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- **The standoff over the US debt limit continues** ([link](#))
- **EU Commission unveils stability and growth pact reform proposal** ([link](#))
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- **Brazil's inflation drops to a 30-month low** ([link](#))










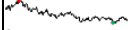

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## Concerns over US economic outlook intensify

**Market sentiment deteriorated after data showed a larger-than-expected slowdown in Q1 US economic growth, while concerns over the foundations of regional banks remain.** While markets saw some support from Meta's better-than-expected after-hours earnings, disappointing US GDP data combined with an upside surprise in the price index this morning tilted sentiment. Ahead of the Fed meeting on Wednesday, contacts note that broader macro themes are little changed as concerns over the US outlook remains—with oil prices little changed this morning after closing sharply lower yesterday on recession concerns. The US debt standoff also remains in focus, while First Republic Bank troubles have rekindled banking sector angst. In Europe equity markets retraced some opening losses this morning, while sovereign yields were little changed as investors await inflation and bank lending survey data, which are seen to be key in the ECB's decision regarding the magnitude of the hike for the upcoming policy meeting next Thursday.

Last updated: 4/27/23 11:49 AM	Level		Change from Market Close				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
<b>Equities</b>			%				%	
S&P 500		4056	-0.4	-2	2	-3	6	-4
Eurostoxx 50		4352	0.1	-1	4	17	15	10
Nikkei 225		28458	0.1	-1	4	8	9	8
MSCI EM		38	0.6	-3	0	-8	1	-19
<b>Yields and Spreads</b>			bps					
US 10y Yield		3.46	0.9	-7	-7	63	-42	147
Germany 10y Yield		2.41	1.0	-4	18	161	-16	218
EMBIG Sovereign Spread		494	-4	9	-9	61	42	81
<b>FX / Commodities / Volatility</b>			%					
EM FX vs. USD, (+) = appreciation		50.4	0.0	0	0	-3	1	-5
Dollar index, (+) = \$ appreciation		101.5	0.0	0	-1	-1	-2	5
Brent Crude Oil (\$/barrel)		77.9	0.2	-4	0	-26	-9	-20
VIX Index (% change in pp)		18.2	-0.6	1	-2	-13	-3	-13

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

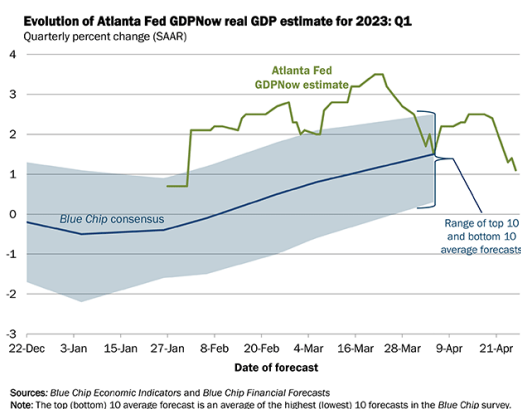
## Mature Markets

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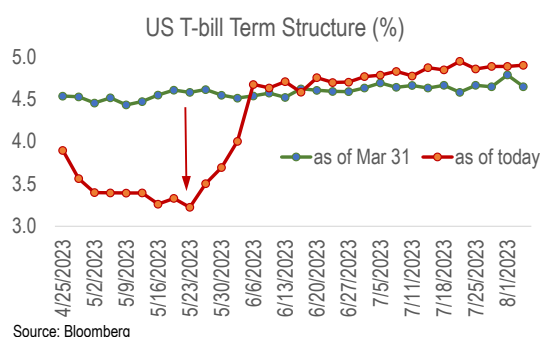
### United States

**Equities failed to rebound and extended losses on Wednesday.** The S&P 500 was down 0.4%. KBW Bank Index fell 1.2%, with First Republic Bank down 33%. The US Federal Deposit Insurance Corp (FDIC) considers lowering the bank's ratings if a private deal to shore up its finances is not reached, which may curb the bank's access to Fed lending facilities. VIX edged higher. High-yield corporate bond spreads continued to widen, up 2.1bps. The Treasury 10-year yield rose by 5bps to 3.45%. On the macro data front, Atlanta Fed GDPNow estimate for Q1 tumbled to +1.1%q/q, saar, on much weaker inventories.

