



- Oil prices see sharp gains after OPEC+ announces production cuts ([link](#))
- Deposit outflows slow in the US especially in small banks ([link](#))
- Investors remain wary of the US property market ([link](#))
- Swiss inflation eases more than expected in March ([link](#))
- Bond fund outflows continue in emerging markets ([link](#))
- Turkish inflation lower than expected ahead of elections ([link](#))
- Mexican peso benefits from decreased Fed rate cut expectations ([link](#))

[Mature Markets](#)










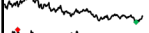

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OPEC+ Surprises with Output Cuts

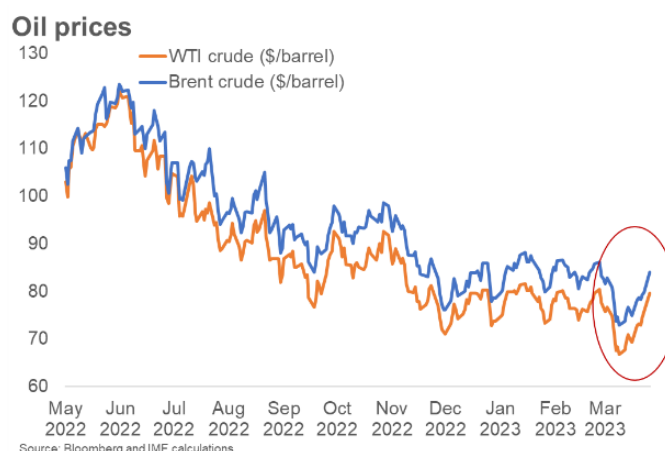
Just as market turbulence had started to ease last week, OPEC+ members shocked markets yesterday by announcing a collective reduction in output amounting to more than an additional 1 million barrels a day, sending Brent prices up 6.7% today to \$85/barrel. The questions facing markets are whether the cuts will be fully realized, and what will the impact be on inflation and hence on the monetary policy paths going ahead. This comes as markets were already struggling to assess the future path of interest rates balancing still high core inflation data with potential banking sector weaknesses. Against this backdrop, markets this week will be focused on the release of non-farm payroll data in the US on Friday in addition to manufacturing data in the US and Euro area. Also note that Friday will be Bank of Japan's Governor Kuroda's final business day.

Key Global Financial Indicators

Last updated: 4/3/23 1:29 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4109	1.4	3	2	-10	7
Eurostoxx 50		4316	0.0	4	1	10	14
Nikkei 225		28188	0.5	3	1	2	8
MSCI EM		39	-0.1	2	0	-14	4
Yields and Spreads			bps				
US 10y Yield		3.51	4.5	-2	-44	113	-36
Germany 10y Yield		2.32	2.9	9	-39	177	-25
EMBIG Sovereign Spread		484	-1	-19	37	85	32
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		50.8	-0.1	1	0	-5	2
Dollar index, (+) = \$ appreciation		102.4	-0.1	0	-2	4	-1
Brent Crude Oil (\$/barrel)		84.8	6.2	9	-1	-19	-1
VIX Index (% change in pp)		19.7	1.0	-1	1	0	-2

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

Nine OPEC+ members yesterday surprised markets and announced a collective reduction in output amounting to 1 mn barrels/day starting in May and remaining in place until the end of 2023. The initial impact of the cuts, starting next month, will amount to about 1.1 mn barrels a day. From July, due to the extension of Russia's existing supply reduction, there will be about 1.6 mn barrels a day less crude on the market than previously expected. Brent crude oil prices were 5.6% this morning to \$84/barrel. Goldman Sachs analysts have revised their OPEC+ end-2023 production forecasts and now forecast Brent crude in December 2023 at \$95/barrel (compared to \$90 seen previously), and also adjusted December 2024 forecasts to \$100/barrel (from \$97 seen previously).



