



- US equities post first gains in several days following sharp intraday rebound ([link](#))
- Analysts start to project earlier and more accelerated tightening by the ECB ([link](#))
- EU issues €2.5 bn in NextGeneration EU green bonds ([link](#))
- Higher-than-expected Australian inflation fuels bets for earlier policy rate hikes ([link](#))
- Monetary Authority of Singapore tightens policy stance at off-cycle meeting ([link](#))
- Central bank of Russia halts FX purchases ([link](#))

[Mature Markets](#)









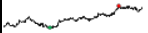
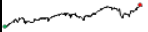
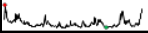
[Emerging Markets](#)

[Market Tables](#)

Risk sentiment remains uneasy amid highly volatile equity markets

Global equity markets are mixed across regions this morning as investors try to navigate rising geopolitical tensions alongside whether inflation will force central banks to be more active. Volatility remained front and center yesterday as stocks opened for the week. Intraday swings saw the S&P 500 routed as much as -4% intraday before staging a late day comeback to close just above the neutral line. The VIX topped 38 intraday, though the index has pared back meaningfully as share prices have recovered. Risk-off catalysts were attributed to rising geopolitical tensions between Russia and Ukraine, as well as unease over the upcoming FOMC meeting later this week, while the rebound into the close was supported by investors viewing the recent declines in equities as oversold given the still broadly positive macro environment. Overnight, market sentiment has turned sour again as Asian indices closed down 1-3% across the region and US equity futures are losing about 2%; European bourses are holding onto modest gains. Despite the volatility in equity markets, core sovereign bond yields are little changed on the week with 10-year US Treasury yields still hovering around 1.77%. At the same time, the ongoing trend of tighter monetary policy has continued as higher-than-expected inflation fueled bets on earlier rate hikes in Australia, Singapore tightened its policy stance, and the central bank of Hungary hiked its rate this morning.

Key Global Financial Indicators

Last updated: 1/25/22 8:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4410	0.3	-5	-7	14	-7
Eurostoxx 50		4081	0.7	-4	-4	15	-5
Nikkei 225		27131	-1.7	-4	-6	-5	-6
MSCI EM		48	-1.4	-4	-1	-14	-1
Yields and Spreads			bps				
US 10y Yield		1.77	-0.5	-11	27	74	26
Germany 10y Yield		-0.09	1.9	-7	16	46	9
EMBIG Sovereign Spread		391	6	9	20	36	24
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		52.9	-0.1	0	0	-7	1
Dollar index, (+) = \$ appreciation		96.3	0.4	1	0	6	1
Brent Crude Oil (\$/barrel)		86.7	0.4	-1	14	55	11
VIX Index (% change in pp)		32.8	2.9	10	15	10	16

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

Mature Markets

[back to top](#)

United States

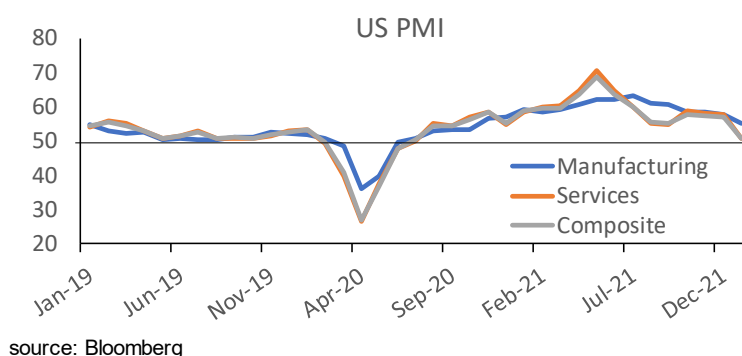
US equities closed higher for the first time in four-days following a volatile trading session on Monday. Earlier in the day, risk-off sentiment driven by concerns about monetary policy tightening and rising geopolitical tensions around Russia and Ukraine weighed on markets, leading to a sharp decline of risk assets. The S&P 500 rebounded to a 0.3% gain from a sharp selloff of 4% after dip buyers emerged. Eight out of eleven major sectors ended in the green, led by consumer discretionary. The tech-heavy Nasdaq closed up 0.6% after dropping nearly 5% intraday. The VIX index reached 38 pts at one point, before turning back to 30 pts by the end of the day. Analysts have cited that tech stock valuations fell to the lowest level since May 2020, and tech stocks are at the most oversold level since March 2020, likely encouraging dip buyers. Meanwhile, investors have signaled a more bullish view on equities according to a recent JP Morgan client survey: 75% of respondents plan to increase equity exposure and 76% to decrease bond duration near-term.

