



- **US corporate earnings expected to slow in Q1 before rebounding later this year** ([link](#))
- **Growing divergence in the interest rate outlook for US and Europe** ([link](#))
- **The yen weakens further amid strong short positioning by leveraged funds and asset managers** ([link](#))
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- **March headline inflation slows in Egypt despite currency depreciation** ([link](#))
- **Special Feature: EM and Frontier Markets Issuance March 2024** (attached)

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## Sovereign bond yields march higher

**US Treasury yields continued to climb as investors pared back their expectations for interest rate cuts in the face of resilient data on the US economy.** The first cut in Fed fund rates is now only fully priced for September while the 10-year Treasury yield has risen 26 bps month to date, inching closer to the key 4.5% level. Across the pond, euro-area sovereign bond yields also rose with investors focused on the ECB meeting this Thursday amid expectations the central bank will keep its policy rates unchanged. Market participants will be looking to the press conference for any clues as to the likely path of interest rates beyond the June meeting, which is when the first ECB rate cut is widely expected. In Japan, the yen weakened further, with bearish positioning by leveraged funds and asset managers reaching their highest level since January 2007. In China, the yuan fixing was kept steady after the onshore RMB depreciated near the weak end of the trading band. Elsewhere, the Philippines central bank held its policy rate unchanged at 6.5%, as expected.

Key Global Financial Indicators

Last updated: 4/8/24 8:05 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5204	1.1	-1	2	27	9
Eurostoxx 50		5034	0.4	-1	1	17	11
Nikkei 225		39347	0.9	-1	-1	43	18
MSCI EM		41	0.2	0	1	5	3
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.46	5.5	15	38	107	58
Germany 10y Yield		2.45	5.4	16	19	27	43
EMBIG Sovereign Spread		330	-6	-11	-38	-161	-53
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.8	-0.1	1	0	-7	-3
Dollar index, (+) = \$ appreciation		104.4	0.1	-1	2	3	3
Brent Crude Oil (\$/barrel)		90.6	-0.7	4	10	6	18
VIX Index (% change in pp)		16.1	0.1	2	1	-2	4

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

The coming week will feature numerous central bank meetings as well as the FOMC meeting minutes. In the US, consensus looks for a sequential slowdown in both headline and core CPI inflation, while annual inflation is expected to increase for headline and decline for core. In Europe, the ECB meeting on Thursday is expected to be uneventful. Investors will look for additional color on the likely pace of rate cuts, though the consensus expects the governing council to reiterate data dependence. Other key data releases are industrial production and final HICP in the euro area, as well as monthly GDP and inflation from the UK. In Asia, China will report money supply, inflation and trade balance. Other policy meetings will take place in Philippines, New Zealand, Canada, Peru, and South Korea, and all are expected to hold.

## Mature Markets

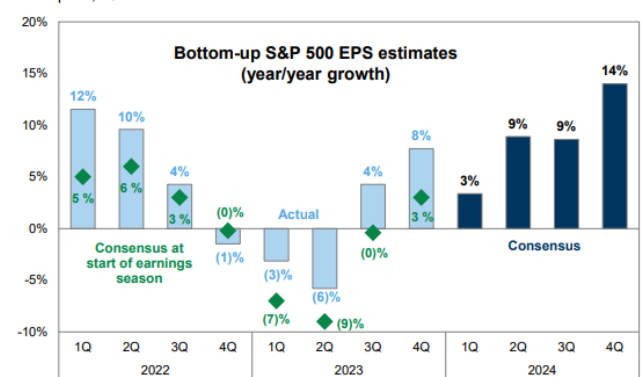
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### United States

**Corporate earnings are expected to slow in Q1 before rebounding later this year.** The Q1 reporting season begins this week, first with the large banks. Consensus expects EPS growth to slow from 8% y/y in Q4 to 3% y/y in Q1, before accelerating into the remainder of this year. The 10 largest stocks are expected to post EPS growth of 32% y/y, compared to a contraction of 4% y/y for the remaining constituents. Notably, **realized earnings have beat consensus expectations in nearly every quarter since 2021.**

