



- Strong US data push US stocks and Treasuries lower ([link](#))
- China introduces new measures to prop up equity markets ([link](#))
- US Treasury yields could move significantly higher ([link](#))
- Fed survey shows tight lending conditions from US banks ([link](#))
- Australia surprises with hawkish hold ([link](#))
- Senegal Eurobonds plummet after president delays election ([link](#))

[Mature Markets](#)


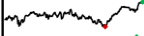

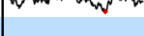
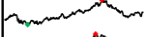
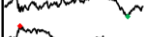




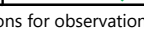
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Markets hold steady after Monday selloff

Equities in the euro area were mostly higher after yesterday's selloff, although US equity index futures were mixed. Treasury and bund yields held steady after two days of rising rates. Strong US economic data have forced markets to confront the possibility that the Fed could deliver fewer rates cuts than the market expected at the beginning of the year. Markets have also scaled back rate cut expectation for the ECB and the Bank of England. Stocks in China and Hong Kong SAR saw a big rally today on hopes of new measures to prop up the market, but the consensus remains very skeptical that administrative measures can overcome investor inversion to a market with a very weak investment case. Meanwhile, stubbornly high inflation kept the Reserve Bank of Australia in hawkish mode.

Key Global Financial Indicators

Last updated: 2/6/24 8:03 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4943	-0.3	0	5	20	4
Eurostoxx 50		4669	0.3	0	5	11	3
Nikkei 225		36161	-0.5	0	8	31	8
MSCI EM		39	0.1	-1	-2	-4	-4
Yields and Spreads			bps				
US 10y Yield		4.15	-0.8	12	10	51	27
Germany 10y Yield		2.33	0.9	6	17	3	30
EMBIG Sovereign Spread		391	-2	-9	-11	-35	8
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.0	0.1	-1	-2	-7	-2
Dollar index, (+) = \$ appreciation		104.5	0.0	1	2	1	3
Brent Crude Oil (\$/barrel)		78.5	0.7	-5	0	-3	2
VIX Index (% change in pp)		13.7	0.0	0	0	-6	1

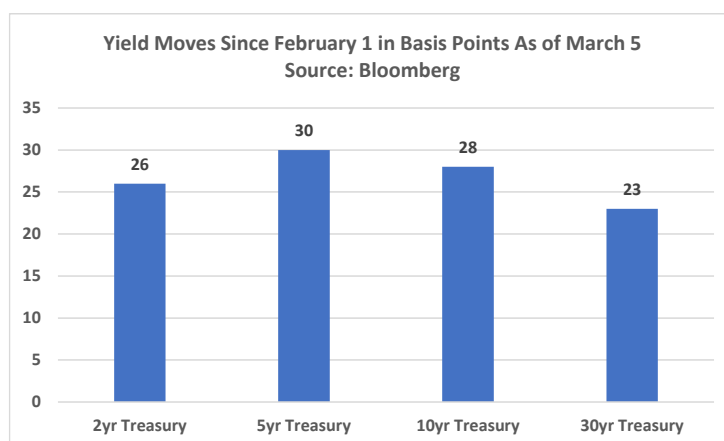
Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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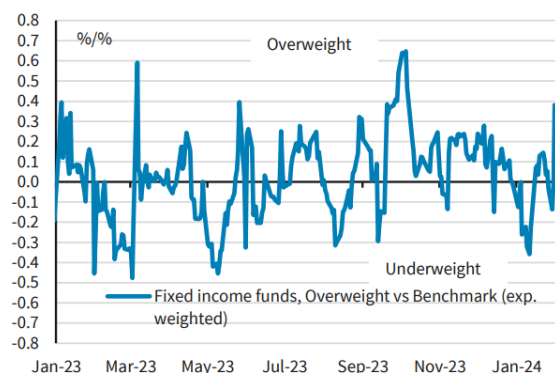
United States

