



- US CPI slightly higher than expected ([link](#))
 - Fed New York president Williams reinforces “dovish pivot” ([link](#))
 - US SEC approves spot bitcoin ETFs ([link](#))
 - Competition in UK mortgage market drives lenders to cut mortgage rates ([link](#))
 - Bank of Korea keeps the policy rate unchanged at 3.5% as expected ([link](#))
 - People’s Bank of China steps up its support to the currency ([link](#))
 - Downside inflation in Czech Republic could see faster rate cuts ([link](#))
 - Colombia's decelerating inflation could lead to more aggressive rate cuts ([link](#))
- Special Feature: EM Local Currency Bond Holdings Monitor ([attached](#))**

[Mature Markets](#)


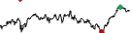
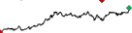


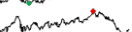





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US inflation data challenges Fed rate cut expectations

US Treasury yields were volatile immediately after the release of a higher-than-expected US CPI print, challenging market expectations that the Fed will soon start lowering interest rates. Prior to the release, European equities gained modestly and Japanese stocks outperformed reaching a new three-decade high, in part due to recent yen weakness. Contacts expect flows for Japanese equities to be further supported by the announcement of a new tax-free retirement savings program. In fixed income, comments by Fed New York president Williams on monetary policy being now tight enough to guide inflation back to the target had limited impact on US Treasury yields yesterday. Across the pond, euro area government bond yields were little changed this morning. Elsewhere, cryptocurrency stocks extended gains in premarket trading after US regulators approved ETFs that invest directly in bitcoin. In emerging markets, December inflation data surprised to the downside in the Czech Republic and Colombia, with analysts seeing a chance for faster rate cuts by both central banks.

Key Global Financial Indicators

Last updated: 1/11/24 8:21 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4783	0.6	2	3	21	0
Eurostoxx 50		4479	0.2	0	-1	9	-1
Nikkei 225		35050	1.8	5	7	33	5
MSCI EM		39	-0.2	-2	-1	-5	-3
Yields and Spreads			bps				
US 10y Yield		3.98	-4.4	-1	-25	45	11
Germany 10y Yield		2.22	0.6	9	-5	1	19
EMBIG Sovereign Spread		402	-9	-3	6	-61	19
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.8	0.2	0	1	-6	-1
Dollar index, (+) = \$ appreciation		102.2	-0.2	0	-2	-1	1
Brent Crude Oil (\$/barrel)		78.3	2.0	1	3	-5	2
VIX Index (% change in pp)		12.8	0.1	-1	0	-8	0

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

This morning, **December CPI came in slightly higher than expected: +0.3% m/m (3.4% y/y) versus +0.2% (3.2%) consensus.** Core CPI, excluding food and energy, was almost in line with expectations: +0.3% m/m (3.9% y/y) versus +0.3% (3.8% y/y) consensus. Initial jobless claims were marginally lower than expected: 202k versus 210k consensus. Markets had a volatile reaction immediately after the release, with Treasury yields moving in a 5–8 bps up and down range. The dollar was stronger.

Yesterday, Fed New York president Williams said monetary policy is now tight enough to guide inflation back to the target, effectively reinforcing the "dovish pivot," but he also said that policymakers need more evidence of cooling inflation before cutting interest rates. Treasury yields were little changed while US equities rose moderately higher yesterday.

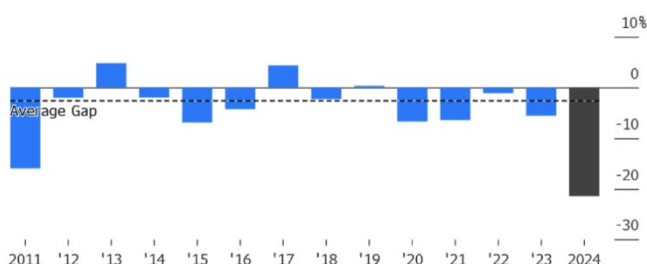
The SEC finally approved spot bitcoin ETFs yesterday after the SEC's X account falsely posted the approval on Tuesday. The SEC retracted the announcement later on Tuesday, stating the account was compromised. Bitcoin traded above \$47,000 on the news, up 7% for the week.

US bank stocks are expected to underperform European peers this year.

