



- Global chipmakers earnings so far send mixed messages ([link](#))
- Reserve diversification flows out of USD continue ([link](#))
- US equities face a weakening liquidity backdrop ([link](#))
- Spread between 10y Gilts and Bunds widens ([link](#))

[Mature Markets](#)












[Emerging Markets](#)

[Market Tables](#)

## Limited Market Reaction After Reports of Retaliatory Strike

**Market sentiment deteriorated following reports that Israel had launched a retaliatory strike on Iran.** Equity market saw some losses and sovereign yields fell after the news, especially initially. However, moves partially retraced fairly rapidly, and not all the typical signs of a “risk off” response could be seen. Oil futures (Brent) briefly spiked above 90.8\$/barrel (+4.5%) after the initial reports, but then quickly settled back in yesterday’s trading range around 86.7\$/barrel. This is close to what it was at the start of the month—before the events at the Iranian consulate in Damascus, but still up 12.5% year-to-date. Similarly, gold prices saw a short spike (+1.6%) before returning to yesterday’s trading range. The US dollar did not show a significant reaction. European equities briefly traded at -1%, but partially recovered with the STOXX 600 index now at -0.5% on the day. US equity markets extended their losing streak yesterday; slightly-stronger-than-expected economic data reinvigorated higher-for-longer fears. Today, the S&P 500 is set to open lower with futures trading at -0.3%. Equity markets in Asia saw larger losses earlier today, notably in Japan (NIKKEI at -2.7%). Factors unrelated to the geopolitical turmoil likely played a role; IT stocks underperformed (-5.5%) as markets focused on chip-maker TSMC’s outlook. Views have been mixed. While TSMC was reported to have “a solid beat on projected revenue” yesterday, the growth driven by demand for AI chips was offset by a weaker-than-expected rebound in smartphone and PC chip orders.

Key Global Financial Indicators

Last updated: 4/19/24 8:17 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5011	-0.2	-4	-3	21	5
Eurostoxx 50		4921	-0.3	-1	-2	12	9
Nikkei 225		37068	-2.7	-6	-9	30	11
MSCI EM		40	0.4	-4	-2	1	-1
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.59	-4.3	7	30	100	71
Germany 10y Yield		2.49	-1.2	13	4	-3	46
EMBIG Sovereign Spread		341	-5	11	-16	-139	-43
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.8	0.1	-1	-2	-9	-5
Dollar index, (+) = \$ appreciation		106.1	-0.1	0	2	4	5
Brent Crude Oil (\$/barrel)		86.4	-0.8	-4	-1	4	12
VIX Index (% change in pp)		18.7	0.7	1	5	2	6

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

## Mature Markets

[back to top](#)

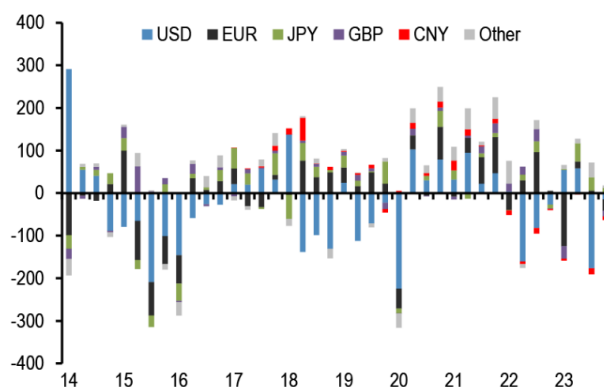
### Global Markets

**Corporate earnings from chipmakers so far have sent mixed messages.** On the one hand, medium-term prospects for AI-related demand look bright: The world's largest maker of advanced chips, TSMC, expects a doubling of AI server processor sales this year, paving the way for another strong report from Nvidia, scheduled to report in late May. While TSMC was reported to have “a solid beat on projected revenue,” the growth driven by demand for AI chips was offset by a weaker-than-expected rebound in smartphone and PC chip orders, according to Bloomberg, and its earnings received mixed views. Elsewhere, the world's sole producer of equipment needed to make the most advanced chips, ASML, reported new orders that fell short of analyst expectations, reflecting falling demand in the broader semiconductor industry, possibly as higher interest rates and geopolitical tensions dent consumer demand for smartphones, computers, and cars. Philadelphia Semiconductor Index (SOX) was down 4.85% over the last two days, underperforming the overall index.

