



- US regulators scrutinize emergency liquidity amid lingering concerns about banks ([link](#))
- Consumer inflation expectations edge up in latest ECB survey ([link](#))
- ECB's minutes show policymakers remain concerned about high wage growth ([link](#))
- China's home prices fall at a slower pace in January ([link](#))
- Mexico's lower than expected inflation print reinforces expectations of a March rate cut ([link](#))
- Uruguay's central bank holds its monetary policy rate at 9%, as expected ([link](#))
- Nigerian naira remains under pressure ([link](#))

[Mature Markets](#)












[Emerging Markets](#)

[Market Tables](#)

## Markets pause to end the week

Markets paused today as investors assessed the outlook for risky assets after equity benchmarks in the US, Europe and Japan hit record highs following Nvidia's strong earnings on Wednesday. Most Asian and European stocks traded in relatively narrow range and US equity futures were little changed. Advanced economy sovereign bond yields were also little changed, and the dollar index was slightly weaker. Market participants keep focusing on inflation as a potential threat to the ongoing stock market rally. Yesterday, Fed officials reiterated concerns about premature rate cuts, while markets have gradually pared down expectations about the path of policy rates to levels that currently more closely align with the FOMC views. Across the pond, the ECB's latest survey showed consumer inflation expectations edged up in January and the ECB's January meeting minutes unveiled policymakers remain concerned about high wage growth. Contacts noted that this offers some comfort to the more hawkish members of the ECB's governing council who have cautioned against easing policy rates too soon. In emerging markets, onshore Chinese equities gained modestly, extending their gains to the ninth consecutive session, and Mexico's lower than expected inflation print yesterday reinforced expectations of a March rate cut.

Key Global Financial Indicators

Last updated: 2/23/24 8:02 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			<b>%</b>				
S&P 500		5087	2.1	2	5	27	7
Eurostoxx 50		4871	0.3	2	9	14	8
Nikkei 225		39099	2.2	2	7	44	17
MSCI EM		41	1.0	2	6	4	1
<b>Yields and Spreads</b>			<b>bps</b>				
US 10y Yield		4.31	-1.4	3	18	43	43
Germany 10y Yield		2.40	-3.9	0	5	-8	38
EMBIG Sovereign Spread		375	-3	-9	-25	-82	-9
<b>FX / Commodities / Volatility</b>			<b>%</b>				
EM FX vs. USD, (+) = appreciation		46.6	-0.2	0	-2	-8	-3
Dollar index, (+) = \$ appreciation		103.8	-0.2	0	0	-1	2
Brent Crude Oil (\$/barrel)		82.5	-1.4	-1	4	0	7
VIX Index (% change in pp)		14.0	-0.5	0	1	-7	2

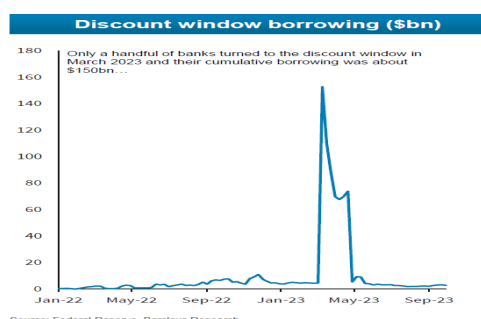
Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

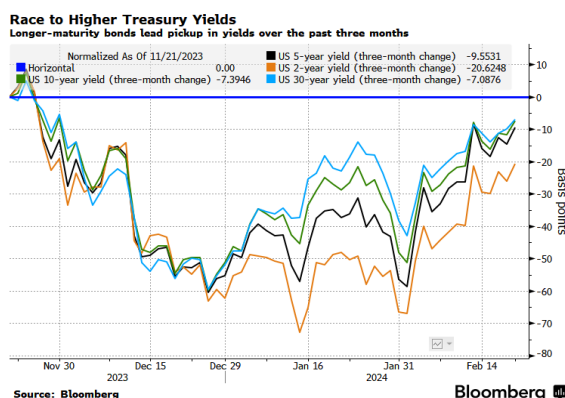
[back to top](#)

