



- Issuance volumes for US high-grade corporates set a new January record ([link](#))
- Oil prices hold steady amid geopolitical developments on steady supply ([link](#))
- Preliminary data shows that Euro Area narrowly dodged a recession ([link](#))
- Japan's labor market showed further signs of tightness in December ([link](#))
- Iron prices could come under face pressure due to increased ore supply ([link](#))
- China's stock and bond markets remain cautious on policy measures ([link](#))
- Türkiye introduces measures to support lira ([link](#))

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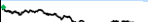



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Lower Treasury Borrowing Creates Benign Backdrop into Fed Meeting

Markets expect a Goldilocks outcome tomorrow with the quarterly refunding and Fed meeting. Yesterday, the US Treasury reduced first-quarter borrowing estimates due to higher projected fiscal cash flows, supporting Treasury yields and pushing US equities to new highs. In pre-market trading, UPS shares fell as fourth-quarter revenue missed expectations, and the annual outlook remains tepid. Conversely, GM's fourth-quarter results surpassed expectations, anticipating profit growth throughout the year amid a resilient US economy. Later today, Microsoft, Google, and Alphabet are set to report their latest quarterly results. In Europe, yields have traded in a tight range after recent data revealed that the Euro Area avoided a technical recession, showing regional strength in southern Europe. In Indonesia, the central bank stated that it will continue intervening to help ease short-term pressures on the rupiah while the Nigerian naira reached an all-time low following a revision in the exchange rate methodology. The revised methodology brings the naira closer in value to that in the parallel market to attract inflows and improve liquidity.

Key Global Financial Indicators

Last updated: 1/30/24 8:25 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4928	0.8	2	3	23	3
Eurostoxx 50		4655	0.3	4	3	12	3
Nikkei 225		36066	0.1	-1	8	32	8
MSCI EM		39	0.1	2	-3	-6	-3
Yields and Spreads			bps				
US 10y Yield		4.07	-0.8	-6	19	53	19
Germany 10y Yield		2.26	2.2	-10	23	-6	23
EMBIG Sovereign Spread		400	1	1	17	-38	17
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.2	-0.1	0	-2	-8	-2
Dollar index, (+) = \$ appreciation		103.5	-0.1	0	2	1	2
Brent Crude Oil (\$/barrel)		81.5	-1.1	2	6	-4	6
VIX Index (% change in pp)		13.7	0.1	1	1	-6	1

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

Mature Markets

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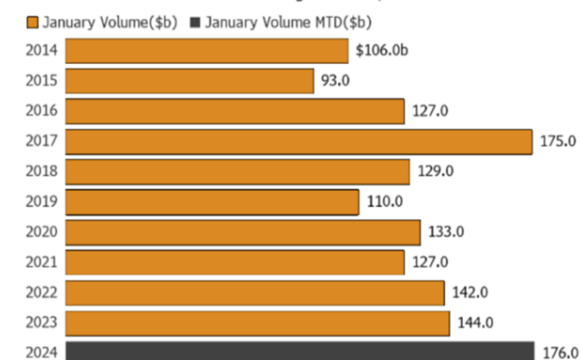
United States

The S&P 500 resumes its rally. Yesterday, Equities opened higher, divulging the positive sentiment from the Euro Area and Asia, which the cut down of borrowing estimates for 1Q24 by Treasury further propelled later in the afternoon. As of the latest projections, the funding requirement for the first quarter of 2024 is now \$760 billion, below the initial estimate of \$816 billion due to higher projected net fiscal flows. Most primary dealers anticipate that Treasury will announce a final round of increases to note and bond sales during tomorrow's quarterly refunding announcement (QRA). Market participants view the lower borrowing estimates as decisive to reduce volatility before the QRA and the Fed meeting tomorrow. The decrease in supply helps to keep longer-term yields anchored, evidenced by a -7bps shift in 10-year Treasury bond yields to 4.07%, just 2bps above mid-January lows. Equities stand to benefit from the stronger-than-expected economic performance, indicated by increased fiscal flows. This has propelled the S&P500 and Dow Jones Industrial Average to approach new highs at 4,929 and 38,333 index points, respectively. The US dollar remained flat against major currencies, while the VIX index continued to rise.