Earnings per share for US banks are expected to fall 5% this year, compared with a 22% increase for European banks. While large US banks posted record profits in the third quarter of last year, the overall US banking industry is struggling with slowing loan growth, tighter regulatory oversight following the regional bank crisis last year, and concerns over increasing credit costs. The negative outlook is expected to fuel the underperformance of US banks. Large US banks, including Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo, will kick off the 4Q reporting season on Friday.

US Banks to Lag European Peers This Year by Most Ever

Initial return expectations for US banks trail European rivals by over 20% this year



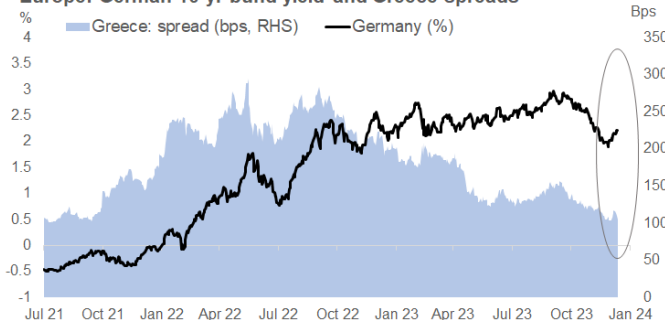
Source: Bloomberg
Note: Expected return calculated on Jan. 1 of each year using analyst target prices for KBW Bank and Stoxx 600 Bank indexes.

Bloomberg

Euro Area

European equities were modestly higher this morning while banking sector stocks underperformed on a relatively quiet day in terms of data releases. The euro was unchanged against the dollar. **Euro area sovereign yields were little changed while Southern spreads over the 10-year bund declined for the fourth consecutive day.** On the data front, November industrial production (IP) data for Italy came in weaker than expected. IP fell by 1.5% m/m versus a 0.2% decline expected and -0.2% decline in the prior month. There was limited market reaction to the release.

Europe: German 10-yr bund yield and Greece spreads

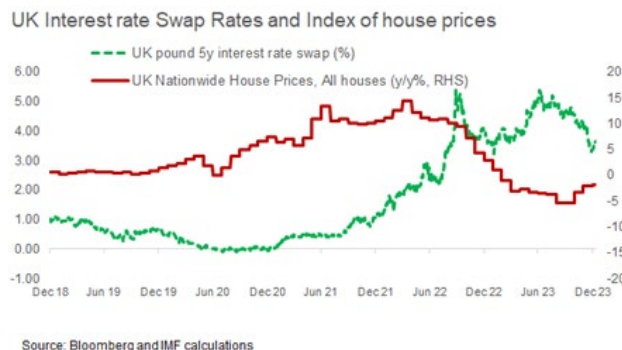


Source: Bloomberg and IMF calculations

United Kingdom

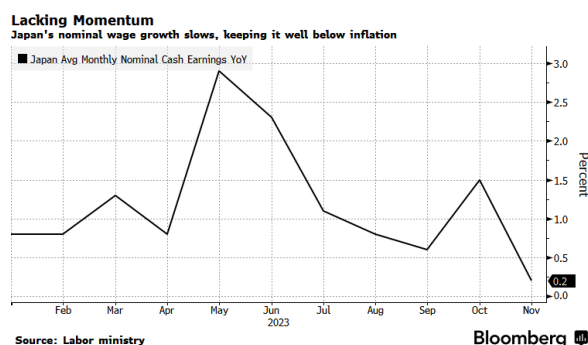
The pound was trading a touch stronger against the dollar (+0.1%) at 1.27 and gilt yields were lower this morning. A quiet day in terms of data, with **investor attention on tomorrow's monthly GDP data for November.** Expectations are for a slight increase in activity (+0.2% m/m, versus -0.3% m/m in the prior

month). Separately, The Times reports that the **UK's largest mortgage lenders have cut mortgage rates** as competition between banks' heats up. The average rate on a two-year fixed rate mortgage has declined to 5.71% from 5.93% on January 2. Over the same period, average rates on 5-year fixed rate deals have declined to 5.31% from 5.54%. The decline in mortgage rates has supported activity in the property market with the number of mortgage approvals rising for three consecutive months to 50,067 in November.