**Exhibit 1: Realized and consensus year/year S&P 500 EPS growth**

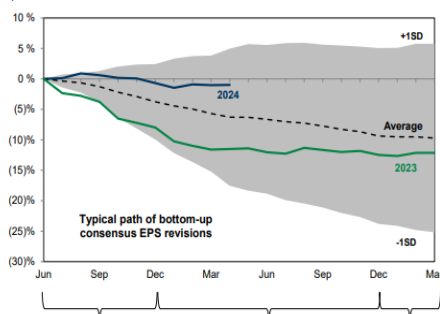
as of April 4, 2024



Source: FactSet, Goldman Sachs Global Investment Research

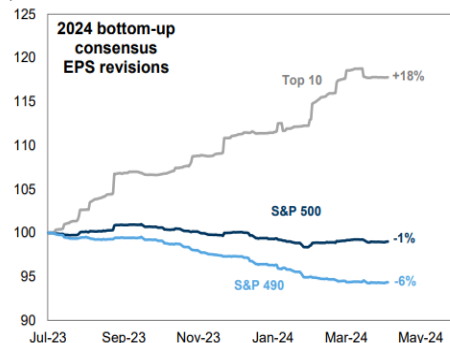
**Earnings revisions for 2024 have been stronger than historical averages supported by the largest stocks.** Since mid-2023, S&P 500 consensus 2024 earnings-per-share (EPS) has been cut by just 1%, compared with -10% at this point last year and -6% in the average year since 1985. This is largely the result of strong earnings expectations for the largest 10 stocks, whose 2024 EPS estimates have been raised by 18%.

**Exhibit 5: Earnings revisions for 2024 have been above average ...**  
as of April 4, 2024



Source: FactSet, Goldman Sachs Global Investment Research

**Exhibit 6: ... although this primarily a function of the largest market cap stocks**  
as of April 4, 2024



Source: FactSet, Goldman Sachs Global Investment Research

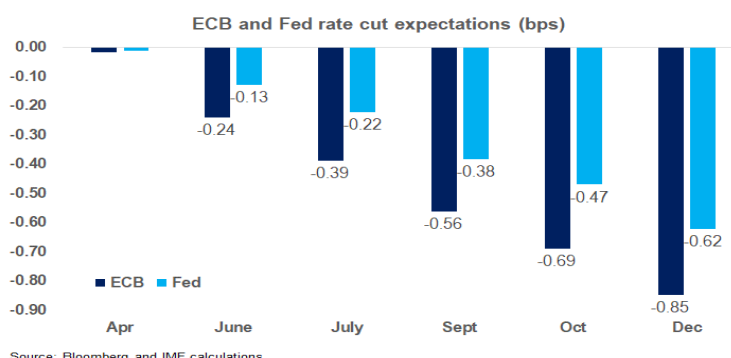
## Euro Area

The **STOXX 600 index** was trading **(+0.2%)** higher in early morning trading. The euro was a touch weaker (-0.1%) against the dollar, trading at around 1.08. **Euro area sovereign yields rose (+6 bps) with the 10-year bund yield trading at 2.45% driven by hawkish Fed cut repricing and stronger than expected German industrial production data this morning.** February industrial production figures for Germany came in better-than-expected with month-on-month data posting a 2.1% increase (0.5% m/m exp, 1.0% m/m prior). 10-year Italian BTP spreads over bunds were narrower (-2 bps). Late on Friday, Moody's affirmed the European Union's credit rating at Aaa with a stable outlook.

