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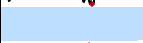


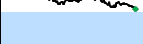



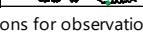
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Markets struggle for direction

Global equities traded in relatively narrow ranges ahead of the release of economic data and commentary from Fed speakers. The Fed's preferred measure of the core PCE index is due on Thursday and analysts will be closely watching the evolution of the index in recent months to gauge near-term inflation dynamics. Many Fed officials are also due to speak this week. European equities traded slightly higher and US equity futures were flat. Advanced economy sovereign bond yields were also little changed, with 10-year US Treasury and bund yields down 1.5 bps. Japan's 2-year yields rose to their highest level since 2011 after stronger-than-expected inflation data boosted bets the BOJ will end its negative interest rate policy in coming months. Elsewhere, the Bank of Israel surprised markets with a hold yesterday, citing uncertainty on the outlook for inflation given the on-going conflict. Interest rate decisions from Hungary and Nigeria's central banks are expected later today. In frontier markets, the JP Morgan Next Generation Markets index narrowed 10 bps to 670 bps yesterday, over 50 bps tighter month-to-date, reflecting improving investor appetite.

Key Global Financial Indicators

Last updated: 2/27/24 8:11 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5070	-0.4	1	4	27	6
Eurostoxx 50		4882	0.4	3	5	15	8
Nikkei 225		39240	0.0	2	10	43	17
MSCI EM		40	-0.4	1	4	5	1
Yields and Spreads			bps				
US 10y Yield		4.27	-1.4	-1	13	35	39
Germany 10y Yield		2.42	-1.6	5	13	-16	40
EMBIG Sovereign Spread		368	-6	-15	-32	-77	-16
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.7	0.2	-1	-1	-7	-3
Dollar index, (+) = \$ appreciation		103.7	-0.1	0	0	-1	2
Brent Crude Oil (\$/barrel)		82.4	-0.2	0	-1	0	7
VIX Index (% change in pp)		13.6	-0.2	-2	0	-7	1

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

Mature Markets

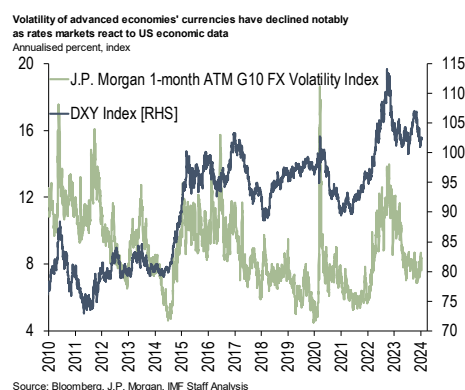
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United States

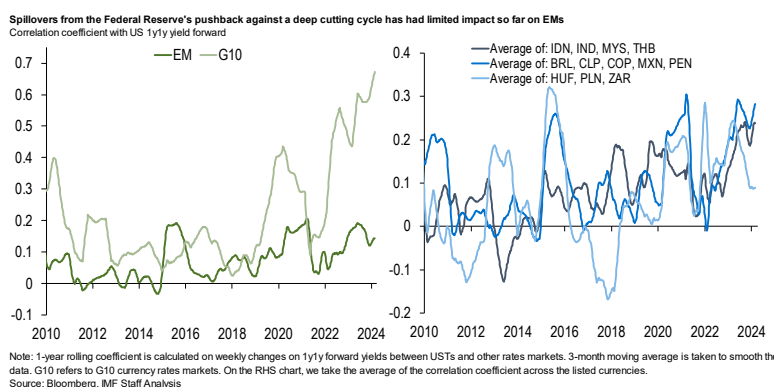
Markets are focusing on the incoming high frequency activity data and commentary from Fed officials. The Fed's preferred measure of the core PCE index is due on Thursday and analysts will be watching the annualized rate of the index over the last 3 and 6-months to gauge near-term inflation dynamics. Many Fed officials are also due to speak this week. Separately, 2 and 5-year US treasury bond issuance was relatively well received despite yields trading near decade highs. Investors are more likely be interested in the auction of longer-dated tenors later in mid-March, where duration risk is more profound. Bitcoin has continued its surge has reached two-year highs (\$53 k), supported by strong ETF inflows. Other crypto related shares have also been reaping the benefits the renewed interest in the asset class.

