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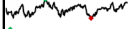





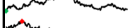

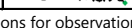
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Solid data shows more inflation pressure in the Euro Area, UK and Japan

In the US, yesterday the S&P 500 fell by 0.6%, with losses concentrated in the Consumer Discretionary (-1.5%), Real Estate (-1.2%), and Energy (-0.8%) sectors, whereas US Treasury yields declined and bull-steepened, attributed predominantly to a drop in breakeven inflation following a downside surprise in the Philadelphia Fed Business Outlook. Cleveland Fed President Mester signaled support for another rate hike to quell inflation while flagging the need to watch recent bank stress. The US debt ceiling issue further aggravated as US individual tax receipts for 2022 have started to come in at a slower pace than expected. The Fed's weekly H4.1 report showed a slight increase of bank's discount window and BTFP usage, which both increased by about \$2 bn. Outside the US, flash PMI in the Euro Area and UK came surprised to the upside while Bank of England's external MPC member Tenreiro gave dovish remarks. In Japan, core inflation ex fresh food and core inflation ex energy and fresh food surprised to the upside, rising by 3.1% and 3.5% y/y with the latter rising at its highest pace since 1981. In Latin America, Costa Rica's central bank has cut rates by -100 bps while Argentina's central bank hikes rates by another +300 bps.

Key Global Financial Indicators

Last updated: 4/21/23 8:44 AM	Level Last 12m Latest	Change from Market Close				YTD	Since 23-Feb-22
		1 Day	7 Days	30 Days	12 M		
Equities		%				%	
S&P 500	 4130	-0.6	0	3	-6	8	-2
Eurostoxx 50	 4382	-0.1	0	5	12	16	10
Nikkei 225	 28564	-0.3	0	4	5	9	8
MSCI EM	 39	-0.2	-1	3	-8	4	-17
Yields and Spreads		bps					
US 10y Yield	 3.53	-0.6	1	-8	62	-35	153
Germany 10y Yield	 2.48	3.1	4	18	153	-10	225
EMBIG Sovereign Spread	 492	7	6	-17	81	40	79
FX / Commodities / Volatility		%					
EM FX vs. USD, (+) = appreciation	 50.6	0.0	0	1	-4	1	-5
Dollar index, (+) = \$ appreciation	 101.7	-0.1	0	-1	1	-2	6
Brent Crude Oil (\$/barrel)	 81.5	0.4	-6	8	-25	-5	-16
VIX Index (% change in pp)	 17.3	0.1	0	-4	-5	-4	-14

