



- Euro area flash PMI prints disappoint and trigger risk-off sentiment in markets ([link](#))
- UK pound weaker as market scaled up expectations for BoE rate cuts ([link](#))
- Japanese yen appreciates after trading near 34-year low amid cautions over intervention ([link](#))
- Short interest in US stocks dropped sharply since 2023 to record low ([link](#))
- Balance at Fed's foreign RRP facility reached new record high ([link](#))
- Mexican peso appreciates after Marcelo Ebrard is named new Economy Minister ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

AI rally fizzles while economic data disappoints in the Euro Area

German and French services and manufacturing PMIs for June came in lower than expected. Today, a risk-off sentiment dominated in euro area markets with equities declining by 0.7% and sovereign yields falling by around 4–6 bps across curves. The weak economic data compounds heightened uncertainty about the previously announced snap elections in France. Immediately after the release, the euro depreciated by 0.4% versus the US dollar, but recovered slightly in an otherwise volatile market. Yesterday, US stocks retreated with large-cap tech stocks leading the declines amid apparent buyer exhaust and profit taking, driving the NASDAQ down by 0.8%. The US Citi economic surprise index dropped to -28.1, its lowest reading since Aug 2022. This signifies that recent economic data releases have—on net—underperformed relative to market expectations.

Key Global Financial Indicators

Last updated: 6/21/24 8:28 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5473	-0.3	1	3	25	14.75
Eurostoxx 50		4908	-0.8	1	-3	14	9
Nikkei 225		38596	-0.1	-1	0	18	15
MSCI EM		43	-0.2	1	-1	7	6
Yields and Spreads			bps				
US 10y Yield		4.23	-3.3	1	-19	51	35
Germany 10y Yield		2.38	-5.2	2	-12	-6	36
EMBIG Sovereign Spread		394	-1	4	33	-55	11
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.0	-0.1	0	-3	-8	-4
Dollar index, (+) = \$ appreciation		105.8	0.2	1	1	4	4
Brent Crude Oil (\$/barrel)		85.7	0.0	4	3	11	11
VIX Index (% change in pp)		13.6	0.3	2	2	0	1

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

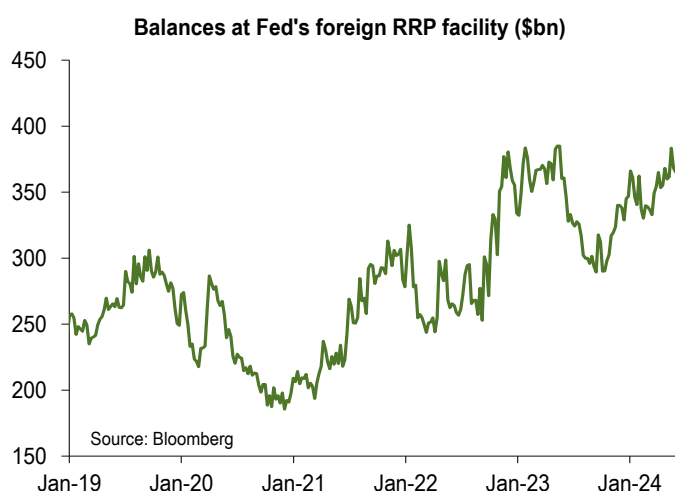
Mature Markets

[back to top](#)

United States

Stocks retreated from yesterday's fresh intraday record high ahead of Friday's \$5.5tn quarterly "triple witching". Large-cap tech stocks led the declines amid apparent buyer exhaust and profit taking that drove the NASDAQ down by 0.8%. Some market participants also pointed to the weaker than expected housing and Philly Fed data, that add to the string of negative economic surprises. The widely followed Citi economic surprise index for the US has dropped to -28.1, the lowest reading since Aug 2022. Treasury yields closed modestly higher amid thin volume. A 5-year TIPS auction was met with the highest investor demand across all nominal and real Treasury coupon auctions on records. The auction yield cleared 2.9 bps through pre-auction levels and end-user allocation increased 1.6 ppts further to 97.7%. Friday's triple witching hour refers to the final hour of trading on days where stock market index futures and options expire; this event can drive higher volatility and heightened trading volumes, albeit short-lived. Expiring contracts are estimated to amount to a combined nominal of \$5.5tn this Friday.