**Reserve diversification flows out of the US dollar continued,** according to JP Morgan analysts. Based on the IMF's COFER data for 4Q23, the analysts updated their reserve manager flow estimates, adjusting changes in reserve balances by currency for both currency and bond returns. They estimate that reserve managers saw a net decline in FX reserves of around \$45bn in 4Q23. The largest outflows were from EUR, USD, and GBP reserves of \$26bn, \$15bn and \$13bn respectively. While the outflow from EUR and GBP reserves followed a typical rebalancing pattern of selling currencies that had appreciated, with the trade-weighted EUR and GBP appreciating by around 1% each, the outflow from USD reserves came against a backdrop of a 3% depreciation in the trade-weighted dollar. According to the analysts, this suggests that reserve diversification flows out of USD reserves have continued. Central bank gold purchases continued at \$15bn in 4Q23 after the \$22bn of net purchases in 3Q23.

Figure 20: Quarterly flows by FX Reserve Managers

In \$bn per quarter. Based on COFER data adjusted for both bond and FX returns. Last obs. is for 4Q23.



Source: IMF COFER, J.P. Morgan.

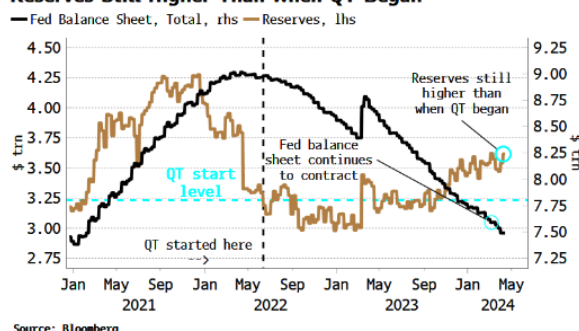
### United States

**Yesterday, 2-year US Treasury yields came close to the 5% level again,** as NY Fed President John Williams said he didn't see any urgency in cutting rates, echoing J. Powell's hawkish language earlier this week. Minneapolis Fed Kashkari also said the Fed needs to achieve more confidence that inflation is declining before cutting rates and could possibly delay such a move until after 2024. Markets now price an initial 25bps cut for November. This morning, the 2-year yield is down 2 bps trading at 4.97%.

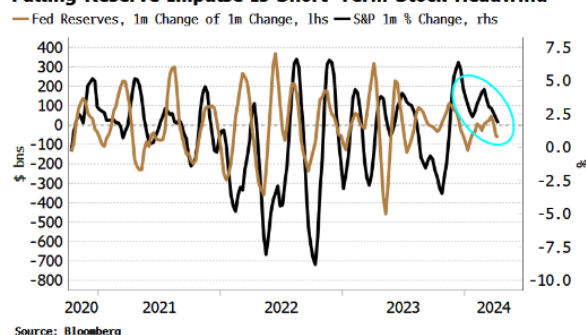
**Stock markets face a weakening liquidity backdrop.** The impulse of central bank reserve balances points to further near-term challenges for stock markets. Although the Fed's quantitative tightening is ongoing, bank reserves at the Fed remain \$400 bn higher than the pre-QT period in June 2022, and have

in fact increased over the past twelve months. According to Bloomberg analysts, short-term stock performance shows a relationship with the *acceleration* or *impulse* of reserve balances—not the level. The impulse in reserves—defined as the one-month change of the one-month change, or the second derivative—has been weakening, and seems consistent with the one-month change of the S&P 500 stock index.