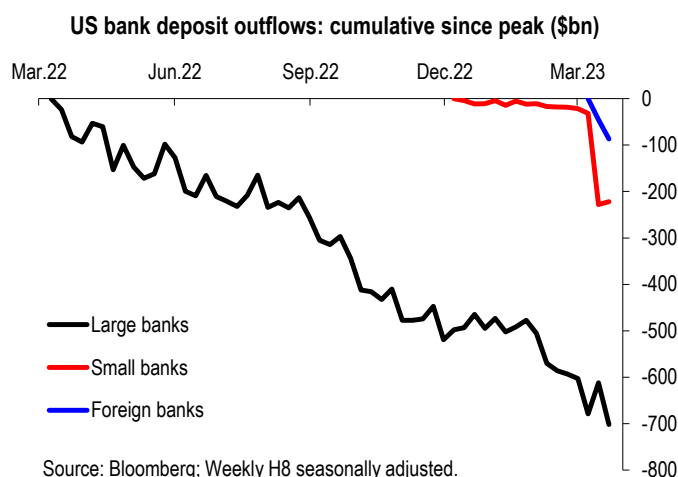
Mature Markets

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United States

Banks' deposit outflows remain large but the pace has moderated, with small banks even recording inflows, while banks borrowing decrease. Based on Fed's H8 data, bank deposits fell \$126 bn s.a. in the week through March 22, less than the \$174 bn of the preceding week. This mirrored the trend into money market funds, which recorded \$55bn and \$102 bn inflows in the same weeks. The deposits outflows were concentrated in the largest 25 banks (-\$90 bn) and foreign banks (-\$42 bn), while small banks saw \$6 bn in deposit inflows (in red in the chart below). Looking at longer term, total deposits peaked in April 2022 at

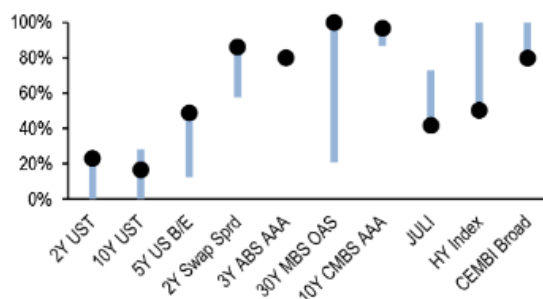
\$18.16 tn and have since declined by about \$850bn or 4.7%. Large banks were leading the deposit outflows until most recently. At the same time, total banks borrowings, including liquidity from the Federal Home Loan Bank system (FHLBs) and the Fed, increased by only \$26 bn in the week through March 22, after surging \$543 bn in the preceding week.



Market participants are converging towards the view that bank liquidity problems have been addressed, but remain cautious about further tightening of credit conditions, particularly in the property market. While overall credit spreads have retraced more than half of their recent widening, MBS and CMBS spreads remain near the high of their range in March. This reflects ongoing concerns about

residential and commercial real estate markets in the face of higher interest rates and slowing growth, which were exacerbated by the recent turmoil in small banks, who are dominant lenders to the commercial real estate sector in the US.

Respective yields and spreads (black dots) within their 1-week range (blue bars), all normalized as a percentage of their 1-month ranges (y-axis); %

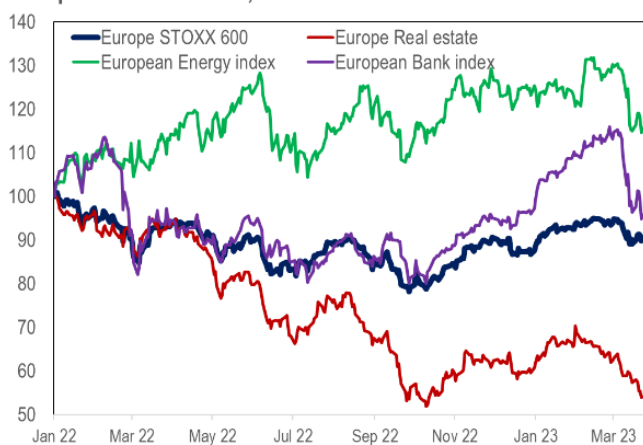


Source: J.P. Morgan

Euro Area

European equities were mixed with the Stoxx 600 Energy index 3.7% higher after OPEC+ unexpectedly announced a reduction in oil output yesterday, while sovereign yields increased (10-yr bund yields +4bps) with analysts pointing to inflation concerns. The euro was marginally stronger (+0.2%) against the dollar, but ING analysts argue that the OPEC+ output cut would likely provide support to the dollar. Final Eurozone manufacturing PMI in March was marginally higher than previous estimates (47.3 vs previously estimated 47.1; down from 48.5 in February), with Germany's final March PMI slightly higher than previously estimated (44.7 vs expected 44.4).