The Nasdaq 100 index forward 12-month P/E ratio



source: Bloomberg

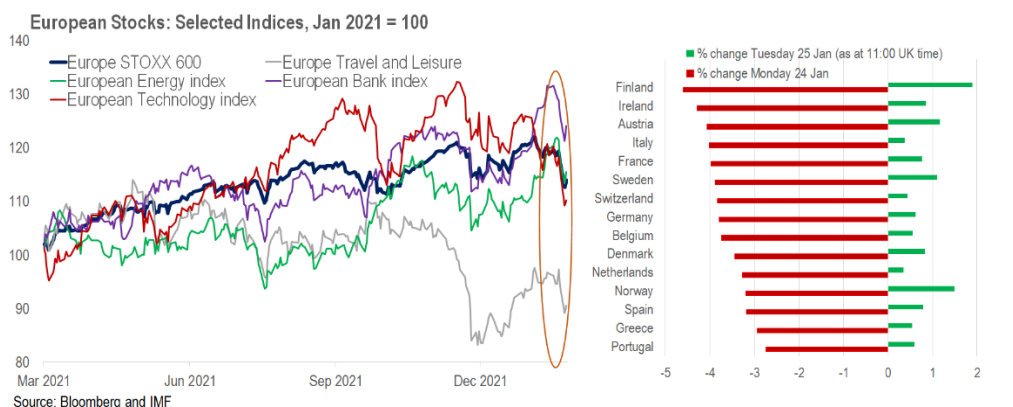
The US composite PMI declined in January as the spread of omicron weighed on demand and exacerbated labor shortages. The composite PMI index declined from 57.0 in December to 50.8, its lowest level since July 2020. The manufacturing PMI declined from 57.7 in December to 55.0, below consensus (56.7) and its lowest level since October 2020. Key components, including new orders, output, and employment, slowed and supplier delivery times were prolonged. The services PMI dropped from 57.6 in December to 50.9, below consensus (55.4) and its lowest level since July 2020. Labor shortages, employee absences, and the omicron wave weighed on growth.



source: Bloomberg

Euro area

European Equities rebounded this morning (+0.7%) retracing some of yesterday's losses after closing almost -4% lower. All sectors were trading higher with the bank (+2.4%) and energy (+2.4%) sectors outperforming. Looking across jurisdictions, stock market declines were seen across all major EMEA region equity indices yesterday, with the largest falls in Finland (-4.6%) and Ireland (-4.3%). This morning equity indices in Finland (+1.6%) and Norway (+1.4%) were outperforming.

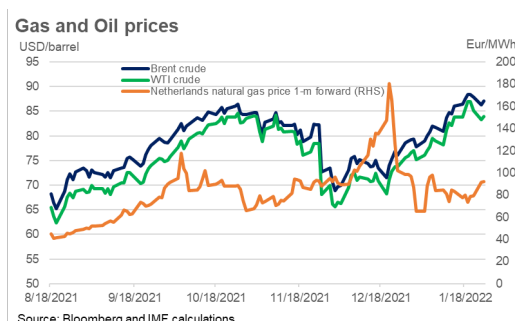


The euro (-0.5%) was trading weaker this morning while 10-yr bund yields increased (+2 bps to -0.09%) after closing 4 bps lower yesterday. Southern European and spreads tightened marginally with Italian spreads little changed after the first round of Italy's presidential election that started yesterday and yielded no winner with parliament remaining divided. Voting resumes today.

Based on updated inflation forecasts, Deutsche Bank analysts now expect earlier and more accelerated tightening by the ECB. Analysts are now seeing a 25 bp policy rate increase in December 2022, and 25 bp hikes in each quarter until rates reach +0.5% in September 2023, followed by less frequent hikes. ECB chief economist Philip Lane noted in an interview that inflation is still expected to fall later this year, but if incoming data suggest inflation too high relative to 2% then the ECB would respond. He reiterated that in such a scenario net bond purchases would end before interest rates would be increased.