Japan

Japanese equities continued to rally, with the Nikkei gaining 1.8% today. Japanese equities have outperformed ytd, increasing to a 34-year high. Analysts noted that a stellar start for Japanese equities pointed to a major shift in the investment environment in Japan, with optimism arising from the anticipation that the economy finally escapes from deflation and builds a path to sustainable growth. Contacts also expect flows for Japanese equities to be further supported by the announcement of a new tax-free retirement savings program. **The Bank of Japan (BOJ)'s regional hearings on wage trends showed mixed signals on the prospect of wage growth.** There were many firms that have not decided the pay increases, especially among small businesses. The outcome would support speculation that the BOJ is in no rush to end its negative interest rate policy this month. The Japanese yen appreciated (+0.1%), while long-end JGB yields were mixed (10-year: +1.8 bps; 30-year: -1.2 bps). Markets have weakened their expectations for the BOJ's exit from the negative policy rate at the January policy meeting, with the 3-month OIS rate falling back into negative territory (today: -0.015%).



Korea

The Bank of Korea (BOK) kept its policy rate unchanged at 3.5%, as expected. The BOK removed the phrase of "to judge the need to raise the base rate further" from its statement, signaling that the policy rate has peaked. Meanwhile, Governor Rhee said that the BOK is expected to hold the policy rate for a considerable period, curbing speculation for an early policy pivot. He also noted that debt restructuring of a local property developer should not generate broad financial volatility. Government bond yields declined (3-year: -4.7 bps; 10-year: -3.5 bps), while the Korean won appreciated (+0.6%). Korean equities declined (-0.1%).

Emerging Markets

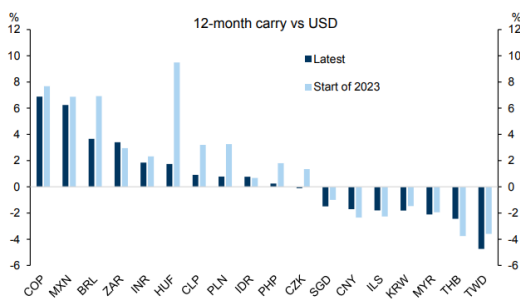
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Most Asian equities gained on net this morning, led by Hong Kong SAR (+1.3%) and Philippine (+1.0%) stocks. Meanwhile, share prices fell in Thailand (-0.4%) and Malaysia (-0.3%). **Asian currencies appreciated**, led by the Philippine peso (+0.5%). Long-end government bond yields were mixed, with 10-year yields rising in the Philippines (+6.6 bps) while falling in Singapore (-4.4 bps). **EMEA equity and currency markets were mixed while local currency bond yields were mostly lower this morning**. The Turkish equity market was outperforming (+0.5%) while equities in Poland (-0.5%) were lower. In Poland, **contacts noted a hawkish tone in governor Glapinski's press conference after the January policy meeting**, with the governor cautioning that inflation could raise significantly in H2 2024 and noting that policymakers could abstain from further rate cuts. Elsewhere on the central bank front, **Serbia kept its repo rate unchanged at 6.5%**, in line with expectations. In **Latam**, local government bond yields were generally lower, led by Colombian bonds (benchmark local 5-year yield declining -19 bps) reacting to the release of a weaker-than-expected inflation print for December. Regional equities and currencies were relatively unchanged ahead of US inflation data.

EM Currencies

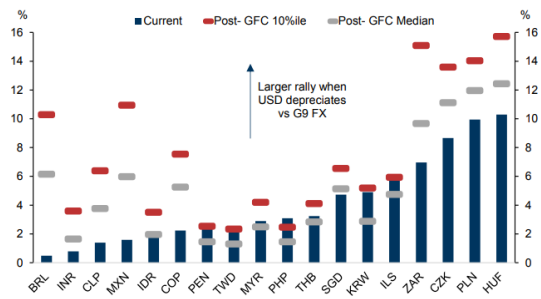
EM currency performance is likely to be influenced by carry and sensitivity to the dollar. According to a Goldman Sachs analysis, EM FX carry will continue, although is expected to be less instrumental compared to the past two years, contributing positively to EM FX returns. The Mexican peso (MXN), Colombian peso (COP), Brazilian real (BRL) and South African rand (ZAR) were cited as currencies who have maintained their high carry from 2023, while carry has fallen the most for the Hungarian Forint (HUF). Differentiation in EM FX could also be influenced to broad dollar sensitivity. Based on historical and recent movements, the analysis suggest that CEE currencies are the most sensitive, likely due to their positive beta to the dollar and the euro. For EM Asia, high-beta but low yielding Asian currencies may also be supported as rate differentials vs the US start to narrow.