European Stock indices, Jan 2022 = 100

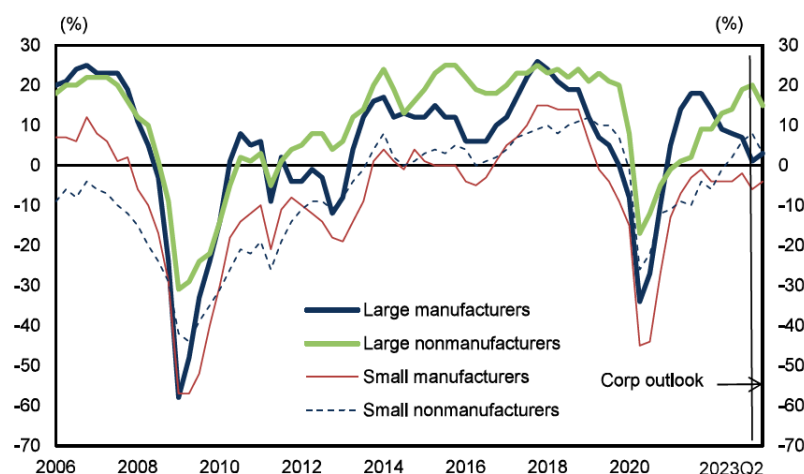


Source: Bloomberg and IMF calculations

Japan

In Japan, the equity market was up 0.5% even though the March BOJ Tankan showed that the diffusion index of business conditions for large manufacturers worsened sharply from the December survey, while they improved slightly for non-manufacturers. At the same time, capex plans for FY2022 and FY2023 were both at the highest level since FY1990.

Exhibit 2: Business Conditions DI



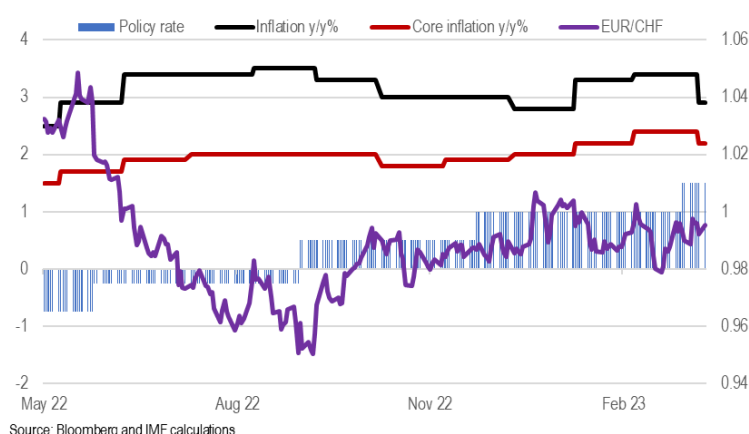
Source: BoJ

Source: Goldman Sachs.

Switzerland

The Swiss franc was little changed against the dollar and trading weaker against the euro (-0.3%) after inflation surprised on the downside in March. Headline inflation eased to +2.9%y/y (vs expected 3.2% from 3.4%) and core inflation eased to 2.2%y/y (vs expected 2.5% from 2.4%). Bloomberg reports that analysts still expect the Swiss National Bank (SNB) to continue tightening at its upcoming meeting in June, but at a slower pace. At the SNB's previous meeting in March, the policy rate was hiked by 50bps to 1.5%. **Analysts now expect the SNB to hike its policy rate by 25 bps at its next meeting in June,** according to Bloomberg. Elsewhere on the data front, PMI manufacturing declined by more than expected in March (47.0 vs expected 48.5 from 48.9). **Separately, UBS is reportedly considering a 20–30% reduction in of its workforce, amounting to 36,000 jobs, according to media articles.**

Switzerland: Policy rate, Inflation and Currency



Source: Bloomberg and IMF calculations

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Asian equity markets are marginally higher on net, with equities in Vietnam (+1.4) and China (+0.7%) outperforming while equities in Sri Lanka declined (-0.3%). Most EM Asia currencies weakened against the dollar after an unexpected OPEC+ production cut announcement. On the data front **China's Caixin manufacturing PMI for March decreased more than expected (to 50.0 vs expected 51.4 from 51.6 in February)**, with analysts highlighting that after an initial post-COVID bounce, China's manufacturing growth remains subdued. Local currency yields were mixed.