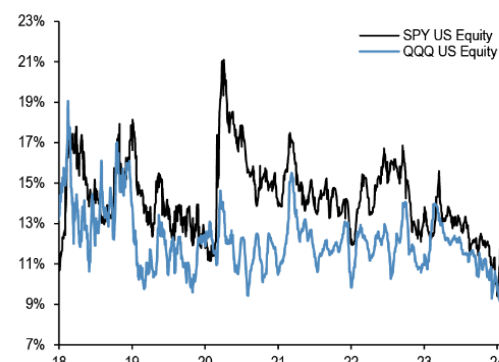
Balance at the Fed's foreign RRP facility reached new record of \$389bn. The foreign RRP facility allows foreign monetary authorities to park cash overnight with the Fed in exchange for interest, instead of investing in Treasury bills or other securities. The funds can be withdrawn and deployed, for instance for FX intervention, without the need to unwind security holdings thus minimize direct market impacts.



Short interest in US stocks has dropped to record low. According to JPMorgan, short interest in both SPY and QQQ—two of the largest ETFs tracking US indices—have fallen sharply since 2023 to record low levels. Meanwhile, short interest on individual stocks have remained near historical low. This has effectively provided steady flow support for US equities as short positions were covered, which in turn has suppressed realized volatility and may have incentivized vol-targeting investors to take on larger equity positions. This dynamic could potentially pose vulnerability to US equities in case of a sharp repricing of economic or monetary policy outlook.

Figure 1: Short interest on the SPY and QQQ US ETF

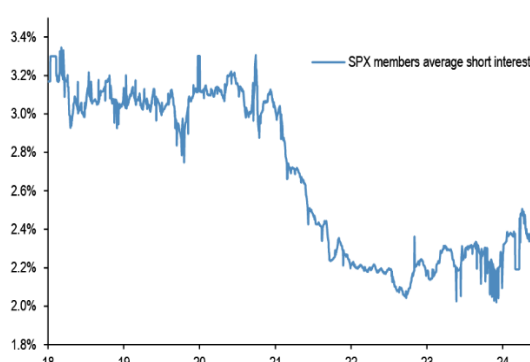
Short Interest as a % share of share outstanding. Last obs is for 18th June 2024.



Source: S3, J.P. Morgan.

Figure 3: Short interest on the SPX member stocks (Equally Weighted)

Short Interest as a % share of share outstanding.

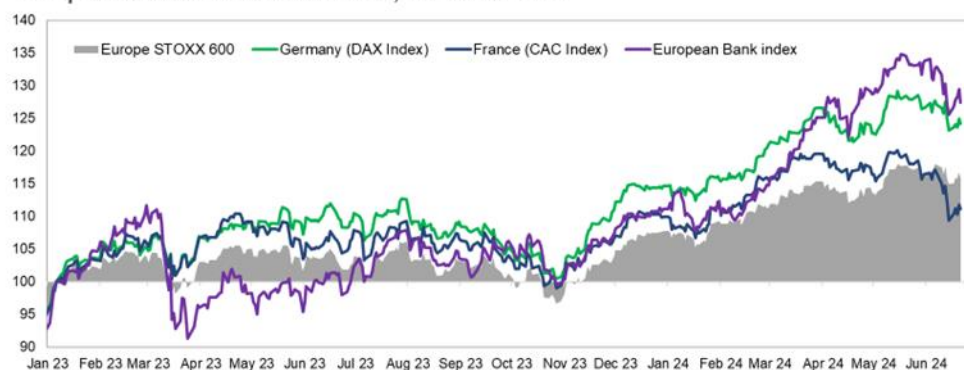


Source: S3, J.P. Morgan.

