	0		8.9	-4.4	-14	-5	-141	-62
Hungary		369	0.1	-2.7	-2	-8	-6		6.9	5.5	22	84	-163	109
Poland		4.02	0.1	-2.5	-2	5	-2		5.3	1.0	19	38	-26	85
Romania		4.7	0.1	-1.9	-2	-3	-3		6.4	-4.3	5	6	-79	24
Russia		93.6	-0.3	-1.0	-1	-13	-4							
South Africa		18.9	-0.3	-1.5	-1	-3	-3		10.1	3.9	25	53	76	98
Türkiye		32.40	-0.1	-1.2	-1	-40	-9		27.1	-2.0	-10	13	1481	38
US (DXY; 5y UST)		106	-0.1	1.7	2	4	4		4.60	4.3	17	28	100	75

	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		3549	2.1	0	-1	-13	3		144	-4	-10	-51	-14		
Indonesia		7287	0.0	0	-1	7	0		96	6	-9	-55	0		
India		73400	-1.1	-1	1	21	2		103	-3	-8	-64	-13		
Philippines		6562	-1.5	-4	-4	1	2		82	5	-8	-44	2		
Thailand		1396	0.0	2	1	-12	-1		0	0	0	0	0		
Malaysia		1543	-0.5	-1	-1	7	6		79	-3	-8	-22	-6		
Argentina		1244524	-1.2	2	16	351	34		1337	36	-305	-1057	-576		
Brazil		125946	-1.1	-1	-1	19	-6		211	3	-6	-69	-4		
Chile		6564	-2.4	1	2	21	6		113	-2	-18	-31	-12		
Colombia		1391	-1.7	0	8	11	16		287	5	-15	-119	16		
Mexico		56566	-0.5	-3	1	4	-1		316	14	-13	-78	-18		
Peru		27596	-1.3	0	-6	23	6		140	2	-3	-50	-4		
Hungary		67469	0.3	1	4	56	11		143	-1	-16	-95	-6		
Poland		83362	0.6	-2	4	36	6		87	1	-15	3	-10		
Romania		16934	0.3	-2	4	36	10		176	6	-22	-85	-25		
South Africa		75012	-0.4	0	3	-5	-2		349	11	1	-79	41		
Türkiye		9736	-0.8	9	6	91	30		290	12	-33	-214	-24		
EM total		41	0.2	-2	-1	2	1		288	9	-24	-128	-57		

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

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