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

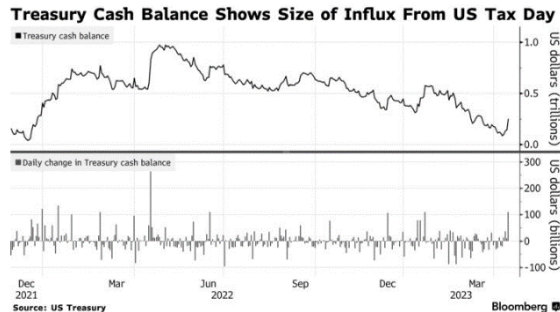
Mature Markets

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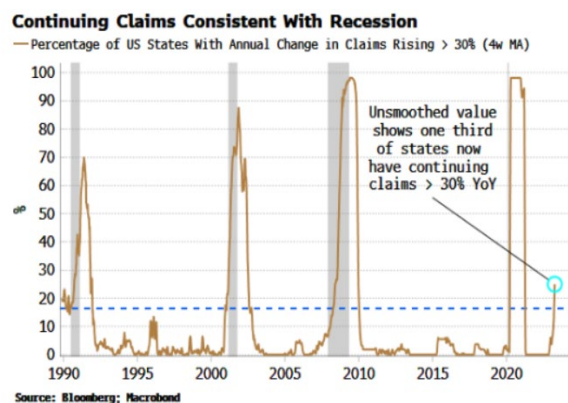
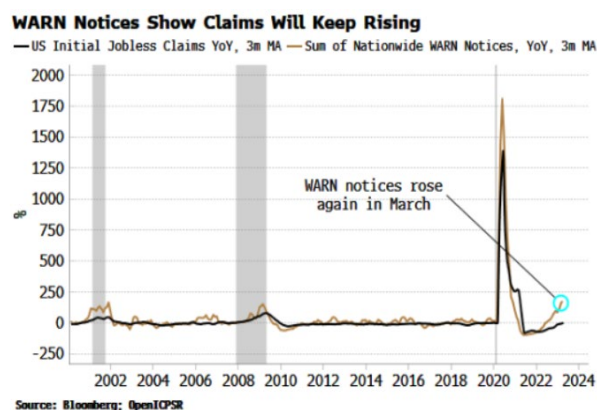
United States

Yesterday, S&P 500 fell by 0.6% and US Treasury 2Y yield fell by 10 bps (attributed to a drop in breakeven inflation) after a negative morning data release. The US Dollar depreciated versus major (0.2%) and emerging market (0.3%) currencies.

Risk premium in T-bill yields widens as 2022 tax returns trickle in lower than expected. The difference between yields of T-bills maturing in the late May and mid-June (the last bill maturity before the mid-June tax date—the first critical date in the Treasury's cash flow planning) has reached 100 bps, according to Bloomberg (left chart below). The difference between T-bill yields has widened, reflecting a risk premium of US debt brinkmanship amid the current standoff in Washington over raising the US federal debt ceiling. The amount of tax payments is crucial for determining the duration until the US runs out of cash for meeting its external obligations, with tax receipts for 2022 having just started to come in and the Treasury's cash balance jumping by \$108 bn, lower than last year's \$260 bn (right chart below). However, to ensure adequate funding through July, Bloomberg analysts estimated that tax revenue would need to be about \$60 bn higher than in 2022.



Leading indicators suggest the risk of further deterioration in unemployment claims. WARN notices—i.e., advanced notifications for planned layoffs, usually filled at least 60 days before the layoffs occur—have been rising recently, suggesting further growth in unemployment claims (left chart). Besides, the current rise in claims has been affecting most US states. Historically, a fast and prolonged rise in unemployment claims across various states has been associated with the onset of a recession (right chart).



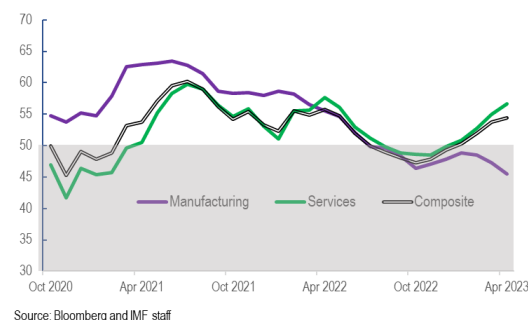
Euro Area

European equities and sovereign yields were little changed after flash PMI data for the euro area surprised on the upside.

The euro area's April flash PMI data surprised on the upside.

The composite PMI increased to a reading of 54.4, which reflected an 11-month high (53.7 expected and former month), propelled by stronger services and weaker manufacturing components. Preliminary data show that the composite PMI was boosted by an unexpected increase in services while the manufacturing PMI disappointed with a reading of 45.5 (expected 48.0 from 47.3). The survey also notes a further easing of inflation pressures, with input prices falling at a higher pace as supply constraints continued to ease. On the country level, Germany's and France's composite PMI saw a similar pattern—with composite PMI surprising on the upside with services increasing more than expected and manufacturing disappointing. While a number of analysts continue to expect a 25 bps hike from the ECB in May, Goldman Sachs ones argue that the upside surprise in the services sector activity could see the market drifting in favor of a 50 bps May hike, especially if upcoming flash inflation prints due next week show strong price pressures. So far, market pricing is for a terminal rate above 3.75% in autumn, with three hikes of 25 bps until July still close to fully priced in.

