



- **Swiss National Bank surprises by lowering its policy rate for the second time, to 1.25%** ([link](#))
- **Brazil's central bank interrupted its easing cycle with a "hold" on Wednesday** ([link](#))
- **Last Tuesday, Chile's central bank cut its policy rate by 25 bps, slowing its easing cycle** ([link](#))
- **Norway's central bank holds policy rate at 4.5%, but seen to strike a more hawkish tone** ([link](#))
- **US clearing house reportedly plans stricter intraday margin rule for equity derivatives** ([link](#))
- **Bank Indonesia held its policy rate at 6.25% as expected** ([link](#))

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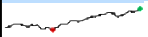
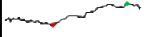








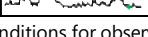
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AI takes pole position

Nvidia became the world's largest stock by market capitalization last Tuesday. US markets were closed on Wednesday for the Juneteenth National Independence Day holiday, but last Tuesday, Nvidia surpassed Microsoft and Apple by market cap and the S&P 500 reached a new record high; the index is set to extend gains today with futures up by 0.4%. Today, the Swiss National Bank (SNB) cut its policy rate for the second time this easing cycle, taking the lead among advanced economy central banks once again. Earlier in March, it was already a first mover with its first 25 bps rate cut. The central bank followed through today with another 25 bps rate cut, bringing its policy rate to 1.25%. After the announcement, the Swiss franc weakened versus both the US dollar (-0.7%) and the euro (-0.5%). In contrast with the SNB, the central banks of Norway and the UK have yet to embark on their first rate cut, and instead kept their policy rate on hold today, at 4.5% and 5.25% respectively. US initial jobless claims came in close to expectations.

Key Global Financial Indicators

Last updated: 6/20/24 8:35 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5487	0.3	2	3	24	15.04
Eurostoxx 50		4925	0.8	0	-3	13	9
Nikkei 225		38633	0.2	0	-1	15	15
MSCI EM		43	0.9	2	-2	7	7
Yields and Spreads			bps				
US 10y Yield		4.24	1.9	0	-20	52	36
Germany 10y Yield		2.42	1.7	-5	-11	2	40
EMBIG Sovereign Spread		395	1	5	32	-49	12
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.1	-0.6	0	-3	-8	-4
Dollar index, (+) = \$ appreciation		105.4	0.2	1	1	3	4
Brent Crude Oil (\$/barrel)		85.3	0.3	3	2	12	11
VIX Index (% change in pp)		12.6	0.1	1	1	-1	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

The S&P500 edged higher to new record high on Tuesday while Treasury yields declined after mixed economic data. Industrial production showed broad-based pickup in factory output while retail sales showed tepid growth suggesting some strains on consumers. Treasury yields dropped 6 bps on the day, also supported by a strong 20-year bond auction. The \$13bn offering was sold at 4.45% with a tail of 2.8 bps and a record investor allocation of 78%. In the futures market, first rate cut in November remains the central scenario, but wagers of a September rate cut have crept back up to 68%. S&P500 increased modestly to a new record high as Nvidia topped (+3.5%) Microsoft as the world's largest stock.

The Options Clearing Corp is reportedly considering tougher intraday margin requirement amid zero-day options boom. The OCC, the world's largest equity derivative CCP, is looking to impose stricter rules on intraday margin requirement at brokers and dealers if their risk exposures breach certain thresholds. It is also proposing a monthly add-on to their collateral contributions. While the proposed rules apply to all options, zero-day options, known as 0DTE, now make up over half of S&P500's total options trading. The OCC's proposals are subject to changes after industry feedback and require SEC approval.