**This morning, Q1 GDP disappointed (+1.1%q/q, saar vs. 1.9% consensus), while core PCE came in higher than expected (4.9%q/q, saar vs. 4.7% consensus).** Personal consumption was weaker, and inventories appeared to be a significant drag. Initial jobless claims for the week of April 22 was lower than expected (230k vs. 248k consensus). Treasury yields rose by 3–6bps with 2-years up above 4%, and the dollar strengthened by 0.2%. **Equity futures fell, erasing a part of overnight gains boosted by better-than-expected earnings from Meta Platforms released after-hours trading yesterday.**



**US House Republican leaders pressed ahead on Wednesday with legislation to raise the debt ceiling while cutting spending and ruining major elements of President Biden's domestic agenda.** The T-bill term structure remains distorted as investors have shifted to shorter maturity bills. US sovereign CDS spreads renewed a record high at 162bps, reflecting the impasse in negotiations.



### Singapore

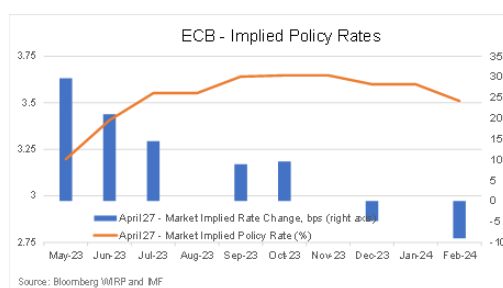
**Singapore raised taxes on property transactions to cool down the property market,** with foreigners' additional stamp duty doubling to 60% from 30% among other tax hikes also for domestic home buyers. The measures were introduced amid renewed signs of property price acceleration in 2023Q1 following a

tax increase in December 2021 and a tightening of mortgage lending limits in September 2022. Singapore equity prices fell (-0.3%), led by property stocks.

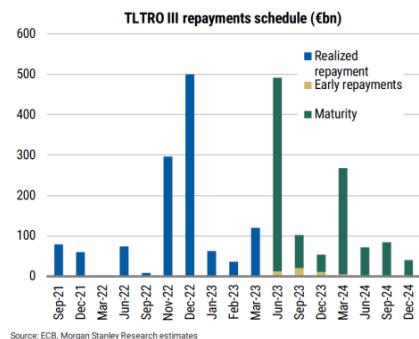
## Euro Area

**European markets are fairly muted today.** The equity market (Stoxx Europe 600) is up 0.2%, but banking stocks are up 0.5%. The euro is broadly flat vs. the dollar at 1.1/\$. German 10y bund yields and Italian spreads are broadly unchanged at 2.4% and 188 bps respectively.

**European rate markets are in a wait and see mode today, ahead of key data releases.** Markets are pricing in 30 bps of hikes at next week's ECB meeting, indicating that some market participants see the possibility of a 50 bps hike. Recent comments from policy makers and discussions with market contacts suggest that the April flash inflation data for the eurozone and the ECB bank lending survey, which will both be released next Tuesday, 2 days ahead of the ECB meeting, will be key in determining the size of the hike. Markets will already get hints of the data tomorrow as France, Germany and Spain will release their inflation data for April (Germany expected at 7.3% y/y down from 7.4% in March); France expected at 5.7% unchanged from March; and Spain expected at 4.1%, up from 3.3%).



**Analysts at Morgan Stanley think that the ECB could announce a bridge TLTRO operation next week** in light of the renewed focus on bank funding conditions and the upcoming TLTRO III repayment in June. They think that such an operation would minimize the risk of a rapid rise in bank funding costs, at least for some banks, around the maturity date of the operation. At the same time, they note that banks' funding plans for this year were set up to include TLTRO repayments, so the large repayment in June should not come as a surprise to borrowers or the market. They also point out that the costs of offering a bridge are limited, so 'better safe than sorry' could be the stance adopted, in particular as no distraction is needed in the fight against inflation. Based on the modalities originally introduced for TLTRO III, the potential bridge could have a less attractive pricing and maturity than the maturing operation.



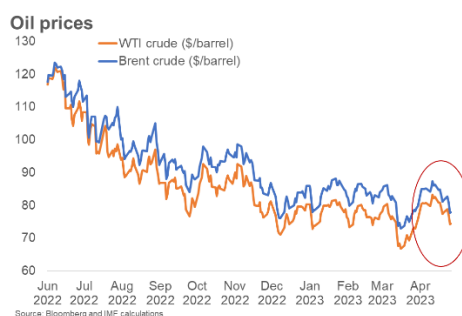
**Yesterday, the European Commission unveiled its proposal for reforms to the stability and growth pact**—in essence the fiscal rules for EU members. The existing rules (government deficit below 3% of GDP and public debt below 60% of GDP) have been suspended since 2020 to allow EU member to deal with the