### United States

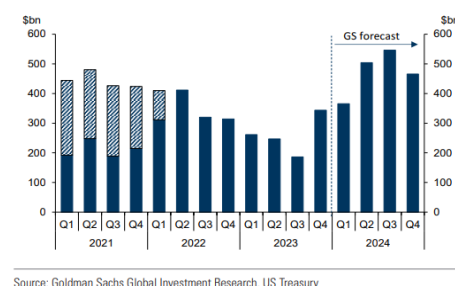
**US regulators are scrutinizing emergency liquidity provision procedures amid lingering concerns about banks.** The recent Fed minutes acknowledged diminished risks to the banking system since the US regional bank turmoil last March, yet highlighted ongoing vulnerabilities. The more recent challenges faced by New York Community Bankcorp amid mounting commercial real estate concerns, and the prospect of interest rates remaining high for longer are raising concerns among investors. As a result, US regulators are scrutinizing emerging liquidity provision procedures, which include destigmatizing the use of the Fed's discount window. Proposed changes include the pre-positioning of additional collateral in Fed accessible accounts, while banks would be required to regularly test their ability to use the discount window. Barclays estimates banks may need an additional \$5.1tn in pre-positioned collateral, which could be covered by available securities and, mostly, loans. Nevertheless, they point out that while prepositioning collateral at the discount window offers potential crisis management benefits, it comes with complexities, challenges and shortcomings.



**A heavy supply of US Treasuries and the shifting composition of investors is unlikely to alleviate pressures on longer-term yields.** Goldman Sachs analysts forecast the highest notional coupon supply on record for 2024, which will need to be absorbed by private investors. Hedge funds are expected to remain the marginal buyers and basis positions should continue to build up in 2024, although perhaps at a lower pace than in 2023. Other holder compositions may shift, with money market funds, the largest buyers of US Treasuries in 2023, expected to buy less.



**Exhibit 1: Private investors will have to absorb the highest notional coupon supply on record this year**  
Net coupon supply to public by quarter; shaded region indicates Fed secondary market purchases

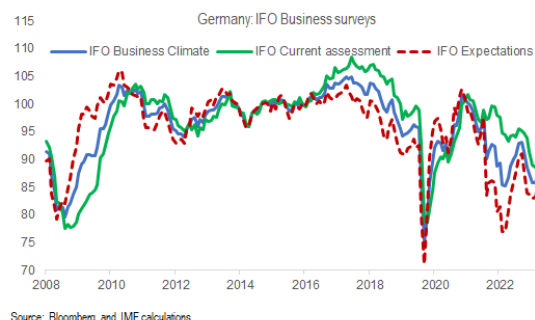
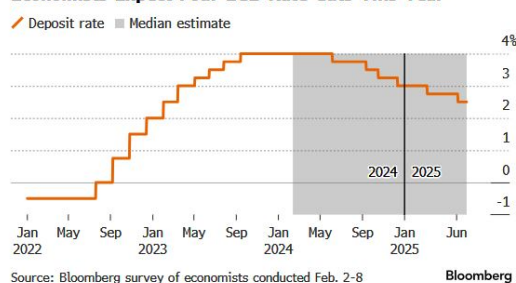


### Euro Area

**European equities were broadly flat this morning (STOXX 600 +0.1%),** after yesterday's record closing level on mixed earnings news. **The euro was unchanged to the dollar,** trading at around 1.082.

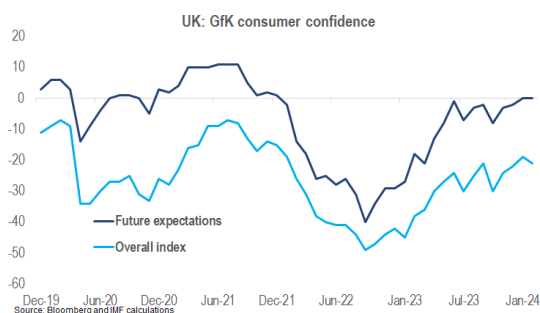
The **ECB's consumer inflation expectations survey for January** showed consumers expect prices to rise **3.3% over the next 12 months**, up from 3.2% in December. GC member Nagel today said that "even though it may be very tempting, it is too early to cut interest rates...because the price outlook is not yet clear enough". The next key piece of inflation data will be the preliminary February print due next week. Consensus expectations are for the flash release to show core CPI rose 0.6% m/m. Separately, the **ECB's January meeting minutes showed policymakers remain concerned about high wage growth**. In line with recent comments from president Lagarde, the minutes noted the "increasing role of wage pressures in explaining the dynamics of core inflation" and that "the signal from wage growth in the first quarter of this year would be important". **Analysts at HSBC noted that the minutes confirmed their view that a rate cut in March or even April is unlikely**. They expect the ECB to deliver the first rate cut in June. **Markets continue to scale back expectations of rate cuts with around 95 bps, or four rate cuts expected this year** with the odds of a rate cut in April further declining to 26% today from being fully priced in at the end of last year. Elsewhere, the February German Ifo business sentiment index improved slightly to 85.5, in line with expectations and up from 85.2 in the prior month. **Euro area sovereign bond yields were higher (+3bps) with the 10y bund yield trading at around 2.47%.**