COP & MXN still have the highest carry across EM FX, whereas it has fallen the most for HUF



Source: Goldman Sachs, Goldman Sachs Global Investment Research

KRW and ZAR are among the EM currencies most sensitive to the Dollar, together with CEE FX



Estimated % appreciation of the displayed currency vs USD given a 10% depreciation in the USD vs G9 FX, using rolling 9-month samples estimated over the post-GFC period. Results control for a broad set of non-Dollar market factors.

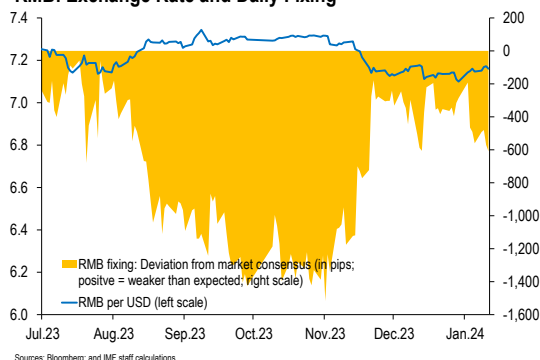
Source: Bloomberg, Goldman Sachs, Goldman Sachs Global Investment Research

China

The RMB appreciated 0.1% as the People's Bank of China (PBC) stepped up its support to the currency. Today, the PBC set the daily RMB fixing stronger than expected at 7.109 yuan per dollar after the deviation from consensus reached 609 pips, the largest since mid-December. Chinese equities gained (CSI 300: +0.6%), similar to regional trends. **China's "snowball" derivatives worth 30 bn yuan (c. \$4 bn) are trading near levels that trigger losses at maturity**, according to Guotai Junan Futures Co. These are structured products promising bond-like coupons as long as the underlying assets (e.g., CSI 100 index) trade within a certain range. The slump in Chinese equities has exposed the risk of these derivatives hitting levels that could trigger losses. Another 60 bn yuan of these derivatives are reportedly 5–10% away from their knock-in-thresholds. **An analysis of filings by US pension funds showed that most of them have**

reduced their exposure to China since 2020. Analysts noted that what started as a performance-driven exit is becoming a structural shift due to a combination of concerns about China's long-term economic agenda, a prolonged property sector downturn and strategic competition with the US. **Sino-Ocean seeks to extend RMB bond repayments.** The state-backed property developer has suspended its dollar bond payments since September 2023 and reportedly was in talks with China Cinda (a state-owned asset management company) for financial support.

RMB: Exchange Rate and Daily Fixing

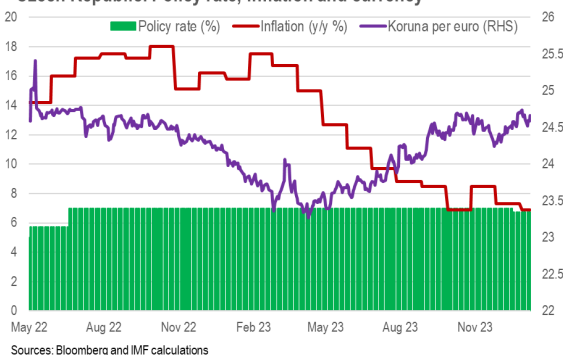


Czech Republic

Analysts see a chance for faster rate cuts after December inflation surprised on the downside. Data released this morning showed headline inflation easing to 6.9% y/y while consensus had expected inflation to remain unchanged at 7.3% y/y.

The central bank started its easing cycle with a 25 bps cut to take its key rate to 6.75% at its December 2023 meeting, after the policy rate had been on hold since mid-2022. The statement retained a cautious tone, with the MPC noting that the easing cycle could be paused or terminated at any time. More recently, the central bank vice-governor said that the pace of monetary policy easing will depend on how quickly inflation moves towards the bank's 2% target. The central bank will release its commentary on the inflation data later today. In the meantime, ING analysts argue that today's inflation data increases the odds of a 50 bps rate cut already at the upcoming policy meeting in February. The Czech Koruna weakened this morning (-0.3% to 24.66/€) and is trading roughly 2.3% weaker against the euro than a year ago.

