



- The spread between 10y Bund and Treasury yields increased to the highest since 2019 ([link](#))
- Chinese equities declined following mixed data, with Q1 GDP above consensus at 5.3% ([link](#))
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- Markets scale back UK rate cut expectations after mixed labor market data ([link](#))
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## Volatility has risen, Treasury yields have increased, and risk appetite has weakened

**Global stock markets were down 1-2% on Tuesday, following yesterday's sell off in the S&P500.** Most European and Asian equity markets posted losses after US stocks fell over 1% for two consecutive trading sessions. More generally, market volatility has been rising, with both the MOVE and VIX indices rising to the highest levels in several months. The broad dollar index was little changed today but has gained 2% in the last week, highlighted by a weaker yen that surpassed 154.5 against the dollar this morning. The People's Bank of China weakened the daily RMB fixing slightly, while most Asian currencies also declined, notably the Indonesian rupiah. Chinese Q1 GDP beat expectations at 5.3% y/y (vs 4.8% expected) though other measures of economic activity for March disappointed. US Treasury yields continued to climb, with the 10y yield now at the highest level since November and nearly 30 bps higher since last Tuesday before the US CPI release.

Key Global Financial Indicators

Last updated: 4/16/24 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5062	-1.2	-3	-1	22	6
Eurostoxx 50		4941	-0.9	-1	-1	13	9
Nikkei 225		38471	-1.9	-3	-1	35	15
MSCI EM		40	-0.6	-3	-1	1	0
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.64	4.1	28	34	113	76
Germany 10y Yield		2.46	2.1	9	2	2	44
EMBIG Sovereign Spread		343	6	12	-12	-135	-41
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.0	-0.2	-2	-2	-10	-5
Dollar index, (+) = \$ appreciation		106.2	-0.1	2	3	5	5
Brent Crude Oil (\$/barrel)		89.6	-0.6	0	5	4	16
VIX Index (% change in pp)		18.6	-0.7	4	4	1	6

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

The move higher in Treasury yields weighed on stocks yesterday, with the S&P500 (-1.2%) falling over 1% for the second consecutive trading session.

The equity sell off was broad based, led by rate sensitive sectors such as information technology and real estate. The VIX (a measure of equity volatility) rose to 19.2, the highest since October. 2y Treasury yields approached 5% after an upside surprise on retail sales before retracing somewhat. The strong retail

sales report, including upward revisions to previous month, drove the Atlanta Fed GDPNow estimate for the first quarter to 2.8% from 2.4% previously. 10y Treasury yields rose nearly 9 bps to 4.61%, while the MOVE index (a measure of bond market volatility) rose to 121, the highest level since January. Nevertheless, New York Fed President Williams said the Fed would likely start lowering interest rates this year if inflation continues to gradually come down.

#### 5% Bond Yields Are Scary for Stocks

When yields touched 5% in past two years, stock multiples dropped



### Europe

European equities are sharply lower this morning with the STOXX 600 index down -1.5% and all sectors trading in the red. The banking sector was 2% lower. The euro was trading in a tight range against the dollar, at around 1.06. ING analysts note that the currency remains under pressure and point to policy divergence as the main driver. On the data front, the expectations component of the German ZEW Survey surprised on the upside in April. Data released this morning showed the expectations component increased to 42.9 (vs 35.5 expected, from 31.7 previously) while the current situation component improved by less than expected at -79.2 (vs -76.0 from -80.5 previously).

The spread between 10y Bunds and Treasuries increased to the highest since 2019 against a backdrop of dovish ECB commentary and resilient US economic data. The spread of 10y Treasuries over Bunds increased to around 220 bps, a level last seen in 2015-2019. Contacts continue to expect the first ECB rate cut in June and note that recent ECB commentary has been dovish. For example, ECB Governing Council member Simkus yesterday noted that he expects at least

three ECB rate cuts this year, with higher than a 50% probability that there could be more than three rate cuts in 2024. Simkus also argued that the US and EU are separate jurisdictions, while 'interdependence is economic'. UBS analysts expect the spread to remain wide given the divergence in the monetary policy outlook. Euro area sovereign yields edged higher this morning (10y bund +2 bps to 2.47%).