**There is a growing divergence in the interest rate outlook for US and Europe.** Market contacts noted that following Friday's robust US jobs report and hawkish comments from Fed officials over the weekend,

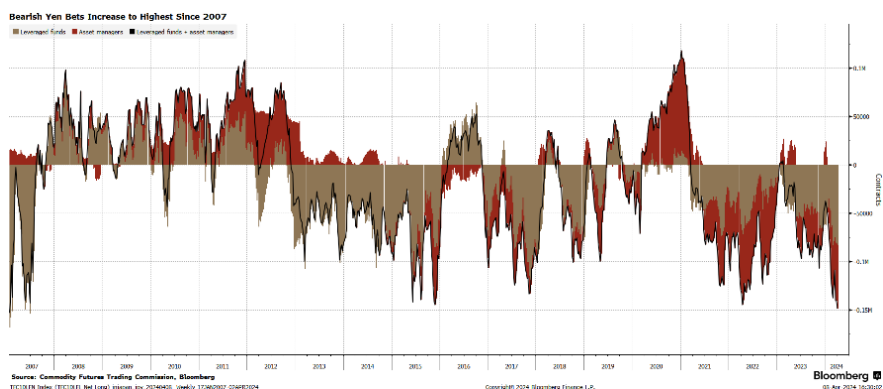
Wednesday's US inflation data will be closely watched for clues as to the possible timing for a US rate cut. Meanwhile, the ECB appears to have more confidence in the declining

inflation trend and policymakers are expected to signal "that the degree of restriction can be reduced from June" at this week's meeting, with market expectations for rate cuts increasingly diverging for the two economies. **For the ECB, markets are currently pricing in around 85 bps of rate cuts in 2024, with the first 25 bps cut priced in for June.** This contrasts to around 62 bps of easing for the Fed this year, with the timing of the first rate uncertain. While a Bloomberg survey last week suggested that only a quarter of respondents think that Fed decisions will not impact the ECB's rate path at all, most contacts think that the ECB will be unwilling to give further guidance about policy developments beyond June because of the uncertainty around inflation dynamics, as well as the Fed's policy stance.



## Japan

**The Japanese yen continued to trade near a three-decade low,** despite repeated warnings from the Japanese officials that excessive yen weakness would trigger currency intervention. The persist weakness of the yen (-0.2%) reflected the interest rate differential between yen and US dollar denominated

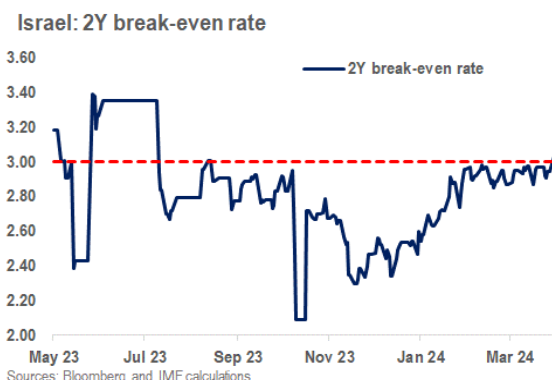


assets, which was reinforced by the biggest weekly rise of the US treasury yields since mid-March. According to the latest Commodity Futures Trading Commission data, **bearish yen positions held by leveraged funds and asset managers for the week ending 2 April rose to the highest level since January 2007.** The market is also closely monitoring wage growth in Japan, given the pursuit of a virtuous cycle of wage and price growth by the Bank of Japan (BoJ). The latest data show a steeper decline of real wage growth in February (-1.3% y/y) from the prior month (-0.6% y/y) amid an acceleration of CPI inflation to 2.8% y/y. Market analysts expect real wage growth to turn positive as soon as June which would make it easier for the BoJ's next hike. **Long-end JGB yields rose** (10-year: +1 bp; 30-year: +0.8 bp), amid

speculation that the BoJ will reduce bond purchases at its market operations. **Japanese equities rose** (+0.9%), after the upbeat US job report lifted sentiment on global growth prospects.