The EU raised €2.5 bn in its green bond auction on Monday. The issuance was via a tap of the €12 bn 15-yr first NextGeneration EU green bond, that was placed on the market by the European Commission in October 2021. The bond forms part of the €50 bn in long-term funding that the Commission intends to issue under the NextGeneration EU recovery program in the first half of this year.

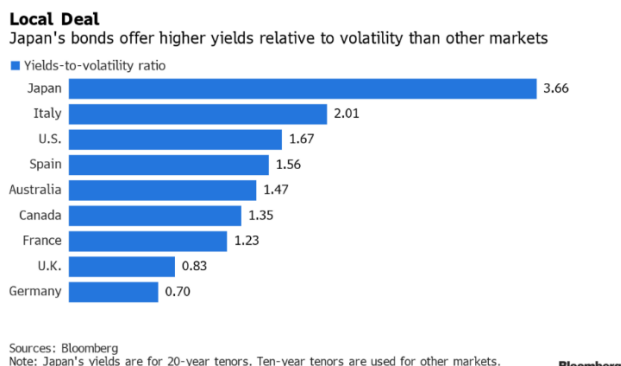
Analysts caution that geopolitical tensions over Ukraine could push up European gas prices, with Russia supplying roughly 35% of Europe's gas and stockpiles remaining low. Gas prices jumped (+15.7%) yesterday and were little changed this morning after shipments from Russia reportedly increased, and weather forecasts saw milder temperatures in the region. Oil prices also rebounded (+1%) this morning after the biggest one-day drop this year on Monday. Analyst forecasts further support for crude prices as the pandemic eases.



Japan

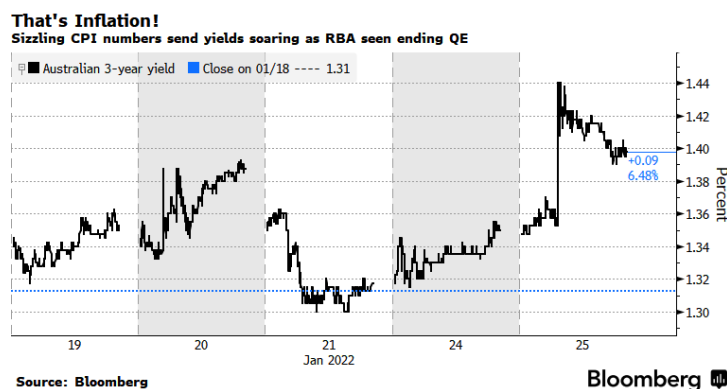
Equities declined (NIKKEI: -1.7%), similar to regional trends, as investors became increasingly concerned about the upcoming U.S. monetary policy decision and the rising tensions between Russia and Ukraine. Japanese yen appreciated (+0.1%), supported by safe-haven demand. Long-end JGB yields were little changed (10-year: flat; 30-year: -0.2 bps), despite the increase in U.S. Treasury yields

yesterday. Analysts noted that JGBs currently offer a volatility-adjusted and currency hedged yield that is well above those in other major markets. This makes JGBs very attractive to investors who seek refuge from monetary policy normalization in major economies.



Australia

Higher-than-expected CPI inflation fueled bets for earlier rate hikes. CPI inflation accelerated to 3.5% y/y in 2021Q4 (consensus: 3.2%), up from 3.0% in Q3. The trimmed mean measure increased to 2.6% y/y, also above expectations at 2.3%. Market participants now expect the Reserve Bank of Australia to end its bond purchasing program at the February policy meeting. The 3-year government bond yield increased (+4.8 bps), reaching the highest level since April 2019 in the morning trading session. Money market traders are pricing in a higher probability of a policy rate hike in May, while economists increasingly forecast a liftoff in August. Australian dollar was little changed after depreciating 5.3% yesterday. Equities declined (-2.5%), similar to regional trends. Long-end government bond yields increased.



