



- Treasury curve has steepened since December alongside a rebound in inflation risk ([link](#))
- China to cut reserve requirement ratio by 50 bps ([link](#))
- Côte d'Ivoire issued \$2.6 bn in international dollar bonds ([link](#))
- Eurozone flash composite PMI signals ongoing contraction ([link](#))
- Foreign demand for US Treasury bonds strengthened in November ([link](#))

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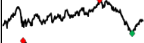





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## Global stocks climb higher amid corporate earnings and Chinese stimulus efforts

Most global markets moved higher after strong earnings from Netflix and major European semiconductor firm ASML, alongside China's announcement of a cut in the reserve requirement ratio. US stock futures turned green with an eye on extending the S&P500's gains this week. European and US bond yields were trading 2–3 bps lower despite the sizeable sell off in Japanese bonds. Meanwhile, US mortgage applications continued to rise despite a slowdown in weekly growth. The dollar index was down nearly 0.5% as the euro and yen both appreciated, while EM currencies were mixed. European PMIs signaled continued contraction, though manufacturing came in slightly better than expected, ahead of the ECB meeting tomorrow.

Key Global Financial Indicators

Last updated: 1/24/24 7:43 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4865	0.3	2	2	21	2
Eurostoxx 50		4542	1.7	3	0	9	0
Nikkei 225		36226	-0.8	2	9	32	8
MSCI EM		38	0.9	0	-3	-9	-5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.10	-2.7	0	21	65	22
Germany 10y Yield		2.32	-2.9	1	34	17	30
EMBIG Sovereign Spread		403	3	8	20	-34	19
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		47.5	0.4	0	-1	-7	-1
Dollar index, (+) = \$ appreciation		103.2	-0.4	0	1	1	2
Brent Crude Oil (\$/barrel)		79.2	-0.5	2	0	-8	3
VIX Index (% change in pp)		12.5	0.0	-2	-1	-7	0

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 Treasury curve has steepened since December, with the 2y/30y spread turning positive.** 10- and 30-year bond yields have risen around 35 bps from their lows in December, driven by a rebound in inflation expectations and associated risk premium, alongside resilient economic data. In contrast, short term rates have remained relatively contained as markets continue to price substantial easing in the outlook, despite some volatility in recent weeks. The spread between 10y and 2y bonds has also become less negative, rising to around -22 bps from -53 bps in December.

Figure 7. The recent curve steepening is being driven by a recovery of inflation risk premium.



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Source: Citi Research

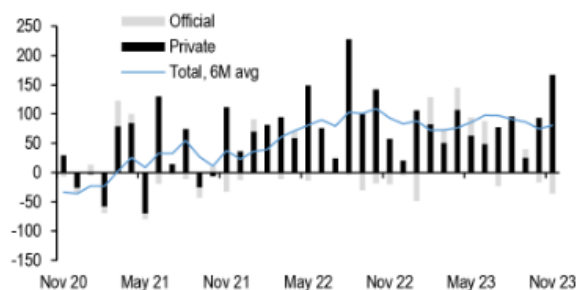
Treasury term spreads (bps)



Source: Bloomberg

**Foreign demand for US Treasury bonds strengthened in November** (latest available). Foreign investors bought \$131 bn of long-term fixed income securities, up from \$77 bn in the prior month, marking the strongest month of foreign purchases since April 2023. Foreign private investors purchased \$167 bn of securities to drive the monthly figures higher, while foreign official investors sold \$36bn. Geographically, euro area and UK investors represented the largest source of net buying, while Chinese investors were the largest net seller.

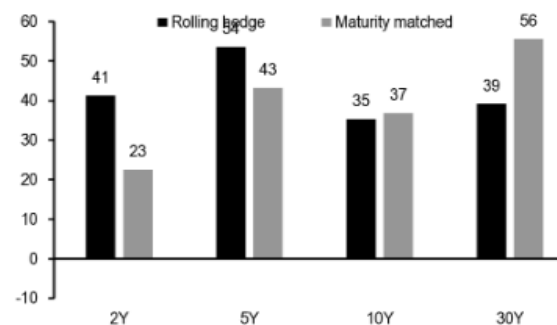
Net sales by US residents of long-term (>1Y to maturity) US securities\* to foreigners and 6-month moving average; \$bn



Source: Treasury International Capital (TIC) System, J.P. Morgan

\*Include Treasuries, Agencies/MBS, and US corporates

Yield pick-up from buying USD bonds versus German using fixed dated maturity and 3M rolling FX hedges for Euro area investors; bp