## Israel

**The Bank of Israel is expected to keep rates unchanged later today.** Consensus expectations are for policymakers to keep rates on hold at 4.50% at today's meeting, although some analysts, including Goldman Sachs expect authorities to cut rates by 25 bps to boost the war-damaged economy. Mounting tensions in the Middle East have led to two-year inflation break-even rates climbing to 3.17%, according to Bloomberg, above the central bank's target range of 1% to 3%. Policymakers left rates on hold at their last meeting in February, after lowering rates for the first time since the Covid pandemic in January. **Ahead of today's policy meeting, the shekel was trading stronger to the dollar (+1%) at 3.72/\$.**



## Emerging Markets

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**Asian equities were mixed today.** Share prices rose in India (+0.7%) and Malaysia (+0.3%), while Chinese (-0.9%) and Vietnamese (-0.4%) equities declined. **Most Asian currencies depreciated**, with the Thai baht weakening (-0.2%) after the prime minister called for the central bank to cut the policy rate by at least 25 bps to support the economy ahead its meeting on Wednesday to review interest rates. Long-end government bond yields mostly rose, tracking US treasury yields higher, with 10-year yields rising in Singapore (+6 bps) and India (+4 bps). In **EMEA, equities were higher, while currencies were mixed.** In CEE, equities outperformed in Poland (+1%), Hungary (+0.6%) and in Czechia (+0.4%), where industrial production data showed signs of recovery. CEE currencies were mostly stable against the euro. In Türkiye, where today's data showed industrial production growing (+11.5% y/y) above expectations (median estimate of +8.1%), equities were higher (+1%) and the lira remained stable to the dollar. The South African rand was stronger (+0.6%) as gold prices hit new record highs. **In Latam, equities were mixed on Friday, underperforming in Chile (-1.2%) and Colombia (-1.4%).** In currencies, the Chilean peso (-0.7%) weakened following weekly gains, while the Mexican peso appreciated (+0.8%). Colombian inflation fell in March to 7.36% y/y from 7.74%, meeting expectations.

## EM Weekly Fund Flows

**EM bond fund flows rebounded positively for the first time in two months, recording an increase of +\$248 mn (from -\$1.8 bn the previous week).** This trend is driven primarily by substantial local currency inflows (+\$190 mn, from -\$1.8 bn), alongside inflows in hard currency funds (+\$58 mn, from +\$53 mn). Local currency EM ex-China inflows surged +\$218 mn (from -\$1.7bn). **Conversely, EM equity funds experienced outflows -\$822 mn (from +\$12 mn),** as both ETFs (-\$385 mn) and non-ETFs (-\$437 mn) faced outflows. Year-to-date, EM bond fund flows are down -\$9.9 bn while equities are up +\$1.9 bn.

Figure 1: Weekly cross-asset flows

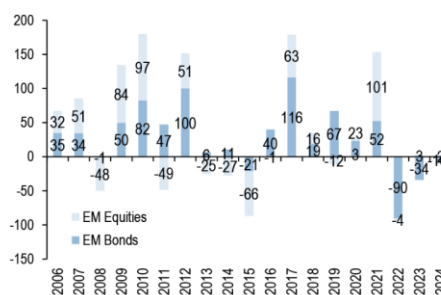
USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities	-0.6	-0.6	-8.0
EM Bonds	0.2	0.2	-9.9
Hard Ccy	0.1	0.1	-5.7
Local Ccy <sup>A</sup>	0.2	0.2	-4.2
o.w. EM ex-China	0.2	0.2	-3.4
o.w. China	0.0	0.0	-0.8
EM Equities	-0.8	-0.8	1.9
US HG	6.3	6.3	113.2
US HY	-0.7	-0.7	5.9
Global Equities	9.2	9.2	64.4
EM Bond and Equity ETFs	-0.4	-0.4	8.1
EM Bond ETFs	0.0	0.0	-4.0
EM Equity ETFs	-0.4	-0.4	12.1
Non-resident EM flows <sup>*</sup>	-0.6	-0.6	12.6

<sup>\*</sup>High-frequency non-resident EM portfolio flow data where available. <sup>A</sup>Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Figure 2: EM bond and equity fund flows

