



- US nonfarm payrolls stronger-than-expected ([link](#))
- US corporate bankruptcies surge amid elevated borrowing costs ([link](#))
- Bloomberg survey suggests ECB will cut interest rates once a quarter, starting in June ([link](#))
- BOJ's Ueda hints there is a chance of raising rates in the second half of this year ([link](#))
- Oil rallies on a combination of robust demand and supply dynamics ([link](#))
- Global green bonds see record issuance in the first quarter of 2024 ([link](#))
- Reserve Bank of India keeps the policy rate unchanged at 6.5%, as expected ([link](#))
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## All eyes on US nonfarm payrolls

**US Treasury yields jumped immediately after the release of a stronger-than-expected nonfarm payrolls report.** The dollar strengthened and Fed rate cut bets for June retreated and now price 14 bps of easing vs. 19 bps yesterday. Prior to the release, global equities fell, and European stocks slumped the most in almost 2 months, on raising geopolitical tensions and investor worries about the possibility of further delays in the start of the rate cutting cycle. A flurry of Fed speakers spoke yesterday, with some expressing concerns about inflation remaining too high and the need to see more progress on housing and core services inflation before considering any rate cuts. Elsewhere, oil prices stayed above \$90/barrel on fears of an escalation of geopolitical tensions in the Middle East. Brent oil prices have reached a 2-year high and are up 18% year-to-date due to a combination of robust demand and supply dynamics. In emerging markets, central banks in India and Poland kept rates on hold, as expected, and the Chilean peso's outperformance continued amid surging copper prices.

Key Global Financial Indicators

Last updated: 4/5/24 8:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5147	-1.2	-2	1	26	8
Eurostoxx 50		4996	-1.5	-2	2	16	10
Nikkei 225		38992	-2.0	-3	-2	42	17
MSCI EM		41	-0.4	1	3	5	2
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.33	2.0	13	18	102	45
Germany 10y Yield		2.37	1.2	8	5	19	35
EMBIG Sovereign Spread		336	-3	-5	-29	-150	-47
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.9	0.2	1	0	-7	-3
Dollar index, (+) = \$ appreciation		104.3	0.1	0	0	2	3
Brent Crude Oil (\$/barrel)		90.8	0.2	4	11	7	18
VIX Index (% change in pp)		16.5	0.2	4	2	-3	4

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

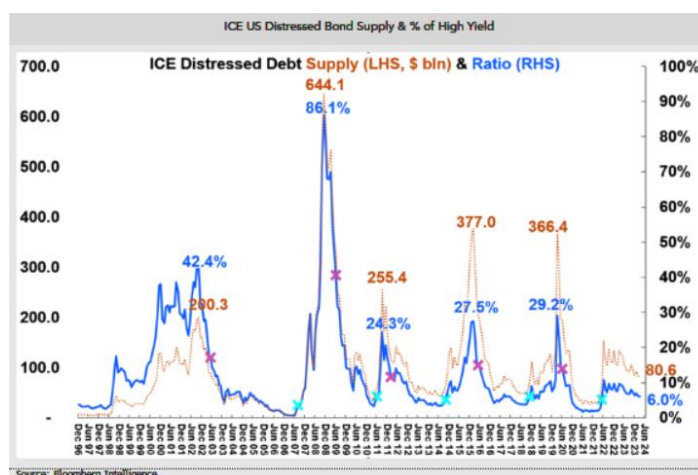
## Mature Markets

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### United States

**This morning, the US jobs report data beat expectations confirming the strength of the US economy and suggesting that the Fed may be patient on cutting rates. US nonfarm payrolls added 303k jobs in March, up from a revised 270k the month prior, and well above expectations for a drop to 214k.** The unemployment rate dipped to 3.8% from 3.9%, continuing a streak of below 4% readings for more than two years. Average hourly earnings rose in line with expectations (+0.3%) in March, an acceleration from 0.1% in February. The labor force participation rate picked up slightly more than expected to 62.7%—still below the pre-pandemic level. The jobs report is closely followed by next week's CPI data, another key reading in the debate about the path of policy rates. US Treasury yields jumped 5–7 basis points immediately after the release while the dollar strengthened.