Emerging Markets

[back to top](#)

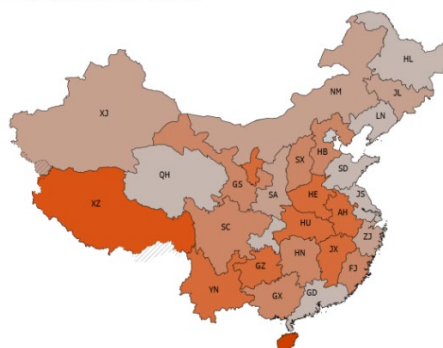
Stock markets in Latin America saw declines on Monday. The Argentina Merval index was down by 3.13%, followed by Chile (-3.1%), Mexico (-1.4%) and Brazil (-0.9%). The currency markets were relatively quiet. **Asian equities also declined in follow-through from yesterday's volatile US trading session, -1.6% on net,** led by Korean (-2.6%) and Chinese (CSI 300: -2.3%) equities. Most Asian currencies depreciated, led by Indian rupee (-0.3%). Analysts noted that Indian rupee underperformed as elevated crude oil prices weighed on India's macrofinancial outlook. **In Thailand, the authorities plan to regulate the use of digital assets** as means of payments, viewing that the widespread adoption of digital assets for payment poses risks to the financial system. **Regional EMEA equities stabilized ahead of talks between German chancellor Scholz and French president Macron to discuss a common response to Russia.** Equities gained in Russia (+2%), South Africa (+1%), and Poland (+1%). Currencies were mixed. **The Hungarian forint (+0.3%) strengthened ahead of a central bank meeting this morning that saw the policy rate raised by more-than-expected to 2.9%.**

China

China's provincial authorities set their growth targets of at least 5% this year. High-income provinces, such as Shanghai, Zhejiang, and Guangdong, set targets at around 5.5%-6%, while Beijing set a target at above 5%. Local authorities tend to set more ambitious growth targets than the central government. Most analysts expect the central authorities to set a growth target for China's economy at above 5%. RMB was little changed against the US dollar. However, the trade-weighted RMB appreciated to a record high against its 24 major trading partners.

Above 5%
Most Mainland China provinces targeting GDP growth above 5% in 2022

■ 5 ■ 5.5 ■ 6 ■ 6.5 ■ 7 ■ 8 ■ 9



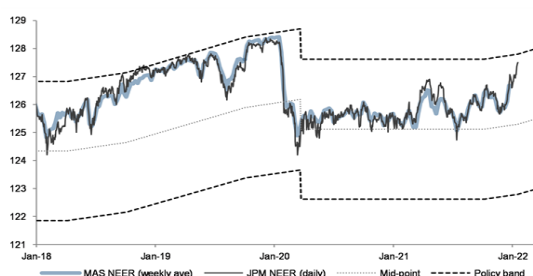
Source: Provincial work reports
Note: Tianjin yet to report

Bloomberg

Singapore

The Monetary Authority of Singapore (MAS) tightened the policy stance in an off-cycle policy meeting. The MAS increased slightly the slope of the Singapore dollar NEER policy band while keeping the width and the level at which it is centered unchanged. Market participants perceived that the slope, which determines annual appreciation pace, increased to 1% from 0.5%. The MAS revised up its 2022 core CPI inflation to 2%-3% from 1%-2%, noting that external and domestic cost pressures are rapidly accumulating. Analysts viewed that core inflation pressures will persist alongside a strong growth outlook. Analysts also expected the MAS to further raise the slope of the Singapore dollar NEER policy band at the April policy meeting. Singapore dollar appreciated (+0.2%); long-end government bond yields declined (10-year: -2.7 bps); equities fell (-1.1%).

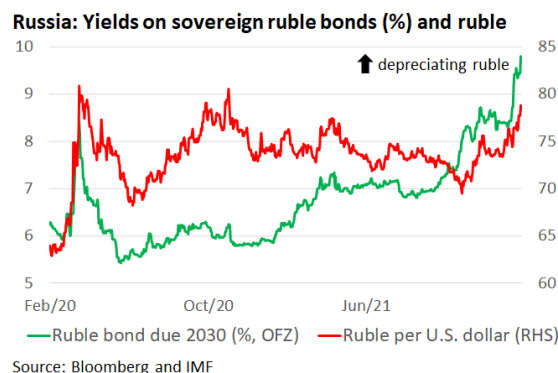
Exhibit 1: S\$NEER moves and the policy band



Source: MAS, J.P. Morgan estimates.