**Economists Expect Four ECB Rate Cuts This Year**

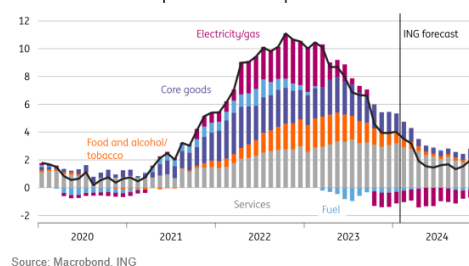


## United Kingdom

**UK consumer confidence declined in February.** The GfK consumer confidence gauge dropped by 2 percentage points in February to -21 (versus expectations of -18, and -19 prior) suggesting households remain cautious despite other indicators suggesting that the UK economy will experience a shallow recession. Separately, **UK household energy bills will decline by 12% at the start of April**. Ofgem, the UK energy regulator, announced that reflecting the fall in wholesale gas prices, household energy bills will drop. Analysts at **ING note that the decline in energy bills should take headline inflation below 2% in April** where they expect it to stay for much of 2024 – particularly if there is another drop in energy bills in July. In addition, should services inflation and wage growth moderate, they think the BoE could cut rates in August. **Market expectations for BoE rate cuts in 2024 were broadly unchanged this morning**, with markets pricing in roughly 61 bps of rate cuts by December and the first rate cut fully priced by August. Gilt yields were a touch higher (+3bps, 10-year gilt trading at around 4.13%) while the pound was unchanged against the dollar.



**UK inflation set to dip below 2% in April**



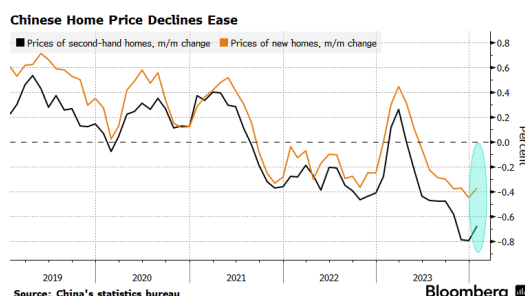
## Emerging Markets

[back to top](#)

**Most Asian equities traded in a tight range.** The exceptions were the declining Vietnamese (-1.2%), Singaporean (-1.2%) and Indonesia (-0.6%) stocks, which underperformed regional peers. **Asian currencies depreciated**, led by the Thai baht (-0.8%) after the release of a larger-than-expected trade deficit in January. **Long-end government bond yields were mixed**, with 10-year yields rising in Singapore (+5 bps) while falling modestly in the Philippines (-1 bps) and Indonesia (-1 bps). **In Malaysia**, CPI inflation stayed at 1.5% y/y in January (consensus: +1.6%). **In Singapore**, CPI inflation moderated to 2.9% y/y in January (consensus: +3.8%). **EMEA equity markets were mostly higher while currencies were mixed.** Equities in Poland (+0.7%) outperformed. CEE currencies mostly traded weaker against the euro. On the data front, Poland unemployment rate increased to 5.4% in January, in line with expectations, from 5.1% in the prior month. Hungary's unemployment rate increased by more than expected in January (to 4.5% versus expected 4.3% from 4.2%). The Turkish lira underperformed (-0.9% to 31.08/\$) after the central bank yesterday left policy rates unchanged, as expected, and maintained a hawkish language. The South African rand continued to weaken (-0.6% to 19.37/\$), adding to yesterday's losses in the aftermath of the 2024 budget announcement. **On the central bank front, Botswana kept its policy rate unchanged at 2.4% yesterday**, in line with expectations. **Latin American currencies mostly depreciated while equities closed higher yesterday.** The Chilean peso (-0.9%) underperformed, with the Brazilian real (-0.5%) and Mexican peso (-0.4%) close behind. Stocks in Chile (-0.2%) declined while the rest of the region finished in the green. GDP releases in **Argentina** (-4.5% y/y in December) and **Peru** (-0.4% y/y in Q4) highlighted a slowdown in their economies, while **Brazil's** central bank economist survey had a positive revision for their 2024 GDP forecasts (1.68% from 1.60%).