Eurozone: PMI data (>50 is expansion)

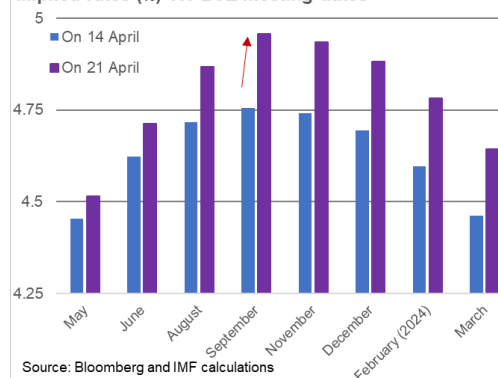


United Kingdom

Flash PMI data confirms market pricing of a 25 bps hike at the BoE's upcoming May meeting.

This morning, flash composite PMI data for April surprised on the upside with a reading of 53.9 (expected 52.2, unchanged from March), reflecting a 12-month high, with the services component increasing unexpectedly and the manufacturing component slowing unexpectedly. The survey also showed that the increase in input costs at private sector companies slowed, but respondents still noted the strong wage inflation. Other data releases showed that March retail sales Ex auto fuel came in slightly weaker than expected, while GfK consumer confidence improved more than expected in April. This follows on data releases earlier this week that showed an upside surprise in inflation and stronger-than-expected wage growth data. Nevertheless, external MPC member and notorious dove Tenreiro stated yesterday that interest rates increased beyond what the economy can bear, stating that inflation would ease below the 2% target in the medium term. The pound weakened against the dollar and the euro by -0.5% and -0.4%, respectively, while 10y gilt yields eased by -4 bps.

Implied rates (%) for BoE meeting dates

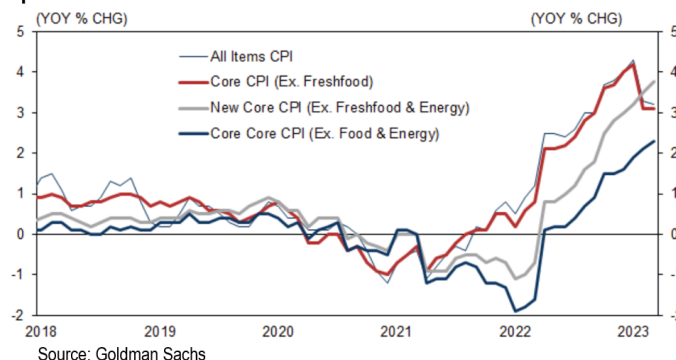


Japan

March core inflation data came in stronger than anticipated.

Ahead of its policy meeting next week, the latest dataprint stayed well above the Bank of Japan (BOJ) 2% inflation target. More specifically, consumer prices excluding fresh food rose by 3.1% y/y (expected 3.0%) which compares to 3.1% y/y in February. Prices excluding energy and fresh food increased by 3.8% (3.6% expected) which compares to 3.5% y/y in February, which by historical standards reflects the highest pace since 1981. The headline inflation slowed to 3.2% y/y from 3.3% y/y in February. Increases in prices were seen on a broader basis, with household goods, food excluding fresh food rising and housing contributing the most, all up 9.4%, 8.2% and 1.3% y/y, respectively. Utilities declined the most, down -2.8% y/y due to the effect of subsidies to curb utility bills. According to a Bloomberg economist survey for the upcoming BOJ meeting, 87% of the respondents expected no change, while a change in the BOJ's leadership and the elevated inflation are likely to feed continued market talk of a potential policy shift. Notwithstanding this, market reaction so far has been modest, with the Japanese yen rising slightly right after the data release.