In EMEA, currencies were mixed but equities started the week higher, with stocks gaining +1% in Hungary and Poland. The Hungarian forint (+0.4%) gained as swap yields rose 15–20 bps across the curve. The shekel was little changed as the Bank of Israel is expected to hike rates 25 bps to 4.5% later today. The National Bank of Poland is expected to keep its policy rate unchanged at 6.75% on Wednesday. **Analysts at Morgan Stanley point out that currencies in Eastern Europe have benefited from a more hawkish stance from central banks, either verbally or through the policy rate.**

In Latin America, markets were mixed on Friday. Performance in equities and currency markets were broadly negatively correlated on Friday. While the Brazilian real (+0.6%) was the best performing currency in the region on the day, the Bovespa Index underperformed (-1.8%). The worst performing currency was the Chilean peso (-0.7%) against the dollar, but similarly, the equity index gained (+0.4%). Government bonds rallied across most major countries in the region with the exception of Brazil, after the government revealed details about the new fiscal framework proposal on Thursday.

EM Bond Flows

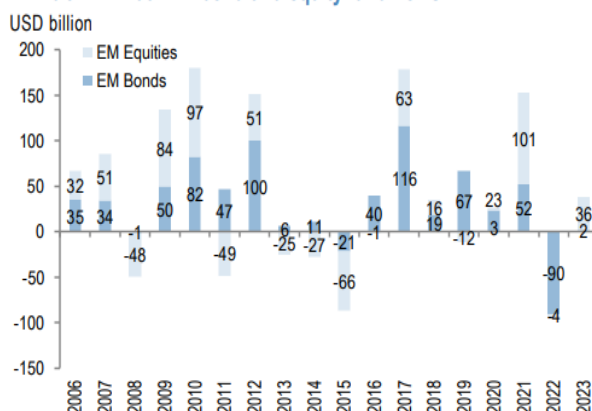
EM fund flows saw modest inflows this week (+\$0.8 bn)—led by inflows into equity funds. Bond funds continued to see outflows this week (-\$1.1bn), driven by local currency bond funds (-\$0.7 bn). Year-to-date EM fund inflows (+38 bn) have been mostly driven by equities (+\$35.9 bn), with bond flows still positive (+\$2.1 bn), despite negative local currency bond flows (-\$0.7 bn).

Exhibit 1: Weekly Cross-Asset Flows

USD billion				
Asset	8w flows (8w ago → current)	This wk	YTD	
EM Bonds and Equities		0.8	38.0	
EM Bonds		-1.1	2.1	
Hard Ccy		-0.4	2.9	
Local Ccy ^A		-0.7	-0.7	
o.w. EM ex-China		-0.6	0.5	
o.w. China		-0.1	-2.0	
EM Equities		1.9	35.9	
US HG		2.4	81.8	
US HY		-1.6	-13.6	
Global Equities		-8.6	-38.8	
EM Bond and Equity ETFs		1.1	23.9	
EM Bond ETFs		0.0	0.2	
EM Equity ETFs		1.1	23.7	
Non-resident EM flows*		1.2	15.3	

*High frequency non-resident EM portfolio flow data where available. ^ALocal ccy split is retail only. Source – All charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

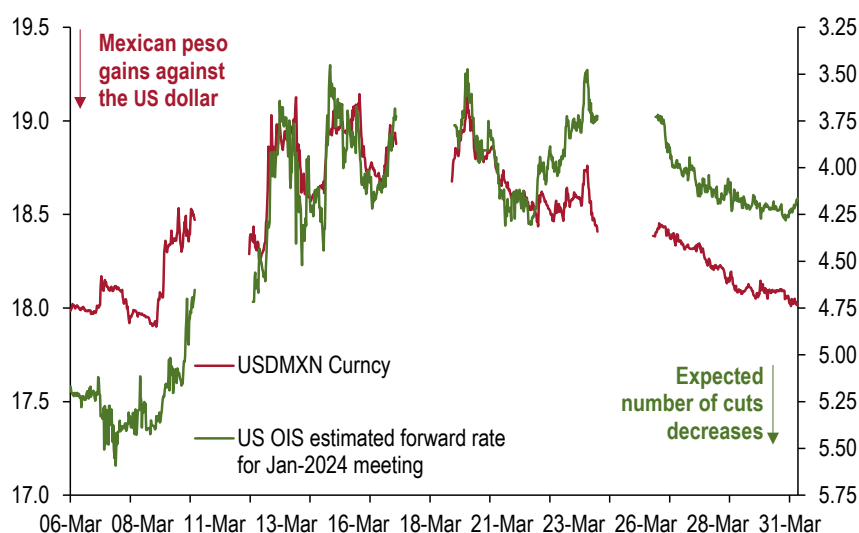
Exhibit 2: Annual EM bond and equity fund flows



Mexico

The Mexican peso pared back its recent losses as markets pared back their Fed rate cut expectations. Given the strong trade linkages with the US, the Mexican peso underperformed most emerging markets currencies in the weeks following the collapse of SVB as markets priced in Fed rate cuts on growth concerns. As the markets re-traced some of the cuts, the peso started gaining against the dollar over the past two weeks, nearly making up all of its March losses. The peso remains the top performer against the US dollar year-to-date in terms of total return among all currencies (11.3%).

