



- Preliminary euro area inflation surprises on the upside ([link](#))
- Japanese stocks rally to new record high ([link](#))
- China will widen retail investor access to the domestic bond market ([link](#))
- New York Community Bancorp stock collapses after reporting delay ([link](#))
- Stock and bond prices have moved in opposite directions in 2024 ([link](#))

[Mature Markets](#)











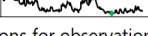
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## Markets remain cautious, searching for a fresh catalyst alongside NYCB drama

Most global stock markets were higher on Friday, even as S&P futures pointed to small losses. New York Community Bancorp's (NYCB) stock collapsed after hours after the bank reported it would delay its regulatory filing due to "material weaknesses" in some internal reviews. Japanese stocks set fresh record highs with the Nikkei up nearly 20% for the year. European bond yields crawled higher after euro area inflation came in above expectations. In contrast, Treasuries were stronger overnight, with 10y yields down slightly. On the political front, the US Congress passed temporary funding bills to delay any government shutdown for at least a few weeks. The primary election season will accelerate next week with the often decisive "Super Tuesday" as 16 states head to the ballot box.

Key Global Financial Indicators

Last updated: 3/1/24 7:53 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5096	0.5	0	4	29	7
Eurostoxx 50		4886	0.2	0	5	16	8
Nikkei 225		39911	1.9	2	10	43	19
MSCI EM		40	0.1	-2	3	2	-1
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.24	-0.8	-1	36	25	36
Germany 10y Yield		2.44	3.2	8	29	-27	42
EMBIG Sovereign Spread		368	0	-7	-32	-79	-15
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.7	0.0	0	-1	-8	-3
Dollar index, (+) = \$ appreciation		104.1	-0.1	0	1	0	3
Brent Crude Oil (\$/barrel)		83.2	1.5	2	6	-1	8
VIX Index (% change in pp)		13.5	0.1	0	0	-7	1

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

## Mature Markets

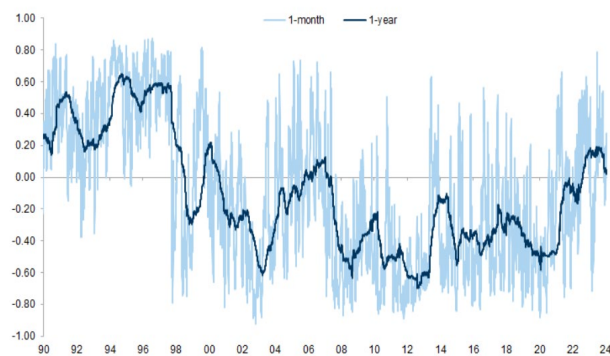
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### United States

**The S&P500 gained 0.5% on Thursday.** Elsewhere, Cleveland Fed President Mester voiced her support for an increase in capital requirements in line with the Basel III plan. **New York Community Bancorp plunged over 20% after market close after it delayed its annual 10-K report due to “material weaknesses” in internal controls related to loan reviews.** The disclosure cited “ineffective oversight, risk assessment, and monitoring activities.” The stock was down as much as 28% by early morning Friday, after previously falling 53% YTD on concerns about CRE losses. Reports suggested previously reported capital ratios would not be affected.

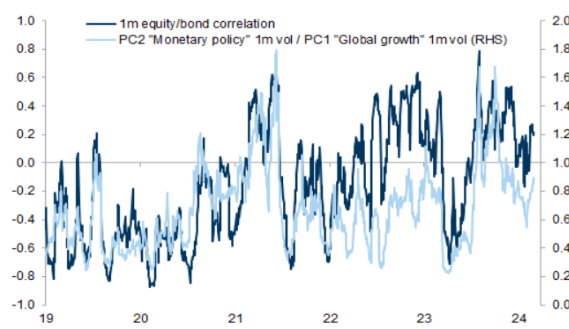
**Stock and bond prices have moved in opposite directions in 2024, offering some relief to 60/40 equity bond portfolios.** The benchmark 60/40 portfolio allocation saw its biggest drawdown in the last one hundred years in 2022 as the correlation of equity and bond returns turned positive amid rising rates and inflation volatility. However, with bond yields back to trading near levels seen prior to the December FOMC meeting and strong equity returns (+6.8%), the risk adjusted returns on 60/40 portfolios have improved. Goldman Sachs analysts believe the growing importance of economic growth as a market driver compared to monetary policy and inflation should reduce the correlation between equities and bonds and moderate the risk of 60/40 portfolios going forward.