**Reserves Still Higher Than When QT Began**



**Falling Reserve Impulse Is Short-Term Stock Headwind**

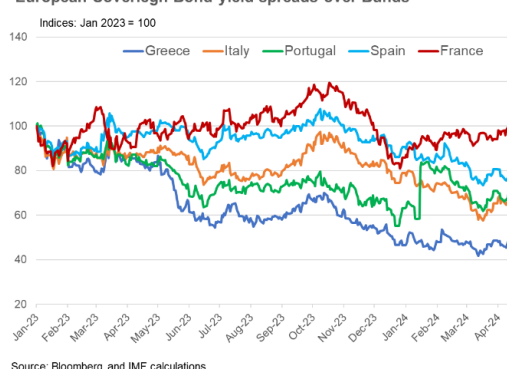


## Euro Area

European equities were lower this morning amid the limited global risk-off move in markets, with the STOXX 600 index down 0.5%. Euro area sovereign yields were lower (10y bund -4bps trading at around 2.45%). The euro was little changed against the dollar trading at around 1.0648. Recent commentary from ECB officials continues to be seen as leaning dovish. For example, ECB Governing Council (GC) member Rehn said its likely "the time will be ripe" to cut in June though "this obviously assumes" no "further setbacks in the geopolitical situation and thus in energy prices".

**Ahead of upcoming rating reviews, contacts are focused on France.** For S&P's rating reviews of Italy and Greece later today Commerzbank analysts expect a confirmation of ratings and outlooks. However, the analysts see the rating reviews for France over the coming weeks as more delicate. Citibank analysts also see risks are more pronounced for France, which has a negative outlook by S&P, and with a warning from Moody's over its debt sustainability. However, the analysts think that some of these risks are already priced in. They note that the 10y French-German spread has underperformed the Italian-German and Spanish-German spreads after deficit concerns recently surfaced.

**European Sovereign Bond yield spreads over Bunds**

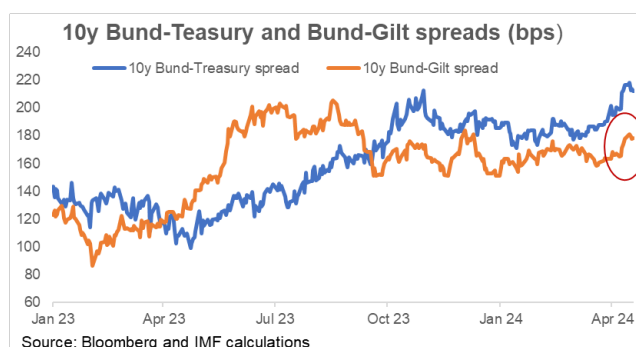


## United Kingdom

**The spread between 10y Gilts and Bunds has widened.** While contacts have generally not been surprised by the divergence between the 10y US Treasury and 10y Bund yields, Citibank analysts note surprise on the degree of divergence between UK and German rates. The spread between 10y gilts and

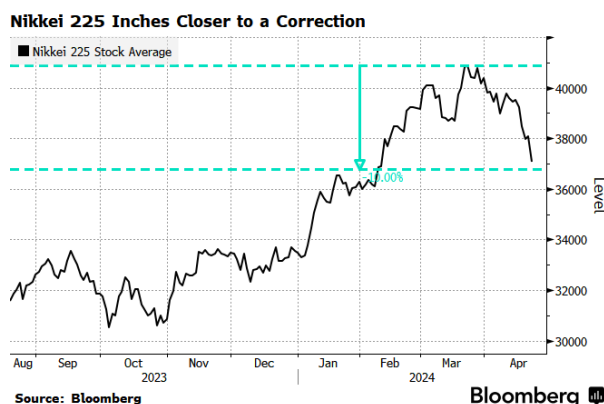
bunds has increased by over 10bps since mid-March and is now at around 177bps. This comes despite commentary from BoE Governor Bailey, who recently argued that the inflation dynamics in Europe are different to those in the US, which analysts take to imply that the BoE rate path should more closely mirror that of the ECB than of the Fed.

**An escalation in geopolitical risk would weigh more heavily on the pound than on the euro**, according to ING analysts, who argue that the pound is generally more sensitive to global risk sentiment, and that the GBP has the largest long-positioning in the G10 currencies, citing on GFTC data. Nonetheless, the pound was little changed against the dollar this morning (trading at around 1.24).