Czech Republic: Policy rate, inflation and currency

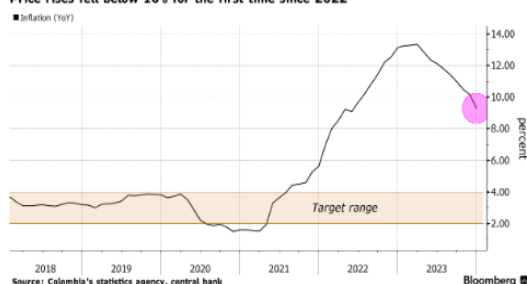


Colombia

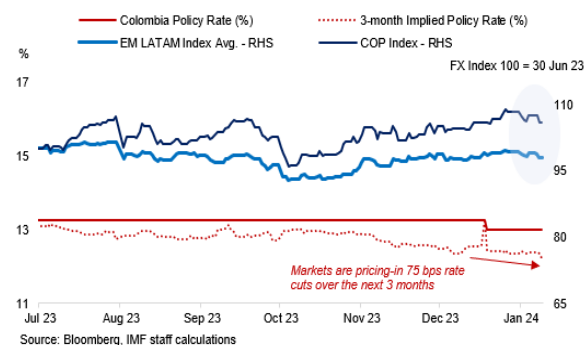
Colombia's inflation decelerated faster-than-expected in December, potentially opening the door for a more aggressive monetary easing cycle. Inflation slowed to 9.28% y/y in December (analysts' median forecast was 9.45%), falling below 10% for the first time since 2022. The central bank initiated the easing cycle last month, with a cautious -25 bps reduction in the policy rate to 13%. Whilst the central bank is expected to cut the policy rate by another -25 bps later this month, some market analysts are suggesting that a larger rate cut could be on the cards following the release of the inflation print. Currently, markets are pricing in a cumulative -75 bps rate cut over the next 3 months.

Colombia Inflation Slowed More Than Expected Last Year

Price rises fell below 10% for the first time since 2022



More aggressive rate cuts could threaten COP recent outperformance



Argentina

Argentina's dollar bond prices due 2030 rose on news of an IMF deal. The benchmark Argentina bond experienced the biggest intraday rise since November on reports of impending deal with the IMF was about to be reached. The staff-level agreement, announced late in the day, to review its \$44 bn program and is expected to pave the way for a larger loan disbursement (\$4.7 bn) than initially expected (\$3.3 bn), subject to approval by the IMF's executive board. Argentine bonds due 2030 climbed about 1.4 cents on the dollar to trade at around 39 cents, according to indicative pricing data collected by Bloomberg. The rally in the benchmark Argentina bond is likely to reflect investors' confidence, interpreting the agreement as a "clear acknowledgement of Argentina's fiscal efforts by the IMF".

Argentina's Dollar Bonds Due 2030 Rise on IMF Deal








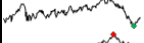
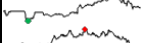
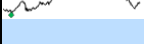







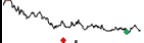







Notes see their biggest intraday leap since November



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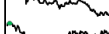









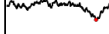


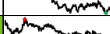




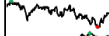






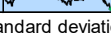




Global Financial Indicators

1/11/24 8:21 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		4793	0.6	2	4	21	0
Europe		4479	0.2	0	-1	9	-1
Japan		35050	1.8	5	7	33	5
China		3296	0.6	-2	-4	-18	-4
Asia Ex Japan		64	-0.2	-2	-1	-8	-4
Emerging Markets		39	-0.2	-2	-1	-5	-3
Interest Rates			basis points				
US 10y Yield		3.98	-4.4	-1	-25	45	11
Germany 10y Yield		2.22	0.6	9	-5	1	19
Japan 10y Yield		0.60	1.7	-1	-16	10	-1
UK 10y Yield		3.79	-3.3	6	-29	38	25
Credit Spreads			basis points				
US Investment Grade		132	0.3	-4	-8	-22	-2
US High Yield		391	3.1	-10	-23	-56	6
Exchange Rates			%				
USD/Majors		102.19	-0.2	0	-2	-1	1
EUR/USD		1.10	0.1	0	2	2	0
USD/JPY		145.4	-0.3	0	-1	10	3
EM/USD		47.8	0.2	0	1	-6	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		78.3	2.0	1	3	-1	2
Industrials Metals (index)		138	0.9	0	3	-19	-3
Agriculture (index)		61	0.6	-1	-4	-8	-2
Implied Volatility			%				
VIX Index (% change in pp)		12.8	0.1	-1.3	0.2	-8.3	0.4
Global FX Volatility		7.8	0.0	-0.3	0.0	-2.7	-0.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		107	-3.2	-6	-13	-90	3
Italy		157	-6.6	-13	-23	-27	-11
Portugal		59	-4.9	-7	-9	-31	-4
Spain		92	-4.8	-7	-11	-7	-5