A volume of \$176bn US high-grade bond issuance sets a new January record. Various investor types—insurance, pensions, asset managers—showed strong demand for record issuance supply (left chart) as the potential start of the Fed's cutting cycle and the uncertainty from US elections and other geopolitical developments spurred a broad appetite to lock in yields. Also, market contacts see the ability of lower-quality issuers to successfully refinance themselves as credit supportive to lower credit risk. Accordingly, the risk premium on high-grade credit has remained low while the average yield concession on new debt issues is lower than last year and even negative for AA rated borrowers (right chart). Supported by this, the US high-grade average bond spread so far during January narrowed by -9 bps to 93 bps.

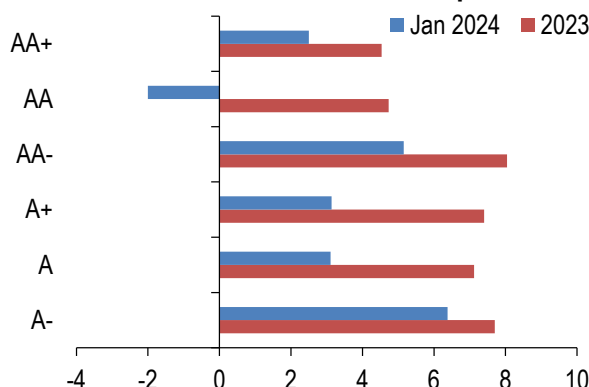
US Blue-Chip Bond Sales Break January Record

Financial firms lead issuers in borrowing a record \$176 billion



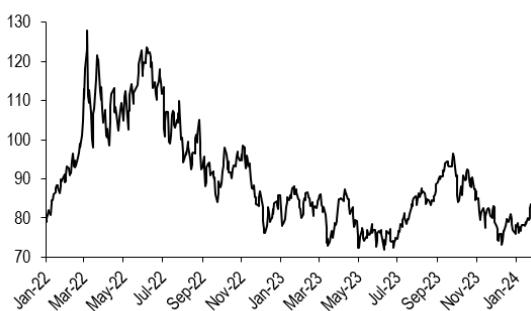
Source: Bloomberg

New issue concession in bps



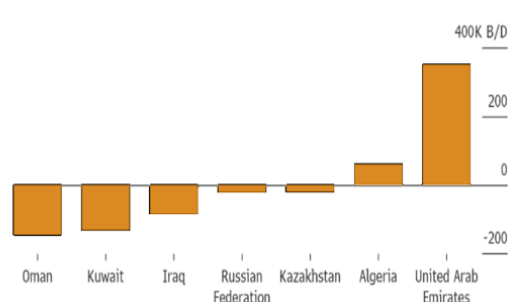
Steady supply is keeping oil prices stable amid geopolitical events. Brent crude traded around \$82/barrel yesterday, down -1.3%, despite concerns over escalation in tension between US and Iran (left chart). Market analysts attribute this to the uninterrupted supply of oil in the face of a series of geopolitical events due to US shale gas supplies, and excess capacity of OPEC+ producers. In addition, some reports suggest, the OPEC+ member countries have not yet fully executed the 900,000 barrel/day cut, while others indicate a status quo as shipments, at 15.4 million barrels/day in Jan, have remained unchanged from Dec (right chart). OPEC+ members are slated to meet on Thursday this week. Oil (brent crude) has traded at \$81.6/barrel on average since Oct 7th.

Brent Crude Price, USD/barrel



Source: Bloomberg; Kpler

Exports are broadly stable so far this month

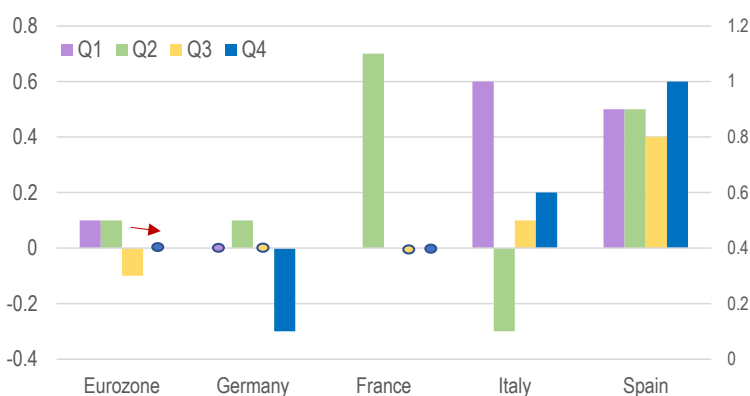


Euro Area

The Euro Area narrowly avoids technical recession in Q4 amid upside inflation surprise in Spain.