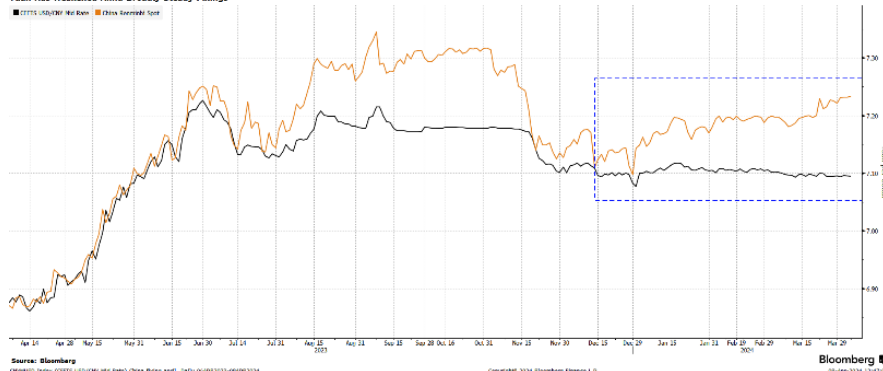
USD billion



## China

The yuan fixing was kept steady after the onshore RMB depreciated near the weak end of the trading band. The People's Bank of China (PBC) set the RMB daily reference rate at 7.0947 per dollar on Monday, little changed from the last fixing level and stronger than market consensus by a margin of

Yuan Has Weakened Amid Broadly Steady Fixings



1,332 pips. The steady RMB fixing was taken as a signal that PBC will support the RMB vigorously, after the onshore spot was traded 0.01% away from the weak end before the long weekend and the offshore RMB has traded more than 2% weaker than the yuan fixing for two weeks. Analysts expect that bets that the US will deliver fewer rate cuts this year than previously priced in will further weigh on the RMB and may cause higher volatility of both RMB fixing and spot. **The PBC will set up a RMB 500 billion (\$69 bn) relending facility to support technological innovation and project upgrades.** 60% of the loan amount applied for eligible projects will be provided by PBC, with an interest rate of 1.75% and one-year tenor, which can be extended twice, one year for each time. The facility will provide financial institutions with low-cost and steady funds to guide them to issue more loans to small-and medium-sized technology firms. **China foreign exchange reserves rose \$19.84 bn to a two-year high of \$3.25 tn at end-March**, as a rally of risk assets made up for the stronger dollar and falling bond prices. **Chinese equities declined 0.9% onshore (based on CSI 300)** partly due to US rate concerns, despite signs of accelerating expansion in services sector in March, as suggested by Caixin services PMI (March: 52.7, consensus: 52.5, previous: 52.5). CGB yields were mixed (1-year: -0.4 bp; 10-year: +0.4 bp).

## Philippines

**Bangko Sentral ng Pilipinas (BSP) held its benchmark overnight reverse repurchase rate unchanged at 6.5%, as expected.** While inflation accelerated for a second straight month to 3.7% y/y in March on higher food prices and transportation costs, it remains within the central bank's 2%–4% target in 2024 and 2025. The risk-adjusted inflation forecast for 2024 was lifted to 4.0% from 3.9%, at the ceiling of the 2%–4% target, while 2025 risk-adjusted inflation projection was unchanged at 3.5%. The BSP notes that risks to the inflation outlook continue to lean towards the upside, with rice prices to be the largest threat to its target and is also wary of potential minimum wage adjustments that could lead to second-round effects. The BSP remains open to a rate cut in the third quarter of the year, if inflation continues to slow

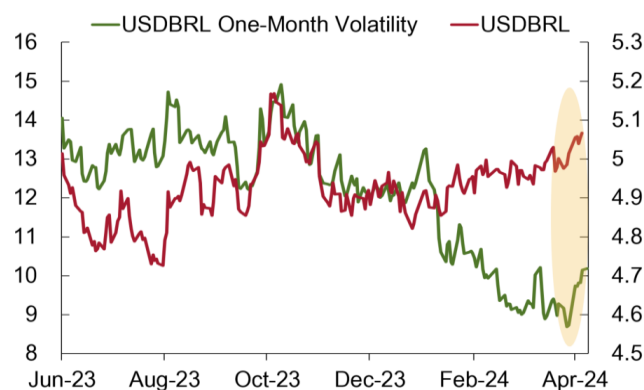


with somewhat weak growth. Today, the Philippine peso was little changed. Equities declined (-0.1%). Government bond yields were little changed.