## China

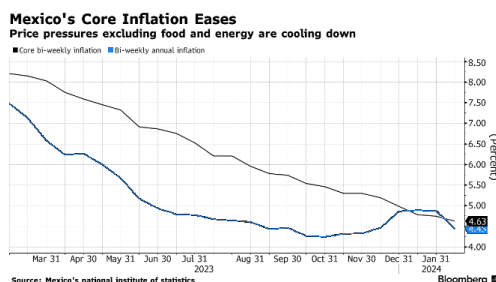
**Home prices fell at a slower pace in January.** New home prices declined 0.37% m/m (from -0.45% in December), while existing home prices dropped 0.68% m/m (from -0.79%). In recent months, Chinese authorities have intensified efforts to stabilize the property sector downturn, including the 'whitelist' mechanism to ensure financing to viable housing projects, a reduction in mortgage rates, and a further relaxation of home-buying restrictions. Analysts have split opinions on whether recent support measures would help turn around the property sector. Meanwhile, Moody's withdrew credit ratings on some mid-sized Chinese property developers, including Logan, Ronshine, Zhenro, Redsun, and Times China, citing its own business reasons. These firms' ratings were in the C-rated range. **Onshore Chinese equities gained (CSI 300: +0.1%)**, extending their gains to a ninth session, led by financial stocks. The RMB depreciated (-0.1%), similar to regional trends. CGB yields continued falling (1-year: -0.6 bp; 10-year: -0.5 bp). Today, the People's Bank of China injected liquidity in an amount of 155 bn yuan (\$21.5 bn). The key interbank repo rate (DR007) edged up to 1.84% (+1.8 bps), slightly above the policy rate at 1.80%.



## Mexico

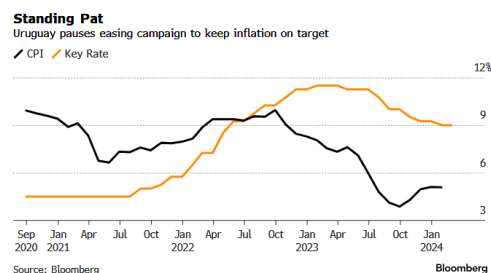
**Mexico's lower than expected inflation print reinforced expectations for March rate cut.** February headline (4.45% y/y vs. expected 4.7%) and core (4.63% y/y vs. expected 4.67%) CPI came in lower than expected. Banxico is expected to cut rates for the first time following this past tightening cycle at their next

meeting in March, joining the majority of Latin America in easing monetary policy. Nonetheless, February's central bank monetary policy minutes painted a mixed picture on future actions from members. The peso (-0.4%) depreciated to the dollar and yields dropped on government bonds with maturities between 2–10 years following the release.



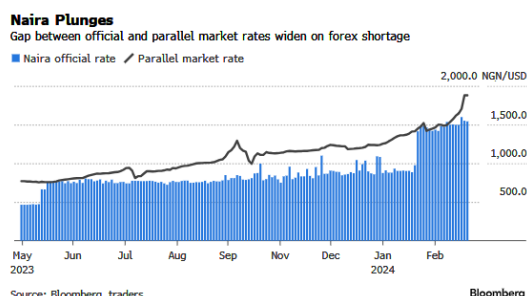
## Uruguay

**Uruguay's central bank held its monetary policy rate at 9%, as expected.** The central bank said that a pause in its current easing cycle will help maintain inflation within its target range of 3–6%. The central bank had lowered its key rate by 250 bps since it started easing monetary policy last April, thanks to slowing inflation. January inflation came in at 5.09%, continuing an 8-month streak of CPI within the target range. Additionally, the central bank also said that standing pat on rates should help guide 2-year inflation expectations to the mid-point of the 3-6% target range.