Japan CPI Measures



Emerging Markets

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This morning, Asian equities and currencies are mostly down. Stocks in China (-1.95%) led the retreat, followed by South Korea (-0.73%), Taiwan (-0.67%), and Malaysia (-0.21%). Currencies in South Korea (-0.37%), China (-0.21%), and Singapore (-0.15%) underperformed, while the rest of the region remained fairly flat.

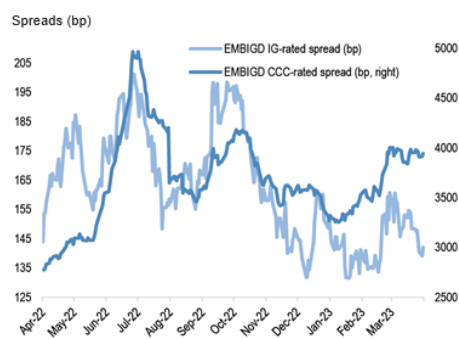
EMEA Equities and currencies traded with a cautious tone. Local swap yields in Hungary fell another 5 bps with the forint (-0.5%) also weaker as traders focus on how the central bank could start a “multi-step” interest normalization process. Polish swap yields ticked lower even though gross wages grew 6.3% m/m (expected 6.0%) or 12.6% y/y. The South African rand (-0.7%) depreciated as power cuts intensified after breakdowns at generating units at several plants yesterday.

Latin American stocks and currencies were mixed. Stocks in Argentina (+2.33%) and Brazil (+0.44%) increased but declined in Chile (-0.48%) and Colombia (-0.26%). The Brazilian real appreciated (+0.48%), followed by the Mexican peso (+0.25%) and Chilean peso (+0.14%). Both the Colombian peso (-0.36%) and Argentine peso (-0.24%) depreciated. Argentina raises interest rates from 78% to 81% while Costa Rica cuts rates from 8.5% to 7.5%.

EM sovereign spreads and outlook

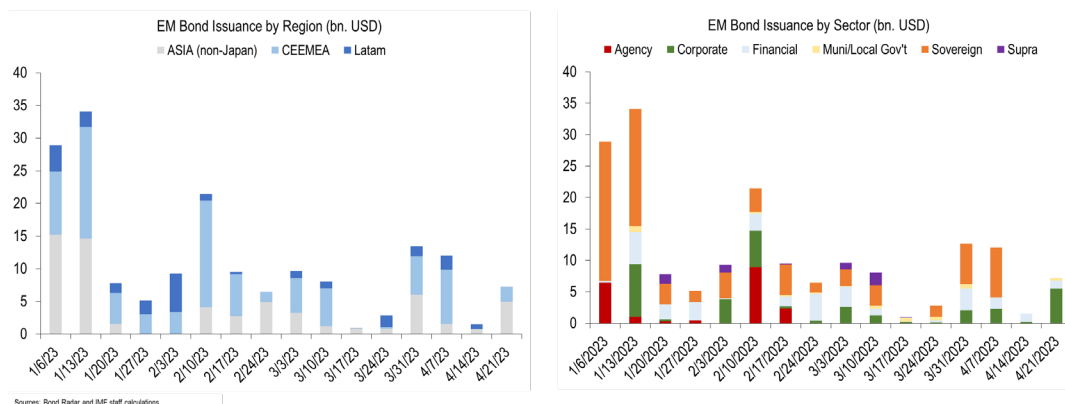
Spreads on CCC and B-rated Eurobond issuers have not yet followed the rebound of EM currencies. While EM currencies strongly rebounded to levels last seen before the March sell-off but aggregate EM sovereign spreads for CCC and B-rated issuers have yet to retrace the sell-off compared to other credit asset classes. Meanwhile, Citi analysts point out that export volume data shows that trade growth remained negative in early 2023 on account of weakening import growth in developed markets. Whilst services trade is holding up better, the recovery of tourism remains behind 2019 levels. Citi analysts warns that incoming trade data echoes the post-GFC decade, in which trade growth fell below GDP growth for the first time since the 1930s, which could foreshadow unwelcome news for hopes of income convergence.