Strong ISM data pushed US stocks and bonds lower yesterday. Coming after Friday's blowout jobs report and better than expected earlier data on retail sales and durable goods as well as improving consumer confidence, markets are being forced to confront the possibility that a strong US economy may prevent the Fed from delivering as many rate cuts as was expected at the beginning of the year. In a television interview broadcast on Sunday, Fed Chair Powell repeated his view first expressed at the FOMC press conference that a March rate cut was unlikely. He also predicted that the Fed would cut the policy rate just three times in 2024, in line with the Fed dot plot forecast for the future path of interest rates. Treasury yields have risen sharply since last Thursday, the day before the payrolls report. However, although they pulled back from Friday's record close, US stocks remain among the best performers in global markets.



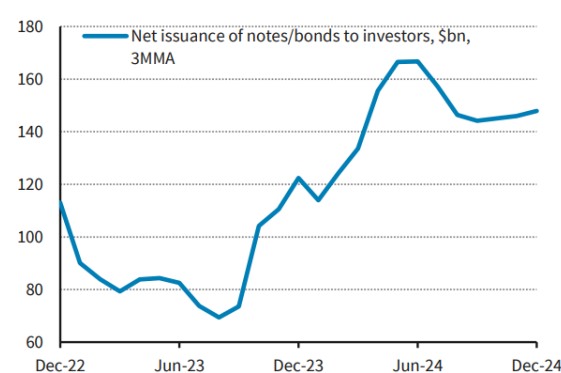
Treasury yields could move significantly higher, according to analysis by Barclays. Their proprietary index of investor positioning in Treasuries finds that they are now overweight, which is viewed as a contrarian indicator for future price movements (Treasury prices tend to rise when investors are underweight interest rate risk). In addition, markets will have to absorb the large new supply of government paper announced by the US Treasury, which Barclays estimates at \$1.78 tn in 2024, compared to 1.07 tn in 2023. Markets will get no help from the Fed, which is still in quantitative tightening (QT) mode. The benchmark 10-year Treasury yield hit its highest level in 15 years of 5% back in October. The high for this year was 4.2%.

FIGURE 11. Fixed income funds moved to overweight duration over the past week



Source: Bloomberg, Barclays Research

FIGURE 12. Net issuance of Treasuries will still rise meaningfully this year

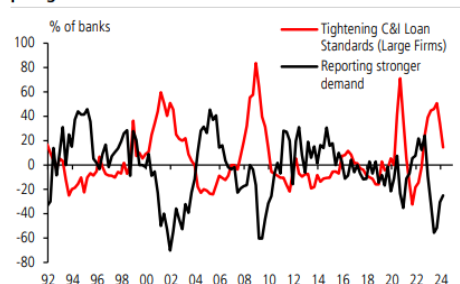


Source: US Treasury, Barclays Research

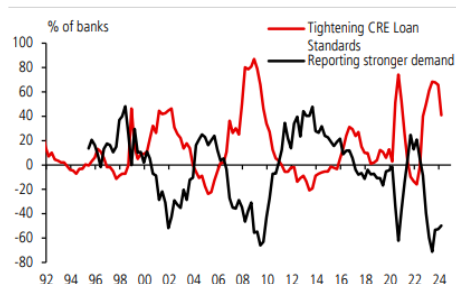
The latest Fed survey of senior loan officers (SLOOS) showed that credit conditions from banks for companies remain tight. Lending standards for commercial and industrial (C&I) loans to large and medium-sized companies remain tight, though fewer are reporting that they have tightened lending standards further. Demand for credit has not picked up much. Conditions were actively tighter for commercial real estate (CRE) loans. Lending standards also remain tight for consumer loans, spanning mortgages, credit cards, auto loans and home equity line of credit (HELOC) transactions.

US Economic Data

UBS Research

Figure 1: Last year C&I standards tightened and demand plunged...