#### 10y Bund-Treasury spread (bps)

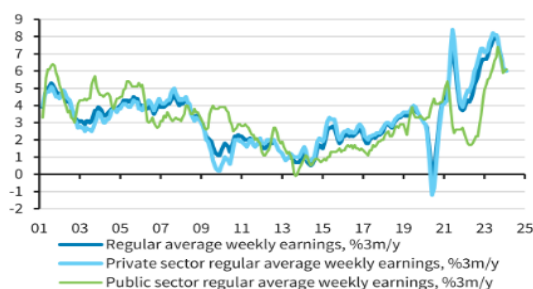


### UK

Markets scaled back UK rate cut expectations for 2024 after mixed labor market data. Data released this morning showed wage growth continuing to slow, but less than had been expected. Private sector pay growth excluding bonuses increased to 6.0% y/y in the three months to February (versus 5.8% expected and 6.1% previously). Nevertheless, contacts note that broader labor market data appears to have softened further, with the ILO 3 month unemployment rate increasing to 4.2% (versus 4.0% expected). Contacts

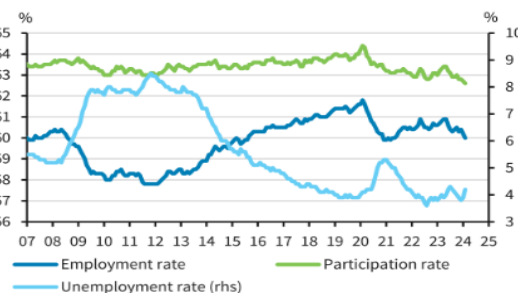
think that today's data likely means that Q1 2024 pay growth would be marginally higher than what the BoE expected in the February monetary policy report. Contacts are now focused on the March UK inflation print, due tomorrow. Ahead of tomorrow's inflation print, **markets are now pricing in roughly 47 bps of cuts in 2024, compared to 52 bps priced in yesterday**. The pound was little changed against the dollar, trading at around 1.25 while 10y gilts yields were higher (+4 bps to 4.28%).

Figure 1. Regular private sector wage growth edged lower in February...



Source: ONS, Haver Analytics, Barclays Research

Figure 7. Unemployment rate increased despite a further fall in the participation rate...



Source: ONS, Haver Analytics, Barclays Research

## Japan

**Japanese equities declined to extend their April losses** (NIKKEI: - 1.9%). Japanese equities, along with other regional markets, retreated on Tuesday following the sell off in US stocks and bonds on Monday. Japanese stocks are down over 3% in April after gaining 22% YTD through late March.

### Japanese yen weakened to a 34-year low overnight, reaching 154.6 this morning.

Japanese authorities, including Finance Minister Suzuki, continued their verbal interventions. Some market participants now expect the yen to depreciate to 160 yen per dollar based on recent market conditions and the rising interest rate differential. While cautious about FX intervention risk, some analysts believe the Japanese authorities will hold off until volatility increases to more extreme levels.

Long-end JGB yields have been relatively contained in comparison to rising Treasury yields but rose slightly this morning (10-year: +0.7 bp; 30-year: +1.2 bps).

Tracking Rate Differential  
Japan may find it difficult to argue yen is out of line with fundamentals



Source: Bloomberg

Bloomberg

**Activist hedge funds are targeting hidden value in Tokyo real estate.** Based on one estimate, the gap between the book value of real estate assets on corporate balance sheets and the market value is about \$143 bn. Japanese firms have held onto properties for decades and have written down the cost of fixed assets over time due to annual depreciation. Meanwhile, property prices have soared. As a result, some hedge funds are targeting firms with such hidden value, with an aim to advocate for asset sales to attain unrealized gains.