**US Corporate bankruptcies are on the rise**, surging close to levels not seen since 2009. Twelve new cases were filed this week, adding to a streak of negative records: commercial insolvencies jumped 43% in the first quarter of 2024 compared with the same quarter last year, while in 2023 corporate insolvencies reached a fourteen-year high. Analysts expect the upward trajectory to persist throughout the year as persistently high interest rates continue to strain the financial health of vulnerable companies. Market contacts reported that some hedge funds began to short corporate debt, anticipating further distress in the corporate sector. At the same time, bond supply from distressed corporate issuers edged lower in March, setting a new low for the cycle.

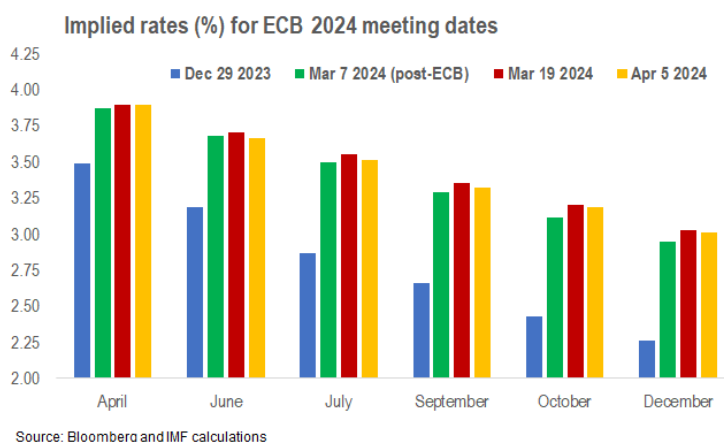


### Euro-area

**European equities slumped the most in almost two months this morning. The Euro Stoxx 50 index was trading (-1.5%) lower in early morning trading.** The euro was unchanged against the dollar, trading at around 1.08. **Euro area sovereign yields were a touch wider (+1 bps) with the 10-year bund yield trading at 2.37%.** 10-year Italian BTP spreads over bunds were wider (+3bps) at 142bps. **Analysts at BofA are more sanguine about recent budget deficit concerns for France.** They note that whilst the headlines have triggered questions around the sustainability of public finances in both Italy and France, for France, they believe “a return close to the initially intended deficit trajectory from 2024 onward is very likely”, with a return to sub-3% deficit expected by 2027.

**A Bloomberg survey suggests the ECB will cut interest rates once a quarter, starting in June.** Economists responding to a Bloomberg survey expect the ECB to adopt a “steady-yet-gradual path of interest rate cuts that will run into the end of 2025”. Starting in June, the deposit rate is expected to be cut in 25 bps increments on a quarterly basis taking the rate to 2.25% by late 2025, with nearly 60% of

respondents expecting the neutral rate ( $r^*$ ) between 2% and 3%. **Market pricing for ECB rate cuts in 2024 remains stable with around 90 bps of rate cuts expected this year and the first 25 bps rate cut fully priced for June**, compared to around 70 bps of easing for the Fed. According to the survey, only a quarter of respondents think that Fed decisions will not impact the ECB's rate path at all. Global geopolitical tensions and inflation pressures were cited as the biggest risks to the euro area in the survey. **Survey respondents also expect the ECB to introduce new longer-term loans and a permanent structural bond portfolio with a maturity of between 3-5 years in 15 months' time as part of its new operational framework.**



## United Kingdom

**House prices fell for the first time in six months.** According to data from lender Halifax, UK prices registered a 1% m/m decline in March, although on a year-on-year basis, prices have risen 0.3%. While data earlier this week showed that mortgage approvals in February climbed to the highest level in seventeen months, UK mortgage rates have been drifting higher with the average two-year fixed rate mortgage climbing to 5.81%, up from 5.55% in late January. Real estate agents expect stronger demand later in the year once a BoE rate cut is “firmly on the horizon”. **Current market pricing puts the probability of a 25 bps rate cut in June at around 70%, with the first 25 bps rate cut fully priced for August.** Analysts at Morgan Stanley however think there is a chance for the BoE to deliver the first cut in May although they acknowledged that the market pricing still reflects deep skepticism that the BoE could cut in May. **This morning the pound was broadly flat against the dollar while 10-year gilts were higher (+3 bps).** Meanwhile, the FTSE 100 index was trading lower (-1.0%) in line with global averages.