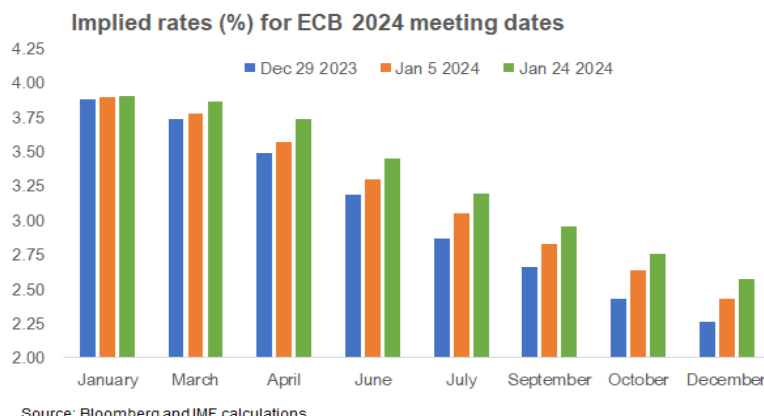


Source: J.P. Morgan.

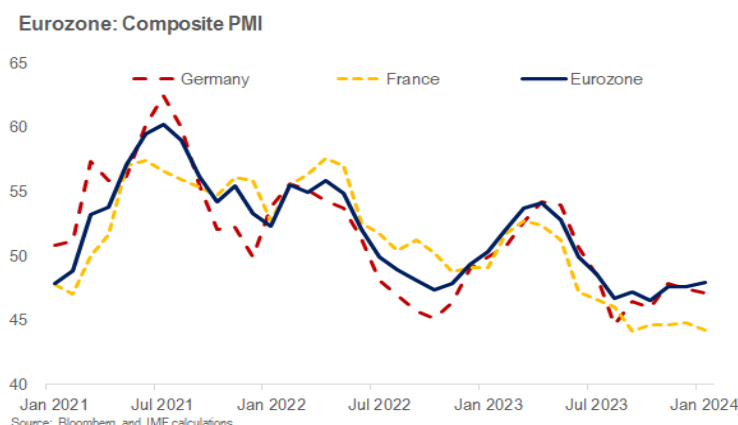
### Europe

**European equities were trading higher this morning (+0.7%), with all sectors up on the day, led by gains in the information technology sector (+4.4%)** following positive earnings updates from the European semiconductor industry. The euro was a touch stronger against the dollar trading at around 1.088. **Sovereign bond yields were lower with the 10y bund yield (-4 bps) trading at 2.31%.** Market

expectations are that the ECB will keep policy rates unchanged tomorrow with investor attention focused on the ECB's updated views on growth and inflation and any forward guidance.

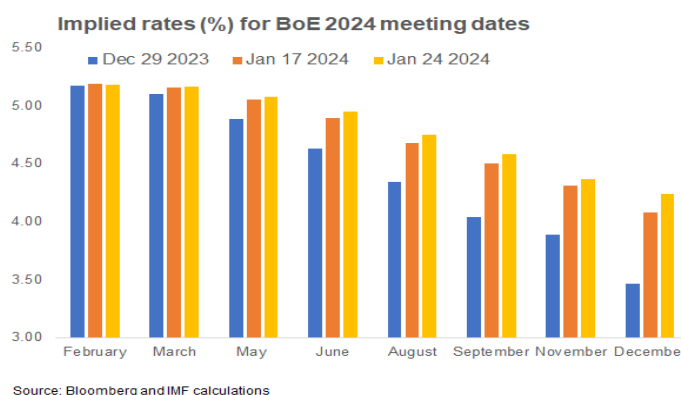


**January flash composite PMI data for Germany, France and the eurozone came in below expectations at 47.1 (vs 47.8 expected), 44.2 (vs 45.1 expected), and 47.9 (vs 48 expected).** Manufacturing surveys came in slightly higher than expected, but still signaled contraction, with Germany at 45.4 (vs 43.7). ING analysts noted that the PMI data continues to show that eurozone growth remains in broad stagnation and that risks to inflation remain, primarily via higher wage growth in the services sector.