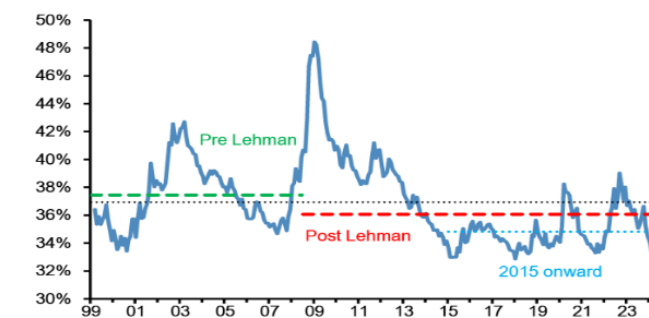
## Global liquidity

**Global liquidity growth has slowed**, indicating the liquidity backdrop for financial assets could be less favorable for the remainder of 2024, according to JPMorgan analysts. Relative to the stock of financial assets, the global money supply (M2) has fallen to lows last seen in the 2015 and 2018. Given that nonbank

investors' cash allocations are near the lows from 2015-2018, when cash yields were close to zero, analysts believe buffers to absorb negative shocks have largely eroded, posing heightened risks to both equity and bond markets.

**Figure 7: Implied cash allocation by non-bank investors globally**

Global M2 money supply ex China held by non-bank investors as % total holdings of equities/bonds/M2 by non-bank investors. Dotted lines are averages.



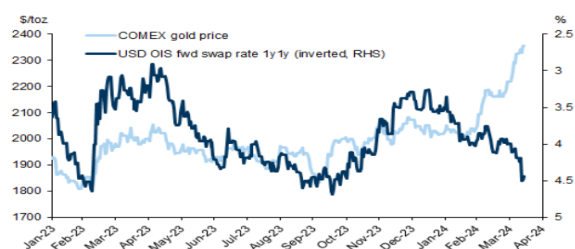
Source: Bloomberg Finance L.P., J.P. Morgan

## Gold

**Gold prices have continued to rise, driven by demand from central banks and Asian retail investors.**

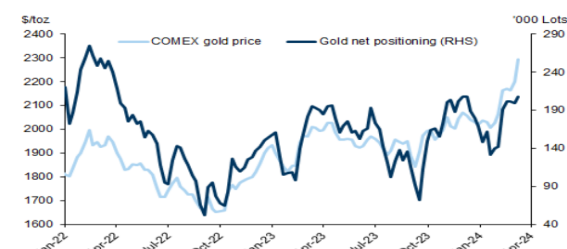
Gold futures rose to \$2,365/troy ounce yesterday, up 14% year to date, and matching an all-time closing high. Goldman Sachs analysts argue that four possible developments could weigh on the recent upward trend: 1) peaceful resolution to conflicts in the Middle East and Ukraine 2) major EM central banks reach their max allowable allocation 3) Chinese growth concerns ease 4) a hawkish adjustment by the Fed leading to rate hikes.

**Exhibit 1: The Gold's bull market so far this year has not been driven by US rates**



Source: Goldman Sachs Global Investment Research, Bloomberg

**Exhibit 2: Speculative positioning has only moved up modestly ytd - this move has not been driven by Western spec either**



Source: Goldman Sachs Global Investment Research, Bloomberg

## Emerging Markets

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**EMEA equities declined and regional currencies depreciated.** Equities were sharply lower in South Africa (-1.8%), Hungary (-1.5%) and Türkiye (-1.3%). CEE currencies were generally weaker against the euro, while the Turkish lira (-0.2%) and South African rand (-0.4%) declined versus the dollar. **Asian markets retreated, with stocks down 2.5% on net,** led by Taiwan POC (-2.7%), Philippines (-2.4%), Korea (-2.3%), and Hong Kong SAR (-2.1%). Onshore Chinese stocks were also about 1% lower. Most Asian currencies depreciated after China weakened the RMB fixing slightly, led by the Indonesian rupiah. **In Latin America, regional currency and equity markets were lower on Monday, with the Brazilian real, Colombian peso, and Chilean peso down over 1%.** Stocks declined in Brazil (-0.5%), Mexico (-1.0%), Colombia (-0.8%), Chile (-1.3%) and Peru (-0.5%).