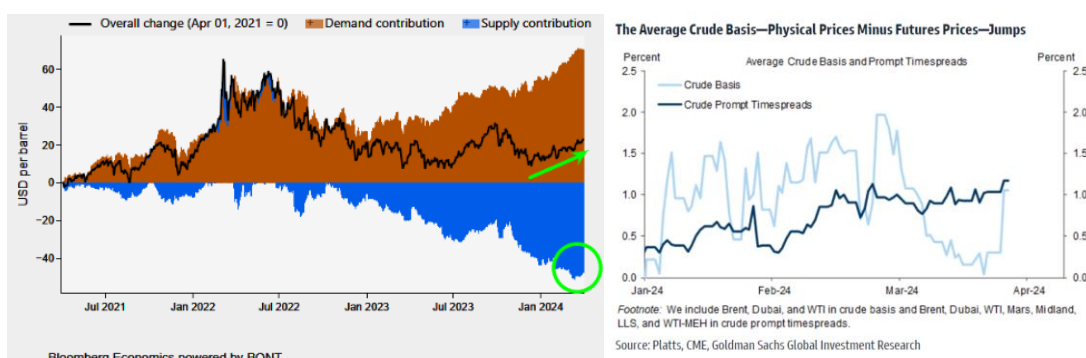
## Japan

**Governor Ueda hinted there is a chance of raising interest rates in the second half of this year** in a media interview. His remarks suggested that the Bank of Japan (BOJ) is looking to confirm the spread of wage increases and their impact on services prices before hiking interest rates again. Governor Ueda also mentioned that the BOJ will respond to exchange rate movements if they affect the virtuous cycle of inflation dynamics. Analysts interpreted that the BOJ would be more mindful of second-round effects of the yen depreciation rather than adjust monetary policy to street currency movements. The yen initially appreciated following his remarks but ended up depreciating to 151.4 yen per dollar (-0.1%) on the day. JGB yields were mixed, with short-end yields rising (1-year: +1.5 bps) while long-end yields fell (30-year: -3.1 bps). The 1-year OIS rate edged up to 0.18% (+0.4 bp). **Household spending continued to decline as sticky inflation is discouraging discretionary spending.** Households reduced spending by 0.5% y/y in February, extending the decline for the 12<sup>th</sup> straight month. However, the decline was smaller than expected (consensus: -2.9%). The trajectory of household spending may change soon given the prospect of sizeable wage increases. The ongoing wage negotiations will likely result in wage increases of 5.2% based on the

announcement as of April 2. **Japanese equities declined** (NIKKEI: -2.0%), underperforming regional markets. Geopolitical tensions in the Middle East and a stronger Japanese yen weighed on share prices.

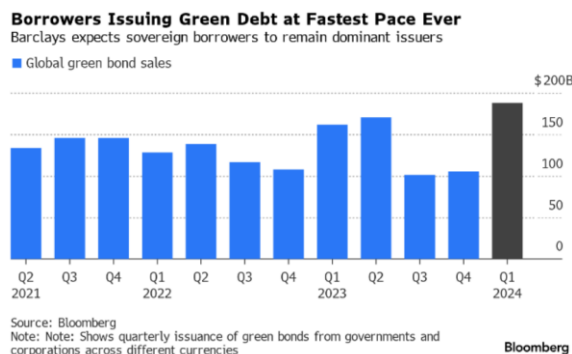
## Commodities

**Brent crude oil prices gained +1.5% yesterday, reaching a 2-year high and surpassing \$90, due to a combination of robust demand and supply dynamics.** On the demand side, strong US and China manufacturing PMIs are providing early signs of a manufacturing cycle upswing, while European demand remains firm as recent economic data releases have shown some improvement. On the supply side, Russian refinery disruptions, the ongoing Middle East conflict, softness in US supply production, and a possible extension of OPEC+ cuts throughout 2024 have bolstered prices. As a result, the average crude basis (physical prices vs. futures) surged this week. Rising energy prices can fuel further uncertainty over the path of inflation, which is once again the focus of investors ahead of CPI data coming next week. Beyond oil, commodities are rallying with gold at record highs and copper prices picking up.



## Green Bond Issuance

**Green bonds saw record issuance in Q1-2024, driven by robust demand for investment-grade debt.** Global issuance of green bonds—the largest category of sustainable debt by volume—spiked in the first quarter of 2024. Government issuance led the way, followed by the financial sector. Investors sought higher yields from high-grade corporates issuing green bonds, while European sovereign and supranational issuers also set records for green debt. US corporate issuance increased significantly, particularly from sectors facing emission reduction challenges—like steel, aluminum, and cement. However, as rate cuts become shallower and more distant, green issuance may slow down in the coming months, aligning with a broader corporate supply slowdown.



