



- **Downside surprise for Swedish inflation reinforces rate cut expectations** ([link](#))
- **US banks report mixed results for Q2** ([link](#))
- **Market participants suspect currency intervention after yen rose sharply yesterday** ([link](#))
- **ECB expected to leave rates unchanged next week** ([link](#))
- **Asset managers and leveraged funds have large positions in US equities** ([link](#))
- **Special Feature: BOP Capital Flows Monitor** (attached)

[Mature Markets](#)

| [Emerging Markets](#)




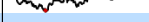


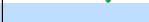



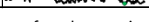
| [Market Tables](#)

## Markets turn to corporate earnings while confidence on rate cuts grows

Investors are becoming more confident that the Fed will cut rates in September, with over a 90% probability priced in futures markets. Treasury yields rose slightly following an upside surprise on PPI, though 2y yields are down about 25 bps since the beginning of July. Corporate earnings season kicked off in earnest this morning, with several large US banks reporting mixed results. Aside from topline figures, markets will also be looking for more information about consumers. US stock futures were choppy this morning after most global equity markets gained, though Japanese stocks slumped lower amid concerns for exporters from a stronger yen. After unconfirmed reports about Japanese intervention in dollar markets yesterday, some market participants reported the authorities conducted a rate check in the euro market overnight, often a precursor to more formal intervention. The yen briefly appreciated before paring the move, with the yen about 1.5% higher versus the dollar on net over the last two days.

**The Global Markets Monitor will be taking its annual break until August 19. Have a great summer and don't forget your sunscreen!**

Key Global Financial Indicators

Last updated: 7/12/24 8:38 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5585	-0.9	1	3	25	17.08
Eurostoxx 50		5006	0.6	1	-1	15	11
Nikkei 225		41191	-2.4	1	6	27	23
MSCI EM		44	0.6	2	5	9	10
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.21	0.0	-7	-11	35	33
Germany 10y Yield		2.51	4.7	-5	-2	-7	49
EMBIG Sovereign Spread		385	-3	-9	-5	-44	2
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.5	0.2	1	1	-6	-3
Dollar index, (+) = \$ appreciation		104.3	-0.1	-1	0	4	3
Brent Crude Oil (\$/barrel)		86.0	0.7	-1	4	7	12
VIX Index (% change in pp)		12.7	-0.2	0	1	-1	0

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

## Mature Markets

[back to top](#)

### United States

**PPI came in above expectations at 0.2% m/m (vs 0.1% expected), while PPI excluding food and energy was 0.4% (vs 0.2% expected).** Prior months were also revised higher. Treasury yields moved slightly higher following the release.

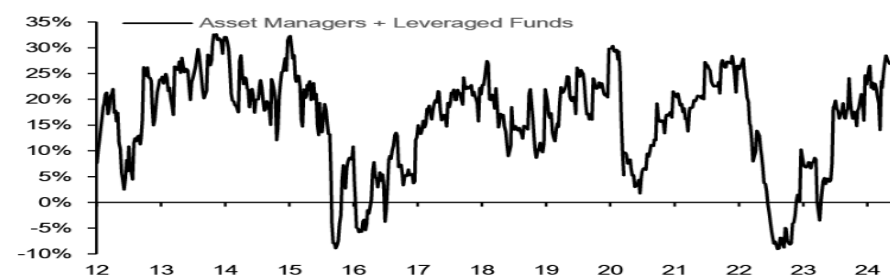
	Actual	Estimated	Revised	Prior
<b>PPI Final Demand m/m</b>	0.2%	0.1%	0.0%	-0.2%
<b>PPI Core m/m</b>	0.4%	0.2%	0.3%	0.0%
<b>PPI Core ex. Trade m/m</b>	0.0%	0.2%	0.2%	0.0%
<b>PPI Final Demand y/y</b>	2.6%	2.3%	2.4%	2.2%
<b>PPI Core y/y</b>	3.0%	2.5%	2.6%	2.3%

**US banking stocks were generally trading lower premarket following mixed earnings reports.** Banks reported strong trading and investment banking revenues, while net interest income was under pressure. JPMorgan posted fairly strong results as revenue beat consensus expectations by 1.6% while EPS was 2.9% ahead of forecasts. Conversely, Wells Fargo shares slumped as much as 6% in premarket trading as an update on their cost-cutting initiative disappointed investors. Citi reported headline revenues slightly above expectations, weighed down by weak net interest income despite strong equity trading revenues.