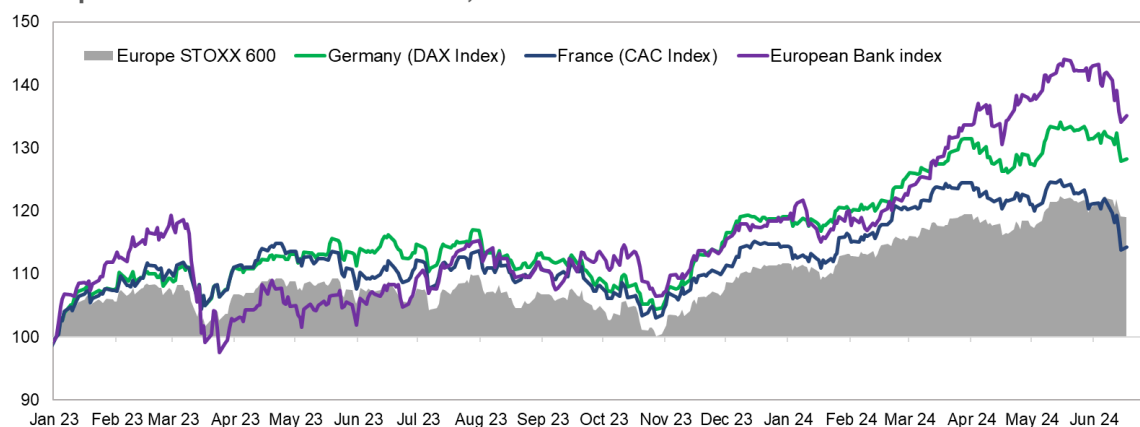


Source: Bloomberg, BofA Global Research

Europe

European equities advanced today, with the Stoxx 600 index rising by +0.4%, led by gains in the industrial goods and services sectors, and mirroring similar developments in all European countries among which Italy (+0.7%) and Portugal (+0.8%) took the lead. The European banking sector index also edged higher (+0.5%) and equities traded in the green also in France (CAC 40 Index higher by +0.7%).

European Stocks: Selected Indices, Jan 2023 = 100



Source: Bloomberg and IMF calculations

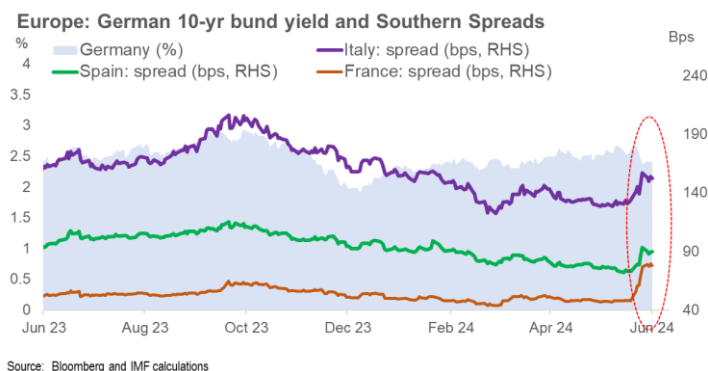
Expectations for ECB rate cuts have marginally adjusted downwards with markets pricing in around 39bps of easing over the remainder of 2024 vis-à-vis 44 bps at the beginning of the week. Today the ECB published its latest Economic Bulletin, which confirmed that headline inflation is expected to decline

from 5.4% y/y in 2023 to 2.5% in 2024, 2.2% in 2025 and 1.9% in 2026, with an upward revision of 20bps for 2024 and 2025 compared with the March 2024 projections.

This morning the 10-year German bund yield was 4bps higher at 2.43%, and the spreads of the 10-year French OAT and Italian BTP were slightly tighter (-2bps) at 78bps and 151 bps respectively.

Spreads rose only marginally yesterday following the decision of the European Commission to initiate an Excessive Debt Procedure (EDP) on seven countries including Italy and France, in line with expectations. Today, France raised