Source: Federal Reserve Board, UBS

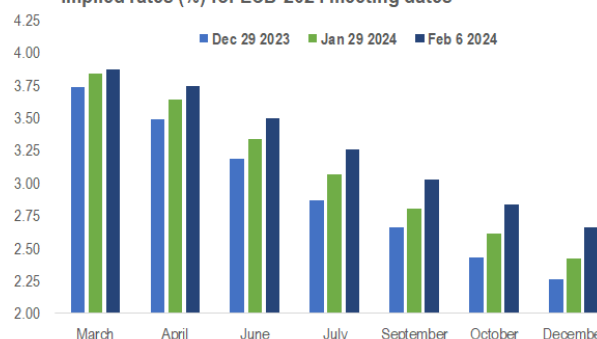
Figure 2: CRE loans weakened extremely broadly...

Source: Federal Reserve Board, Haver, UBS

Euro Area

European equities were mixed with the Stoxx 600 index up 0.2%. Banking sector stocks were higher (+0.6%) following UBS's announcement of share buybacks. The euro was slightly weaker (-0.1%) against the dollar trading at around 1.0736. **Euro area sovereign bond yields were lower with the 10Y bund yield trading at 2.32% and the spread of 10Y Italian government bonds over bunds narrowing (-2bps) to 156bps.**

The ECB's latest consumer expectations survey showed that the median household expected prices to rise by 3.2% in the following 12 months, down from 3.5% a month earlier. The latest poll, which was carried out in December on an expanded panel of 11 countries, also showed that expectations for inflation three years ahead remained slightly above the ECB's goal, rising slightly to 2.5% from 2.4%. **Markets have been scaling back rate cut expectations and now expect a total of 125bps of rate cuts in 2024, down from 133bps last Tuesday** with markets assigning a 51% probability of around 15bps of rate cuts in April. Elsewhere, Governing Council member De Cos remarked that the ECB will follow its own assessment of the economic outlook when setting monetary policy rather than what markets anticipate, saying "We're not here to confirm the expectations of the market."

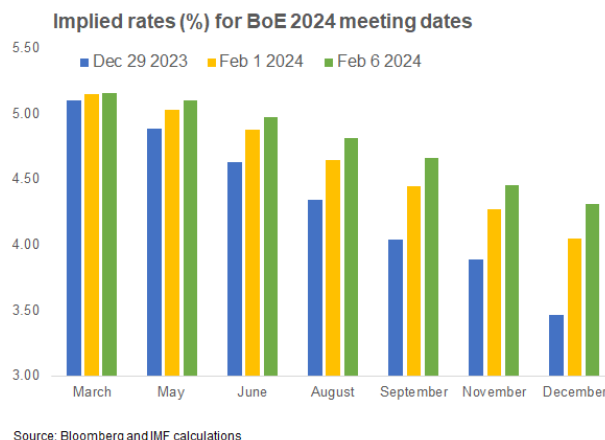
Implied rates (%) for ECB 2024 meeting dates

Source: Bloomberg and IMF calculations

United Kingdom

UK equities opened higher (+0.5%), led by gains in the energy sector as BP reported its second highest annual profits since 2012 and expanded its share buybacks. BoE chief economist, Huw Pill said inflation does not need to fall to 2% for rate cuts to begin. Speaking during a webcast, Pill remarked that "the outlook for monetary policy has shifted....We don't need to see inflation get back to 2% on an

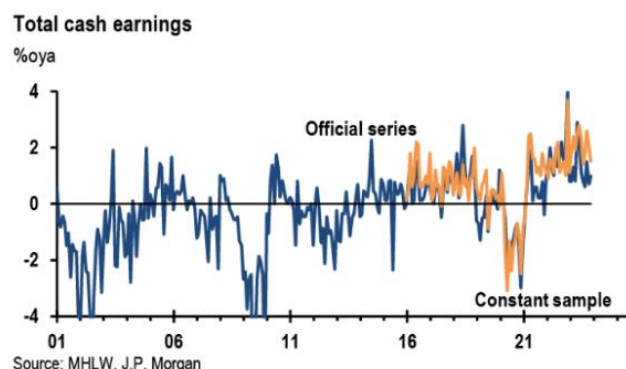
underlying basis.... We can reduce bank rate a little bit and monetary policy would still be restrictive.” Markets have continued to scale back BoE hiking expectations following last week’s MPC meeting with current pricing anticipating roughly 87bps of rate cuts in 2024, compared to 105bps priced in a week ago. Elsewhere retail sales data for January showed that like-for-like year-on-year sales slowed to 1.4% (+1.0% exp, 1.9% prior). There was little market reaction to the release.