The increased importance of US data may have kept the US dollar rangebound against major advanced economy currencies.

Short-term interest differentials are one of the major factors behind a currency's performance. These interest rate differentials are largely influenced by market expectations of the monetary policy stance of each respective currency. Consequently, economic growth is one aspect that a central bank considers for its stance for monetary policy (either because of the central bank's mandate or because of the economic growth's pass through to inflation). Even though expectations of an outperformance of the US economy relative to peers has increased, the dollar has traded in a narrow range over the last year ($\pm 3.5\%$). A reason for this could be that front-end rates differentials in major rates markets vs. the US have been increasingly moving in reaction to economic data coming out of the US. This may be related to uncertainty around central banks' reaction functions and the timing of the start of their easing cycle. One consequence of this rangebound performance of the currency is more visible in the 1-month implied volatility of major currencies, which has declined notably from the elevated levels seen in 2022.



In contrast to most advanced economies, policy rate expectations in EMs have been less correlated with those of the US. Several EMs were early to react to inflationary pressures following the outbreak of the COVID-19 pandemic. Central banks that were the first to hike have also been the first to start their easing cycles with the on-going disinflationary process. Central banks have been able to either signal or to continue their cutting cycle despite the elevated volatility in US rates markets. Buoyed by a supportive risk environment, the resilience of EMs has continued despite markets moderating their expectations of the depth of the Fed's cutting cycle. Even though there is notable heterogeneity among EMs, the regional averages of correlations across EMs suggest they may continue to be less sensitive to data coming out of the US relative to peers in developed markets.

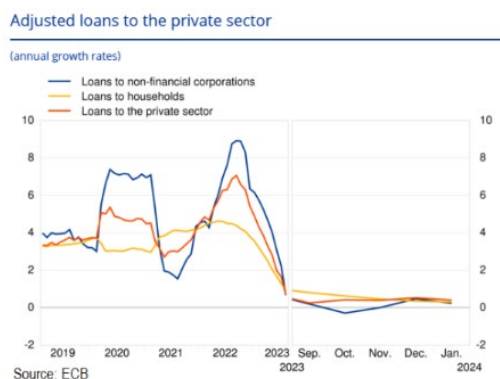


Euro-area

European equities were mixed this morning with the STOXX 600 index little changed. The euro was trading marginally stronger against the dollar (+0.1%) at around 1.086. On the data front in Germany, GfK consumer confidence improved to -29 in March, as expected, from a revised -29.6, while consumer confidence in France fell to 89 in February (versus expected 92 from 91).

Euro area sovereign bond yields eased slightly this morning (10-year bund yield -1 bps to 2.42%) after closing higher yesterday. Yesterday, 10-year bund yields retraced Friday's moves and closed 8 bps higher, with yields already increasing prior to comments from ECB's president Lagarde that contacts perceived as relatively hawkish. Lagarde yesterday noted that the "disinflationary process is expected to continue" but that the Governing Council "needs to be confident that it will lead us sustainably to our 2% target". At the front end of the curve, 2-year German yields increased yesterday back to levels last seen in November 2023 (+7 bps at 2.92%), but they fell modestly this morning to 2.90%. **Markets scaled back ECB rate cut expectations yesterday**, pricing in 25 bps of rate cuts by June (versus roughly 28bps last Friday), and roughly 91 bps of ECB rate cuts by end-2024 (versus roughly 104 bps last week).

Analysts noted that the January bank lending survey showed a cautious recovery in bank lending. Data released by the ECB this morning showed the growth rate in adjusted loans to non-financial corporates falling to +0.2 y/y (from +0.5% in December), while adjusted loans to households eased to 0.3% y/y (from 0.4%). The annual growth rate of the broad monetary aggregate M3 was +0.1% in January, (from a revised +0.2% in December 2023), and the narrower monetary aggregate M1 was -8.6% (from -8.5%). ING analysts noted that while bank lending to non-financial corporates eased slightly, it remained above +0.1% in monthly terms for the third consecutive month. Analysts interpreted today's data as signaling that a cautious bank lending recovery is continuing and think that the data confirms that the worst impact of higher rates on bank lending is now in the rear-view mirror.