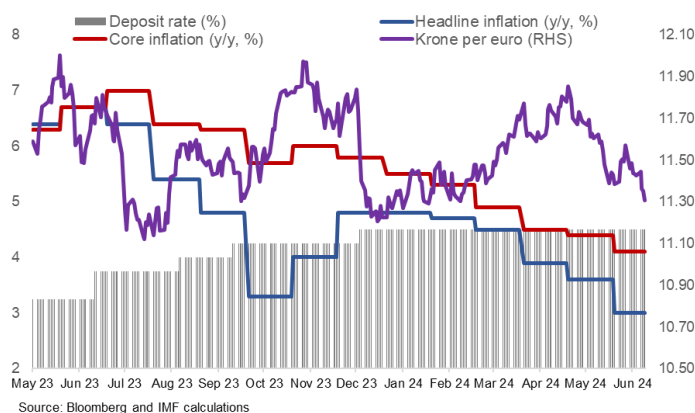
€10.5bn by issuing bonds of three to eight-year maturity, with bids reportedly reaching 2.41 times the total amount offered, broadly in line with issuances of same tenors carried out before the announcement of snap elections at the end of June. Commerzbank sees the issuance as a successful test of investor appetite. The euro was marginally weaker (-0.2%) against the dollar this morning at 1.07/\$.



Norway

Norway's krone was stronger (+0.5%) against the euro after the Norges Bank held its benchmark deposit rate unchanged at 4.5% today, in line with expectations. Governor Ida Wolden Bache said that "If the economy evolves as currently envisaged, the policy rate will continue to lie at 4.5% to the end of the year, before gradually being reduced", which analysts at JP Morgan see as signaling no rate cuts in 2024.

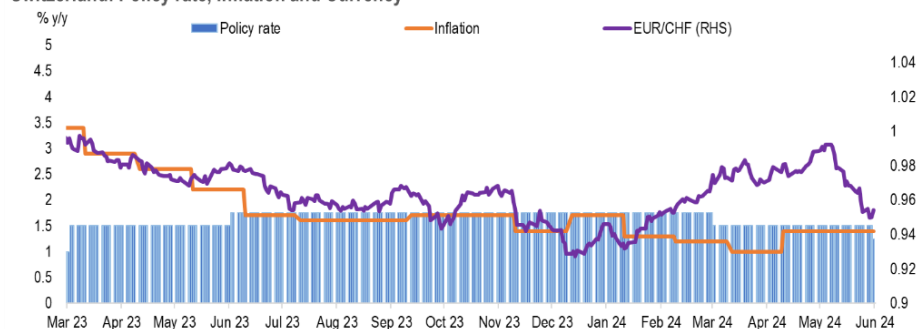
Norway: Deposit rate, inflation and exchange rate



Switzerland

The Swiss franc edged lower (-0.5%) against the euro after the central bank (SNB) lowered its benchmark interest rate by 25bps to 1.25%. The SNB's move was not entirely expected, with median survey expectations for a hold at 1.5%. This is the second cut in two straight meetings. SNB president Thomas Jordan noted that the franc's appreciation stemming from "political uncertainties in Europe" is adding uncertainty and that the SNB remains "willing to be active in the foreign exchange market as necessary."

Switzerland: Policy rate, Inflation and Currency



Source: Bloomberg and IMF calculations

United Kingdom

The Bank of England (BoE) left its policy interest rate unchanged at 5.25%. Seven members of the monetary policy committee (MPC) voted for no change, while two members voted in favor of a rate cut. The statement noted that “key indicators of inflation persistence have continued to moderate, although they remain elevated”, and also that the decision to not cut was “finely balanced” for some MPC members. This follows after data released yesterday showed UK headline inflation returning to the BoE’s 2% target in May. Markets have scaled up expectations for BoE rate cuts after the policy announcement and are now pricing in 50 bps of easing in 2024 (compared to 44bps yesterday), with the odds of an August rate cut priced at 58% (compared to roughly 34% yesterday). Gilts yields were marginally lower after the decision (10y gilt -3bps at 4.04%), while the pound extended early morning losses against the dollar (-0.2%).

Japan

Norinchukin Bank, an agricultural cooperative bank, appears to have fallen victim to the higher interest rate environment. This week, the bank warned that this year’s losses could be larger than previously estimated, and said that it will sell \$63 bn of US and European government bonds that had become unprofitable to hold given its high short-term foreign-currency funding cost. The bank said that it does not need additional capital beyond its current plan to raise 1.2 tn yen (\$7.6 bn). Today, the Japanese yen depreciated to 158.4 yen per dollar (-0.2%), and long-end JGB yields increased (10-year: +2.4 bps; 30-year: +0.8 bp) despite a strong 5-year debt sale.