## Emerging Markets

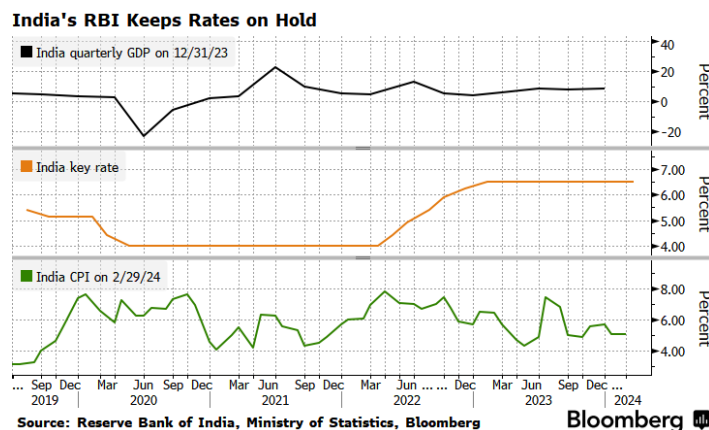
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**Asian equities declined** led by Philippine (-1.2%) stocks. **Asian currencies were mixed**, with the Philippine peso (-0.3%) depreciating and the Indonesian rupiah (+0.3%) appreciating. **Long-end**

**government bond yields were also mixed.** In the **Philippines**, CPI inflation picked up to 3.7% y/y in March, slightly lower than expected (consensus: +3.8%). In **Thailand**, CPI fell 0.47% y/y in March, larger than expected (consensus: -0.4%). Meanwhile, core inflation eased to 0.37% y/y from 0.43% a month ago. The Thai baht appreciated modestly (+0.1%). In **Hong Kong SAR**, the PMI improved to 50.9 in March from 49.7 in February; equities were little changed. In **EMEA equities were lower, while currencies were mixed.** Equities outperformed in Türkiye (+2.5%) but underperformed in Poland (-1%) and South Africa (-1.3%). CEE currencies were stronger against the euro, in particular the Hungarian forint (+0.4%) which advanced on better-than-expected February industrial production data. The Turkish lira was weaker (-0.3%) today but has appreciated 1.1% against the dollar this week. The South African rand was stronger (+0.4%) this morning buoyed in part by the strength in gold prices, taking its overall gain against the dollar to 1.2% this week. In **Latam**, higher oil (+1.9%) and copper (+0.6%) prices continued to support the Colombian (+1.2%) and the Chilean pesos (+1.3%). Colombian equities continued their ascent (+1.7%, +17.8% ytd). **Brazil's** current account deficit moderated in February. The **Mexican central bank** released its minutes for its March meeting, which some analysts think has set a hawkish undertone: another rate cut in May may be delivered if warranted by the progress on the disinflationary path.

## India

**The Reserve Bank of India (RBI) kept the policy rate unchanged as 6.5% as expected.** The RBI also retained its hawkish stance of “withdrawal of accommodation” as it still focuses on bringing down inflation (latest: 5.09% y/y in February) to the target at 4%. The RBI did not change its macroeconomic outlook, with its growth and inflation forecasts at 7% and 4.5%, respectively, for the current fiscal year ending in March 2025. However, rising food prices, hotter-than-usual weather, and strong economic activity continue to add inflationary pressure. In terms of liquidity management, Governor Das said that the RBI will remain nimble and flexible in its liquidity management and will use both repo and reserve repo operations. Separately, the RBI pushed back the implementation of its rules on exchange-traded currency derivatives by about a month after the measure triggered some market panic. The Indian rupee appreciated (+0.2%), and long-end government bond yields increased (10-year: +1.6 bps). Indian stocks were little changed.