**Asset managers and leveraged funds have large positions in US equities.** JPMorgan analysis using CFTC data shows that asset managers and leveraged funds have the highest net long position in US equities as a share of open interest in more than a decade. The aggressive positioning has bolstered equity prices in the first half of 2024, but also implies that any sudden change in sentiment could drive a steep reversal as investors unwind their positions. The S&P500 is trading just below record highs, with a forward P/E ratio of 23, compared to a five-year average of 21.2.

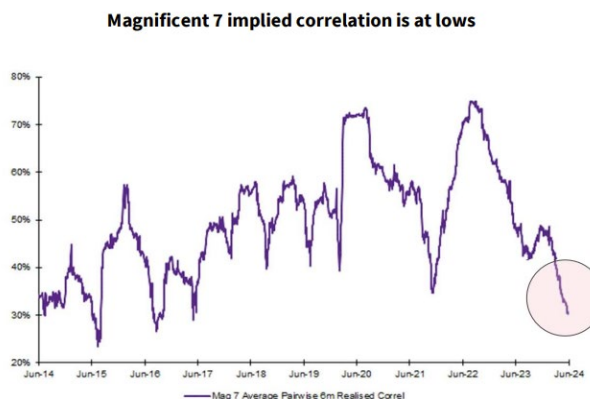
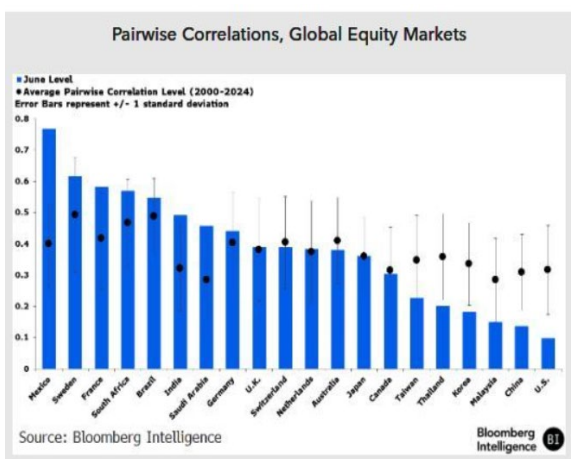
**Figure 2: Positions in US equity futures by Asset managers and Leveraged funds**

CFTC positions in US equity futures by Leveraged funds and Asset managers (as a % of open interest). It is an aggregate of the S&P500, Dow Jones, NASDAQ and their Mini futures contracts.



Source: CFTC, Bloomberg Finance L.P., J.P. Morgan.

**Pairwise equity correlations have fallen well below their long-term average.** In US markets, correlations fell to more than one standard deviation below their long-term average in June, which has often been a signal for increased market volatility going forward, according to Bloomberg analysts. Pairwise correlation tends to fall in times of market complacency. However, some analysts note that low correlation among the Magnificent 7 indicates that an idiosyncratic correction in one firm might have limited spillovers.



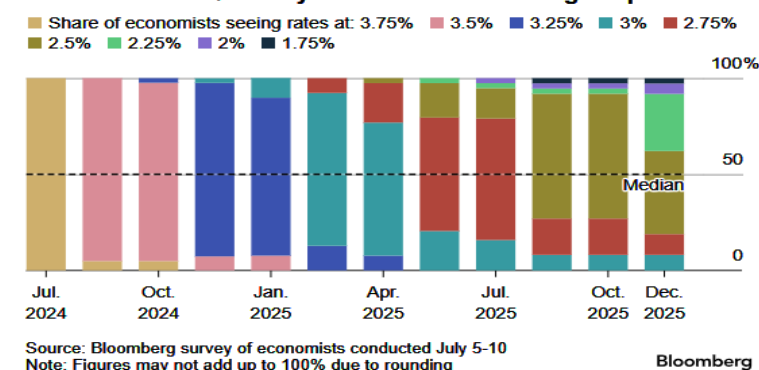
## Europe

European equities gained this morning (Stoxx 600 +0.2%) for the third consecutive day, with most sectors trading in the green. French equities (+0.6%) continued their outperformance from yesterday. The euro was marginally stronger against the dollar this morning (+0.2%), adding to yesterday's moves following the US CPI print.