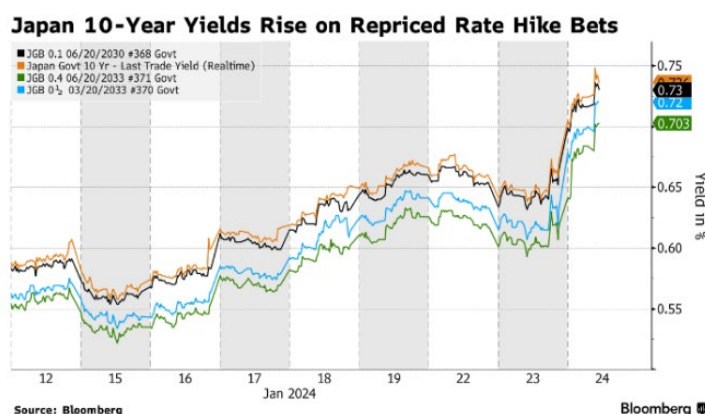
### United Kingdom

**The pound was trading stronger against the dollar (+0.2%) while gilt yields were lower (-3 bps) this morning following better than expected flash January PMI data.** The composite flash PMI for January came in at 52.5 (vs 52.1 expected) and remained in expansionary territory for the third consecutive month. UK equities opened in the green (+0.4%), with stocks in the materials sector strongly outperforming (+2.1%). In line with other surveys of wage growth, **the services PMI data notes ongoing wage pressures**, adding to concerns about inflation persistence. Ahead of next week's BoE meeting, ING believes that the MPC will want to see more evidence of progress on services inflation and wage growth before easing policy. The possibility of a large package of tax cuts in March could also spur caution by the central bank. **Current market pricing assigns around a 50% probability of a rate cut in June with just under four rate cuts priced in for 2024.**



## Japan

**10y government bond yields rose 4.8 bps while the yen strengthened 0.5%.** Equity markets slipped lower. Japan's December exports beat expectations and grew at the fastest pace in 2023 at +9.8% y/y (previous: -0.2%). Manufacturing PMI remained in contraction at 48 (previous: 47.9) in January, while services PMI jumped to 52.7 from 51.5 as new business picked up. Annual wage negotiations began on Wednesday, and most analysts consider the outcome a key input to any potential change in the monetary policy outlook. Swap markets are pricing in a 75% chance of a 10 bps rate hike in April (last week: 44%). **Recent surveys showed large firms are set to offer wage hikes of 3.85% on average this year, the biggest gain in 31 years.**



**Japan's financial regulator will examine banks' vulnerability to any rising interest rate risks.** The Financial Services Agency (FSA) will focus on both major lenders and some online and regional banks. FSA Deputy director-general Yashiki said in an interview the lenders should pay particular attention to highly leveraged borrowers and real estate exposure. He also warned about non-recourse property lending and highlighted cases of large credit costs on LBO loans. Meanwhile, he welcomed the moves by regional banks to start LBO loans as a way of offering diverse types of financing to local businesses.

## Emerging Markets

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**EMEA equity markets were mostly trading higher.** The Hungarian forint rebounded against the euro (+0.3% to 385.09/€) after touching its weakest level in a month amid anticipation that the central bank would accelerate rate cuts. **Hong Kong SAR (+3.6%) and Mainland China (Shanghai +1.8%; Shenzhen +1.3%) continued to rally on reports about potential stimulus**, while Indonesia (-0.8%) declined as election risk looms. Asian currencies were mixed, as Indonesian rupiah (-0.5%), South Korean won, and Philippine peso (-0.3%) all depreciated. **Malaysia's central bank (BNM) kept its policy rate unchanged as expected** and flagged that the government's review of price controls and subsidies in 2024 will affect the outlook for

inflation and demand conditions. In Latin America, stocks rose across the region in Mexico (+1.4%), Brazil (+1.3%), and Chile (+0.7%), even as most currencies drifted lower.

## China

**People's Bank of China (PBC) announced a 50 bps cut in the reserve requirement ratio (RRR) beginning February 5th.** The move is larger than the typical 25 bps cut and will provide 1 tn yuan (\$139 bn) in long-term liquidity to the market. Governor Pan noted that the PBC will have more room to support the economy via monetary policy in 2024 as the Fed pivots, and there will be additional policy announcements to support property developers.