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

Emerging Market Financial Indicators

Last updated: 1/11/2024 8:19 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		7.16	0.2	0.0	0	-5	-1		2.5	1.4	-4	-14	-62	-3
Indonesia		15549	0.1	-0.4	0	0	-1		6.7	-1.9	4	5	-11	22
India		83	0.0	0.2	0	-2	0		7.2	-2.1	-5	-14	(12.1)	2
Philippines		56	0.5	-0.9	-1	-2	-1		5.4	-6.2	-6	-46	-61	-19
Thailand		35	0.2	-1.4	2	-4	-2		2.7	-0.8	-5	-13	13	-1
Malaysia		4.64	0.0	-0.2	1	-6	-1		3.8	-0.3	-4	5	-16	7
Argentina		815	-0.1	-0.5	-55	-78	-1		80.7	-48.5	-216	-1993	-338	-569
Brazil		4.88	0.3	0.4	1	6	-1		10.6	-4.6	4	-30	-173	25
Chile		910	0.8	-2.2	-3	-9	-3		4.9	-2.5	-18	-20	-9	0
Colombia		3913	0.5	0.5	2	21	-1		7.6	0.0	-23	-41	-208	-2
Mexico		16.99	-0.1	0.1	2	11	0		8.6	0.0	-10	-27	44	13
Peru		3.7	0.3	0.8	2	3	0		6.7		-6	-32	-104	4
Uruguay		39	-0.2	-0.6	0	1	-1		9.4	-8.9	-9	-23	-124	-9
Hungary		345	-0.1	0.4	3	7	1		5.6	-16.0	-32	-54	-226	-14
Poland		3.96	-0.2	0.3	2	10	-1		4.4	-6.5	-12	-11	-79	-5
Romania		4.5	0.1	0.4	2	1	0		6.2	-7.1	-13	-37	-124	-2
Russia		88.8	1.0	2.9	3	-22	1							
South Africa		18.6	0.5	0.6	3	-9	-1		9.0	-1.5	-14	-27	37	-9
Turkey		29.99	-0.1	-0.8	-3	-37	-2		26.9	43.0	-97	-7	1737	13
US (DXY; 5y UST)		102	-0.2	-0.2	-2	-1	1		3.93	-4.0	-5	-31	28	9

	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		3296	0.6	-2	-4	-18	-4		161	3	10	-22	3	
Indonesia		7220	-0.1	-2	1	9	-1		111	-2	7	-54	15	
India		71721	0.1	0	3	20	-1		125	7	14	-29	9	
Philippines		6614	1.0	0	5	-3	3		92	-2	6	-48	12	
Thailand		1408	-0.4	-2	2	-17	-1		0	0	0	0	0	
Malaysia		1483	-0.3	0	2	0	2		94	5	9	-6	9	
Argentina		1070425	0.9	10	10	377	15		1990	0	63	-66	77	
Brazil		130824	-0.5	0	3	16	-3		214	-16	0	-66	-1	
Chile		6048	-0.9	0	3	17	-2		132	-10	7	-22	7	
Colombia		1289	-0.4	5	13	-4	8		303	3	4	-84	32	
Mexico		55319	0.4	-1	2	4	-4		336	-20	-23	-46	2	
Peru		25849	0.2	1	17	15	0		156	-6	8	-43	12	
Hungary		62941	0.2	3	8	36	4		165	-7	10	-86	16	
Poland		76515	-0.4	0	-1	25	-2		103	-15	4	-4	6	
Romania		15747	0.4	3	4	28	2		214	-15	17	-63	14	
South Africa		74012	0.6	-1	0	-6	-4		333	-2	-5	-28	25	
Turkey		7880	0.1	4	2	67	5		340	-10	-4	-144	26	
Ukraine		507	0.0	0	0	-1	0		4125	26	456	-51	121	
EM total		39	0.6	-2	-1	-5	-3		364	-4	8	-23	18	

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

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