**Exhibit 1: Equity/bond correlations have been more negative YTD with some reflation momentum**  
S&P 500 vs. US 10-year bond correlation (daily returns)



Source: Datastream, Goldman Sachs Global Investment Research

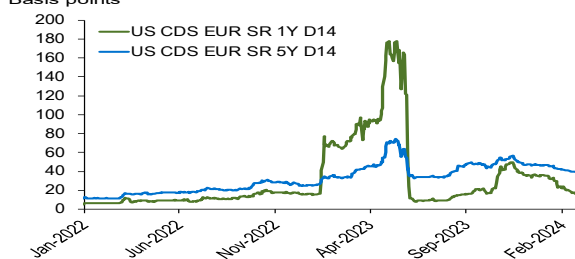
**Exhibit 3: Growth is becoming a more important driver than monetary policy/inflation**



Source: Haver Analytics, Goldman Sachs Global Investment Research

**US Congress passes temporary spending bill to avert government shutdown.** Media reports suggested President Biden will sign the partial extension by Friday evening. The deal would extend budgetary agreements due to expire on March 1 and March 8, to March 8 and March 22 respectively for the fiscal year that began October 1. In the event of a government shutdown, analysts expect any drag on economic growth to be temporary until the government reopens. Any shutdown would still allow the US Treasury to continue to pay interest on its debt. The impact on markets of past government shutdowns has generally been modest, especially as when they've been short lived.

**A government shutdown wouldn't be as consequential to Treasury markets as the debt ceiling episode**  
Basis points



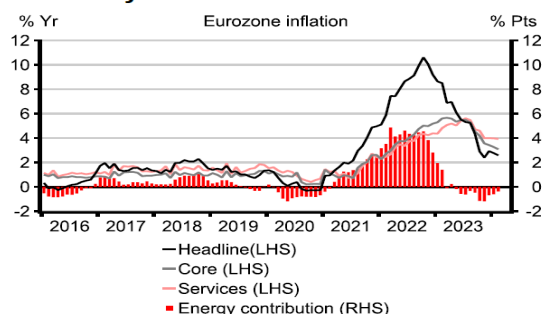
Source: Bloomberg

## Euro area

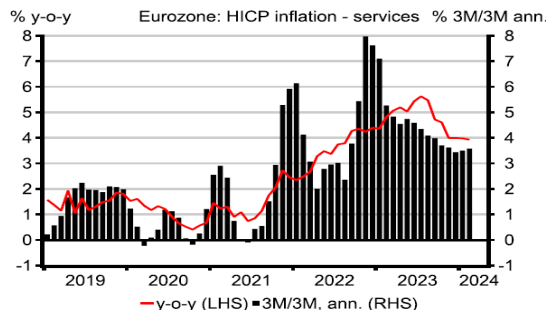
European equities were mostly trading higher (STOXX 600 index +0.4%) with the real estate (+1.6%) and banking (+1.2%) sectors outperforming. The euro was little changed against the dollar trading at around 1.081. Euro area sovereign bond yields were edging higher this morning (10y bund yield +3bps to 2.43%), with data showing an upside surprise in euro area inflation data. Elsewhere on the data front, the unemployment rate in the eurozone ticked down to 6.4% in January (from a revised 6.5% in December).

**Preliminary euro area inflation eased less than expected in February.** Data released this morning showed core inflation easing less than expected to 3.1% y/y (vs 2.9% expected) from 3.3% previously. Headline inflation declined to 2.6% y/y (vs 2.5% expected) from 2.8% previously. While country level data yesterday showed that inflation eased in Germany, France, and Spain mostly in line with expectations, analysts had warned that underlying inflation momentum remained strong. Most contacts attributed the relatively modest move in bond yields to the fact that markets had already begun to anticipate an upside surprise. **Market expectations for ECB rate cuts in 2024 were little changed**, with markets still pricing in roughly 93 bps of ECB rate cuts this year with the first rate cut nearly fully priced in by June (24 bps).