EM distressed countries have not retraced March widening



EM Bond Issuance

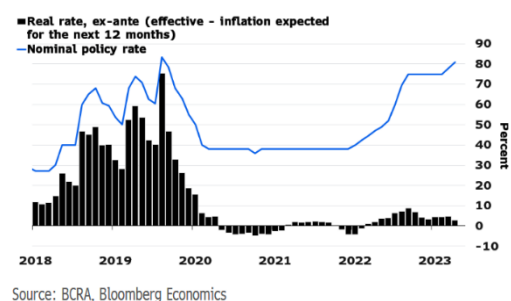
EM Bond Issuance rebounds this week after second lowest weekly volumes this year. Issuance through Thursday of this week reached \$7.22bn, vs \$1.51bn last week. Regionally, Asia(non-Japan) contributed to almost 70% of the total, with the rest coming from CEEMEA. Corporate dominated on the sector level, equating to around 76% of the issuance, followed by Financial (18%), and Muni/Local Gov't (5.5%). All the bonds issued so far this week have fixed coupons, with maturities ranging from 2–10 years.



Argentina

Because of persistent inflation, Argentina's central bank hiked by another 300 bps. The central bank raised its benchmark rate to 81% (expected 80%) for a second consecutive 300 bp hike. The March inflation print released on April 14, which reached 104.3% y/y (expected 103.2%) portended the central bank's decision. According to Bloomberg analysts, additional rate hikes may be appropriate if inflation continues to increase, while these hikes might not have an impact on real yields as they expect that the drought exerts enduring pressure on inflation, while the surging public debt will command a credit premium.

Argentina Nominal and Real Interest Rates



Costa Rica

Costa Rica's central bank cuts interest rates by 100 bps to 7.5%. The central bank decides to cut after 8.25% of hikes since December 2021, as inflation has fallen over 7.7% from the peak in August. March inflation currently sits at 4.42% y/y.

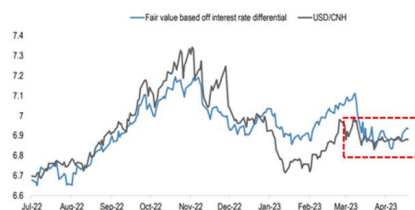
China

US President Biden aims to limit investments by US companies in Chinese high-tech industries. Reportedly, ahead of the upcoming G7 summit President Biden aims to sign an executive order achieving this. According to Bloomberg, the potential restriction in high-tech industries will cover semiconductors, artificial intelligence, and quantum computing. The order aims to regulate venture capital, private equity, and certain forms of technology transfer and joint venture investments.

Chinese yuan trading against the US dollar converged to what rate differentials imply. As the optimism over the China reopening supported the Chinese yuan at the beginning of the year, analysts argued that the USD/CNY traded too low against what is fundamentally justified by yield differentials. However, following the banking turmoil in March, a sharp decline in US yields pushed the fundamentally justified currency value lower, while the USD/CNY has been stable (left chart). Analysts also cite that the

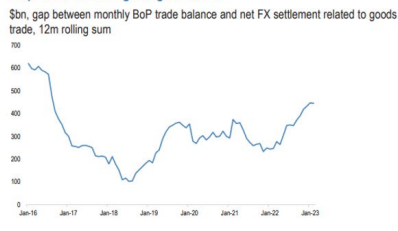
Chinese trade surplus may be less impactful on USD/CNY, and that a pick-up in services outflows could offset the impact. Meanwhile, China's direct exports have become tilted towards non-US and EU markets, accompanied by the rising use of the Chinese yuan as the settlement currency, potentially reducing the USD selling demand from exporters (middle chart). In addition, after travel restrictions have been easing, tourism-related USD demand has accelerated in recent weeks, with outbound flights from China recovering sharply (right chart).