## Japan

**Japanese equities declined today and had its biggest weekly drop since June 2022.** Japanese stocks underperformed regional peers, with share prices falling 2.7% (based on NIKKEI), amid a global equity selloff. Investors were spooked by the outlook for US interest rates and escalating tensions in the Middle East. Semiconductors firms were among the biggest decliners, facing additional downward pressure after TSMC scaled back its outlook for the semiconductor market expansion. Headline CPI inflation eased to 2.7% y/y in March, lower than expected (consensus: +2.8%). Core inflation (excluding fresh food) also moderated to 2.6% y/y (consensus: +2.7%). Japanese yen appreciated to 154.4 yen per dollar (+0.1%). Long-end JGB yields fell (10-year: -1.9 bps; 30-year: -2.1 bps).



## Emerging Markets

[back to top](#)

**EMEA equities were weak, while currencies were mixed, amid concerns of escalation of the conflict in Middle East.** In CEE equities were down, especially in Hungary (-0.6%) and Poland (-0.7%), while the Polish zloty gained (+0.3%) against the euro, to trade at 4.32/€, and the Hungarian forint weakened (-0.2%) to 395.02/€. In South Africa stocks plunged (-0.8%) while the rand lost (-0.4%) against the dollar, trading at 20.45/\$. Similarly, in Türkiye both equities (-0.4%) and the currency (-0.2%) were down, with the lira trading

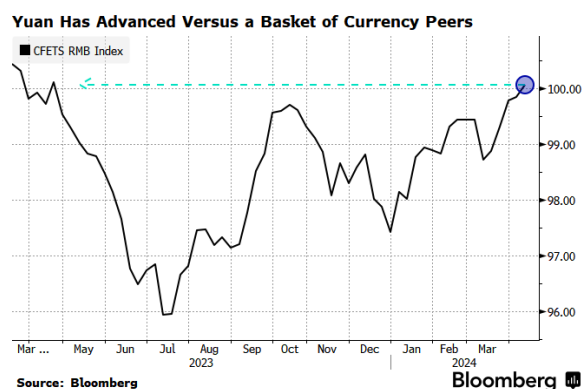
at 34.80/\$ as the central bank's survey published today showed inflation expectations in 12-months at 35.1%y/y, only slightly below the previous estimate of 36.7%. Elsewhere, in Russia the ruble gained (+0.7%) against the dollar, trading at 93.31/\$, as media report on new avenues for Russian oil despite intensification of sanctions.

**Asian markets declined today as risk-off sentiment prevailed**, affected by the escalating tension in the Middle East and the outlook for high-for-longer US interest rates. Asian equities declined, down 2.8%, led by Taiwanese (-3.8%), Thai (-1.9%) and Korean (-1.6%) stocks. Taiwanese equities underperformed as TSMC scaled back its outlook for the semiconductor market expansion. Most Asian currencies depreciated, led by Philippine peso (-0.8%), Korean won (-0.7%) and Indonesian rupiah (-0.5%). However, long-end government bond yields were mixed, with 10-year yields falling in Taiwan Province of China (-1.2 bps) and Thailand (-1.1 bps) while rising in India (+3.0 bps). In Malaysia, the economy expanded 3.9% y/y in 2024Q1, in line with expectations. Malaysian ringgit appreciated slightly, outperforming other regional currencies.

**Latin American assets performed mixed yesterday.** Stocks gained in Mexico (0.6%) and Peru (0.8%), while Colombia's equity market declined by 2.2%. Currencies depreciated in Mexico (-0.5%) and Colombia (-1.0%), while the Chilean peso strengthened 1.2% against the US dollar.

## China

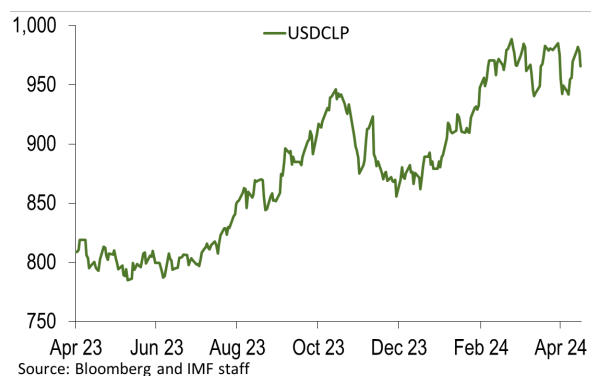
**The renminbi depreciated slightly, trading around 7.24 yuan per dollar.** The People's Bank of China (PBoC) continued fixing the daily RMB fixing stronger than expected. The deviation from market consensus remained wide at 1,412 pips. CNH liquidity conditions also remained tight, with wide spreads between CNH HIBOR and SHIBOR (1-month: 302 bps). Due to the PBoC's effort to maintain the stability of RMB against USD, RMB has appreciated against the currency basket (e.g., CFETS basket) since late 2023. Chinese equities declined. Chinese share prices dropped (CSI 300: -0.8%; Hong Kong SAR-listed: -1.0%). CGB yields were mixed (1-year: -0.7 bp; 10-year: +0.1 bp).