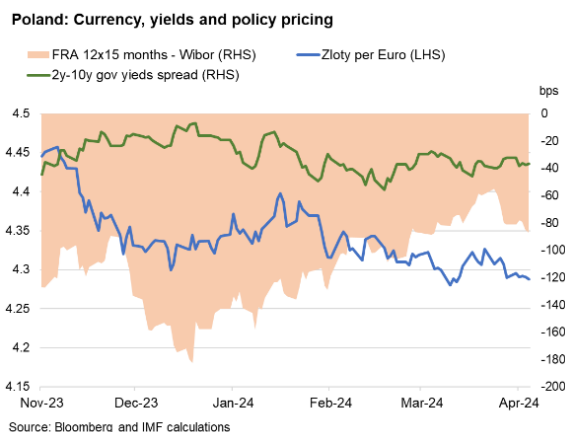


## Poland

**The Polish zloty appreciated (0.1%) against the euro after the National Bank of Poland (NBP) kept the policy rate at 5.75% yesterday, as expected.** In the press release the MPC explained that, despite the decline of headline inflation to 1.9% y/y in March, inflation developments remain “associated with substantial uncertainty, related in particular to the impact of fiscal and regulatory policies” and that “should energy prices be raised, inflation might increase significantly in the second half of 2024”. Still, Goldman Sachs forecasts inflation at 3.7% y/y in 2024 (against NBP’s estimate of +4.7% y/y) and 2.6% y/y in 2025 (NBP 4.5% y/y) and continues to expect that underlying disinflation will eventually lead the MPC to cut rates later this year. ING also views inflationary risks from energy prices as exaggerated, but it expects interest

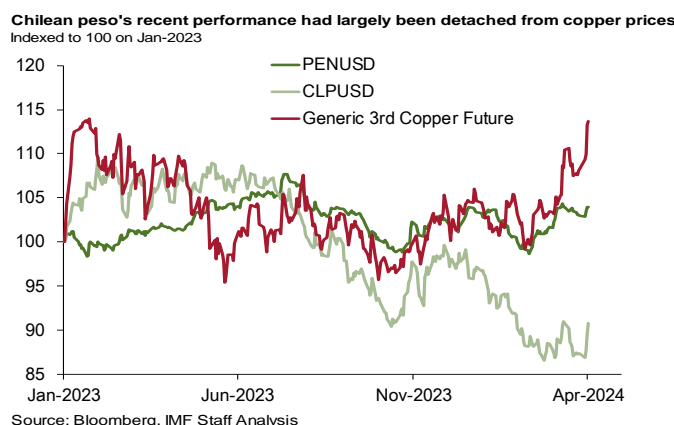


rates to remain unchanged until the end of 2024 as core inflation is still growing at 0.5% per month. Short term yields fell 2.8 bps after the decision, but the yield curve was little changed.



## Chile












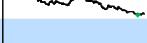





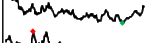
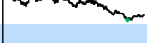
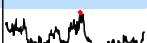

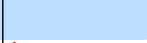



**The Chilean peso's outperformance continued yesterday amid surging copper prices.** The currency has been the best performer since the start of the week across major currencies (+4.5%). This performance follows the currency bouncing back from historical weak levels to the dollar last month. The central bank has continued its cutting cycle despite a less favorable external backdrop. The narrowing interest rate differentials have led the currency to diverge from its main export, copper. At its latest meeting, policymakers took out their guidance for policy rates to reach their neutral level, which suggests that they might pursue a less aggressive cutting cycle going forward than previously signaled. With a central bank that is more considerate about the external backdrop, the Chilean peso's performance could continue to track developments in the copper market like the Peruvian sol.



*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.*

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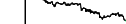



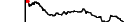




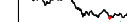















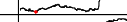
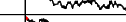
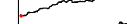