COVID-19 pandemic and the economic fallout from the Russia-Ukraine war, but they are set to be reinstated in 2024 unless they are replaced. **The proposed new rules would allow member states to set their own fiscal adjustment paths, as long as their public debt falls over four years and stays on a downward path for the following decade.** Key targets of the existing rules would remain in place, but governments would have more time and flexibility to achieve them. EU governments still have to agree to the proposal, and the European Parliament must still negotiate it, with the aim of striking a final agreement by the end of 2023. This is likely to be difficult to do differences of views between European finance ministers. Yesterday, German finance minister Linder already called for stricter debt reduction targets. French finance minister Le Maire said that the proposals go in the right direction but need more work.

**UniCredit is exercising its option to redeem an AT1 bond early—marking the first major test for this market post the collapse of Credit Suisse, according to Bloomberg.** UniCredit will repay the €1.25 billion note at face value on June 3, sticking with the market convention of calling such bonds at the first opportunity. Bloomberg reports that the market feared that banks would break that convention post Credit Suisse. UniCredit said it does not need to issue a replacement.

## Commodities

**Oil prices posted the largest daily losses during the US trading hours since the bank turmoil in March.** Brent crude oil prices declined by 4% yesterday at \$77.69/barrel, while WTI crude closed 6% lower, as concerns about a slowing demand due to the weaker economy outweighed the positive impact of the OPEC+ agreement to cut production to the demand-supply balance outlook.



## Emerging Markets

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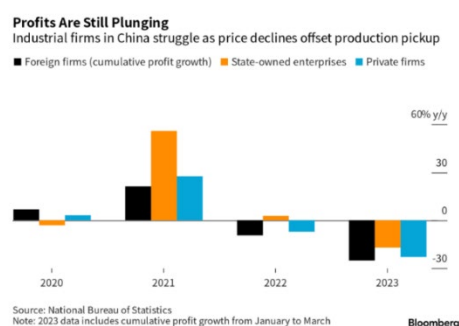
**EMEA equity markets were mostly higher, with currencies showing a slight appreciating bias.** Equities in Hungary (1.6%), Egypt (+1.6%), and Poland (+1.4%) outperformed. Currencies were trading in a narrow range with a stronger bias and local bond yields were mostly stable, apart from those in Hungary where 10y local currency bond yields increased (+19bps to 8.02%). On the central bank front, respective central banks in Ukraine and Türkiye left interest rates unchanged, in line with expectations.

**Most Asian equities gained**, led by Chinese (CSI 300: +0.7%) and Philippine (+0.7%) equities. Meanwhile, share prices fell in Thailand (-0.8%). **Asian currencies were mixed, with limited movements.** An exception was Indonesian rupiah (+0.9%), which appreciated after foreign funds continued flowing into the local stock market for an eighth day. **Long-end government bond yields were also mixed**, with 10-year yields falling in Singapore (-2.6 bps) while rising in Korea (+3.5 bps). **Some Asian strategists reportedly started to introduce ways for investors to position for a fallout related to the US debt ceiling.** Besides the traditional safe-haven assets such as Japanese yen, Swiss franc and gold, strategies also suggested going long on Indian rupee and Korean bonds.

**In the Latin American region, equity markets underperformed, most currencies depreciated against the U.S. dollar, and CDS spreads widened across countries.** In Colombia, CDS spreads widened more than in those of peers, as investor risk perception increased after the president replaced the market-friendly minister of finance as part of a cabinet reshuffle.

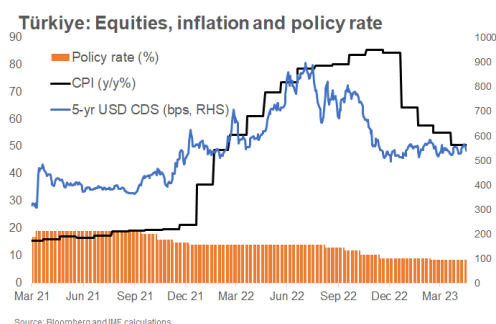
## China

**Chinese industrial firms' profits contracted by 19.2%y/y in March 2023, dragged down by falling wholesale prices.** There are some positive signs though, with automobile industry profits up 9.1%y/y in March, reversing a plunge seen in the first two months of 2023. The weak performance of the industrial sector spurred speculation regarding further stimulus. The 10-yr CGB yield fell (-1.7 bps) to the lowest level in five months. The overnight interbank borrowing costs also edged down to a nearly one-month low (-35 bps) after the People's Bank of China injected liquidity in an amount of 59 bn yuan (\$8.5 bn). The RMB appreciated (+0.1%).