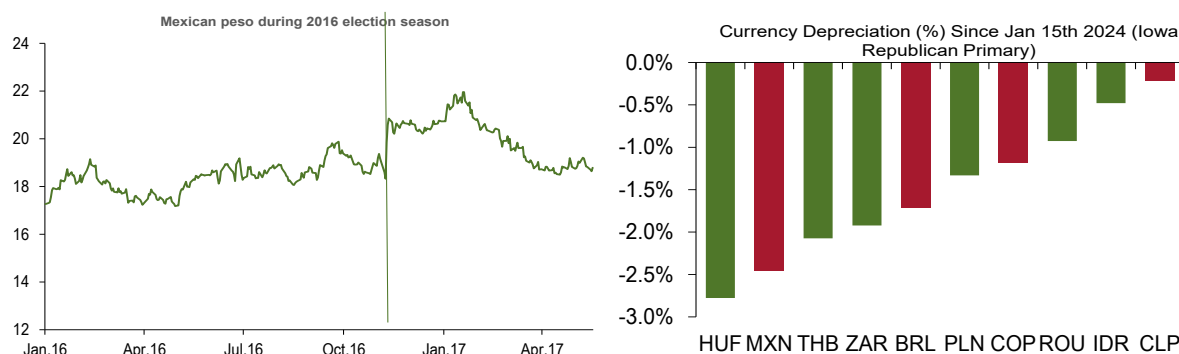
## Chinese mutual funds reportedly put in new restrictions to temper investor demand for US stocks.

This likely reflects efforts to close a channel for Chinese investors to divert funds outside the domestic market given the outperformance of overseas equity markets. BNP analysts argued that concrete fiscal and monetary policy support remain critical for Chinese stocks to rally over the longer term. They felt that vague reports on the market stabilization fund won't be a sufficient catalyst absent effective implementation. Prior historical efforts to stabilize markets in 2015 struggled to be effective and the market continued to decline.

## Côte d'Ivoire

**Côte d'Ivoire issued \$2.6 bn in international dollar bonds, with the finance ministry reporting demand exceeded \$8bn.** The BB- rated sovereign sold \$1.1 bn via a sustainable bond maturing in 2033, priced at 7.875% (vs initial target of 8.375%), and \$1.5 bn in conventional bonds maturing in 2037 priced at 8.5% (vs initial target of 8.875%). Excluding Gabon's guaranteed debt-for-nature swap, this is the first issuance from sub-Saharan Africa since April 2022.

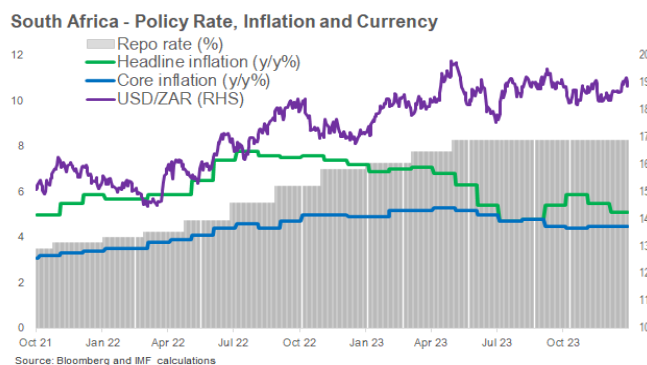
## Mexico



**The peso has underperformed regional and global peers since US primary season began.** The peso has fallen 2.5% since the Iowa Republican Primary, triggering some analysts to recall the steep 15% sell off in the aftermath of President Trump's election in 2016. Despite the light policy focus this early in the election season, most political analysts see border and immigration issues once again being a key sticking point in the campaign.

## South Africa

**Headline inflation eased by slightly more than expected ahead of the monetary policy meeting tomorrow.** Inflation declined to 5.1% y/y in December (vs 5.2% expected) from 5.5% while core inflation remained unchanged at 4.5% y/y. Analysts expect the South African Reserve Bank (SARB) will keep the benchmark rate unchanged at 8.25% at the policy meeting tomorrow. Standard Chartered analysts expect the SARB to start cutting rates in March, but still see a risk that easing could start later.



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## Global Financial Indicators

1/24/24 7:51 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		4865	0.3	2	2	21	2
Europe		4542	1.7	3	0	9	0
Japan		36226	-0.8	2	9	32	8
China		3277	1.4	1	-2	-22	-4
Asia Ex Japan		63	1.0	0	-3	-12	-5
Emerging Markets		38	0.9	0	-3	-9	-5
<b>Interest Rates</b>			basis points				
US 10y Yield		4.10	-2.7	0	21	65	22
Germany 10y Yield		2.32	-2.9	1	34	17	30
Japan 10y Yield		0.72	4.6	10	9	30	10
UK 10y Yield		4.00	1.2	1	49	72	46
<b>Credit Spreads</b>			basis points				
US Investment Grade		129	1.3	-2	-7	-18	-5
US High Yield		389	2.6	-8	5	-57	4
<b>Exchange Rates</b>			%				
USD/Majors		103.18	-0.4	0	1	1	2
EUR/USD		1.09	0.4	0	-1	0	-1
USD/JPY		147.3	-0.7	-1	3	13	4
EM/USD		47.5	0.4	0	-1	-7	-1
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		79.2	-0.5	2	0	-3	3
Industrials Metals (index)		139	1.5	4	-1	-21	-2
Agriculture (index)		62	0.3	3	-1	-8	-1
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		12.5	0.0	-2.3	-0.5	-6.7	0.1
Global FX Volatility		7.5	0.0	-0.3	-0.5	-2.7	-0.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		102	-3.3	-7	-3	-108	-2
Italy		155	-2.1	-6	-3	-22	-13
Portugal		83	-0.8	0	28	-3	20
Spain		91	-0.8	-2	-1	-3	-6