As markets pared back Fed rate cuts expectations, the peso has recovered.



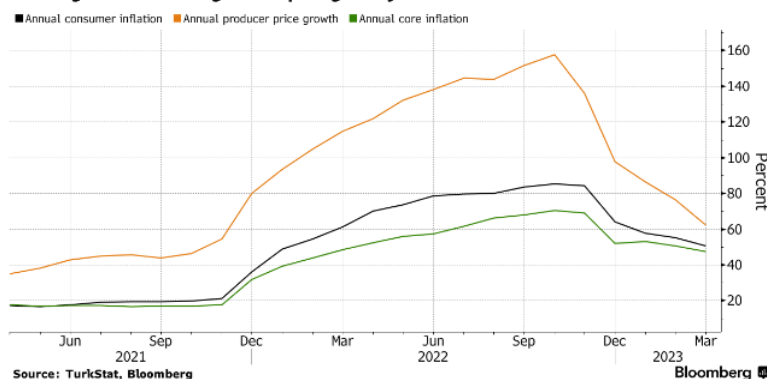
Source: Bloomberg

Türkiye

Headline inflation was lower than expected at 2.3% mom (2.9% mom expected) with some contacts believing that the central bank could cut its policy rate at its next meeting on April 27. Inflation is still 50.5% y/y, and the policy rate is 8.5%. Nevertheless, the focus of contacts is on the 14 May elections, with polls showing Kemal Kilicdaroglu, the opposition's candidate winning the first round against President Erdogan. Meanwhile, S&P lowered its outlook

Turkey's Inflation Dipped More Than Expected in March

Prices gains are cooling after spiking last year



Source: TurkStat, Bloomberg






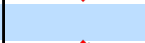
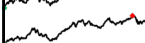

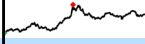
















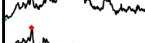


Bloomberg

for Türkiye's sovereign B rating to negative from stable, citing earthquake-recovery costs and elevated inflation. According to S&P, reconstruction in the aftermath of a series of earthquakes could require internal and external financing of as much as 12% of GDP.

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Global Financial Indicators

4/3/23 1:29 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4097	1.4	3	1	-10	7
Europe		4316	0.0	4	1	10	14
Japan		28188	0.5	3	1	2	8
China		4091	1.0	2	-1	-4	6
Asia Ex Japan		68	-0.2	2	0	-11	5
Emerging Markets		39	-0.1	2	0	-14	4
Interest Rates			basis points				
US 10y Yield		3.51	4.5	-2	-44	113	-36
Germany 10y Yield		2.32	2.9	9	-39	177	-25
Japan 10y Yield		0.39	4.0	7	-12	17	-3
UK 10y Yield		3.52	2.7	15	-33	191	-16
Credit Spreads			basis points				
US Investment Grade		162	-1.9	-10	20	26	3
US High Yield		479	-4.1	-47	62	111	-2
Europe IG		84	-0.1	-12	8	14	-6
Europe HY		436	-0.4	-54	39	104	-38
Exchange Rates			%				
USD/Majors		102.39	-0.1	0	-2	4	-1
EUR/USD		1.09	0.3	1	2	-1	2
USD/JPY		133.0	0.1	1	-2	8	1
EM/USD		50.8	-0.1	1	0	-5	2
Commodities			%				
Brent Crude Oil (\$/barrel)		84.8	6.2	9	-1	-8	0
Industrials Metals (index)		160	0.1	1	-1	-25	-3
Agriculture (index)		69	1.2	4	1	-4	0
Implied Volatility			%				
VIX Index (% change in pp)		19.7	1.0	-0.9	1.2	0.1	-1.9
US 10y Swaption Volatility		126.8	0.2	-19.4	5.6	21.5	1.1
Global FX Volatility		10.5	0.1	-0.4	0.7	1.5	-0.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		191	-2.1	3	13	-22	-15
Italy		183	2.4	-1	1	29	-31
Portugal		83	-0.1	-4	-3	1	-18
Spain		102	0.4	-2	7	10	-8