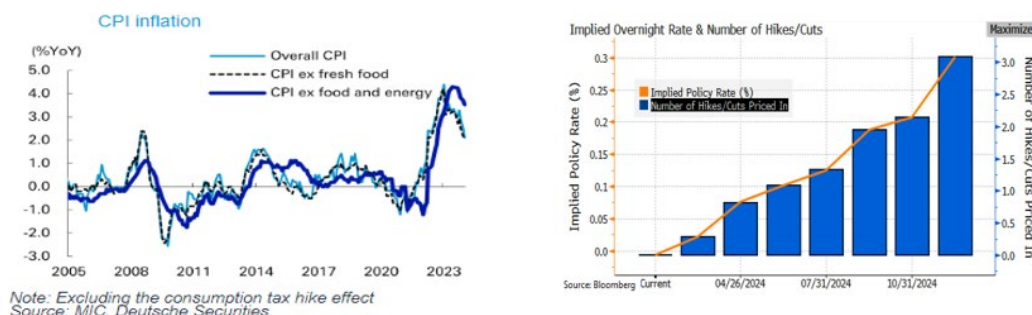
United Kingdom

Gilt yields fell moderately (10-years, -3 bps) after UK shop price inflation eased to the lowest level since March 2022, in line with expectations. The British Retail Consortium (BRC) shop price inflation eased to 2.5% y/y in February (from 2.9%)—the ninth consecutive monthly decline, with the BRC pointing to easing supply chain pressures, lower input cost for energy and fertilizers as well as competition amongst retailers. Contacts highlighted that the BRC shop price index is as a supportive factor for lower gilt yields, together with news of a reportedly more modest fiscal easing at the upcoming budget. The pound was little changed against the dollar, trading at around 1.269.

Japan

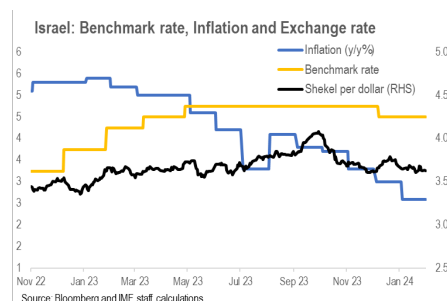
Japan's January CPI inflation beat expectations, boosting bets the BOJ will end its negative interest rate policy in coming months. Headline CPI stood at +2.2% y/y (consensus: +1.9%, previous: +2.6%),

core inflation excluding fresh food was +2% y/y (consensus: +1.9%, previous: +2.3%). Overnight indexed swaps indicated that market expects the BOJ to end its negative interest rate policy by June. Separately, **Japan's second transition bond sale was met with firm demand**; ¥799.8bn (\$5.3 bn) of 5-year transition bonds was sold at 0.34% yield, lower than 0.35% estimated by traders surveyed by Bloomberg and 1.5 bps lower than 5-year government bonds with same maturity date. **Japanese stocks gained +0.2%** driven by banks shares. **2-year JGB yields climbed to 0.17%, the highest level since 2011** and 10-year bond yields rose +0.8 bps. **The Japanese yen appreciated +0.3%.**



Israel

The Bank of Israel (BoI) surprised markets yesterday and left the benchmark policy rate unchanged at 4.5%, citing uncertainty on the outlook for inflation given the on-going conflict. Markets had been looking for the BoI to deliver a second consecutive 25 bps rate cut against a backdrop of easing inflation and softer economic growth. The shekel initially appreciated to the dollar, but ended the day 0.3% weaker, trading at 3.6399/\$. This morning the currency was stronger (+0.2% at 3.626/\$). JP Morgan analysts now expect a less front-loaded policy path and think that the BoI would cut rates at every other meeting, but maintained their terminal rate forecast at 3.75% by end-2024.