**1. HICP inflation fell by less than expected in February**

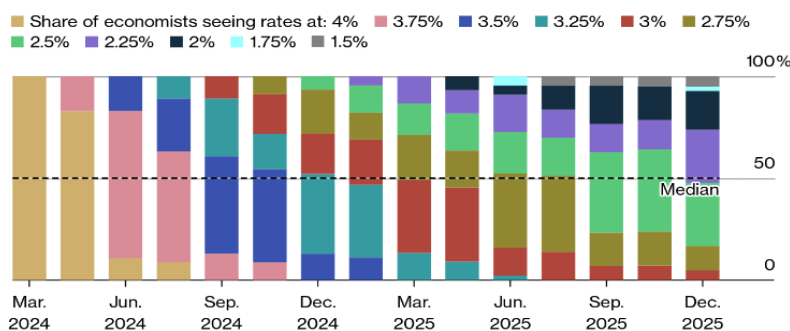


**3. Momentum has broadly stabilised in services and is even ticking up a little ...**



Most economists think that a premature ECB rate cut would be a worse mistake than a delay in easing, according to a recent Bloomberg survey. Almost two-thirds of the survey respondents felt that risking an inflation resurgence would be more damaging than cutting rates later, a view in line with commentary shared by several ECB Governing Council (GC) members recently. **All the respondents see rates remaining on hold at the upcoming ECB meeting next week, with most economists expecting the first rate cut in June.** While views on the ECB policy rate thereafter diverge quite sharply, most economists expect 75 bps of ECB rate cuts in 2024 (more hawkish than markets), compared to 100 bps of cuts expected in the previous survey conducted in January.

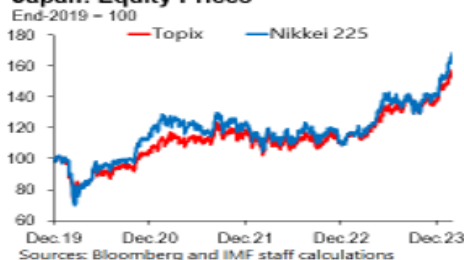
**Views on ECB Rate Path Diverge Sharply**



## Japan

**Japanese stocks rallied to new record highs, driven by IT firms** (Nikkei: +1.9%, Topix: +1.3%). Japan's unemployment rate inched lower to 2.4% in January (previous: 2.5%). Consumer sentiment beat expectations climbing above 39 in February (previous: 38). JPMorgan highlighted the recovery in consumer sentiment as positive for consumption going forward, and expects consumption to recover beginning in Q2 as drags on real income fade.

**Japan: Equity Prices**



**Retail sales and consumer sentiment**



**Bank of Japan (BOJ) Governor Ueda tried to tamp down rising expectations of risk hikes.** He told reporters at the G20 that BOJ's 2% inflation target is yet to be achieved and the BOJ will continue to seek confirmation that the virtuous wage and price cycle has begun. Nonetheless, market pricing continued to move in a hawkish direction, with overnight swaps pricing a 42% probability of a hike in March, compared to 26% on Thursday, according to Bloomberg. The Japanese yen depreciated 0.3%.

## Emerging Markets

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**EMEA markets were mixed, with equities in the UAE outperforming (+1.1%).** The Hungarian forint fell 0.3% against the euro and is down 1.3% week to date amid concerns about interest rates and a dispute between the government and central bank. Polish PMI surprised on the upside but signaled continued contraction at 47.9, while Hungary came in at 52.2 (vs 49 expected). Asian equities were up 0.3% on net, with Chinese stocks posting modest gains. **Indian stocks outperformed (+1.5%) following the upside GDP surprise yesterday.** Regional currencies were mixed, though the Malaysian ringgit has drawn increasing attention from the authorities (see below). **Indonesia's CPI rose to a three-month high at +2.75% (vs 2.6% expected) in February on higher rice prices.** In Latin America, Chilean assets outperformed performing strong retail sales and industrial production data. Equity markets fell in Colombia (-0.9%) and Brazil (-0.9%) after unemployment rates rose. The central bank of the Dominican Republic held rates unchanged at 7%.