Japan

Japanese stocks fell -0.7%, with industrial and financial stocks leading the decline. Nominal cash earnings rose less than expected to +1% (previous: +0.7%) in December, as volatile bonus payments depressed headline earnings growth. Contraction in household spending eased slightly to -2.5% y/y (previous: -2.9%). Separately, **Bank of Japan (BOJ) will decide on whether to end its exchange-traded funds (ETFs) buying program once stable achievement of 2% inflation target is in sight**,

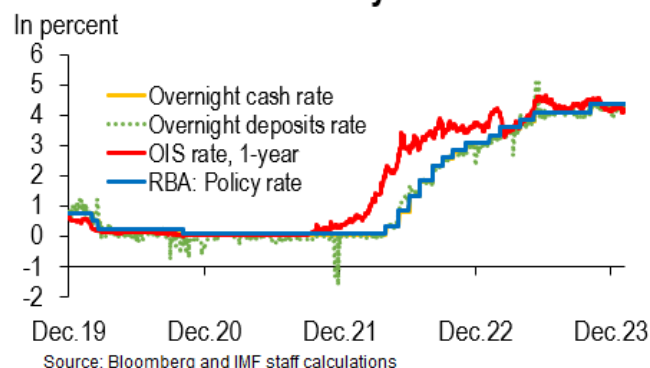
Governor Ueda told parliament. BOJ’s ETFs holdings stood at ¥60.7tn (\$409bn) as of September. Views remain split on what BOJ should do; some call for gradual selling, others say there is no need for complete offload as dividends will benefit the national treasury. **The Yen and 10Y bond yields were little changed.**



Australia

The Reserve Bank of Australia (RBA) kept policy rates unchanged as expected but refused to rule out further hikes in its statement. Analysts had initially expected RBA to soften its hiking guidance to a more neutral tone, especially with recent CPI moderation. Governor Bullock stated that taming inflation remains RBA’s overwhelming focus as inflation risks remain high but added that risks between a rate cut and hike are fairly balanced. Swap traders now see lower odds of a June (42%) rate cut compared to 50% before the policy announcement, Bloomberg calculated. RBA revised down its growth and inflation outlooks in 2024 and

Australia: Short-term Policy and Market Rates



2025. 4Q 2024 GDP growth was lowered to +1.8% (previous: +2%). Headline inflation is projected at 3.2% (previous: 3.5%) in Dec 2024. **Australian equities fell -0.6%. 10-year bond yields rose +3.1bps and Australian dollar appreciated +0.3%.**

Emerging Markets

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EMEA equity and currency markets were mixed. Equities in South Africa (+0.4%) outperformed and the South African rand gained against the dollar (+0.5% to 18.97/\$) ahead of the State of Nation Address on Thursday. The Polish zloty was little changed against the euro ahead of the central bank policy decision tomorrow, where consensus expect the benchmark rate to remain unchanged at 5.75%. **Asian equities gained, +1.3% on net,** led by **China (+3.5%)** as Chinese authorities intensified efforts to stem the recent stock rout. South Korea bucked the trend and fell -0.6%, with transport equipment and finance sector leading decline. Asian currencies were little changed. **Latin American equities saw small negative returns.** Currencies were weaker against the dollar.