## Brazil

**Brazilian real volatility has risen following its depreciation beyond the 5.00/USD at the end of March.** Previously, one-month implied volatility had reached a 10-year low. The Brazilian central bank (BCB) intends to conduct auctions to rollover FX swap contracts, refraining from announcing further currency interventions, potentially exacerbating bearish sentiment. Earlier this week, the BCB intervened in the currency market for the first time in nearly two years. The real is 1% weaker to the dollar month-to-date.

**Brazilian Real Volatility Rises to Highest Level in Two Months**

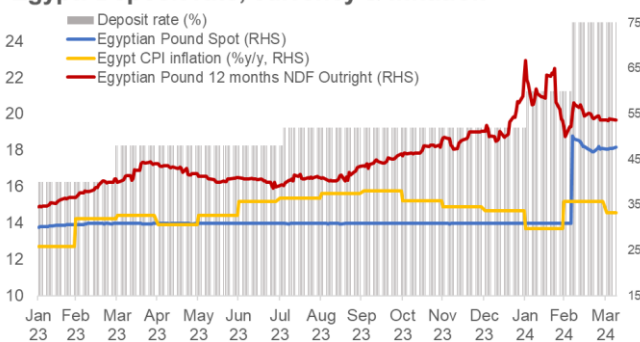


Source: Bloomberg and IMF staff calculations.

## Egypt

**March headline inflation slowed despite the currency depreciation** that some analysts believe may fuel another surge in costs. Consumer prices in urban parts of the country climbed 33.3% y/y in March compared to 35.7% in February. Food and beverage prices, the largest single component of the inflation basket, increased by 45% y/y from 51% in February. Their monthly growth slowed to 0.7% from 16.7%. This morning the Egyptian pound was relatively stable against the dollar, trading at around 47.59/\$.

**Egypt: Deposit rate, currency & inflation**



Source: Bloomberg and IMF calculations

*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

4/8/24 8:04 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5207	1.1	-1	2	27	9
Europe		5034	0.4	-1	1	17	11
Japan		39347	0.9	-1	-1	43	18
China		3536	-0.9	0	0	-14	3
Asia Ex Japan		68	0.1	0	1	1	2
Emerging Markets		41	0.2	0	1	5	3
<b>Interest Rates</b>			basis points				
US 10y Yield		4.46	5.5	15	38	107	58
Germany 10y Yield		2.45	5.4	16	19	27	43
Japan 10y Yield		0.80	1.3	6	7	33	19
UK 10y Yield		4.12	4.8	18	14	69	58
<b>Credit Spreads</b>			basis points				
US Investment Grade		120	0.4	1	-7	-43	-14
US High Yield		345	-3.7	-1	-21	-155	-40
<b>Exchange Rates</b>			%				
USD/Majors		104.40	0.1	-1	2	3	3
EUR/USD		1.08	-0.1	1	-1	0	-2
USD/JPY		151.9	0.2	0	3	14	8
EM/USD		46.8	-0.1	1	0	-7	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		90.6	-0.7	4	11	16	18
Industrials Metals (index)		149	0.5	6	6	-4	4
Agriculture (index)		60	0.2	1	2	-11	-4
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		16.1	0.1	2.4	1.4	-2.3	3.6
Global FX Volatility		6.7	0.0	0.0	-0.1	-3.4	-1.4
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		103	-2.1	-6	2	-88	-1
Italy		141	-0.4	3	10	-44	-26
Portugal		67	-0.5	-4	2	-20	4
Spain		82	-1.1	-4	1	-22	-14