## Chile

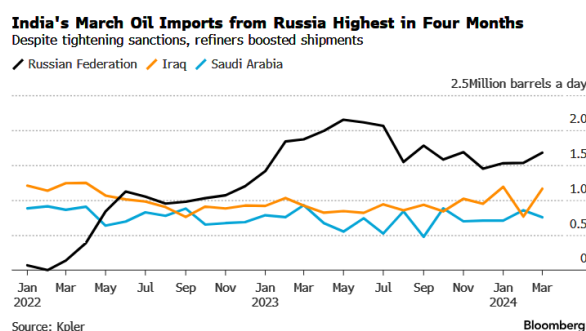
**Yesterday, the Chilean peso was the top performer among major currencies**, supported by a surge in copper prices and signals from central bank board members regarding smaller future rate cuts. The peso rose by 1.2% against the USD, marking its largest increase since April 4. Central bank board members highlighted the bank's concern about the foreign exchange performance and suggested that forthcoming rate cuts would be "less intense." The central bank reiterated in the policy meeting minutes its intention to focus a substantial portion of this year's rate cuts in the first half, citing limited inflationary impact from a weakened peso. Copper prices rose 2.2% to \$4.46 per pound, nearing the highest close since April 18, 2022.





## Russia

**The ruble gained (+0.7%) against the dollar today, trading at 93.31/\$, despite intensified sanctions, as Russian oil seems to find alternative trading avenues.** Bloomberg reports that Indian refining executives told they were inundated by requests from new entities looking to register themselves as approved suppliers. The companies conduct due-diligence checks with the help of third-party firms, who help to confirm that the pop-up traders are genuine. The executives said that, while the entities may appear new, checks show the people behind them have typically sold Russian oil to India before.



*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert-New York Representative), Benjamin Mosk (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Mustafa Oguz Caylan (Research Officer), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior 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), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Sonal Patel (Senior Financial Sector Expert-London Representative), Silvia Ramirez (Senior 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.*

**Disclaimer:** *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*









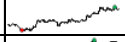





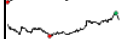


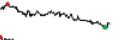



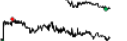

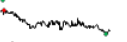


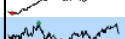
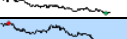

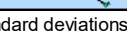






## Global Financial Indicators

4/19/24 8:17 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5006	-0.2	-2	-3	20	5
Europe		4921	-0.3	-1	-2	12	9
Japan		37068	-2.7	-6	-9	30	11
China		3542	-0.8	2	0	-12	3
Asia Ex Japan		66	0.6	-4	-2	-2	-1
Emerging Markets		40	0.4	-4	-2	1	-1
<b>Interest Rates</b>			basis points				
US 10y Yield		4.59	-4.3	7	30	100	71
Germany 10y Yield		2.49	-1.2	13	4	-3	46
Japan 10y Yield		0.85	-1.8	0	11	37	24
UK 10y Yield		4.25	-2.1	11	19	40	71
<b>Credit Spreads</b>			basis points				
US Investment Grade		124	0.2	4	3	-34	-10
US High Yield		373	2.5	17	25	-95	-12
<b>Exchange Rates</b>			%				
USD/Majors		106.07	-0.1	0	2	4	5
EUR/USD		1.07	0.1	0	-2	-3	-3
USD/JPY		154.6	0.0	1	2	15	10
EM/USD		45.8	0.1	-1	-2	-9	-5
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		86.4	-0.8	-4	0	11	13
Industrials Metals (index)		158	1.3	5	12	-2	10
Agriculture (index)		59	0.4	-2	-1	-16	-6
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		18.7	0.7	1.4	4.9	2.3	6.3
Global FX Volatility		7.4	0.0	-0.1	1.0	-1.8	-0.7
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		107	0.4	-1	7	-75	3
Italy		142	-0.7	2	17	-43	-25
Portugal		67	-1.1	-2	4	-16	4
Spain		82	-0.4	-1	1	-21	-15