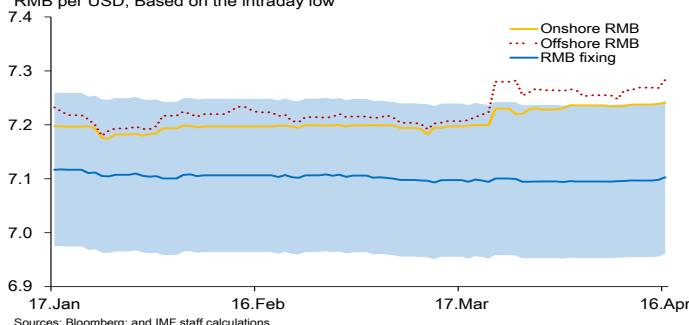
**Indonesian assets came under significant pressure following a holiday**, with the rupiah down 2.1% and 10y bond yields rising 15 bps. Traders are reportedly increasingly concerned about the new administration's fiscal discipline. Bank Indonesia conducted an FX intervention, mainly in the spot and domestic non-deliverable forward markets as Indonesian rupiah depreciated beyond 16,000 rupiah per dollar.

## China

**Chinese equities declined following mixed economic data (CSI 300: -1.1%; Hong Kong: -1.9%), with Q1 GDP printing above consensus at 5.3% y/y (vs 4.8% expected).** However, March activity data came out weaker than expected. Retail sales grew 3.1% y/y (vs 4.8%); industrial production expanded 4.5% y/y (vs 6.0%); and property investment contracted 9.5% (vs -9.2%). Fixed asset investment increased 4.5% y/y (vs 4.0%). The unemployment rate edged down to 5.2%, in line with expectations. Meanwhile, the selloff of small cap stocks continued amid concerns that tighter market oversight could put them at a disadvantage. **Share prices of small-cap stocks fell 4.2%** today based on CSI 1000. Long end CGB yields fell (10y: -0.7 bp; 30y: -1.2 bps), in contrast to other Asian markets.

**The People's Bank of China (PBC) weakened the daily RMB fixing though the currency was little changed.** Today's fixing was at 7.103 yuan per dollar, 0.1% weaker than the previous day. Nevertheless, the fixing remained stronger than market consensus, deviating by 1,429 pips (last week: 1,398 pips on average). Market participants saw a weaker daily fixing as a sign that the PBC will accept a stronger USD and allow greater RMB flexibility.

**RMB: Daily Weakest Level**  
RMB per USD; Based on the intraday low

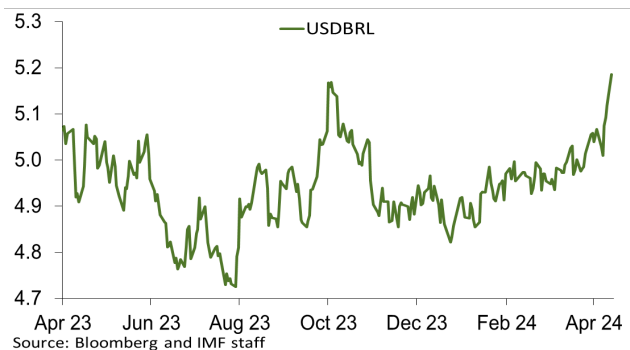


Onshore trading was relatively volatile at the market opening as state-owned banks reportedly stepped in to actively sell USD, resulting in sharp appreciation initially. The onshore RMB has been trading close to the weaker side of the band set by the daily fixing (+/- 2 percent).

## Brazil

**Brazil likely to adjust its fiscal target lower.**

Finance Minister Fernando Haddad announced he would target a balanced primary budget (excluding interest payments) for 2025, instead of a surplus of 0.5% as previously hinted. **The real has underperformed this year, down over 6% YTD**, partially due to investor concerns about fiscal slippages despite record tax collections. With upcoming elections, markets will be hoping the government can solidify its fiscal credibility. The central bank stated the real is in line with peers when considering the medium-term trend. Brazil's currency has benefited from a rising trade surplus in recent years.