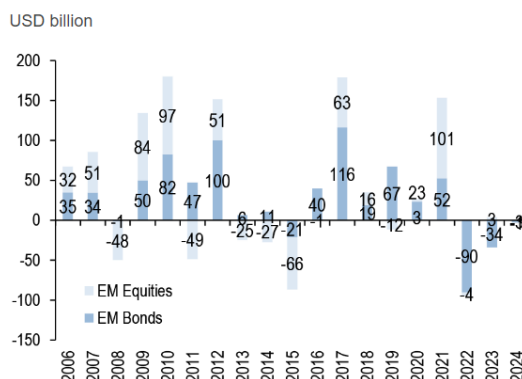
Emerging Market Bond and Equity Flows

Emerging Markets bond funds outflow eased (-\$219mn, from -\$728mn). Hard Currency bond funds see their first week of inflows in over two months (+\$60mn, from -\$454mn). Local currency funds outflows remained elevated (-\$280mn, from -\$274mn). ETFs reversed to inflow (+\$632mn, from -\$414mn) while non-ETFs outflows increased (-\$851mn, from -\$314mn). EM equity funds turned to inflows (+\$1.2bn, from -\$1.2bn), mainly driven by an increase in ETFs inflows (+\$1.7bn, from +\$573mn). Non-ETFs outflows decreased (-\$494mn, from -\$1.7bn). Year-to-date flows currently stand at -\$2.6bn and -\$1.1bn for bonds and equities, respectively.

Figure 1: Weekly cross-asset flows

USD billion					
Asset		8w flows (8w ago → current)			This wk YTD
Fund Flows	EM Bonds and Equities				0.9 -3.7
	EM Bonds				-0.2 -2.6
	Hard Ccy				0.1 -1.9
	Local Ccy ^A				-0.3 -0.7
	o.w. EM ex-China				-0.2 -0.5
	o.w. China				-0.1 -0.3
	EM Equities				1.2 -1.1
	US HG				3.7 28.6
	US HY				2.2 3.8
	Global Equities				8.8 1.8
Non-resident EM flows*	EM Bond and Equity ETFs				2.3 2.9
	EM Bond ETFs				0.6 -0.3
	EM Equity ETFs				1.7 3.3
					1.7 1.9

Figure 2: EM bond and equity fund flows

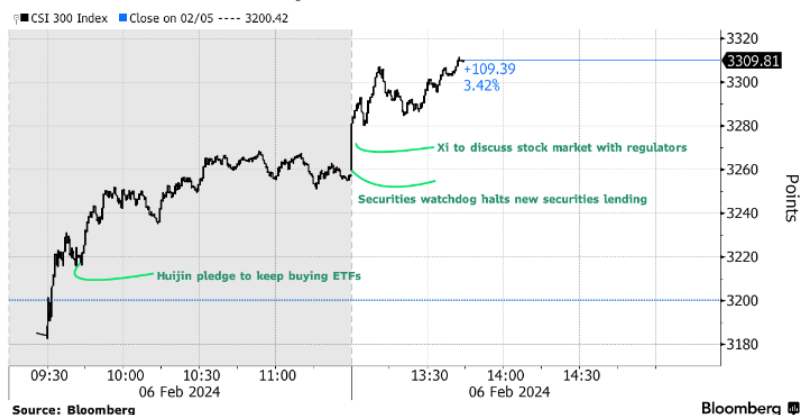


*High frequency non-resident EM portfolio flow data where available. ^ALocal ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

China

Chinese equities rallied +3.5% on hopes of a stronger rescue package, based on news that President Xi discussed stock market performance with regulators. Meanwhile, China's sovereign wealth fund, Central Huijin Investment, pledged to increase its ETFs holdings, while the China Securities Regulatory Commission said it will do more to support the equity market. China is also reportedly tightening trading restrictions on domestic institutional investors and offshore units, Bloomberg wrote. Caps were imposed on some cross-border total return swaps with brokerage clients, which inhibits domestic investors from shorting Hong Kong stocks. Some brokers were told not to reduce holding of mainland shares by offshore units, while quantitative hedge funds were banned from placing sell orders completely. Analysts noted a slew of measures underscored the authorities' urgency to prop up the domestic market ahead of the Lunar New Year holidays.