Europe

European stocks edged lower today with the Stoxx 600 index trading at **-0.8%**, following earlier losses in Asian equities (MSCI Asia Pacific Index **-0.4%**). Declines were led by the banking sector (-1.5%) and more pronounced in Italy (-1.1%) and Spain (-1.2%). Declines were also seen in Germany (-0.6%) and France (-0.6%), where PMI data disappointed today.

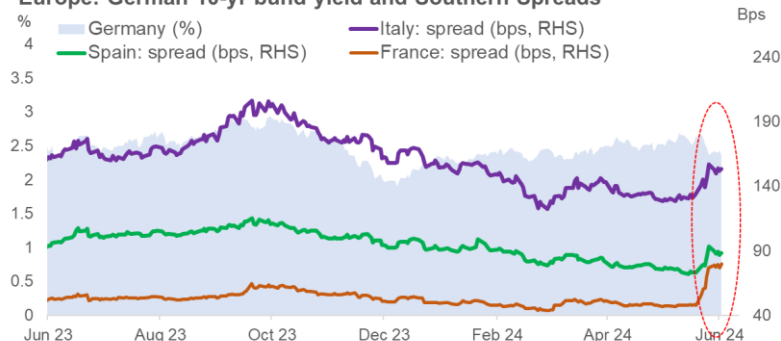
European Stocks: Selected Indices, Jan 2023 = 100



Source: Bloomberg and IMF calculations

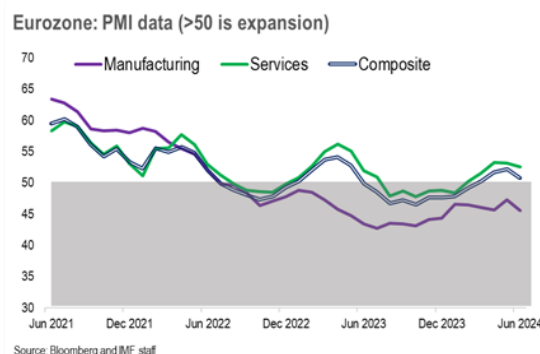
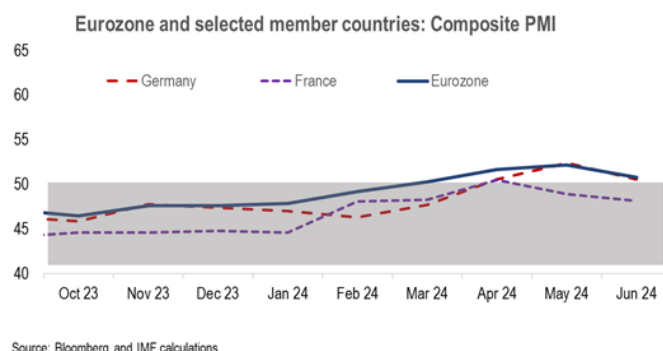
Yields on German government bonds were lower by about 5–6 bps across tenors, with the 10y German bund yield down to 2.37%, while the spreads of the 10y French OAT and Italian BTP were slightly wider (+2bps), at respectively 80bps and 153 bps.