## China

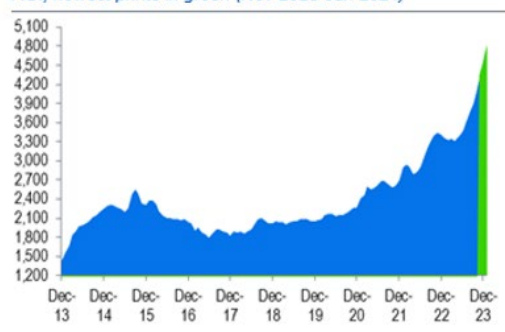
**Chinese economic surveys were mixed, as the manufacturing PMI showed ongoing contraction even as services improved.** The manufacturing PMI contracted for the fifth straight month at 49.1 (previous: 49.2), while services PMI rose to 51.4 (previous: 50.7). Separately, commercial banks have approved more than 200 bn yuan (\$28 bn) for property projects as of February 28, up from just 29 bn yuan a week before, authorities reported. China's housing ministry also asked local governments to coordinate negotiations on residential projects rejected by banks, and to recommend those projects back to the banks when they meet lenders' standards, according to Bloomberg.

**People's Bank of China will widen individual investors' direct access to domestic bond trading,** effective May 1st. The move aims to channel high household savings to support capital markets, Bloomberg reported. All types of debt will be available for purchases via the over-the-counter channel for local retail investors and certain qualified offshore investors. Some market participants said such a move could be

beneficial for the economy, however, bond ownership by Chinese individual investors remains tiny with holdings via OTC trading accounting for about 0.5% of onshore bond market.

**Renminbi internationalization index (RGI) posted its strongest yearly performance (+33%) since 2014**, Standard Chartered analysis shows. Two components of the index outperformed last year: offshore Chinese yuan (CNH) FX turnover and cross-border Renminbi payments. Renminbi-settled goods trade was up 33% y/y in Q4. The CNH bond market also grew markedly in 2023, with gross issuance surging 44%. Even more significant was the return of foreign investors to the onshore bond market last year, raising hopes that RGI improvement will broaden in 2024.

**RGI was up an impressive 33% in 2023**  
RGI, newest prints in green (Nov 2023-Jan 2024)



Source: Standard Chartered Research

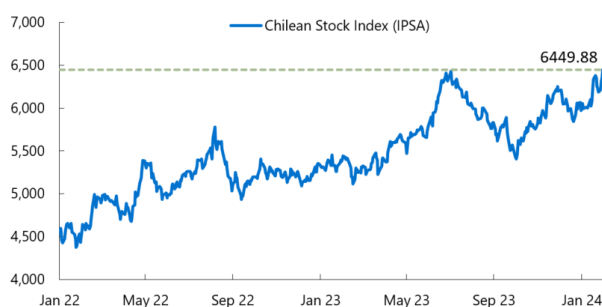
**Monthly Renminbi invoicing for goods topping**  
CNY 1tn (China's Renminbi goods trade settlement)



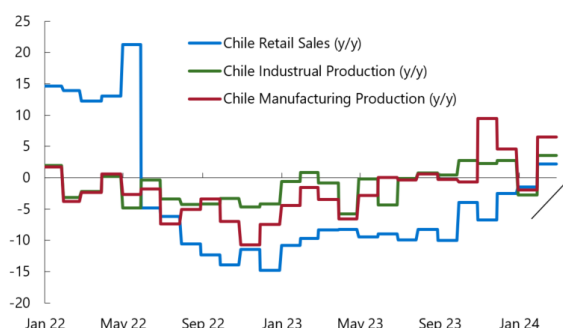
Source: CEIC, Standard Chartered Research

## Chile

**Chilean stocks hit a record high following several macro data releases that beat expectations.** Copper production increased by 0.5% y/y, rebounding from a contraction of 0.04% in December. Retail sales growth improved to 2.2% (vs -1.5% expected) after struggling for much of the last two years. Manufacturing production jumped to 6.5% y/y (vs 1.6%) from -1.8% previously. Lastly, industrial production came in at 3.6% (vs -0.4%).

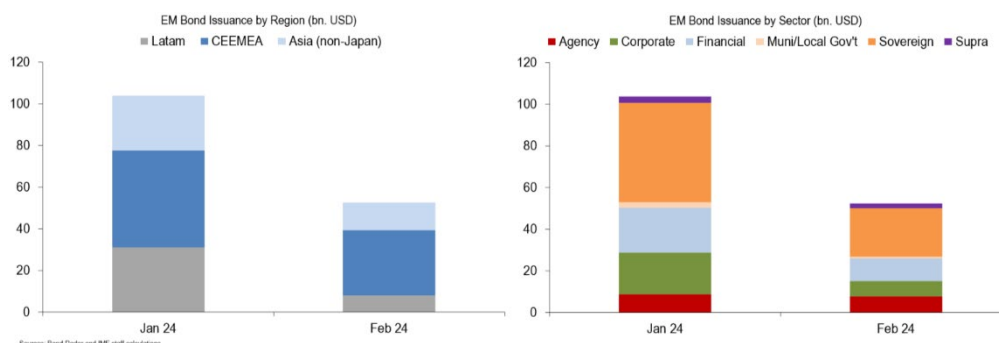


Source: Bloomberg and IMF Staff calculations.