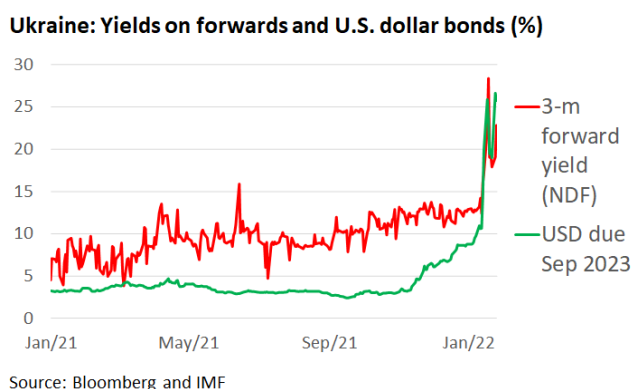
Russia

The ruble (+0.4% to \$78.6) edged higher and local yields fell 6 bps after the central bank (CBR) announced yesterday that it will stop buying foreign currencies (FX) in the domestic market. Under a fiscal rule adopted in 2017, the CBR buys FX on behalf of the ministry of finance when oil prices are high and sells FX when the Urals oil price falls below a \$44/bbl. Prior to yesterday's announcement, the CBR was buying about RUB 37 bn (\$0.5 bn) of FX every day. This compares with a stock of local currency bonds (OFZs) held by foreign investors of around RUB 3.2 tn (\$40 bn).



Ukraine

















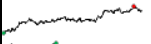




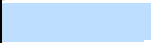
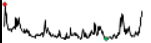


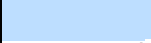

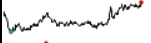
Yields on short-term U.S. dollar bonds fell 88 bps to 25.7% as investors await further developments. Yields remain elevated, as do yields on short-term currency forwards. The hryvnia was little changed after weakening 5% against the U.S. dollar so far in 2022.



This monitor is prepared under the guidance of Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Tom Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sergei Antoshin (Senior Economist), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Senior Financial Sector Expert), Torsten Ehlers (Senior Financial Sector Expert), Deepali Gautam (Research Officer), Rohit Goel (Financial Sector Expert), Frank Hespeler (Senior Financial Sector Expert), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Esti Kemp (London Representative), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Xingmi Zheng (Research Assistant). Javier Chang (Senior Administrative Assistant) and Srujana Sammeta (Staff Assistant) are responsible for word processing and production of this monitor.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

Last updated: 1/25/22 8:10 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4381	0.3	-4	-7	14	-8
Europe		4081	0.7	-4	-4	15	-5
Japan		27131	-1.7	-4	-6	-5	-6
China		4678	-2.3	-3	-5	-15	-5
Asia Ex Japan		82	-1.2	-3	-1	-18	-1
Emerging Markets		48	-1.4	-4	-1	-14	-1
Interest Rates			basis points				
US 10y Yield		1.77	-0.5	-11	27	74	26
Germany 10y Yield		-0.09	1.9	-7	16	46	9
Japan 10y Yield		0.14	0.0	0	8	9	7
UK 10y Yield		1.17	4.2	-5	24	91	20
Credit Spreads			basis points				
US Investment Grade		123	0.7	7	9	28	11
US High Yield		369	2.0	27	25	-5	31
Europe IG		57	-1.0	3	10	6	9
Europe HY		277	-5.0	13	36	13	35
Exchange Rates			%				
USD/Majors		96.26	0.4	1	0	6	1
EUR/USD		1.13	-0.5	0	-1	-7	-1
USD/JPY		114.0	0.0	-1	-1	10	-1
EM/USD		52.9	-0.1	0	0	-7	1
Commodities			%				
Brent Crude Oil (\$/barrel)		87	0.4	-1	14	55	11
Industrials Metals (index)		180	0.1	1	5	32	4
Agriculture (index)		63	0.2	3	2	29	4
Implied Volatility			%				
VIX Index (% change in pp)		32.8	2.9	10.1	14.9	9.7	15.6
US 10y Swaption Volatility		85.2	0.1	-3.2	2.2	29.9	6.2
Global FX Volatility		7.6	0.0	0.3	0.0	0.0	0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		174	-3.4	9	15	50	22
Italy		136	-3.0	3	0	13	1
Portugal		65	-1.3	3	-1	7	0
Spain		72	-1.1	3	-4	10	-2