Emerging Markets

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EMEA equities and currencies were trading mixed this morning, on a relatively quiet day on the data front. Equities in Türkiye were outperforming (+1.5%), while those in South Africa were lagging (0.5%). In CEE, currencies were trading mixed against the euro, with the Czech koruna higher (+0.1%) to trade at 24.88/€, while the Hungarian forint was weaker (-0.2%) to trade at 396.6/€. Separately, the European Commission yesterday announced that Hungary would be among one of seven countries entering an excessive deficit procedure (EDP).

Asian equities were mixed today, falling 0.1% on net. Chinese mainland (CSI 300: -0.7%) and Hong Kong (-0.5%) stocks underperformed, while share prices advanced in Indonesia (+1.3%) and Taiwan POC (+0.8%). Asian currencies depreciated, led by Indonesian rupiah (-0.4%), amid a broad-based USD strengthening. Long-end government bond yields generally increased, with 10-year yields rising in Sri Lanka (+5.0 bps) and Korea (+3.8 bps). In Singapore, the government released a report that assessed the country’s money laundering risks following a scandal involving over \$2.2 bn in illicit assets. The report said that the banking sector poses the highest money laundering risks to the country. In Malaysia, Bank Negara Malaysia’s net forward FX position expanded to negative \$27.7 bn in April, reflecting a record net short position and showing a preference for using forwards to support the currency.

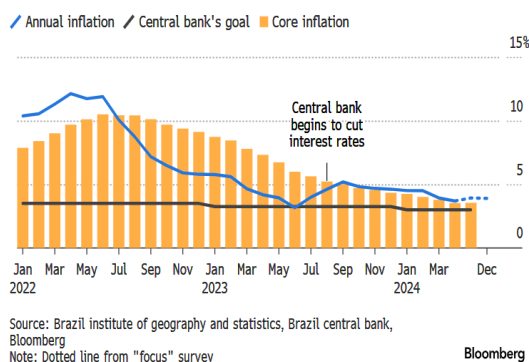
Latin American currencies were mixed while equities mostly advanced. Colombian assets underperformed after the government revealed the possibility of defaulting on its debt if Congress fails to approve an increase in the debt ceiling. Chilean assets gained following the central bank slowing the pace of rate cuts, with the peso (+0.5%) outperforming and equities (+0.7%) rallying. Elsewhere, equities advanced in Argentina (+1.2%), Chile (+0.7%), Brazil (+0.5%), and Mexico (+0.2%).

Brazil

Yesterday, Brazil's central bank interrupted its easing cycle with a "hold", as expected. Policymakers cited heightened uncertainty globally and domestically, resilient economic activity, and lifted inflation forecasts as reasons for halting their rate cutting campaign. Bloomberg analysts suggest that yesterday's unanimous decision will help ease investor skepticism following May's split decision for a rate cut. Going forward, uncertainty may increase as President Lula is set to nominate a new central bank governor and two new directors later this year.

Brazil's Inflation Hovers Around Target

Central bankers battle resilience in services costs

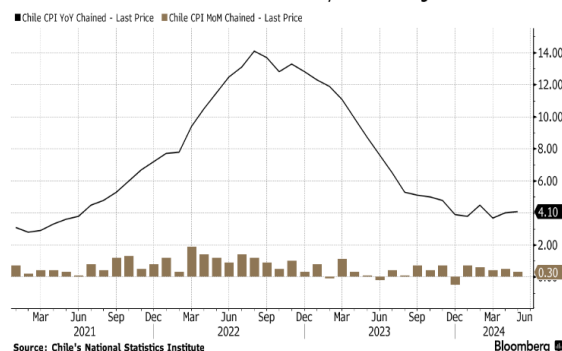


Chile

Last Tuesday, Chile's central bank came with a smaller-sized 25 bps rate cut as inflation forecasts rise. The central bank cut rates by 25 bps to 5.75%, as expected. Four out of five policymakers were in favor of the 25 bp cut, with the odd one out preferring 50 bps. The smaller-sized cut follows a 50 bps cut at the previous meeting, and a 75 bps cut before that. Policymakers stated that most cuts in 2024 have already occurred, "if the assumptions of the central scenario materialize". Additionally, policymakers emphasize they will consider "the evolution of the macroeconomic scenario and its implications for the trajectory of inflation" for the future pace of cuts. Inflation forecasts were lifted for 2024 and 2025, to 4.2% (from 3.8%) and 3.6% (from 3%), respectively. Chilean assets rallied following the central bank meeting.