## Nigeria

**Officials took steps to stem naira weakness as the currency remains under pressure.** Bloomberg notes that the naira has weakened by about 70% since June when its peg was relaxed, while the street value of the naira has been quite volatile amid lacking local dollar liquidity as US currency inflows have been slow. Since the start of 2024, Nigeria has implemented several measures to improve market dollar liquidity, pricing and investor confidence, according to Bloomberg, but improvements have not been consistent. Bloomberg reports that in the unofficial market, the naira touched 1900 against the dollar yesterday, widening that gap between the official and unofficial market rates. Against this backdrop officials are reportedly taking steps aimed at ceasing the currency's depreciation, including clamping down on forex street traders and crypto trading platforms. **On the data front Q4 GDP data surprised on the upside** (+3.5%/y versus expected 2.4% from 2.5%), on the back of strong growth in the oil sector.



## Senegal

**Senegal's eurobond prices traded marginally higher after a pledge from president Sall yesterday that he would be stepping down by the end of his term.** This follows after the constitutional council's ruling on February 15 rejected president Sall's plans to postpone elections to December (from February 25) and called for elections to be held as soon as possible. President Sall yesterday said that a new election date will be set after two days of consultations starting Monday. Contacts expect eurobond trading volatility to continue until there is more clarity on the political outlook, and also highlight a report from Fitch Ratings earlier this week, warning that political and social tensions in Senegal could increase the operating

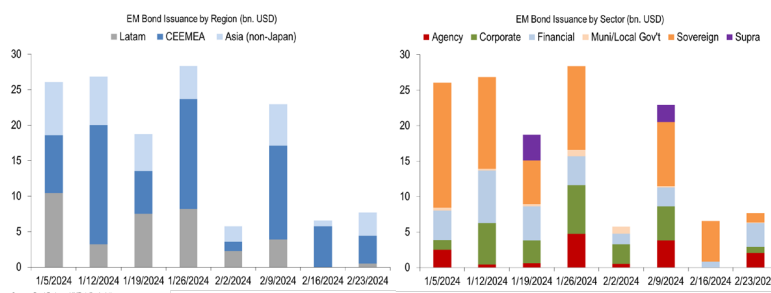


environment risks for banks. **Senegal's 2033 eurobond prices halted a four-day losing streak this morning, with 2033 Eurobond yields easing by up to 6bps according to Bloomberg.**



## EM Bond Issuance

**EM February weekly bond issuance remains quiet compared to January.** Through Thursday, bond issuance totaled \$7.7 bn, slightly more than last week but much less than any week in January. Regionally, issuance in Latin America remains quiet, while CEEMEA and Asia ex-Japan made up 51% and 43% of the total respectively. The sectoral makeup was dominated by Financial (43%), Agency (27%), and Sovereign (17%).



*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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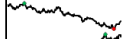

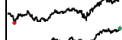
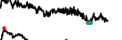








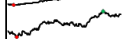
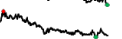





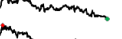
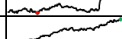


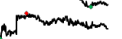





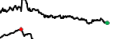

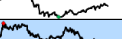

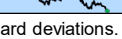




## Global Financial Indicators

2/23/24 8:01 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5085	2.1	2	5	27	7
Europe		4871	0.3	2	9	14	8
Japan		39099	2.2	2	7	44	17
China		3490	0.1	4	5	-14	2
Asia Ex Japan		67	1.2	2	6	0	1
Emerging Markets		41	1.0	2	6	4	1
<b>Interest Rates</b>			basis points				
US 10y Yield		4.31	-1.4	3	18	43	43
Germany 10y Yield		2.40	-3.9	0	5	-8	38
Japan 10y Yield		0.72	0.0	-2	5	21	11
UK 10y Yield		4.09	-1.3	-2	11	51	56
<b>Credit Spreads</b>			basis points				
US Investment Grade		121	-0.5	-3	-6	-25	-13
US High Yield		361	-9.4	-11	-26	-100	-25
<b>Exchange Rates</b>			%				
USD/Majors		103.79	-0.2	0	0	-1	2
EUR/USD		1.08	0.1	1	0	2	-2
USD/JPY		150.4	-0.1	0	1	12	7
EM/USD		46.6	-0.2	0	-2	-8	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		82.5	-1.4	-1	4	6	7
Industrials Metals (index)		137	-0.2	2	0	-15	-4
Agriculture (index)		58	0.1	-1	-5	-16	-7
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		14.0	-0.5	0.0	1.5	-7.1	1.6
Global FX Volatility		6.7	0.0	-0.3	-0.8	-3.5	-1.4
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		106	-1.0	-3	1	-84	2
Italy		146	-1.5	-2	-11	-44	-22
Portugal		74	-0.6	-1	-10	-13	11
Spain		90	-0.5	0	-2	-6	-7