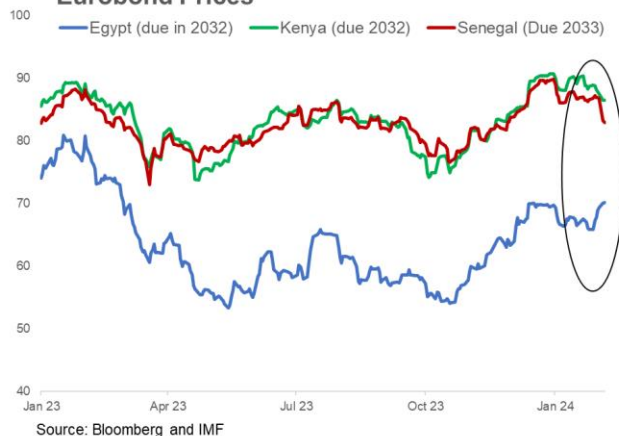
China Stocks Get Multiple Boosts



Senegal

Senegal's Eurobond prices were sharply lower following news that the presidential elections in Senegal was delayed from February 25 to December 15. Senegal's parliament yesterday adopted a bill to postpone the presidential election, after President Sall announced the postponement over the weekend. Absa analysts highlight that the postponement risks further political turmoil in Senegal and note that the African Union has expressed its concerns about the delay. Bloomberg cautions that the delay could hamper efforts to improve government finances. In the meantime, analysts from Morgan Stanley recently noted that while political developments would drive the country's near-term performance, the outcome of the vote is not likely to alter Senegalese economy's long-term trajectory.


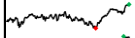



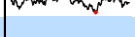

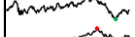









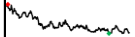

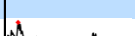
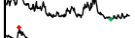




Eurobond Prices



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Global Financial Indicators

2/6/24 8:04 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4943	-0.3	0	5	20	4
Europe		4669	0.3	0	5	11	3
Japan		36161	-0.5	0	8	31	8
China		3312	3.5	2	-1	-19	-3
Asia Ex Japan		64	0.2	-1	-2	-8	-5
Emerging Markets		39	0.1	-1	-2	-4	-4
Interest Rates			basis points				
US 10y Yield		4.15	-0.8	12	10	51	27
Germany 10y Yield		2.33	0.9	6	17	3	30
Japan 10y Yield		0.72	-0.2	1	11	22	11
UK 10y Yield		3.99	-1.3	9	21	75	46
Credit Spreads			basis points				
US Investment Grade		127	-0.6	2	-10	-10	-7
US High Yield		388	2.2	6	-15	-31	3
Exchange Rates			%				
USD/Majors		104.49	0.0	1	2	1	3
EUR/USD		1.07	-0.1	-1	-2	0	-3
USD/JPY		148.6	0.0	1	3	12	5
EM/USD		47.0	0.1	-1	-2	-7	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		78.5	0.7	-5	0	3	2
Industrials Metals (index)		135	0.1	-4	-2	-19	-5
Agriculture (index)		61	0.4	-1	-1	-12	-3
Implied Volatility			%				
VIX Index (% change in pp)		13.7	0.0	0.3	0.3	-5.8	1.2
Global FX Volatility		7.8	0.0	0.2	-0.3	-2.8	-0.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		119	11.4	18	2	-64	15
Italy		156	-1.3	3	-14	-31	-12
Portugal		79	-0.4	0	14	-5	16
Spain		91	-0.3	1	-9	-2	-6