Euro area preliminary Q4 GDP data show the eurozone stagnating, with Spanish and Italian GDP surprising on the upside (see chart). Preliminary data released this morning showed euro area GDP surprising on the upside in Q4 and the euro area unexpectedly avoiding a technical recession (+0.0%q/q versus expectations to remain unchanged at -0.1%). Data showed Germany's GDP contracting in Q4 in line with expectations (-0.3%q/q, from an upwardly revised 0.0%) and Q4 GDP stagnating in France, also as expected. However, preliminary Q4 GDP surprised on the upside in Spain and Italy: Spain's GDP growth accelerated to +0.6%q/q (exp. +0.2% from +0.4%), and Italy's GDP accelerated to +0.2%q/q (exp. +0.0% from +0.1%). At the same time, latest inflation data from Spain also highlights the challenging nature of the Euro Area growth-inflation backdrop for the ECB as January preliminary data bounced back, surprising on the upside with both headline at +3.4%y/y (exp. 3.0% from 3.1%) and core inflation at +3.6% y/y (exp. 3.3% from 3.8%) well above expectations. Hence, the focus is now on Euro Area-wide preliminary January inflation data on Thursday.

Eurozone GDP, q/q %, 2023



Source: Bloomberg and IMF calculations. Note: Q4 data are preliminary

Softer Euro Area activity data supports market pricing for ECB rate cuts in spring. During the day, expectations for ECB rate cuts were little changed with -24bps cuts priced by April and -143bps of cuts during 2024. Croatian National Bank governor and ECB Governing Council member Vujčić stated that there might be minor difference for the economy if the ECB cuts rates in April or in June while qualifying that the ECB's rate cut path could include pauses.

European equities were trading marginally higher this morning, while yields were little changed.

The Stoxx 600 Index (+0.2%) is trading close to its highest level in two years, with the banking sector outperforming (+1%) this morning. The euro remained flat against the dollar (at around 1.084) and sovereign yields were marginally higher with 10y bund up (+1bps) to 2.25%.

Japan

The labor market showed further signs of tightness in December. The unemployment rate fell to 2.4% (exp. 2.5% from 2.5%). The Bank of Japan (BOJ) and market contacts are closely watching the labor market

developments as the spring wage negotiations started last week. Meanwhile, the BOJ kept its quarterly bond-buying plan unchanged for 2024Q1. Long-end JGB yields declined on the day, (10-year: -0.6 bp; 30-year: -1.6 bps), mirroring the decline in US treasury yields yesterday. Japanese equities gained slightly (NIKKEI: +0.1%) as investors take a wait-and-see approach ahead of the corporate earnings reporting season. The Japanese yen appreciated (+0.1%).



Emerging Markets

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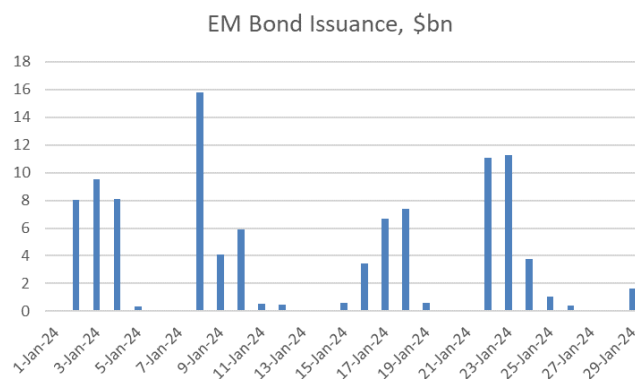
This morning, EMEA equity markets broadly gained while currencies lacked clear direction. Equity markets in Poland (+0.6%) and Hungary (+0.5%) led the gains. On the monetary policy front, Hungary's central bank has cut its policy rate by -75bps to 10.0% which was less than consensus expectations that were for a -100bps cut. Immediately following the announcement, the forint was up +0.4% against the euro (387.8/EUR) while 10Y yields were broadly unchanged at 6.24%

Asian equities mostly declined as currencies appreciated. Among regional stock markets, Hong Kong's (-2.3%) and Mainland China's (CSI 300: -1.8%) led the decline, while Indonesia's defeated the trend (+0.5%). Among currencies, the Thai baht (+0.6%) and Korean won (+0.5%) appreciated the most. Bank Indonesia's Governor Warjiyo stated that Bank Indonesia will continue intervening in markets to help ease short-term pressures on the currency as the Indonesian rupiah appreciated (+0.2%). So far this year, the volume of bonds that the central bank bought amounts to 8.8tn rupiah (\$0.6bn).