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

## Emerging Market Financial Indicators

Last updated: 2/23/2024 8:00 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		7.20	0.0	0.0	0	-4	-1		2.4	0.0	-5	-13	-89	-17
Indonesia		15598	-0.1	0.2	0	-3	-1		6.6	0.2	-5	-3	-22	9
India		83	-0.1	0.1	0	0	0		7.2	3.0	2	5	(42.0)	3
Philippines		56	-0.4	0.1	0	-2	-1		5.4	0.1	0	-2	-52	-20
Thailand		36	-0.2	0.0	-1	-4	-5		2.6	1.0	-7	-20	-17	-15
Malaysia		4.78	0.0	0.0	-1	-7	-4		3.9	0.9	5	7	-3	15
Argentina		838	-0.1	-0.5	-2	-77	-4		75.6	47.4	3	50	-1169	-1079
Brazil		4.96	0.0	0.0	0	3	-2		10.9	8.4	2	3	-253	47
Chile		984	-0.4	-1.2	-7	-18	-10		5.1	1.0	7	15	-40	18
Colombia		3929	-0.1	-0.5	-1	25	-1		7.6	0.0	15	18	-211	1
Mexico		17.08	0.2	-0.2	1	8	-1		8.7	0.0	-9	-5	-26	22
Peru		3.8	0.2	1.6	-1	1	-2		6.8	0.3	4	11	-120	7
Uruguay		39	-0.1	0.1	0	0	-1		9.0	-2.4	0	-27	-88	-52
Hungary		358	0.0	0.8	-1	0	-3		5.9	1.0	-11	-4	-254	15
Poland		3.98	0.4	1.2	2	12	-1		4.7	0.5	-11	4	-120	25
Romania		4.6	0.2	0.6	0	1	-2		6.3	1.6	-4	4	-113	11
Russia		94.5	-1.6	-2.2	-6	-20	-5							
South Africa		19.3	-0.5	-2.0	-1	-5	-5		9.5	11.0	11	30	21	39
Türkiye		31.09	-0.9	-0.8	-3	-39	-5		26.8	26.0	35	-48	1630	4
US (DXY; 5y UST)		104	-0.2	-0.5	0	-1	2		4.32	-1.2	4	28	21	47

	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		3490	0.1	4	5	-14	2		149	-9	-13	-18	-9	
Indonesia		7295	-0.6	-1	2	6	0		104	-4	-7	-50	8	
India		73143	0.0	1	3	23	1		99	-13	-27	-51	-17	
Philippines		6913	0.1	1	3	3	7		87	-3	-7	-40	7	
Thailand		1398	-0.3	1	2	-14	-1		0	0	0	0	0	
Malaysia		1549	0.2	1	3	6	6		81	-6	-10	-20	-4	
Argentina		1076030	3.5	-2	-11	334	16		1716	-129	-234	-383	-197	
Brazil		130241	0.2	2	2	21	-3		211	-5	-7	-54	-4	
Chile		6237	-0.2	-2	5	17	1		127	-2	-1	-9	2	
Colombia		1279	0.8	2	1	7	7		299	-3	-13	-122	28	
Mexico		57149	0.2	0	3	8	0		322	-7	-12	-45	-12	
Peru		28464	0.3	0	7	32	10		145	0	-16	-39	1	
Hungary		66404	0.3	1	4	46	10		160	-4	-7	-59	11	
Poland		83172	0.9	4	11	40	6		94	-8	-11	16	-3	
Romania		16023	0.1	2	5	30	4		197	0	-18	-56	-4	
South Africa		74036	-0.1	1	1	-6	-4		341	-5	3	-39	33	
Türkiye		9339	-0.1	1	17	84	25		306	-12	-51	-215	-8	
Ukraine		507	0.0	0	0	0	0		4190	-61	12	-462	186	
EM total		41	0.1	2	6	4	1		334	-10	-29	-60	-12	

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

[back to top](#)