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



## Emerging Market Financial Indicators

Last updated: 1/24/2024 7:52 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	0.6	0	-5	-1		2.5	0.4	-2	-8	-72	-4
Indonesia		15710	-0.5	-0.4	-1	-5	-2		6.6	2.5	-8	13	0	15
India		83	0.0	0.0	0	-2	0		7.2	-2.0	-6	3	(27.7)	-4
Philippines		56	-0.3	-0.7	-2	-3	-2		5.5	0.0	-17	-42	-47	-17
Thailand		36	0.0	-0.5	-3	-8	-4		2.7	0.0	-3	4	32	5
Malaysia		4.73	-0.1	-0.3	-2	-9	-3		3.8	2.2	-2	9	#VALUE!	10
Argentina		822	-0.1	-0.5	-2	-78	-2		74.4	-65.3	-690	-612	-1047	-1194
Brazil		4.91	0.7	0.4	-1	5	-1		10.8	-5.3	1	34	-248	38
Chile		910	0.4	1.4	-2	-12	-3		4.9	-0.5	1	9	-23	2
Colombia		3953	-1.3	-0.3	-1	15	-2		7.5	0.0	-11	-19	-218	-17
Mexico		17.20	0.6	0.0	-1	9	-1		8.7	0.5	12	17	49	27
Peru		3.8	-0.7	-1.2	-2	3	-2		6.6	0.1	-2	-16	-141	-4
Uruguay		39	-0.3	1.2	1	1	0		9.3	-0.1	8	-29	-104	-24
Hungary		354	0.6	-1.2	-2	1	-2		6.0	4.0	18	22	-171	23
Poland		4.02	0.7	0.7	-2	8	-2		4.7	1.3	5	37	-60	22
Romania		4.6	0.4	0.1	-1	-1	-1		6.3	-0.1	3	4	-104	6
Russia		88.6	0.2	-0.2	4	-22	1							
South Africa		18.9	1.0	1.1	-2	-9	-3		9.2	-1.0	-4	13	45	8
Turkey		30.21	0.2	-0.3	-3	-38	-2		27.1	-18.0	-22	137	1701	34
US (DXY; 5y UST)		103	-0.5	-0.3	1	1	2		4.02	-2.3	-1	14	44	17

	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		3277	1.4	1	-2	-22	-4		162	0	5	-22	4	
Indonesia		7228	-0.4	0	0	6	-1		108	3	12	-38	12	
India		71060	1.0	-1	0	18	-2		126	0	18	-18	10	
Philippines		6680	0.9	2	3	-6	4		90	1	11	-22	10	
Thailand		1381	1.8	0	-2	-18	-2		0	0	0	0	0	
Malaysia		1504	0.5	1	3	0	3		91	-1	8	-16	6	
Argentina		1206469	-1.1	14	27	379	30		1897	-28	27	15	-16	
Brazil		128263	1.3	-1	-3	13	-4		222	18	9	-46	7	
Chile		5974	0.7	1	-3	14	-4		134	6	9	-4	9	
Colombia		1263	-0.6	-2	8	-4	6		316	25	39	-45	45	
Mexico		55503	1.4	1	-3	1	-3		339	5	4	-11	5	
Peru		26492	0.7	1	3	14	2		160	13	16	-35	16	
Hungary		64266	0.7	2	7	37	6		170	11	18	-51	21	
Poland		75140	0.7	2	-4	22	-4		104	6	8	9	7	
Romania		15235	0.0	-3	0	25	-1		210	9	5	-40	9	
South Africa		74328	1.4	4	0	-7	-3		344	10	35	-15	36	
Turkey		8095	1.8	1	7	51	8		355	8	46	-142	41	
Ukraine		507	0.0	0	0	0	0		4156	180	163	36	152	
EM total		38	1.6	0	-3	-9	-5		364	8	20	1	19	

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

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