Yesterday, Latin American currencies declined, while stock markets showed mixed trends. The Chilean peso (-0.8%) and the Brazilian real (-0.7%) led the decline, followed by the Colombian peso, Peruvian sol, and Mexican peso (all -0.4%). Equities traded higher in Peru (+1.3%), Mexico (+0.6%), and Chile (+0.1%), but lower in Brazil (-0.4%) and Colombia (-0.2%).

EM Bond Issuance

On Monday, EM bond issuance amounted to \$1.6bn, below the daily average in January. The cumulative ytd issuance rose to \$100.8bn. Geographically, top issuers come from Asian (Korea and China, 70% in total), while Latin America (Brazil) accounts for the rest. By sector, financial sector issuers account for 61% of the issuance, corporate issuers for 30%, and municipal/local government issuers for 9%. In terms of credit quality, more than half of the issuance supply is from investment-grade rated entities.



Brazil

Iron prices may face pressure due to increased ore supply by Vale.

On Monday, the world's second iron ore supplier announced its output in 23Q4, recording an output of 89.4mn tons, higher than the market expectation of 83mn tons. This was the best December data in the past five years and the company's full-year production was ahead of guidance, according to Bloomberg. Market contacts expect headwinds for the iron ore markets due to the larger-than-expected production.

So far though, despite a slowdown in China, iron ore prices have rallied since mid-August last year.

Iron Ore Resilient to China Downturn

Commodity rallied since mid-August despite economic hurdles



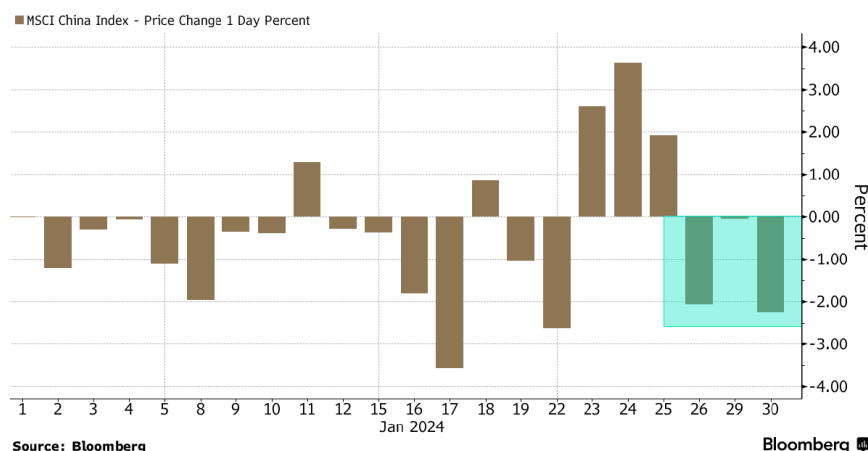
China

China's stock and bond markets remain cautious on the policy support.

Chinese equities continued falling for a third day today after a short-lived rebound last week on the back on announced and reported policy measures (i.e., an unexpected cut in the reserve requirement ratio and a potential stock market stabilization fund). Today, Chinese equities declined (CSI 300: -1.8%; Hong Kong

SAR-listed: -2.5%). In the bond markets, long-end CGB yields fell notably (10-year: -4.0 bps; 30-year: -4.4 bps), with the 10-year yield dropping to 2.46%, the lowest level in more than two decades. Traders were speculating that the People's Bank of China (PBC) will deploy more monetary policy easing to boost economic growth. CGB yields dropped significantly, standing out against historical daily changes and while aligning in directionality with regional trends. The RMB remained flat, supported by the PBC continuing to set the daily RMB fixing stronger than expected, with a larger deviation from market consensus (today: 683 pips).

China Stocks Resume Slide After Rebound



Ghana

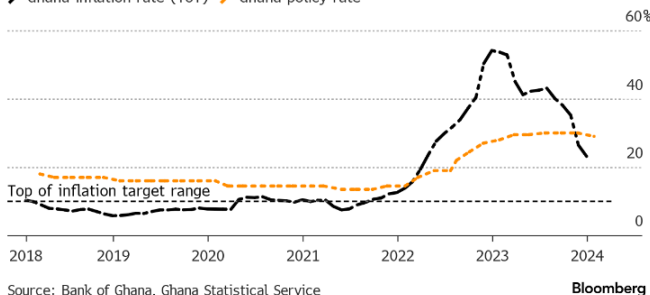
The Bank of Ghana surprised lowered policy rates to 29% from 30%.