Emerging Markets

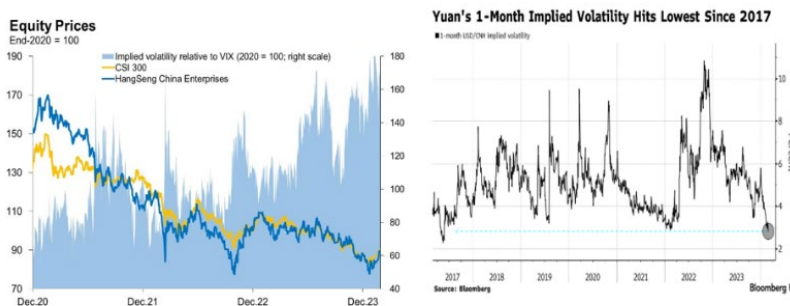
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Asian equities were mixed. Mainland China led the gains (+1.2%), followed by Vietnam (+1%) and Hong Kong SAR (+0.9%). Taiwan POC (-0.5%) declined. **Asian currencies were mostly little changed.** The **Thai baht** outperformed +0.8%. Thailand's year-to-date foreign tourist arrivals surged 48% y/y to almost 6 mn. **Hong Kong SAR** exports beat expectations +33.6% y/y in January (consensus: +22.8%, previous: +11.6%), as exports to China surged to 54.2%. **Malaysia's** central bank said in a statement that the ringgit is undervalued after it slid to a 26-year low (-3.6% year-to-date) and added that it should be stronger given Malaysia's positive economic fundamentals. **EMEA markets were mixed.** Equities in Egypt (+2.5%) continued to outperform, while equities in Türkiye (-1.2%) underperformed. The South African rand (+0.6%) outperformed, while CEE currencies continued to trade in a narrow range against the euro. The **Hungarian forint** was little changed against the euro ahead of the monetary policy meeting later today where it is broadly expected that the policy rate would be cut by 100 bps to 9%. Elsewhere on the central bank front,

Nigeria is expected to hike rates today with Bloomberg consensus expecting a 250 bps hike to 21.25%. Some contacts, however, expect a larger hike in Nigeria. The **Egyptian pound** gained around 20% in the parallel market to close to 50 per dollar, according to Bloomberg, citing several traders and importers, narrowing the gap between the parallel and the official rate, which is trading at around 30.9 per dollar. **Equity markets in Latam were mixed on Monday** as stocks experienced declines in Mexico (-0.8%) and Ecuador (-0.5%), while registering gains in Chile (+0.3%) and Brazil (+0.2). **Investors withdrew \$203mn from the \$5.5 bn iShares MSCI Brazil ETF last week, marking its most substantial single-day outflow in over a decade.** Elsewhere, **daily EM issuance totaled \$1.1 bn on Monday** as the UAE's Dubai Islamic Bank issued \$1 bn in hard currency bonds at a rate of 5.24%. An Asian manufacturing company contributed to the remaining \$100 mn at a rate of 3.88%. Both bonds had fixed coupon payments and are maturing in 5 years.

China

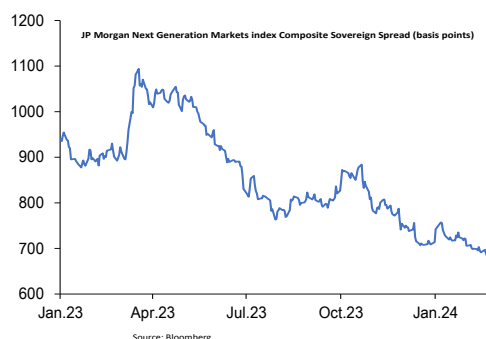
Chinese equities rebounded +1.2%, led by a rise in technology equities. The CSI 300 and Hang Seng China Enterprise indices wiped out the losses for the year and are back to the levels of November 2023. Foreign investors bought about 12 bn yuan (\$1.7 bn) of onshore equities via trading links with Hong Kong SAR, the most in one week. Meanwhile, **China's state-backed funds have bought \$57 bn of onshore shares in 2024 to prop up the market**, according to UBS. Analysts estimated that more than 75% of inflows went into products tracking the CSI 300, another 13% towards CSI 500. They also expect further purchases. Bloomberg noted the intervention has created distortions, such as the divergence in the performance of private and state-owned firms. Separately, **Chinese firms are launching new funds to tap overseas markets**. Many Chinese mutual fund companies have been racing to set up qualified domestic institutional investor (QDII) products to capitalize on rising domestic investor interest in the buoyant overseas stock markets, per a Bloomberg article quoting a China Securities Journal report published on Tuesday. Numerous actively-managed and index-tracking QDII products have been launched this year, with investment targets including stock markets in Japan, Hong Kong and the US. Mainland fund firms are also accelerating to establish overseas branches in Hong Kong and countries such as Singapore, US and UK. The **Renminbi and 10-year bond yields were little changed**. The Chinese yuan's one-month implied volatility slid to a 7-year low. Some market contacts speculated Chinese policymakers are prioritizing yuan stability heading into next week's National People's Congress.