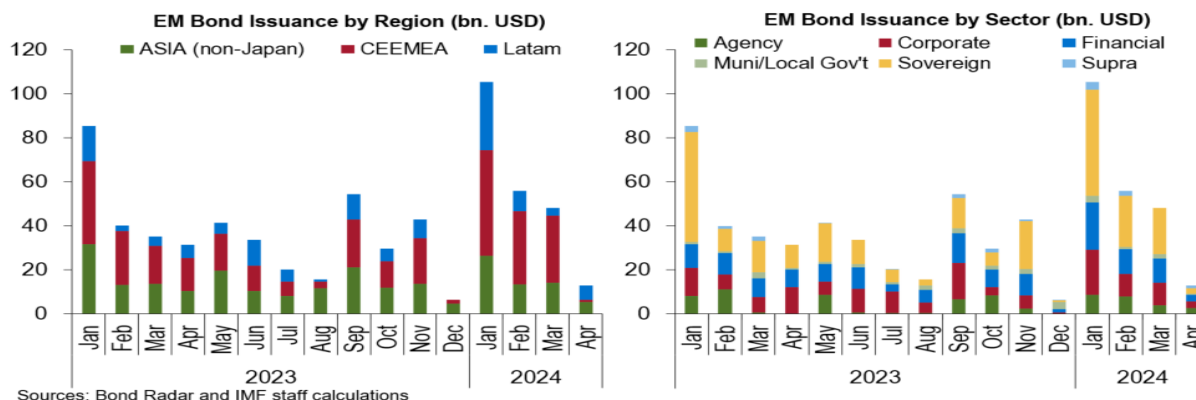


## EM Bond Issuance

**Emerging market bond issuance rose to \$7.8 bn last week, largely driven by corporate and financial issuance of \$4.3 bn, with only one sovereign issuer (El Salvador).** Supranational and agency bonds

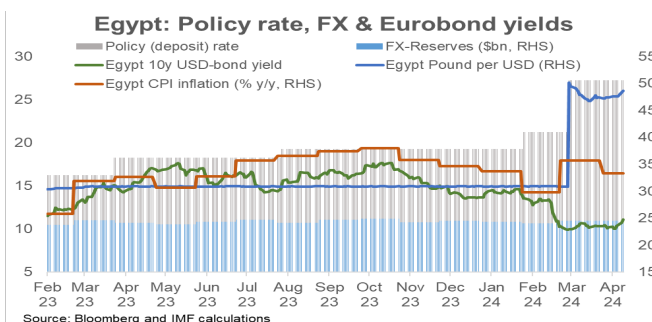


accounted for another \$2.3 bn combined, led by the China Development Bank and Corporación Andina de Fomento (CAF). Investment grade issuers accounted for \$5.2 bn of the total.



## Egypt

**Foreign inflows to Egyptian debt have increased since the country secured a \$55 bn financial aid plan, led by an \$8 bn loan from the IMF.** The Financial Times reported that demand for short-term bonds issued by Egypt has surged since March following the large devaluation (-38%) and financial support. Investors bid \$21 bn for \$2.4 bn in 1y Treasury bills on offer from the Egyptian government in March, lowering the yield from 32% to 26%.

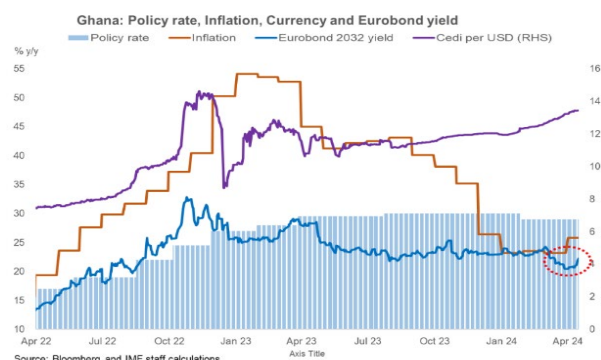


Nevertheless, the economic data remains volatile, with a large surprise on the Q4 current account deficit and a smaller one for March inflation. JPMorgan analysts believe the central bank may need to tighten further if the pace of disinflation is not sustained in the next few months, with headline inflation expected to fall to 20% y/y by end 2024.