Annual Inflation Rate Has Ticked Up in Recent Months

Annual inflation stands at 4.1% in chained series, above 3% target



China

The People's Bank of China (PBoC) set the daily RMB fixing at the weakest level since November. Today, the daily RMB fixing was set at 7.119 yuan per dollar, 33 pips weaker than yesterday, the largest move since mid-April. Some market participants saw today's fixing as signals that the PBoC may loosen the grip on the currency; others viewed a weaker fixing was a delayed reflection of earlier USD strength. Reportedly, state-owned banks sold dollar in the onshore market to support the currency. RMB was little changed, trading at 7.26 yuan per dollar. Chinese banks kept loan prime rates (LPRs) unchanged as

expected. The 1-year and 5-year LPRs stayed at 3.45% and 3.95%, respectively. Online commercial platforms rolled out the largest ever promotion campaign to attract shoppers during the '618' shopping festival. The news on intense competition among online platforms also drove down their share prices (e.g., Alibaba: -1.1%; Tencent: -0.4%; Meituan: -1.2%). Chinese equities declined (CSI 300: -0.7%). Long-term CGB yields were mixed (10-year: +0.2 bp; 30-year: -0.7 bp).

China Has Been Gradually Weakening Daily Fixing



Indonesia

Bank Indonesia (BI) held the policy rate at 6.25% as expected. Market participants viewed the BI decision as a preemptive act to support the currency. The Indonesian rupiah has been under pressure given that markets are concerned about the fiscal policy stance under the new administration. Governor Perry said that BI will intervene in spot and domestic NDF FX markets, as well as government bond market, if needed. He also provided a guidance on the currency, indicating that Indonesian rupiah's fundamental value is at below 16,000 rupiah per dollar. Meanwhile, BI maintained its 2024 forecasts for growth (4.7%-5.5%) and inflation (1.5%-3.5%). The Indonesian rupiah depreciated (-0.4%), touching 16,430 rupiah per dollar. Equities gained (+1.3%).

















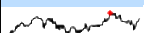


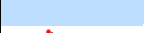
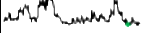

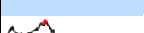


Rupiah Remains Vulnerable to Sentiment Shifts



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Global Financial Indicators

6/20/24 8:37 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5487	0.3	1	3	24	15
Europe		4925	0.8	0	-3	13	9
Japan		38633	0.2	0	-1	15	15
China		3503	-0.7	-1	-5	-9	2
Asia Ex Japan		73	0.6	2	-1	8	9
Emerging Markets		43	0.9	2	-2	7	7
Interest Rates			basis points				
US 10y Yield		4.24	1.9	0	-20	52	36
Germany 10y Yield		2.42	1.7	-5	-11	2	40
Japan 10y Yield		0.96	2.6	-2	-2	56	34
UK 10y Yield		4.04	-3.0	-9	-13	-30	50
Credit Spreads			basis points				
US Investment Grade		127	0.8	6	11	-28	-7
US High Yield		362	-0.5	8	21	-84	-23
Exchange Rates			%				
USD/Majors		105.43	0.2	1	1	3	4
EUR/USD		1.07	-0.2	0	-1	-2	-3
USD/JPY		158.4	0.2	1	1	12	12
EM/USD		46.1	-0.6	0	-3	-8	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		85.3	0.3	3	2	17	12
Industrials Metals (index)		152	0.7	-2	-10	2	6
Agriculture (index)		59	0.2	-1	-2	-18	-6
Implied Volatility			%				
VIX Index (% change in pp)		12.6	0.1	0.5	0.6	-1.0	0.1
Global FX Volatility		7.4	0.0	0.2	0.6	-0.8	-0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		122	-1.9	4	23	-10	19
Italy		152	-1.8	5	24	-11	-16
Portugal		74	-1.6	2	12	7	10
Spain		88	-1.5	2	12	-6	-9