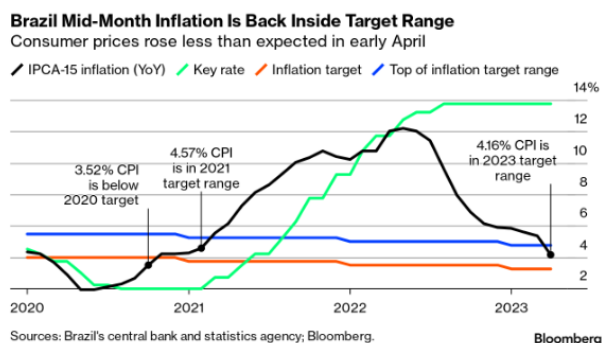
## Türkiye

**Turkish assets were little changed after the central bank left interest rates unchanged at 8.5%, as expected.** The Central Bank of Türkiye repeated the forward guidance from previous meetings that the current policy rate is adequate to support the recovery following recent earthquakes. In the meantime focus remains on the upcoming elections in May. According to Bloomberg president Erdogan is set to face the tightest electoral race yet, against a backdrop of high rental and food prices together with the lack of a robust disaster relief response from Erdogan's government.



## Brazil

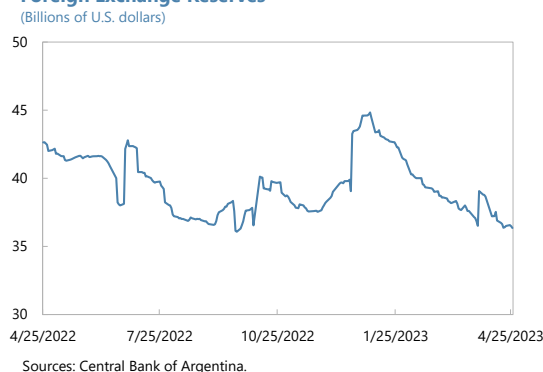
**Inflation was slightly lower than expected in mid-April, dropping to a 30-month low of 4.16%y/y** (versus consensus estimates of 4.20% from March's mid-month reading of 5.36%). The latest reading supports the ongoing disinflation scenario and is seen as an important data release ahead of the central bank's rate decision in May. However, core measures continue to run above the inflation target bank. In the first two weeks of April, consumer prices increased by 0.57% m/m after a 0.69% rise in the previous month, coming below market expectations of 0.6%.



## Argentina

**Argentina will settle imports of Chinese goods with yuan instead of U.S. dollars to ease the outflow of U.S. dollars and decline in U.S. dollar reserves as agricultural exports decline due to a record drought.** Argentina will pay for imports valued at about \$1.04bn and \$790mn in April and May respectively. The announcement followed Minister of Finance Massa's announcement that Argentina would finance about \$1.8bn of Chinese imports between April and May by tapping the \$24bn swap line with China.

### Foreign Exchange Reserves









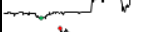


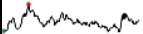







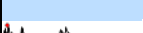


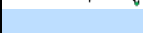


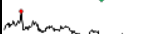


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## Global Financial Indicators

4/27/23 11:48 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		4056	-0.2	-2	2	-3	6
Europe		4352	0.1	-1	5	17	15
Japan		28458	0.1	-1	4	8	9
China		3988	0.7	-3	-1	2	3
Asia Ex Japan		66	0.9	-3	-1	-5	1
Emerging Markets		38	0.6	-3	0	-8	1
<b>Interest Rates</b>			basis points				
US 10y Yield		3.46	0.9	-7	-7	63	-42
Germany 10y Yield		2.41	1.0	-4	18	161	-16
Japan 10y Yield		0.47	0.1	-1	15	22	4
UK 10y Yield		3.73	0.0	-4	36	192	6
<b>Credit Spreads</b>			basis points				
US Investment Grade		162	-0.6	5	-11	7	3
US High Yield		492	-1.4	24	-51	76	11
<b>Exchange Rates</b>			%				
USD/Majors		101.47	0.0	0	-1	-1	-2
EUR/USD		1.10	0.0	1	2	5	3
USD/JPY		133.7	0.0	0	2	4	2
EM/USD		50.4	0.0	0	0	-3	1
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		77.8	0.2	-4	0	-15	-8
Industrials Metals (index)		151	-0.8	-5	-5	-26	-9
Agriculture (index)		67	-0.7	-4	0	-14	-3
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		18.2	-0.6	1.1	-2.4	-13.4	-3.5
US 10y Swaption Volatility		128.3	9.9	14.6	-17.9	0.9	2.6
Global FX Volatility		9.4	0.0	0.3	-1.4	-0.8	-1.3
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		183	0.1	-3	-5	-41	-23
Italy		189	1.3	2	5	12	-26
Portugal		84	0.6	-1	-3	-21	-17
Spain		105	0.3	1	2	6	-4