## Ghana

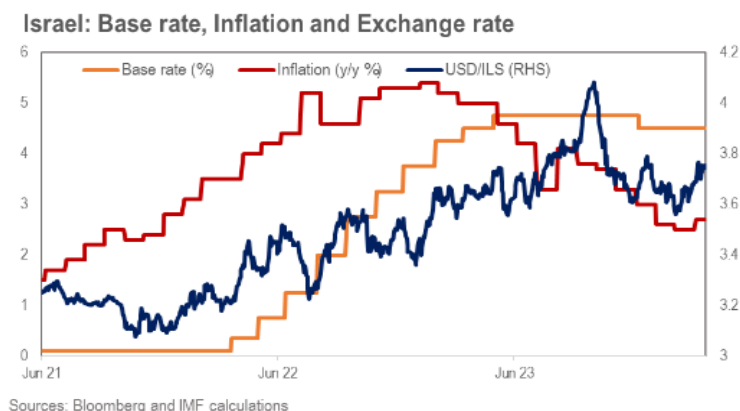
**Ghana's Finance Ministry pushed back on reports that debt restructuring proposals had failed after bond prices fell sharply yesterday.**

The government released a statement saying the interim agreement would be tweaked to be consistent with IMF program parameters, noting they are "actively working on solutions that it believes would be consistent with IMF program parameters under the set of policies current being discussed, with the objective of reaching a mutual agreement acceptable to all parties". The IMF staff level agreement on the second review of the ECF arrangement is conditional on Board approval once financing assurances have been received. The 2032 USD bond edged lower by 0.3 cents per dollar to 48.3.



## Israel

**Israeli shekel weakened against the dollar this morning (-0.7%) as geopolitical developments remain in focus.** According to media reports, the Israeli War cabinet is set to convene today to continue discussions around a response to Iran's attack. The shekel is down about 4% YTD, trading near 3.76 against the dollar. **Headline inflation increased in March for the first time in seven months, surprising marginally on the upside** (2.7%/y/y versus expected 2.6% from 2.5%). Goldman Sachs see upside risks to the inflation outlook due to recent currency weakness and loose fiscal policy despite relatively tame near term trends.



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## Global Financial Indicators


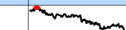



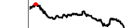







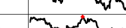

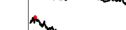

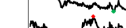


















4/16/24 8:15 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5064	-1.2	-3	-1	22	6
Europe		4941	-0.9	-1	-1	13	9
Japan		38471	-1.9	-3	-1	35	15
China		3511	-1.1	-1	-2	-15	2
Asia Ex Japan		66	-0.6	-3	-2	-2	0
Emerging Markets		40	-0.6	-3	-1	1	0
<b>Interest Rates</b>			basis points				
US 10y Yield		4.64	4.1	28	34	113	76
Germany 10y Yield		2.46	2.1	9	2	2	44
Japan 10y Yield		0.87	0.7	7	9	40	26
UK 10y Yield		4.28	4.0	25	18	61	74
<b>Credit Spreads</b>			basis points				
US Investment Grade		124	0.3	5	2	-35	-10
US High Yield		360	-4.4	14	9	-108	-25
<b>Exchange Rates</b>			%				
USD/Majors		106.15	-0.1	2	3	5	5
EUR/USD		1.06	0.2	-2	-2	-3	-4
USD/JPY		154.7	0.3	2	4	15	10
EM/USD		46.0	-0.2	-2	-2	-10	-5
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		89.6	-0.6	0	6	12	17
Industrials Metals (index)		151	-1.1	1	5	-5	6
Agriculture (index)		59	-0.6	-1	-1	-15	-6
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		18.6	-0.7	3.6	4.1	1.5	6.1
Global FX Volatility		7.4	0.0	0.8	1.0	-2.5	-0.7
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		107	-1.3	4	8	-79	3
Italy		144	0.4	6	18	-42	-23
Portugal		70	0.3	3	5	-15	6
Spain		84	0.5	3	4	-20	-13