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

Emerging Market Financial Indicators

Last updated: 1/25/2022 8:12 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		6.33	0.0	0.4	1	2	0		2.7	4.0	-3	-14	-44	-11
Indonesia		14351	-0.1	-0.1	-1	-2	-1		6.4	-0.7	1	7	14	3
India		75	-0.3	-0.3	0	-2	-1		6.3	0.0	0	9	75	0
Philippines		51	0.1	0.4	-2	-6	-1		4.6	0.0	5	0	135	8
Thailand		33	-0.2	0.2	2	-9	1		2.1	-1.0	-5	29	89	29
Malaysia		4.19	0.0	-0.2	0	-3	-1		3.7	0.5	3	13	99	10
Argentina		105	-0.2	-0.4	-2	-17	-2		48.9	10.0	55	-92	-278	-169
Brazil		5.52	-0.5	0.9	2	0	1		11.5	2.9	-10	90	306	83
Chile		807	0.2	1.5	6	-9	6		5.5	3.0	-42	14	287	9
Colombia		3988	-0.3	1.3	0	-10	2		7.4	0.0	-18	98	329	99
Mexico		20.67	-0.4	-1.3	0	-3	-1		7.5	0.0	-15	6	209	2
Peru		3.8	-0.4	0.1	5	-5	4		6.1	-0.4	-10	14	234	17
Uruguay		45	0.0	0.1	0	-6	0		8.7	0.0	4	-7	147	-3
Hungary		319	-0.1	-0.9	2	-8	2		4.7	3.0	-13	31	301	22
Poland		4.06	-0.7	-1.4	0	-8	-1		3.9	5.0	-4	42	273	34
Romania		4.4	-0.6	-0.5	0	-8	-1		5.0	0.0	-4	15	262	15
Russia		78.8	-0.1	-2.3	-7	-4	-5		9.9	-0.5	17	116	346	116
South Africa		15.3	-0.4	1.3	1	-1	4		7.7	4.0	-7	32	101	27
Turkey		13.54	-0.6	-0.1	-15	-45	-2		22.5	17.0	-55	-141	931	-178
US (DXY; 5y UST)		96	0.4	0.5	0	6	1		1.55	-0.2	-11	30	114	28

	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		4678	-2.3	-3	-5	-15	-5		202	4	-2	-24	-1
Indonesia		6568	-1.3	-1	0	7	0		181	9	15	-10	16
India		57858	0.6	-5	1	20	-1		144	8	13	-11	12
Philippines		7288	0.5	-1	1	4	2		110	6	11	8	9
Malaysia		1509	-0.9	-2	0	-4	-4		120	3	2	-15	3
Argentina		81004	-3.1	-5	-5	71	-3		1953	79	199	545	273
Brazil		107937	-0.9	1	3	-8	3		321	2	1	40	10
Chile		4507	0.1	0	5	0	5		153	7	12	1	13
Colombia		1522	-0.1	-4	9	9	8		359	15	9	130	11
Mexico		50891	-1.4	-6	-4	13	-4		347	5	12	-24	15
Peru		22783	-0.7	-3	10	6	8		158	3	7	31	8
Hungary		51189	-0.3	-3	3	19	1		128	9	3	-17	4
Poland		67005	1.2	-6	-2	18	-3		20	5	-16	-9	-12
Romania		12761	-0.6	-5	1	23	-2		200	8	9	-2	7
Russia		3255	0.6	-2	-12	-4	-14		281	66	103	98	104
South Africa		72664	0.7	-3	2	13	-1		380	21	18	-10	25
Turkey		1938	1.4	-2	2	26	4		554	-5	-29	95	-24
Ukraine		523	0.0	0	0	5	0		1003	37	248	508	244
EM total		48	0.5	-4	-1	-14	-1		425	15	31	75	39

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

[back to top](#)