## Global Financial Indicators

4/5/24 8:07 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5157	-1.2	-2	2	26	8
Europe		4996	-1.5	-2	2	16	10
Japan		38992	-2.0	-3	-2	42	17
China		3568	-0.4	2	1	-13	4
Asia Ex Japan		68	-0.5	0	3	1	2
Emerging Markets		41	-0.4	1	3	5	2
<b>Interest Rates</b>			basis points				
US 10y Yield		4.33	2.0	13	18	102	45
Germany 10y Yield		2.37	1.2	8	5	19	35
Japan 10y Yield		0.79	0.1	6	8	31	18
UK 10y Yield		4.05	2.8	12	4	62	51
<b>Credit Spreads</b>			basis points				
US Investment Grade		120	-0.9	0	-10	-44	-14
US High Yield		353	-3.8	7	-14	-152	-32
<b>Exchange Rates</b>			%				
USD/Majors		104.26	0.1	0	0	2	3
EUR/USD		1.08	0.0	0	0	-1	-2
USD/JPY		151.4	0.0	0	1	15	7
EM/USD		46.9	0.2	1	0	-7	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		90.8	0.2	4	12	16	18
Industrials Metals (index)		147	-0.6	5	7	-5	3
Agriculture (index)		60	0.5	0	4	-12	-4
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		16.5	0.2	3.5	2.1	-2.6	4.1
Global FX Volatility		6.6	0.0	0.0	0.0	-3.7	-1.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		105	1.4	-3	-2	-85	2
Italy		141	2.2	2	2	-43	-27
Portugal		68	0.8	-3	-1	-17	5
Spain		84	0.7	-3	-2	-19	-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: 4/5/2024 8:06 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		7.23	0.0	-0.1	0	-5	-2		2.3	0.0	1	-2	-80	-18
Indonesia		15848	0.3	0.1	0	-6	-3		6.7	-1.9	-4	0	-4	17
India		83	0.2	0.1	0	-2	0		7.3	1.9	9	5	(19.9)	4
Philippines		57	-0.2	-0.5	-1	-4	-2		5.4	0.0	0	0	-52	-20
Thailand		37	0.2	-0.8	-2	-7	-7		2.6	2.1	12	6	4	-8
Malaysia		4.75	-0.2	-0.5	0	-7	-3		3.9	-1.1	1	2	-2	13
Argentina		862	-0.5	-0.5	-2	-76	-6		48.2	-156.0	-453	-2274	-4060	-3821
Brazil		5.04	0.2	-0.6	-2	0	-4		11.4	7.1	29	64	-136	96
Chile		945	-0.3	3.8	4	-14	-7		5.2	1.3	7	19	12	33
Colombia		3768	1.2	2.4	5	22	3		8.0	0.0	30	43	-55	40
Mexico		16.52	0.4	0.2	3	11	3		8.9	-0.5	19	31	63	48
Peru		3.7	0.0	1.0	2	2	1		7.2	-0.8	-19	26	-29	47
Uruguay		38	0.1	-1.7	2	1	2		9.1	-0.4	6	6	-127	-47
Hungary		360	0.5	1.4	1	-4	-4		6.5	-2.0	-2	55	-172	77
Poland		3.95	0.2	0.7	1	9	0		5.0	-1.9	6	24	-33	55
Romania		4.6	0.0	0.5	0	-1	-2		6.4	0.3	4	5	-81	19
Russia		92.5	-0.3	0.0	-2	-13	-3							
South Africa		18.6	0.6	1.5	2	-3	-1		9.8	5.5	-3	28	77	64
Türkiye		31.97	-0.2	1.3	-1	-40	-8		26.9	20.0	8	-147	1666	15
US (DXY; 5y UST)		104	0.1	-0.3	0	2	3		4.32	1.8	10	17	94	47

	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		3568	0.0	2	1	-13	4		149	0	-4	-45	-9	
Indonesia		7287	0.4	0	-1	7	0		97	-3	-9	-67	1	
India		74248	0.0	1	0	24	3		106	-1	1	-60	-10	
Philippines		6745	-1.2	-2	-3	4	5		85	-2	-4	-56	5	
Thailand		1376	0.1	0	-1	-13	-3		0	0	0	0	0	
Malaysia		1555	0.1	1	1	9	7		82	-1	-1	-17	-3	
Argentina		1183127	-2.4	-4	19	368	27		1364	-95	-236	-1000	-549	
Brazil		127428	0.1	0	-1	26	-5		212	-1	-1	-63	-3	
Chile		6589	-0.4	-1	5	26	6		120	-4	-9	-30	-5	
Colombia		1408	1.7	6	8	18	18		288	-5	-15	-103	17	
Mexico		57883	0.7	1	4	8	1		305	-6	-20	-91	-29	
Peru		28165	-0.7	-1	-2	29	8		142	1	0	-52	-2	
Hungary		66458	-0.2	3	1	51	10		151	-2	-7	-90	2	
Poland		83501	-0.4	2	4	43	6		94	-4	-3	6	-3	
Romania		17181	0.6	1	6	39	12		177	-7	-23	-85	-23	
South Africa		74490	-1.2	1	3	-3	-3		347	-12	-1	-65	39	
Türkiye		9387	2.8	3	6	91	26		284	-17	-49	-215	-30	
EM total		41	-1.0	1	3	5	2		286	-8	-29	-129	-59	

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

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