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

Emerging Market Financial Indicators

Last updated: 6/20/2024 8:38 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		7.26	0.0	-0.1	0	-1	-2		2.2	0.5	-2	-5	-55	-32
Indonesia		16430	-0.4	-1.0	-3	-9	-6		7.1	-0.4	15	20	80	66
India		84	-0.2	-0.1	0	-2	-1		7.3	1.5	3	-16	(16.8)	7
Philippines		59	0.0	-0.3	-2	-5	-6		5.5	0.0	-5	-18	-49	-17
Thailand		37	-0.3	-0.3	-2	-6	-7		2.8	-0.8	-1	-7	-6	7
Malaysia		4.71	-0.1	0.0	0	-1	-2		3.9	-0.6	0	-1	9	13
Argentina		906	0.0	-0.4	-2	-72	-11		44.1	79.6	-132	815	-6778	-4226
Brazil		5.43	0.0	-0.4	-6	-12	-11		12.1	1.7	-15	29	84	170
Chile		932	0.5	-1.7	-5	-15	-6		5.3	-0.3	9	15	28	36
Colombia		4161	-0.6	-3.2	-8	0	-7		8.3	0.0	-16	17	42	61
Mexico		18.41	0.1	-0.1	-10	-6	-8		9.6	0.0	0	42	133	114
Peru		3.8	-0.2	-1.1	-2	-5	-3		7.2	0.0	16	15	25	52
Uruguay		39	0.0	-0.7	-2	-3	-1		9.3	0.0	11	21	-58	-21
Hungary		370	-0.5	-0.2	-4	-8	-6		6.5	1.0	-3	-2	-107	72
Poland		4.03	-0.1	0.5	-3	1	-2		5.2	1.9	0	7	-7	73
Romania		4.6	-0.2	-0.1	-1	-2	-3		6.7	0.2	10	12	10	46
Russia		87.0	-4.0	1.1	5	-3	3							
South Africa		18.1	-0.7	1.9	1	2	2		9.2	4.7	-25	-48	-77	5
Türkiye		32.79	-0.8	-1.4	-2	-28	-10		29.0	40.0	37	136	1157	222
US (DXY; 5y UST)		105	0.2	0.8	1	3	4		4.26	1.8	2	-21	31	41

	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		3503	-0.7	-1	-5	-9	2		138	3	-2	-47	-20	
Indonesia		6819	1.4	-1	-5	2	-6		110	11	18	-30	14	
India		77479	0.2	1	5	22	7		97	6	4	-34	-19	
Philippines		6345	-0.3	-1	-4	-1	-2		94	6	13	-17	14	
Thailand		1298	-0.4	-1	-5	-15	-8		0	0	0	0	0	
Malaysia		1593	-0.4	-1	-2	14	9		83	5	5	-9	-2	
Argentina		1576462	1.2	2	3	285	70		1385	-146	115	-991	-528	
Brazil		120261	0.5	0	-6	1	-10		233	9	14	-17	18	
Chile		6589	0.7	1	-2	14	6		126	4	12	-3	1	
Colombia		1381	-0.7	0	-4	19	16		322	16	27	-39	51	
Mexico		53323	0.2	1	-7	-2	-7		316	2	22	-61	-18	
Peru		29724	-0.2	0	-3	32	14		153	-3	10	-14	9	
Hungary		69911	0.4	0	3	40	15		164	9	24	-57	15	
Poland		86413	0.0	3	-3	29	10		108	6	15	-28	11	
Romania		17988	0.2	1	3	47	17		203	11	31	-32	2	
South Africa		80232	-0.6	4	0	5	4		319	-10	6	-82	11	
Türkiye		10629	1.5	6	0	94	42		301	13	23	-167	-13	
EM total		43	0.0	2	-2	7	7		385	0	61	-5	40	

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

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