## EM Bond Issuance

**Total monthly bond issuance for February reached \$52.5 bn, up 31% y/y from February 2023.** By sector, sovereigns (44%) accounted for the largest share, followed by financials (21%), agencies, corporates, supra, and municipals. Sovereign issuers included Romania, Panama, Bahrain, Kenya, Paraguay, and Sharjah (UAE).

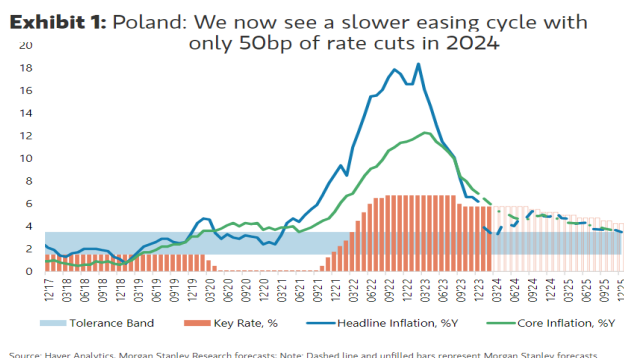


## Malaysia

**Malaysia's Financial Markets Committee (FMC) welcomed more intense coordination between the government and Bank Negara (BNM) to support the currency** and attract more inflows into the market, including steps to encourage government-linked enterprises and investment companies to repatriate foreign investment income and convert that income into ringgit more consistently. FMC Chairman and BNM Deputy Governor Zaylani discussed recent ringgit developments and released a joint statement after the meeting promoting the prospect of ringgit strength going forward. **The currency appreciated +0.7% this week but has weakened 3.2% YTD.**

## Poland

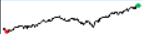

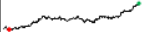
















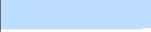


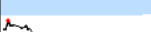

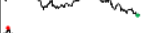
**Morgan Stanley analysts expect the central bank to keep rates unchanged until late-2024 due to upside inflation risk.** Ahead of the monetary policy meeting next week, Morgan Stanley analysts have scaled back rate cut expectations and now expect only 50 bps of easing this year (versus 100 bps previously), with analysts pointing to increased risk aversion in the central bank's reaction function. Morgan Stanley analysts forecast the first rate cut in September, but they caution that robust core inflation pressures together with a tight labor market could see rates remaining on hold until 2025.



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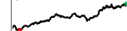