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

## Emerging Market Financial Indicators

Last updated: 4/27/2023 11:51 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		6.92	0.1	-0.7	-1	-5	0		3.1	-2.0	-9	-5	16	1
Indonesia		14703	0.9	1.0	3	-2	6		6.5	1.6	-13	-24	-43	-40
India		82	-0.1	0.4	1	-6	1		7.3	4.9	-9	-18	(44.3)	-19
Philippines		56	-0.2	0.5	-3	-6	0		6.0	-2.5	0	0	65	-5
Thailand		34	0.2	0.7	1	1	1		2.6	2.5	-5	13	-15	-4
Malaysia		4.46	-0.1	-0.6	-1	-2	-1		3.7	-0.5	-11	-15	-56	-31
Argentina		222	-0.3	-1.8	-6	-48	-20		90.8	44.8	165	-79	3800	258
Brazil		5.05	0.1	0.6	3	-1	5		12.5	-8.9	-35	-71	24	-12
Chile		806	0.8	-1.4	0	5	6		5.2	8.0	-9	13	-118	-14
Colombia		4534	-1.2	-0.3	3	-13	7		8.7	0.0	-7	2	34	-106
Mexico		18.16	-0.1	-0.9	1	12	7		8.4	2.5	-20	-13	-47	-35
Peru		3.7	0.3	0.9	1	2	2		7.4	-1.6	-9	-12	-44	-54
Uruguay		39	0.1	0.8	0	6	3		10.2	0.0	-8	4	32	-50
Hungary		339	0.1	1.3	6	6	10		8.1	28.0	15	13	136	-149
Poland		4.16	-0.2	0.8	4	7	5		5.4	-0.2	-11	6	-26	-71
Romania		4.5	0.0	0.5	2	5	3		7.1	-6.4	-17	1	62	-57
Russia		81.6	0.6	-0.1	-6	-10	-9							
South Africa		18.3	0.7	-1.3	0	-13	-7		9.4	-0.1	9	34	115	24
Turkey		19.43	0.0	-0.1	-2	-24	-4		12.4	8.0	20	31	-876	254
US (DXY; 5y UST)		101	0.0	-0.4	-1	-1	-2		3.49	-0.4	-13	-10	66	-51

	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		3988	0.7	-3	-1	2	3		198	4	7	-15	21
Indonesia		6945	0.5	2	4	-3	1		153	4	-12	-39	13
India		60649	0.6	2	5	7	0		162	5	-13	-9	20
Philippines		6584	0.7	2	0	-4	0		124	0	-16	-24	27
Thailand		1531	-0.8	-2	-4	-8	-8		0	0	0	0	0
Malaysia		1418	0.3	-1	2	-11	-5		105	4	-2	-18	5
Argentina		304797	0.6	11	30	239	51		2653	-22	97	869	448
Brazil		102312	-0.9	-4	3	-6	-7		283	13	-7	-7	9
Chile		5326	0.5	-2	1	12	1		142	1	-12	-28	10
Colombia		1186	-1.0	-5	6	-25	-8		434	33	13	76	62
Mexico		54023	-0.6	-1	2	3	11		395	4	-19	22	14
Peru		21940	-0.9	-2	2	-2	3		181	-6	-17	-9	1
Hungary		44134	1.8	1	5	5	1		229	-3	-12	67	7
Poland		62713	1.2	0	11	8	9		83	2	-3	53	10
Romania		12369	-0.1	0	2	-3	6		258	1	-4	27	3
South Africa		78122	0.0	-1	4	11	7		424	6	5	56	57
Turkey		4818	0.7	-5	-4	97	-13		526	23	52	8	86
Ukraine		507	0.0	0	0	-2	-2		5274	145	364	1586	1195
EM total		38	0.3	-3	0	-8	1		425	5	-3	17	50

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

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