Consensus expectations had been for rates to remain on hold. The monetary policy committee's updated forecasts suggest that headline inflation will continue to ease and fall back to around 13% to 17% by year-end, before trending towards the medium-term target range of 6% to 10% by 2025. Following the announcement, the cedi weakened 0.5% to 12.3361 and dollar bonds maturing in 2032 rose 0.25 cents to 43.83 cents on the dollar. Analysts at Capital Economics expect "further aggressive easing over the coming months" and forecast that the policy will be cut by -500bps over the course of the year to 24%. Governor Addison noted that the MPC did not make a larger cut to interest rates as inflation remains high and the need to balance growth. Separately, the country has in principle reached a deal with bilateral creditors to restructure its debt and expects to reach an agreement with Eurobond holders by the end of March.

Ghana Cuts Key Rate For First Time Since 2021

Real rate remains positive when adjusted for inflation

— Ghana inflation rate (YoY) — Ghana policy rate



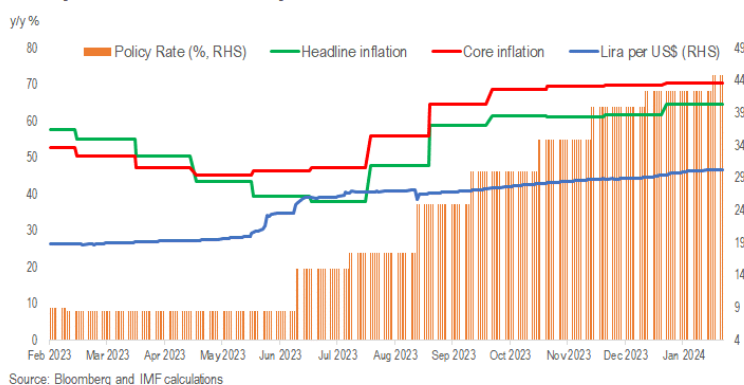
Türkiye

The Central Bank of the Republic of Türkiye (CBRT) has started to use alternative tools to keep financial conditions tight and protect the currency from further depreciation.

This morning, the CBRT announced that domestic lenders will have to set aside more money for deposits and funds denominated in foreign exchange. On top of existing rules on required reserves, the CBRT raised an additional ratio that these lenders need to maintain liras from 4% to 8%.

In addition, the CBRT lowered the reserve requirement ratios for FX-linked savings accounts with maturities of up to 6 months from 30% to 25%. According to Bloomberg, lira depositors can hedge against currency losses by getting state-guaranteed compensation for any depreciation that exceeds the interest on the accounts. Economists at QNB Finansbank estimate that the net impact of these measures will result in a withdrawal of some excess liquidity from the system. Last week, the CBRT raised the one-week repo rate to 45% from 42.5%. In reaction to the announcement of these new tools the lira was trading broadly flat (at 30.36/\$). The Borsa Istanbul 100 index declined (-0.2%) while stocks in the banking index rose (+0.2%).

Türkiye: Inflation and currency



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Global Financial Indicators

1/30/24 8:26 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		4929	0.8	1	3	23	3
Europe		4656	0.4	4	3	12	3
Japan		36066	0.1	-1	8	32	8
China		3245	-1.8	0	-5	-22	-5
Asia Ex Japan		64	0.1	3	-4	-10	-4
Emerging Markets		39	0.1	2	-3	-6	-3
Interest Rates			basis points				
US 10y Yield		4.06	-0.8	-6	19	53	19
Germany 10y Yield		2.26	2.1	-10	23	-6	23
Japan 10y Yield		0.72	-0.6	5	10	23	10
UK 10y Yield		3.86	-1.5	-13	32	53	32
Credit Spreads			basis points				
US Investment Grade		126	0.3	-3	-8	-18	-8
US High Yield		380	0.6	-9	-5	-67	-5
Exchange Rates			%				
USD/Majors		103.50	-0.1	0	2	1	2
EUR/USD		1.08	0.1	0	-2	0	-2
USD/JPY		147.5	0.0	-1	5	13	5
EM/USD		47.2	-0.1	0	-2	-8	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		81.5	-1.1	2	6	3	6
Industrials Metals (index)		139	-0.2	1	-3	-21	-3
Agriculture (index)		60	-0.1	-2	-4	-13	-4
Implied Volatility			%				
VIX Index (% change in pp)		13.7	0.1	1.2	1.3	-6.2	1.3
Global FX Volatility		7.6	0.0	0.1	-0.5	-2.8	-0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		100	1.3	-5	-3	-99	-3
Italy		153	3.1	-4	-15	-35	-15
Portugal		80	-0.1	-4	17	-11	17
Spain		90	0.8	-2	-7	-10	-7