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

Emerging Market Financial Indicators

Last updated: 4/3/2023 1:31 PM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					Level		Change (in basis points)					Since 23-Feb-22
	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		6.89	-0.2	-0.1	0	-8	0		3.1	2.5	3	-14	30	8	29
Indonesia		14970	0.2	1.3	2	-4	4		6.8	-1.4	0	-20	4	-16	28
India		82	-0.2	0.0	0	-8	0		7.5	-3.2	5	-27	15.5	5	
Philippines		55	-0.7	-0.8	0	-6	2		6.0	0.0	0	-3	65	-5	98
Thailand		34	-0.6	0.2	1	-3	1		2.6	1.5	13	-17	20	-4	37
Malaysia		4.42	-0.1	0.0	1	-4	0		3.9	2.1	4	-14	3	-12	25
Argentina		209	-0.2	-1.5	-6	-47	-15		87.1	-539.1	-449	-112	3754	-112	3913
Brazil		5.05	0.2	2.9	3	-9	5		13.1	16.4	-5	-65	195	54	160
Chile		795	-0.7	1.9	4	-1	7		5.1	0.0	5	-60	-101	-22	-79
Colombia		4623	-0.2	2.6	5	-19	5		8.7	5.0	-5	-121	106	-112	78
Mexico		17.99	0.3	2.0	0	10	8		8.4	-4.5	-2	-59	21	-36	53
Peru		3.8	-0.1	0.3	1	-2	1		7.5	-4.2	-4	-65	77	-46	151
Uruguay		39	0.3	0.7	1	6	3		10.3	6.3	19	22	146	-36	217
Hungary		349	0.5	2.6	2	-4	7		8.4	0.0	45	9	239	-118	362
Poland		4.30	0.4	0.9	3	-2	2		5.5	3.3	9	-51	63	-68	157
Romania		4.5	0.5	0.7	2	-1	2		7.2	-2.2	11	-33	138	-47	207
Russia		78.4	-0.9	-1.9	-4	6	-5		10.4	-1.9	0	-17	-362	-147	-80
South Africa		17.9	-0.5	2.4	1	-18	-5		9.2	10.5	10	-9	131	-1	157
Turkey		19.20	-0.1	-0.6	-2	-24	-3		10.3	-17.0	-174	-124	-1493	49	-1210
US (DXY; 5y UST)		102	-0.1	-0.5	-2	4	-1		3.64	6.7	5	-61	108	-36	174

	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	YTD
								basis points					
China		4091	1.0	2	-1	-4	6		190	-1	23	-23	13
Indonesia		6827	0.3	2	0	-4	0		160	-5	21	-9	20
India		59106	0.2	3	-1	-2	-3		168	-7	21	21	26
Philippines		6530	0.5	-1	-2	-9	-1		132	-8	15	18	35
Thailand		1600	-0.5	0	0	-6	-4		0	0	0	0	0
Malaysia		1433	0.8	3	-1	-10	-4		101	-6	6	-15	1
Argentina		245716	-2.4	12	0	166	22		2313	-243	340	589	108
Brazil		101882	-1.8	3	-2	-16	-7		273	-17	12	-17	-1
Chile		5325	0.0	1	-2	7	1		148	-6	8	-1	16
Colombia		1158	1.0	4	-5	-29	-10		385	-36	-12	47	13
Mexico		53904	-0.5	2	-1	-5	11		388	-26	21	47	7
Peru		21898	-0.1	2	-2	-12	3		194	-4	13	38	14
Hungary		42942	1.5	2	-3	-5	-2		239	-2	37	99	17
Poland		59106	0.8	5	-2	-10	3		82	-4	15	74	9
Romania		12202	0.7	1	-2	-5	5		263	1	29	57	7
Russia		2471	0.8	1	9	-10	15						
South Africa		76743	0.8	2	-2	1	5		403	-16	32	39	36
Turkey		4693	-2.5	-6	-10	108	-15		480	6	-10	-49	40
Ukraine		507	0.0	0	0	-2	-2		4970	60	295	2170	891
EM total		39	0.1	2	0	-14	4		414	-14	27	46	39

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

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