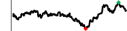

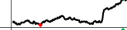




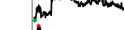


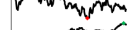



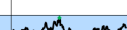


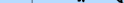
## Global Financial Indicators

3/1/24 7:17 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5096	0.5	0	4	29	7
Europe		4892	0.3	0	5	16	8
Japan		39911	1.9	2	10	43	19
China		3538	0.6	1	11	-14	3
Asia Ex Japan		66	0.1	-2	3	-1	-1
Emerging Markets		40	0.1	-2	3	2	-1
<b>Interest Rates</b>			basis points				
US 10y Yield		4.24	-1.4	-1	36	24	36
Germany 10y Yield		2.44	2.5	7	29	-28	41
Japan 10y Yield		0.72	0.8	0	1	21	10
UK 10y Yield		4.14	1.7	10	40	30	60
<b>Credit Spreads</b>			basis points				
US Investment Grade		129	0.8	8	3	-18	-5
US High Yield		368	-0.3	7	-11	-71	-17
<b>Exchange Rates</b>			%				
USD/Majors		104.05	-0.1	0	1	0	3
EUR/USD		1.08	0.2	0	0	1	-2
USD/JPY		150.4	0.3	0	3	10	7
EM/USD		46.7	0.0	0	-1	-8	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		83.2	1.5	3	6	6	8
Industrials Metals (index)		137	-0.8	0	-1	-17	-4
Agriculture (index)		59	-0.1	2	-4	-14	-6
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		13.4	0.0	-0.3	-0.4	-7.1	1.0
Global FX Volatility		6.6	0.0	0.0	-1.0	-3.3	-1.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		107	1.6	2	-1	-71	3
Italy		146	2.8	2	-12	-39	-22
Portugal		73	1.4	0	-9	-14	9
Spain		90	1.8	1	-4	-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: 3/1/2024 7:20 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	-0.1	0.0	0	-5	-1		2.4	4.0	4	-1	-86	-13
Indonesia		15700	0.1	-0.7	0	-3	-2		6.6	2.2	6	8	-24	15
India		83	0.0	0.1	0	0	0		7.2	-2.0	-4	12	(52.6)	-1
Philippines		56	0.3	-0.2	0	-2	-1		5.4	0.2	0	0	-51	-20
Thailand		36	-0.2	0.5	-1	-3	-5		2.6	-0.7	2	-12	-18	-13
Malaysia		4.75	-0.1	0.7	0	-6	-3		3.9	0.6	-2	9	-5	14
Argentina		842	-0.1	-0.5	-2	-77	-4		74.9	41.8	-74	191	-1336	-1153
Brazil		4.96	0.2	0.7	-1	4	-2		10.8	-8.4	-3	20	-258	44
Chile		961	0.6	2.0	-3	-16	-9		5.2	0.0	6	41	-57	25
Colombia		3926	0.0	0.1	0	24	-2		7.6	0.0	-5	38	-254	-1
Mexico		17.02	0.2	0.5	0	6	0		8.6	-0.3	-1	10	-36	19
Peru		3.8	0.4	0.2	1	0	-2		6.9	-0.1	10	26	-120	18
Uruguay		39	0.2	0.1	0	0	0		9.0	0.6	-1	-26	-110	-52
Hungary		363	0.0	-1.1	-3	-4	-4		6.1	-6.0	23	33	-237	32
Poland		3.99	0.1	-0.2	0	10	-1		4.8	-2.9	12	29	-116	36
Romania		4.6	0.2	0.1	0	0	-2		6.4	-2.2	6	12	-119	16
Russia		91.5	-0.3	3.7	-1	-18	-2							
South Africa		19.1	0.3	0.9	-3	-5	-4		9.5	-3.3	-6	41	28	37
Türkiye		31.34	-0.3	-1.4	-3	-40	-6		27.3	43.0	55	-18	1664	51
US (DXY; 5y UST)		104	-0.1	0.1	1	0	3		4.23	-1.8	-5	41	-3	38

	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		3538	0.6	1	11	-14	3		148	-1	-15	-19	-10		
Indonesia		7312	-0.1	0	1	7	1		107	3	-8	-32	11		
India		73745	1.7	1	2	23	2		100	1	-23	-47	-16		
Philippines		6920	-0.4	0	3	4	7		88	1	-9	-29	8		
Thailand		1367	-0.2	-2	-1	-15	-3		0	0	0	0	0		
Malaysia		1538	-0.9	-1	1	6	6		81	0	-8	-14	-4		
Argentina		1014712	1.6	-6	-22	307	9		1708	-8	-185	-265	-205		
Brazil		129020	-0.9	-1	0	24	-4		213	2	-8	-48	-2		
Chile		6450	1.7	4	7	20	4		130	3	1	-10	5		
Colombia		1274	-0.9	-1	0	6	7		300	1	0	-97	29		
Mexico		55414	0.1	-3	-4	4	-3		324	2	-11	-43	-10		
Peru		28232	0.6	-1	4	28	9		141	-4	-7	-40	-3		
Hungary		66314	0.6	0	2	49	9		160	0	-10	-42	11		
Poland		82020	0.1	-1	5	36	5		94	0	-11	27	-3		
Romania		15987	0.6	0	2	30	4		197	0	0	-37	-4		
South Africa		72753	0.0	-2	-2	-7	-5		347	6	10	-24	39		
Türkiye		9125	-0.7	-3	6	71	22		309	3	-39	-181	-5		
Ukraine		507	0.0	0	0	0	0		3968	-222	-80	-707	-36		
EM total		40	0.8	-2	3	2	-1		320	-13	-41	-67	-25		

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

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