Sovereign yields were higher this morning (10y bund +5 bps) after closing lower yesterday. 10y bund yields ended yesterday 7 bps lower, in line with moves seen in US Treasuries, while spreads were little changed. The 10y French-German yield spread remained stable today, trading at around 66 bps, while the Italian spread was marginally lower (-1 bps) at around 131 bps.

Survey respondents expect the ECB to keep rates unchanged at the policy meeting next week, with the next rate cut likely in September. The Bloomberg survey showed that participants expect quarterly rate cuts until the deposit rate reaches 2.5% (from 3.75% currently). The survey is broadly in line with market pricing, with markets only pricing a 4% probability of a rate cut for the July 18 meeting. Swap markets are priced for 21 bps of easing by September and 46 bps of easing by December. For the ECB meeting next week, analysts are focused on updated commentary on activity, inflation, and the policy outlook. The Bloomberg survey also highlighted US elections as the largest risk to the euro area's economy.

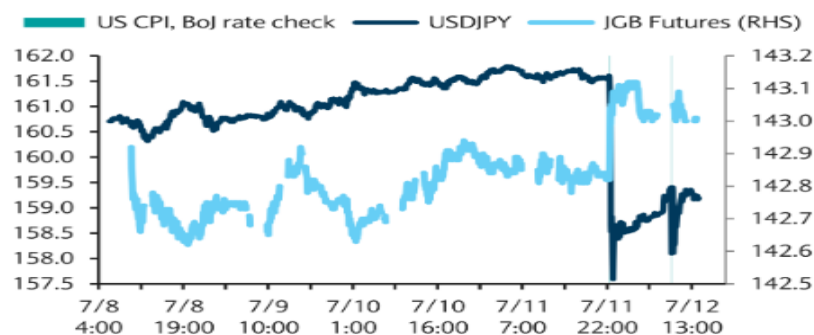
## Economists See Quarterly ECB Rate Cuts Through September 2025



## Japan

Market participants suspect the authorities intervened to push the Japanese yen higher. The yen appreciated sharply by nearly 3% against US dollar to 157.4 in the New York session on Thursday, marking its biggest daily gain since late 2022, before fading to around 159 this morning in volatile trading. While the move came right after a weaker than expected US CPI report that may have caused a sudden unwinding of short positions, many market participants attributed the move to intervention by the authorities. The Bank of Japan (on behalf of the Ministry of Finance) often tries to take advantage of thin liquidity to increase the impact of any dollar sales. Yesterday evening, the BoJ also reportedly conducted a rate check against

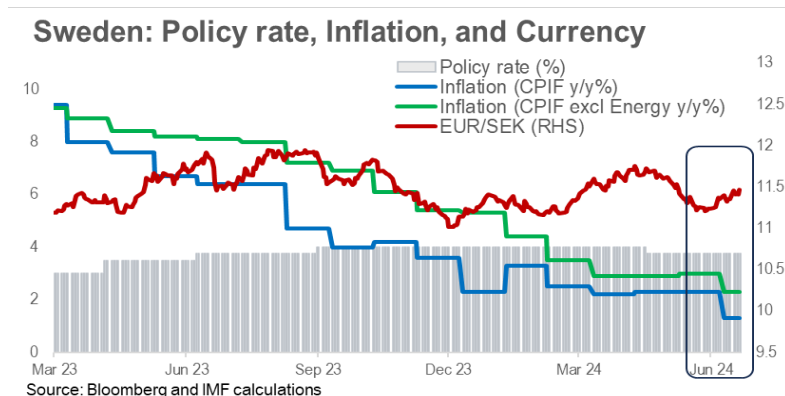
**the euro**, inquiring about its trends in the FX market, a move that is often viewed as a precursor to intervention. Japan's top currency official did not confirm or deny intervention, but said the yen is not in line with fundamentals and excessive forex moves are not desirable. Local media confirmed the intervention, citing an unidentified Japan government official. **Japanese equities declined 2.4%, with exporters under pressure from the strong yen.**



Source: Bloomberg, Barclays Research

## Sweden

**The Swedish krona weakened after the June inflation print surprised on the downside, reinforcing expectations for further rate cuts.** Headline inflation eased to 1.3% y/y in June (versus 1.6% expected, 2.3% previously) and fell below the target for the first time in three years. Excluding energy, inflation also eased sharply to 2.3% y/y (versus 2.5% expected, 3% previously). The Swedish krona was down 0.5% against the euro this morning and has weakened 2.9% YTD. UBS analysts noted that the weaker krona has yet to have any impact on inflation and maintained their expectations for an August rate cut, followed by two more rate cuts in September and December. JPMorgan analysts also affirmed an August rate cut, and now see the risks to their forecast of three rate cuts in the second half of 2024 as balanced, instead of tilted towards two cuts.