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

Emerging Market Financial Indicators

Last updated: 2/6/2024 8:05 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)					YTD	Level		Change (in basis points)					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M			
	vs. USD		(+) = EM appreciation						% p.a.							
China		7.19	0.1	-0.2	-1	-5	-1		2.4	6.0	6	-9	-75	-9		
Indonesia		15730	-0.1	0.3	-1	-4	-2		6.6	1.0	1	-9	-7	14		
India		83	0.0	0.1	0	0	0		7.2	1.0	-2	-13	(21.3)	-5		
Philippines		56	0.2	0.4	-1	-3	-1		5.4	0.1	-2	-25	-47	-20		
Thailand		36	0.5	-0.7	-2	-5	-4		2.7	-1.7	-1	-6	3	0		
Malaysia		4.77	-0.4	-0.8	-2	-11	-4		3.8	1.1	4	-4	6	9		
Argentina		830	-0.1	-0.5	-2	-77	-3		75.8	201.9	288	-647	-1065	-1056		
Brazil		4.97	0.2	-0.5	-2	4	-2		10.7	-4.8	-3	-1	-265	29		
Chile		952	0.5	-2.1	-5	-16	-7		4.9	0.0	-1	-9	-43	-2		
Colombia		3939	0.6	-0.5	-1	22	-2		7.6	0.0	21	-24	-129	-3		
Mexico		17.06	0.3	0.6	-1	12	-1		8.7	-1.0	-5	5	40	25		
Peru		3.9	-0.8	-1.3	-4	0	-4		6.8	#####	14	-5	-114	12		
Uruguay		39	0.2	0.3	1	0	0		9.2	-1.6	-7	-28	-79	-33		
Hungary		360	-0.1	-1.1	-4	2	-4		6.1	3.0	2	19	-202	31		
Poland		4.05	-0.2	-1.0	-2	9	-3		4.7	4.8	-1	25	-52	28		
Romania		4.6	-0.1	-1.0	-2	-1	-3		6.2	1.8	-2	-12	-102	2		
Russia		90.9	-0.3	-1.3	0	-21	-2									
South Africa		18.9	0.7	-0.7	-1	-7	-3		9.3	-1.5	6	18	50	16		
Türkiye		30.56	-0.1	-0.7	-2	-38	-3		27.2	-28.0	-39	-100	1616	43		
US (DXY; 5y UST)		104	0.0	1.0	2	1	3		4.10	-2.1	13	9	27	25		

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD		
									basis points						
China		3312	3.5	2	-1	-19	-3		157	-6	-2	-22	-1		
Indonesia		7247	0.7	1	-1	5	0		106	-9	-11	-26	10		
India		72186	0.6	1	0	20	0		120	-3	-9	-30	4		
Philippines		6755	0.4	2	2	-2	5		85	-12	-10	-21	5		
Thailand		1397	0.9	2	-2	-17	-1		0	0	0	0	0		
Malaysia		1513	0.1	0	2	2	4		89	0	-2	-13	4		
Argentina		1260998	-4.2	1	19	418	36		1875	-18	-128	5	-38		
Brazil		127593	0.3	0	-3	17	-5		222	1	-1	-37	7		
Chile		6012	0.2	1	-1	14	-3		135	6	1	4	10		
Colombia		1272	-0.4	-1	-2	0	6		324	24	30	-39	53		
Mexico		58227	0.7	2	4	8	1		333	-2	-11	-7	-1		
Peru		27005	-0.2	-1	5	21	4		152	4	-3	-30	8		
Hungary		64945	0.2	3	6	45	7		164	-6	6	-25	15		
Poland		79468	0.6	4	4	32	1		107	2	4	38	10		
Romania		15725	0.2	2	3	28	2		191	-6	-22	-30	-9		
South Africa		74258	0.3	0	0	-7	-3		349	12	22	3	41		
Türkiye		8838	0.7	4	16	79	18		350	2	15	-146	36		
Ukraine		507	0.0	0	0	0	0		4230	182	101	41	226		
EM total		39	1.7	-1	-2	-4	-4		353	-8	-9	-4	8		

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

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