USD/CNY is trading more in line with interest rate differentials benefiting from a lower fair value due to recent descent in US yields



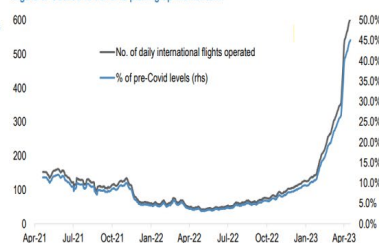
Source: Bloomberg Finance L.P., J.P. Morgan.

Figure 6: The gap between China's trade balance and onshore corporate USD selling has grown wider



Source: SAFE, J.P. Morgan.

Figure 9: Outbound travel is picking up momentum

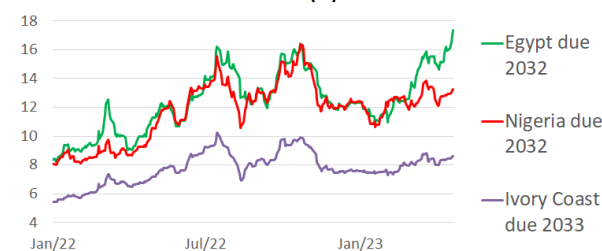


Source: Wind, J.P. Morgan.

Egypt

Egypt's Eurobonds are under pressure. Since the close Friday last week, yields on Egypt's Eurobonds are set to close the week -143 bps higher, with bond prices trading almost -4 pp lower at 56 cents. Market contacts expect that the *"uncertainty around Egypt's financing requirements will continue to bite."* The Egyptian pound devalued sharply earlier in the year but remained unchanged in April.

Africa: Yields on U.S. dollar bonds (%)



Source: Bloomberg and IMF

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Deputy Division Chief), Nassira Abbas (Deputy Division Chief), and Antonio Garcia-Pascual (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Senior Economist-London Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (New York Representative), Aurelie Martin (Senior Economist-London Representative), Tom Piontek (Senior Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Yingyuan Chen (Financial Sector Expert), Deepali Gautam (Research Officer), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), 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 Assistant) Olga Lefebvre (Staff Assistant), and Srujana Sammeta (Staff Assistant) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

4/21/23 8:45 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4125	-0.6	0	3	-6	7
Europe		4382	-0.1	0	5	12	16
Japan		28564	-0.3	0	4	5	9
China		4033	-2.0	-1	0	0	4
Asia Ex Japan		67	-0.3	-2	3	-5	4
Emerging Markets		39	-0.2	-1	3	-8	4
Interest Rates			basis points				
US 10y Yield		3.53	-0.6	1	-8	62	-35
Germany 10y Yield		2.48	3.1	4	18	153	-10
Japan 10y Yield		0.47	0.1	0	22	22	5
UK 10y Yield		3.75	-1.6	8	38	174	8
Credit Spreads			basis points				
US Investment Grade		159	0.3	1	-7	8	0
US High Yield		482	0.9	14	-20	99	2
Exchange Rates			%				
USD/Majors		101.72	-0.1	0	-1	1	-2
EUR/USD		1.10	0.1	0	2	1	3
USD/JPY		133.7	-0.4	0	1	4	2
EM/USD		50.6	0.0	0	1	-4	1
Commodities			%				
Brent Crude Oil (\$/barrel)		81.5	0.4	-6	9	-14	-4
Industrials Metals (index)		158	-0.9	-1	2	-26	-5
Agriculture (index)		69	-0.5	-1	3	-11	0
Implied Volatility			%				
VIX Index (% change in pp)		17.3	0.1	0.2	-4.1	-5.4	-4.4
US 10y Swaption Volatility		134.6	0.0	0.0	0.0	14.0	7.0
Global FX Volatility		9.1	0.0	-0.7	-1.8	0.0	-1.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		184	-1.7	-1	-7	-18	-21
Italy		187	0.3	2	5	22	-27
Portugal		83	-1.5	-1	-1	-16	-18
Spain		104	-0.5	0	0	9	-6