Source: Bloomberg and IMF calculations

## Emerging Markets

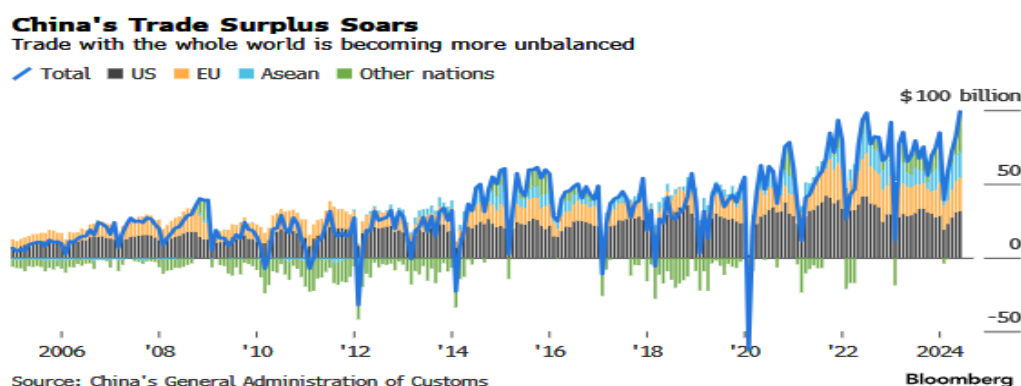
[back to top](#)

**EMEA markets were mixed this morning, with currencies in CEE and South Africa stronger on the day.** The Turkish lira underperformed. Serbia's central bank surprised some economists by delivering a 25 bp cut, taking its key rate to 6%. **Asian equities and currencies were mixed, with Korean (-1.2%) and Taiwanese (-1.9%) stocks underperforming** on weakness from chip makers. Hong Kong equities (+2.6%) outperformed for a second straight day. The Malaysian ringgit and Indonesian rupiah appreciated 0.4%, with the latter benefiting from comments by president-elect Prabowo that he would adhere to fiscal targets.

In Singapore, Q2 GDP accelerated to 0.4% q/q and beat market expectations. **In Latin America, most currencies rallied following US inflation data but pared gains later in the day**, with some analysts citing concerns about the impact of the rising and volatile yen on carry trades. Regional stock markets mostly gained, notably in Chile (+1.2%) and Colombia (+0.8%). Meanwhile, Peru kept interest rates steady at 5.75% amid concerns of sticky core inflation.

## China

**China's trade surplus hit a new high of \$99 bn in June, with export growth exceeding market expectations** at 8.6% y/y (vs 8.0% expected) and imports contracting 2 (-2.3% y/y versus 2.5% expected). The data is likely to stoke escalating trade tensions, particularly around auto exports. The RMB appreciated 0.1%.