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



## Emerging Market Financial Indicators

Last updated: 4/16/2024 8:17 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	-3	0	-84	-21
Indonesia		16175	-2.0	-2.0	-3	-9	-5		6.9	26.4	26	27	26	44
India		84	-0.1	-0.3	-1	-2	0		7.5	5.1	11	23	5.1	25
Philippines		57	-0.3	-0.9	-3	-2	-3		5.6	10.0	15	15	-40	-5
Thailand		37	-0.6	0.3	-3	-6	-7		2.9	14.0	30	42	35	21
Malaysia		4.80	-0.3	-1.0	-2	-8	-4		3.9	1.4	4	5	9	19
Argentina		868	-0.2	-0.5	-2	-75	-7		43.1	-271.5	-276	-1876	-4667	-4329
Brazil		5.22	-0.7	-4.1	-4	-5	-7		11.9	12.6	58	78	-57	146
Chile		979	-1.0	-3.6	-4	-18	-10		5.4	0.1	13	24	9	48
Colombia		3902	-1.0	-3.4	0	14	-1		8.7	0.0	40	92	-20	110
Mexico		16.85	-0.8	-2.8	0	7	1		9.5	0.0	40	74	95	105
Peru		3.7	-0.9	-1.3	-1	1	-1		7.5	0.3	19	48	-5	78
Uruguay		39	-0.3	-0.3	-1	0	0		8.9	-1.8	-16	-5	-138	-63
Hungary		371	0.1	-3.0	-2	-8	-6		7.1	12.5	52	81	-139	133
Poland		4.08	-0.8	-3.8	-3	4	-4		5.6	12.1	47	53	-2	109
Romania		4.7	0.2	-2.1	-2	-3	-4		6.5	5.3	9	6	-75	29
Russia		94.2	-0.7	-1.4	-3	-13	-5							
South Africa		19.0	-0.1	-2.8	0	-4	-3		10.2	6.5	43	52	88	110
Türkiye		32.50	-0.2	-0.7	-1	-40	-9		27.4	16.0	21	36	1504	61
US (DXY; 5y UST)		106	0.0	1.9	3	5	5		4.65	3.5	28	33	105	81

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		YTD	Last 12m	Latest	7 Days	30 Days	12 M	
								basis points						
China		3511	-1.1	-1	-2	-15	2		143	-4	-7	-51	-15	
Indonesia		7165	-1.7	-1	-2	6	-1		92	-2	-9	-48	-4	
India		72944	-0.6	-2	0	22	1		101	-4	-6	-55	-15	
Philippines		6405	-2.4	-5	-6	-2	-1		80	-2	-6	-35	0	
Thailand		1396	0.0	2	1	-12	-1		0	0	0	0	0	
Malaysia		1535	-0.5	-1	-1	7	6		79	-2	-6	-21	-6	
Argentina		1197527	-3.8	-3	12	334	29		1376	97	-231	-999	-537	
Brazil		125334	-0.5	-3	-1	18	-7		215	6	2	-54	0	
Chile		6480	-1.3	-3	0	20	5		114	0	-11	-25	-11	
Colombia		1380	-0.8	-2	7	10	15		296	17	3	-103	25	
Mexico		55984	-1.0	-3	0	3	-2		323	20	2	-63	-11	
Peru		27455	-0.5	0	-7	22	6		143	4	3	-41	-1	
Hungary		66462	-1.4	0	2	54	10		143	-3	-8	-89	-6	
Poland		82402	-0.9	-2	3	34	5		88	0	-6	11	-9	
Romania		16861	-0.3	-2	4	35	10		176	5	-10	-79	-24	
South Africa		73285	-1.7	-3	0	-7	-5		353	14	9	-54	45	
Türkiye		9624	-0.6	5	9	89	29		288	9	-34	-189	-26	
EM total		40	-1.5	-3	-1	1	0		294	15	-14	-113	-51	

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

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