Hard Currency Frontier Bonds

Hard currency frontier bond spreads continued to tighten on improving investor appetite. The JP Morgan Next Generation Markets index narrowed 10 bps to 670 bps yesterday, over 50 bps tighter month-to-date. The recent bond sales in Africa may reflect improving investor's appetite for riskier frontier bonds, with Kenya's recent eurobond issuance more than three times over-subscribed and Benin's eurobonds more than six times oversubscribed. Hopes that Zambia could conclude its debt revamp may also provide further support for high yield issues. According to recent analysis by Morgan Stanley, who noted that market

access is returning for lower-rated issuers, **Nigeria, Angola and El Salvador are ‘prime contenders’ to issue bonds around 10% at some point.**

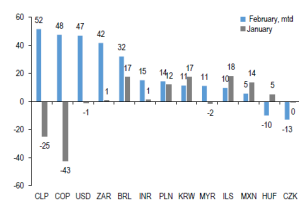


Chile

Chilean swap rates have sold-off in February, underperforming most EM local rates. The 5-year swap rate has faced a sell-off of 52 bps, notably higher than the 15 bps average across EMs. Market contacts commented that the peso depreciation has been a key driver, with analysts at JP Morgan recommending holding 5-year swap payers amidst persistent inflation and a slump in economic activity. January headline CPI came in at 0.7% m/m, above 0.4% consensus, and seasonally adjusted economic activity in December fell slightly, driven by manufacturing and the volatile mining sector. In FX, the Chilean peso (-0.8%) faced continued depreciation yesterday, influenced by a drop in copper prices (-0.5%).

Figure 1: CLP swaps have underperformed in February

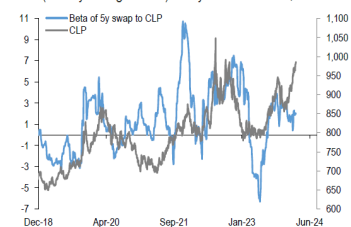
5y swaps performance, in bp



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 2: Swaps yields are likely to move higher given peso depreciation

Blue line: beta of 5y swaps (weekly changes in bp) to USD/CLP (weekly changes in %). Gray line: USD/CLP; rhs

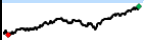

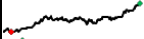


















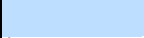





Source: J.P. Morgan, Bloomberg Finance L.P.

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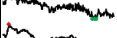
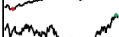






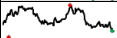





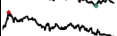

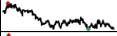
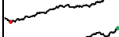






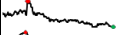



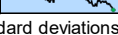






Global Financial Indicators

2/27/24 8:10 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5075	-0.4	2	4	27	6
Europe		4882	0.4	3	5	15	8
Japan		39240	0.0	2	10	43	17
China		3495	1.2	2	5	-14	2
Asia Ex Japan		67	-0.6	1	4	1	0
Emerging Markets		40	-0.4	1	4	5	1
Interest Rates			basis points				
US 10y Yield		4.27	-1.4	-1	13	35	39
Germany 10y Yield		2.42	-1.6	5	13	-16	40
Japan 10y Yield		0.69	0.7	-4	-2	19	8
UK 10y Yield		4.14	-2.4	10	17	33	60
Credit Spreads			basis points				
US Investment Grade		126	0.3	3	1	-20	-8
US High Yield		365	1.1	-8	-14	-75	-21
Exchange Rates			%				
USD/Majors		103.70	-0.1	0	0	-1	2
EUR/USD		1.09	0.0	0	0	2	-2
USD/JPY		150.2	-0.3	0	2	10	6
EM/USD		46.7	0.2	-1	-1	-7	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		82.4	-0.2	0	-1	6	7
Industrials Metals (index)		137	0.6	1	-2	-15	-4
Agriculture (index)		59	0.9	-1	-4	-15	-6
Implied Volatility			%				
VIX Index (%, change in pp)		13.6	-0.2	-1.8	0.3	-7.4	1.1
Global FX Volatility		6.5	0.0	-0.3	-1.0	-3.7	-1.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		107	1.3	-1	5	-75	3
Italy		145	0.0	-3	-7	-38	-22
Portugal		73	0.3	-2	-8	-14	10
Spain		90	0.3	-1	-1	-6	-7