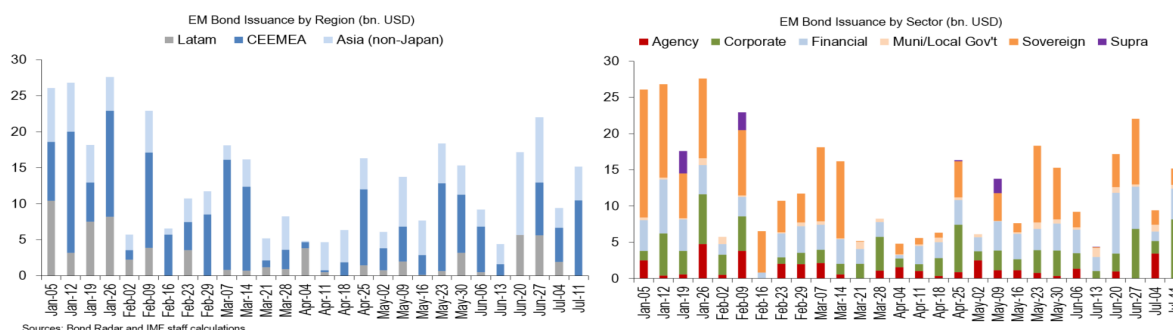


**China's land sales fell 35% y/y in the first half of the year**, with state-owned enterprises accounting for 80% of land acquisition, according to Caixin. Analysts highlighted the data underscores the fiscal challenges for local governments, and makes central government transfers an increasingly important part of local government revenues, which have exceeded RMB10 trn (\$1.4 trn) since 2023. **Separately, both bank loan and aggregate financing growth hit a record low in June, slowing to 8.3% y/y and 8.1% respectively.** Analysts believe the disappointing data reflect subdued credit demand related to the prolonged real estate slump and local governments cutting back off-balance sheet borrowing.

## EM International Bond Issuance

**EM bond issuance rose to \$15.2 bn this week, highlighted by \$2.2 bn in dollar and euro denominated sovereign bonds from Türkiye.** The bonds mature in 2031 and 2032. Otherwise, corporates accounted for 54% of issuance, including \$5.9 bn from Saudi Aramco, with sovereigns responsible for 15% of issuance. Total issuance month to date stands at \$24.6 bn, compared to \$52.8 bn in June, bringing YTD issuance to \$374.8 bn.

### Largest Issuers: Saudi Arabia and Corporate Sector

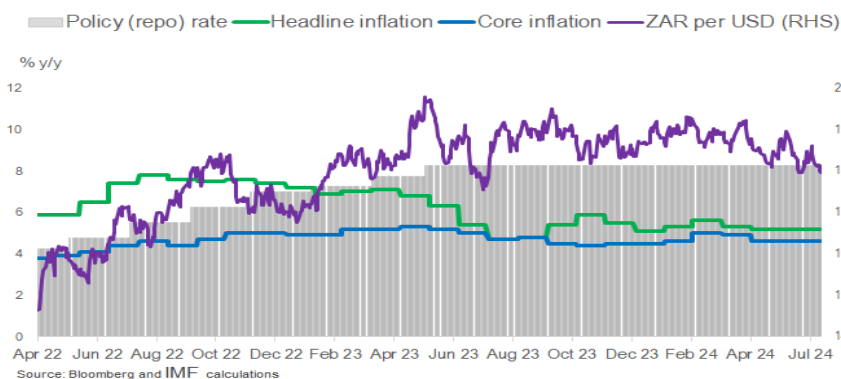




## South Africa

**Goldman Sachs expect South Africa's central bank to deliver a 25 bp rate cut at next week's meeting, while consensus is for a hold.** Goldman cited positive inflation and growth developments since the May MPC meeting, including fading supply shocks, a strengthening of the currency, and falling inflation expectations alongside recent US CPI data. However, thus far the MPC has not explicitly signaled any upcoming easing and may use the July meeting to do so rather than cutting outright. The South African rand was trading firmer against the dollar (+0.2%) at 17.95/\$ today, with the currency up around 2.3% year to date. Foreign inflows to the domestic bond market have been strong in recent weeks.

South Africa - Policy Rate, Inflation and Currency



*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert-New York Representative), Benjamin Mosk (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Mustafa Oguz Caylan (Research Officer), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Sonal Patel (Senior Financial Sector Expert-London Representative), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators

7/12/24 7:50 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5585	-0.9	1	3	25	17
Europe		5006	0.6	1	-1	15	11
Japan		41191	-2.4	1	6	27	23
China		3472	0.1	1	-2	-11	1
Asia Ex Japan		75	0.7	2	5	10	13
Emerging Markets		44	0.6	2	5	9	10
<b>Interest Rates</b>			basis points				
US 10y Yield		4.22	0.6	-6	-10	36	34
Germany 10y Yield		2.51	4.8	-5	-2	-7	49
Japan 10y Yield		1.07	-2.5	-1	8	59	45
UK 10y Yield		4.14	6.3	1	1	-38	60
<b>Credit Spreads</b>			basis points				
US Investment Grade		127	1.8	3	7	-21	-6
US High Yield		355	0.7	-8	0	-77	-30
<b>Exchange Rates</b>			%				
USD/Majors		104.31	-0.1	-1	0	4	3
EUR/USD		1.09	0.2	0	1	-2	-1
USD/JPY		159.0	0.1	-1	1	15	13
EM/USD		46.5	0.1	1	1	-6	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		85.9	0.6	-1	5	13	13
Industrials Metals (index)		151	0.2	-2	-2	4	6
Agriculture (index)		56	-0.7	-3	-5	-15	-10
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		12.7	-0.2	0.3	0.7	-0.8	0.3
Global FX Volatility		6.9	0.0	-0.2	-0.4	-1.3	-1.2
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		98	-2.6	-8	-12	-40	-6
Italy		130	-2.3	-8	-9	-38	-38
Portugal		59	-0.8	-2	-6	-13	-4
Spain		76	-0.7	-2	-2	-25	-21