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

Emerging Market Financial Indicators

Last updated: 4/21/2023 8:46 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		6.89	-0.2	-0.3	0	-6	0		3.1	-1.0	2	1	26	8
Indonesia		14845	-0.4	0.3	3	-3	5		6.7	1.1	2	-23	-31	-27
India		82	0.1	-0.3	1	-7	1		7.3	-3.3	1	-17	(41.9)	-12
Philippines		56	0.4	-1.3	-2	-6	-1		6.0	0.0	3	-3	68	-5
Thailand		34	0.0	-0.4	0	-2	1		2.6	-6.5	2	19	-4	-6
Malaysia		4.44	0.1	-0.8	1	-3	-1		3.8	-3.6	0	-10	-32	-21
Argentina		218	0.0	-1.3	-6	-48	-19		89.6	43.9	-11	-96	3903	137
Brazil		5.05	0.5	-2.4	4	-8	5		12.7	-9.0	30	-51	67	14
Chile		793	0.0	0.4	4	4	7		5.2	-7.0	4	25	-119	-12
Colombia		4537	-0.4	-2.6	6	-17	7		8.8	0.0	1	-36	64	-99
Mexico		17.99	0.1	0.2	3	12	8		8.5	-1.0	5	-13	-20	-21
Peru		3.8	0.3	0.3	0	-1	1		7.5	0.2	-3	-19	-17	-50
Uruguay		39	0.0	-0.5	0	4	2		10.2	-9.8	-13	-19	75	-52
Hungary		344	-0.2	-1.1	5	-1	9		7.9	-3.0	-49	-43	132	-167
Poland		4.20	-0.1	0.6	4	2	4		5.6	-0.5	-4	25	-4	-60
Romania		4.5	0.0	0.0	2	1	3		7.3	-1.7	4	2	81	-42
Russia		81.4	0.1	1.0	-5	-1	-9							
South Africa		18.1	-0.5	-0.2	2	-15	-6		9.3	3.2	13	41	112	18
Turkey		19.40	0.0	-0.2	-2	-24	-4		12.2	0.0	-83	35	-979	234
US (DXY; 5y UST)		102	-0.1	0.2	-1	1	-2		3.62	-1.1	1	-13	64	-39

	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		4033	-2.0	-1	0	0	4		196	-1	15	-9	19
Indonesia		6822	0.0	0	2	-5	0		153	7	-11	-21	13
India		59655	0.0	-1	4	4	-2		158	-6	-24	-14	16
Philippines		6520	0.0	1	0	-8	-1		128	7	-12	-2	31
Thailand		1558	-0.4	-2	-2	-8	-7		0	0	0	0	0
Malaysia		1422	0.0	-1	1	-11	-5		101	-1	-7	-14	1
Argentina		281828	2.3	4	23	208	39		2673	289	292	971	468
Brazil		104367	0.4	-2	3	-9	-5		275	0	-14	3	1
Chile		5398	-0.5	0	2	10	3		144	2	-8	-10	12
Colombia		1245	-0.3	-1	10	-23	-3		409	7	-34	66	37
Mexico		54294	0.0	-1	3	2	12		393	1	-31	36	12
Peru		22473	-0.1	0	4	-5	5		189	2	-5	12	9
Hungary		43683	0.3	1	4	1	0		232	-3	-22	82	10
Poland		62195	-0.9	1	9	0	8		85	3	-15	77	12
Romania		12397	-0.2	0	3	-5	6		256	-1	-22	51	1
South Africa		78144	-0.9	-1	5	7	7		424	5	-1	87	57
Turkey		5012	0.0	-2	2	96	-9		518	26	37	14	78
Ukraine		507	0.0	0	0	-2	-2		5161	67	213	1650	1082
EM total		39	-0.9	-1	3	-8	4		425	13	-3	38	50

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

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