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

Emerging Market Financial Indicators

Last updated: 1/30/2024 8:27 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		7.18	0.0	-0.1	-1	-6	-1		2.4	-5.0	-10	-14	-84	-14
Indonesia		15780	0.2	-1.0	-2	-5	-2		6.6	-3.5	0	12	-16	12
India		83	0.0	0.1	0	-2	0		7.2	-2.1	-1	-1	(31.6)	-3
Philippines		56	-0.2	-0.4	-2	-3	-2		5.5	-0.1	0	-17	-47	-17
Thailand		35	0.6	0.9	-3	-8	-3		2.7	-1.0	-5	1	16	1
Malaysia		4.73	0.1	0.0	-3	-10	-3		3.8	-2.1	-3	5	1	5
Argentina		826	-0.1	-0.5	-2	-77	-2		72.9	-205.7	-215	-1344	-1426	-1344
Brazil		4.96	-0.2	-0.1	-2	3	-2		10.7	-0.8	-7	31	-246	31
Chile		932	-0.2	-2.0	-6	-13	-6		4.9	1.5	-2	1	-40	1
Colombia		3936	-0.2	0.4	-2	18	-2		7.4	0.0	-7	-27	-217	-24
Mexico		17.22	0.0	0.5	-1	9	-1		8.7	-1.4	2	28	26	28
Peru		3.8	-0.4	-1.8	-3	1	-3		6.7	0.0	2	-1	-138	-1
Uruguay		39	-0.2	-1.1	-1	-1	-1		9.3	-0.1	-2	-26	-80	-26
Hungary		358	0.5	-0.5	-3	0	-3		6.1	-3.0	14	33	-205	33
Poland		4.02	0.3	0.5	-2	8	-2		4.7	-6.3	6	27	-58	27
Romania		4.6	0.1	-0.1	-2	-1	-2		6.2	-0.7	-2	5	-91	5
Russia		89.5	-0.3	-0.9	0	-22	0							
South Africa		18.9	-0.4	0.8	-3	-8	-3		9.2	1.5	1	10	47	10
Turkey		30.36	0.0	-0.3	-3	-38	-3		27.6	3.0	30	82	1699	82
US (DXY; 5y UST)		103	-0.1	-0.1	2	1	2		3.98	-0.2	-6	13	32	13

	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		3245	-1.8	0	-5	-22	-5		163	1	5	-20	5	
Indonesia		7192	0.5	-1	-1	5	-1		115	4	19	-34	19	
India		71140	-1.1	0	-2	19	-2		123	-3	7	-22	7	
Philippines		6622	-0.1	0	3	-3	3		97	3	17	-21	17	
Thailand		1373	-0.2	1	-3	-18	-3		0	0	0	0	0	
Malaysia		1513	-0.2	1	4	2	4		89	-2	4	-16	4	
Argentina		1253608	0.0	3	35	410	35		1893	-57	-20	64	-20	
Brazil		128232	-0.4	0	-4	14	-4		221	3	6	-51	6	
Chile		6061	0.1	2	-2	14	-2		129	1	4	-6	4	
Colombia		1280	-0.2	1	7	0	7		300	-12	29	-70	29	
Mexico		57176	0.6	4	0	5	0		335	1	1	-15	1	
Peru		27145	1.1	3	5	21	5		148	-13	4	-40	4	
Hungary		63584	0.6	0	5	39	5		170	3	21	-41	21	
Poland		75849	0.7	2	-3	25	-3		105	0	8	20	8	
Romania		15341	1.3	-1	0	27	0		197	-18	-4	-47	-4	
South Africa		74426	0.1	1	-3	-7	-3		337	-1	29	-17	29	
Turkey		8485	0.2	7	14	66	14		348	-9	34	-152	34	
Ukraine		507	0.0	0	0	0	0		4048	-130	44	-49	44	
EM total		39	-1.0	2	-3	-6	-3		361	-1	16	-5	16	

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

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