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

## Emerging Market Financial Indicators

Last updated: 4/19/2024 8:18 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	-2	-86	-24
Indonesia		16255	-0.5	-2.5	-3	-9	-5		7.0	9.8	39	39	37	56
India		83	0.1	-0.1	-1	-1	0		7.5	4.0	10	26	4.9	30
Philippines		58	-0.7	-1.9	-3	-2	-4		5.6	0.1	20	20	-36	1
Thailand		37	-0.3	-0.7	-2	-6	-7		2.9	4.3	-3	34	21	18
Malaysia		4.78	0.0	-0.3	-1	-7	-4		4.0	-0.9	4	7	8	22
Argentina		870	-0.1	-0.5	-2	-75	-7		43.9	69.4	-235	-1805	-4593	-4247
Brazil		5.26	-0.2	-2.7	-4	-4	-8		11.6	-7.0	5	56	-124	118
Chile		966	1.2	-1.0	-2	-18	-9		5.4	0.0	12	32	14	53
Colombia		3938	-0.9	-2.8	-1	14	-2		8.7	-1.0	18	94	-20	110
Mexico		17.30	-1.3	-3.8	-3	4	-2		9.4	0.8	9	65	85	97
Peru		3.7	0.4	-1.0	-1	1	-1		7.6	0.1	12	60	6	91
Uruguay		39	0.2	0.2	0	1	1		9.0	1.2	0	-2	-132	-57
Hungary		371	-0.1	-0.4	-2	-7	-6		7.1	0.0	27	84	-115	131
Poland		4.06	0.3	-0.8	-2	4	-3		5.4	1.5	11	44	-20	94
Romania		4.7	0.1	0.0	-2	-4	-3		6.5	-3.8	3	5	-80	31
Russia		93.3	0.7	0.0	-1	-12	-4							
South Africa		19.2	-0.2	-1.8	-2	-5	-4		10.2	7.5	13	55	84	107
Türkiye		32.60	-0.2	-0.7	-1	-40	-9		28.4	8.0	124	139	1622	164
US (DXY; 5y UST)		106	-0.1	0.0	2	4	5		4.64	-3.7	8	34	94	79

	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		3542	-0.8	2	0	-12	3		142	0	-6	-54	-16	
Indonesia		7087	-1.1	-2	-4	4	-3		93	3	-7	-52	-3	
India		73088	0.8	-3	0	23	1		102	-1	-4	-56	-14	
Philippines		6443	-1.2	-3	-6	-1	0		80	2	-5	-40	0	
Thailand		1332	-2.1	-5	-4	-15	-6		0	0	0	0	0	
Malaysia		1548	0.2	0	0	9	6		82	3	-2	-20	-3	
Argentina		1172830	0.0	-7	4	326	26		1247	-41	-339	-1284	-666	
Brazil		124196	0.0	-3	-3	20	-7		218	13	7	-50	3	
Chile		6451	-0.1	-4	1	19	4		116	6	-9	-23	-9	
Colombia		1321	-2.2	-5	1	6	11		303	25	9	-97	32	
Mexico		55739	0.6	-2	0	3	-3		322	15	1	-65	-12	
Peru		27686	0.8	-1	-5	23	7		146	8	6	-39	2	
Hungary		65156	-0.8	-3	-1	51	7		146	6	-8	-82	-3	
Poland		82767	-0.5	0	4	33	5		91	6	-6	14	-6	
Romania		16922	0.2	0	3	36	10		181	8	-8	-73	-20	
South Africa		72913	-0.5	-3	1	-7	-5		346	-1	-2	-61	38	
Türkiye		9507	-0.2	-3	6	88	27		285	8	-41	-206	-29	
EM total		40	-1.1	-4	-2	1	-1		288	8	-21	-125	-58	

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

[back to top](#)