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

## Emerging Market Financial Indicators

Last updated: 4/8/2024 8:02 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	0.0	-1	-5	-2		2.3	0.0	-2	-1	-81	-18
Indonesia		15848	0.3	0.1	0	-6	-3		6.7	-1.9	-4	0	-4	17
India		83	0.0	0.1	-1	-2	0		7.4	10.0	19	20	0.6	14
Philippines		56	0.0	-0.4	-2	-4	-2		5.4	0.0	0	0	-52	-20
Thailand		37	-0.3	-0.4	-4	-6	-7		2.6	2.1	12	6	4	-8
Malaysia		4.75	-0.1	-0.5	-1	-7	-3		3.9	0.8	2	5	1	14
Argentina		863	-0.1	-0.6	-2	-76	-6		47.9	-27.5	-480	-2217	-4106	-3849
Brazil		5.07	-0.2	-1.0	-2	-1	-4		11.4	10.2	32	68	-132	99
Chile		949	-0.7	3.3	3	-15	-7		5.3	4.5	11	22	15	36
Colombia		3766	0.0	2.5	5	21	3		8.2	0.0	19	64	-67	53
Mexico		16.46	0.0	0.9	2	10	3		9.1	0.5	25	52	76	65
Peru		3.7	0.2	1.2	2	2	1		7.2	4.4	-14	24	-24	53
Uruguay		38	-0.8	-2.5	2	1	1		9.1	0.2	6	8	-127	-47
Hungary		361	-0.3	1.9	0	-4	-4		6.7	9.0	9	72	-155	88
Poland		3.95	-0.1	1.2	-1	9	0		5.1	6.3	18	32	-14	67
Romania		4.6	-0.1	0.8	-1	-1	-2		6.4	0.0	4	6	-79	19
Russia		92.7	-0.1	-0.2	-2	-12	-3							
South Africa		18.6	0.5	1.8	1	0	-1		9.9	9.0	7	48	80	74
Türkiye		32.13	-0.3	0.5	-1	-40	-8		27.4	46.0	103	-68	1707	64
US (DXY; 5y UST)		104	0.1	-0.6	2	3	3		4.44	5.0	12	40	95	60

	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		3536	-0.9	0	0	-14	3		148	-1	-6	-45	-10	
Indonesia		7287	0.0	0	-1	7	0		90	-10	-22	-74	-6	
India		74743	0.7	1	1	25	3		106	-1	-3	-57	-10	
Philippines		6741	-0.1	-3	-3	4	5		77	-10	-18	-62	-3	
Thailand		1376	0.0	0	-1	-13	-3		0	0	0	0	0	
Malaysia		1560	0.3	1	1	9	7		82	-1	-4	-18	-3	
Argentina		1214371	2.6	0	21	380	31		1301	-158	-318	-1142	-612	
Brazil		126795	-0.5	-1	0	26	-6		208	-5	-10	-72	-7	
Chile		6512	-1.2	-2	3	23	5		115	-9	-17	-36	-10	
Colombia		1388	-1.4	2	7	16	16		282	-11	-26	-118	11	
Mexico		58092	0.4	1	6	9	1		302	-9	-25	-101	-32	
Peru		27479	-2.4	-3	-4	25	6		138	-3	-7	-59	-6	
Hungary		66822	0.4	2	1	51	10		144	-9	-17	-94	-5	
Poland		84575	1.1	2	5	44	8		86	-12	-16	3	-11	
Romania		17291	0.8	2	6	40	12		170	-13	-34	-92	-30	
South Africa		74839	0.1	0	2	-3	-3		338	-21	-18	-89	30	
Türkiye		9723	1.1	6	6	97	30		278	-23	-71	-238	-36	
EM total		41	0.2	0	1	5	3		279	-15	-41	-141	-66	

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

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