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

Emerging Market Financial Indicators

Last updated: 2/27/2024 8:08 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	-0.1	0	-4	-1		2.4	2.0	-2	-7	-88	-16
Indonesia		15646	-0.1	0.1	1	-2	-2		6.6	0.7	-4	-6	-28	10
India		83	0.0	0.1	0	0	0		7.2	1.0	-3	1	(53.4)	1
Philippines		56	0.0	-0.1	0	-1	-1		5.4	0.0	0	-2	-51	-19
Thailand		36	0.1	0.4	-1	-2	-4		2.5	-1.0	0	-17	-22	-16
Malaysia		4.76	0.3	0.8	-1	-6	-4		3.9	-0.2	2	7	-6	14
Argentina		841	-0.1	-0.5	-2	-77	-4		74.2	-149.3	-160	-84	-1408	-1222
Brazil		4.97	0.2	-0.9	0	5	-2		10.9	-5.2	11	18	-244	49
Chile		983	0.5	-2.1	-5	-15	-10		5.1	-3.5	11	22	-43	22
Colombia		3944	0.4	-0.5	0	21	-2		7.7	0.0	22	33	-226	9
Mexico		17.06	0.2	0.0	1	8	-1		8.7	0.0	-2	-2	-19	28
Peru		3.8	-0.1	0.0	0	0	-2		6.9	0.7	20	23	-114	22
Uruguay		39	0.0	-0.2	0	0	-1		9.0	2.6	1	-23	-85	-49
Hungary		359	-0.2	-0.2	0	-1	-3		5.9	1.0	-3	-24	-221	12
Poland		3.98	-0.1	0.5	1	12	-1		4.8	5.0	0	-3	-111	30
Romania		4.6	0.1	0.6	0	1	-2		6.3	1.1	-1	9	-107	14
Russia		92.1	0.3	0.2	-3	-19	-3							
South Africa		19.1	0.8	-1.2	-2	-4	-4		9.5	-8.3	15	34	31	42
Türkiye		31.15	-0.1	-0.7	-3	-39	-5		26.9	7.0	52	-65	1639	13
US (DXY; 5y UST)		104	-0.1	-0.4	0	-1	2		4.28	-3.4	3	24	11	43

	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		3495	1.2	2	5	-14	2		150	-5	-12	-17	-8	
Indonesia		7285	0.0	-1	2	6	0		105	-2	-5	-37	9	
India		73095	0.4	0	3	24	1		99	-10	-24	-51	-17	
Philippines		6861	-0.4	0	3	5	6		86	-3	-6	-34	6	
Thailand		1394	-0.3	0	2	-14	-2		0	0	0	0	0	
Malaysia		1559	0.7	0	3	7	7		82	-1	-9	-16	-3	
Argentina		1080444	-2.3	1	-14	331	16		1705	-88	-152	-303	-208	
Brazil		129609	0.2	0	0	23	-3		210	-4	-9	-48	-5	
Chile		6249	0.3	-2	3	17	1		128	-1	-3	-7	3	
Colombia		1291	0.1	4	1	7	8		296	-6	-9	-100	25	
Mexico		56195	-0.8	-2	-1	6	-2		321	-6	-16	-35	-13	
Peru		28610	0.0	1	7	33	10		143	-1	-10	-37	-1	
Hungary		65776	-0.4	0	3	46	9		161	-4	-5	-44	12	
Poland		83285	0.2	2	10	40	6		90	-11	-11	25	-7	
Romania		16018	0.0	2	6	30	4		194	-5	-4	-42	-6	
South Africa		73326	-0.4	1	-2	-5	-5		348	2	11	-23	40	
Türkiye		9268	-0.7	-1	11	78	24		304	-11	-38	-206	-10	
Ukraine		507	0.0	0	0	0	0		4198	-57	208	-479	194	
EM total		40	0.2	1	4	5	1		326	-16	-33	-57	-19	

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

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