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

## Emerging Market Financial Indicators

Last updated: 7/12/2024 7:22 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		7.25	0.1	0.2	0	-1	-2		2.2	-1.0	-2	-4	-53	-34
Indonesia		16138	0.4	0.9	1	-7	-5		6.9	-5.8	-12	-8	75	46
India		84	0.0	0.0	0	-2	0		7.2	-3.2	-12	-12	(29.0)	-4
Philippines		58	-0.1	0.2	1	-6	-5		5.4	0.0	17	-10	-72	-22
Thailand		36	0.2	1.1	1	-4	-6		2.6	-1.5	-9	-22	-17	-9
Malaysia		4.67	0.3	0.8	1	0	-2		3.8	0.1	-1	-1	-2	12
Argentina		919	-0.1	-0.6	-2	-71	-12		45.0	13.4	-228	16	-4690	-4137
Brazil		5.44	-0.4	0.9	-1	-11	-11		11.6	-5.7	-41	-37	86	125
Chile		913	-0.2	2.4	1	-11	-4		5.3	0.5	-15	7	26	35
Colombia		3978	-0.2	3.0	0	5	-3		8.4	0.0	-8	17	83	71
Mexico		17.71	0.4	2.3	6	-5	-4		9.2	0.0	-26	-74	111	77
Peru		3.8	0.6	0.9	0	-4	-1		6.9	-10.7	#####	-13	12	23
Uruguay		40	0.0	-0.2	-2	-4	-3		9.6	-1.6	-7	37	7	6
Hungary		360	0.7	0.6	1	-6	-4		6.2	-10.5	-41	-27	-84	42
Poland		3.91	0.3	1.1	3	2	1		5.1	1.0	-19	-8	21	62
Romania		4.6	0.2	0.4	1	-3	-1		6.5	-3.5	-9	-15	-12	29
Russia		87.6	0.2	0.4	2	3	2							
South Africa		18.0	0.1	1.1	2	1	2		8.9	-5.0	-20	-50	-64	-18
Türkiye		33.01	-0.5	-1.1	-2	-21	-11		27.7	4.0	39	-77	1068	95
US (DXY; 5y UST)		104	-0.1	-0.5	0	4	3		4.15	0.5	-8	-17	7	30

	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		3472	0.1	1	-2	-10	1		142	3	7	-37	-16	
Indonesia		7328	0.4	1	7	8	1		108	-1	9	-25	12	
India		80519	0.8	1	5	23	11		87	-14	-4	-43	-29	
Philippines		6648	0.6	2	4	3	3		86	-6	-2	-21	6	
Thailand		1332	0.2	2	1	-11	-6		0	0	0	0	0	
Malaysia		1619	-0.3	0	1	16	11		84	2	6	-4	-1	
Argentina		1705677	0.9	6	9	295	83		1477	-50	-54	-510	-436	
Brazil		128294	0.9	2	7	9	-4		213	-17	-11	-30	-2	
Chile		6545	1.2	0	0	8	6		116	-4	-6	-5	-9	
Colombia		1376	0.8	-1	0	18	15		304	-3	-2	-63	33	
Mexico		54423	0.3	3	3	1	-5		306	-8	-8	-60	-28	
Peru		30295	0.3	1	2	34	17		137	-8	-19	-15	-7	
Hungary		72125	0.3	0	3	40	19		151	-1	-4	-55	2	
Poland		88434	0.3	1	4	27	13		103	-1	1	-29	6	
Romania		18508	0.0	0	4	42	20		186	-5	-5	-37	-15	
South Africa		81347	0.3	1	6	6	6		297	-14	-32	-106	-11	
Türkiye		11021	0.0	2	8	74	48		272	-11	-16	-186	-42	
EM total		44	0.2	2	5	9	10		395	-12	9	13	50	

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

[back to top](#)