Europe: German 10-yr bund yield and Southern Spreads



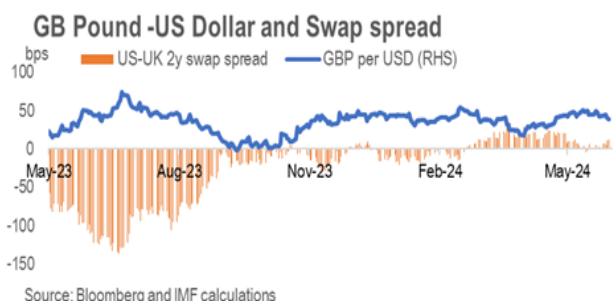
Source: Bloomberg and IMF calculations

Today's preliminary PMI prints for June disappointed in the Eurozone, with the euro weakening post-release. The preliminary data for the euro area's June manufacturing PMI came in at 45.6 vs. 47.9 expected, while the services PMI also disappointed at 52.6 versus 53.4 expected. According to analysts at HSBC, today's surprising drop in the PMIs makes it more likely that the ECB will follow through with rate cuts in September and December this year. The euro was weaker (-0.3%) against the dollar this morning, trading at 1.06/\$. Expectations for ECB rate cuts have marginally adjusted upward with markets pricing in around 45bps of easing over the remainder of 2024 vis-à-vis 39 bps yesterday.

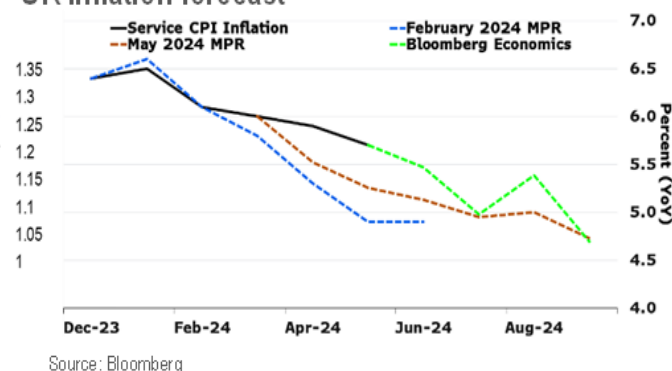


United Kingdom

The sterling continued to weaken today versus the US dollar (-0.1%), extending yesterday's depreciation (-0.5%) after the Bank of England (BoE) left its policy interest rate unchanged at 5.25%. Markets have scaled up expectations for BoE rate cuts after the policy announcements 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 66%. Analysts at BNP continue to expect 75 bps of cuts in 2024 with the policy rate landing at 3.5% by year-end 2025. UBS analysts expect a 25 bps cut in August followed by another cut in November to take the rate to 4.75% at the end of 2024. ING and Goldman Sachs also expect a 25bps cut in August, with Goldman seeing the Bank rate reaching 3% in Q3 2026. Bank of America expect two 25bps cuts in 2024 and four in 2025 with the policy rate declining to 3.75% by the end of 2025. Gilts yields were lower after yesterday's decisions (10y gilt -3bps at 4.04%), and have moved downward (-1bp) this morning as well.



UK inflation forecast

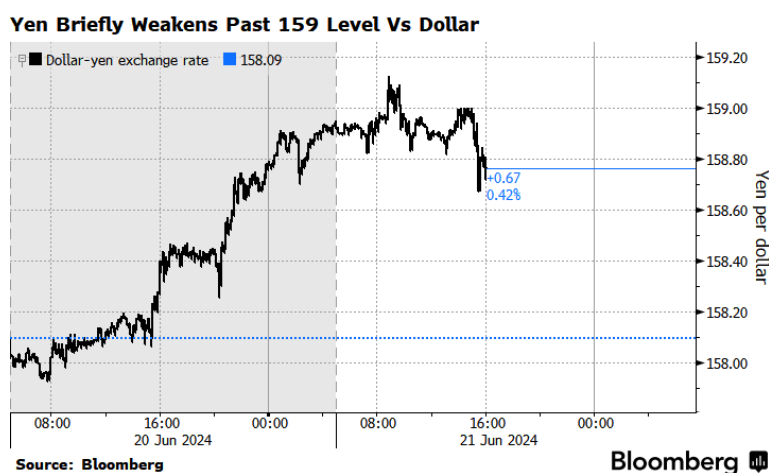


Japan

The Japanese yen appreciated after trading near a 34-year low amid cautions over FX intervention. Japanese yen appreciated to 158.8 yen per dollar (+0.1%) after breaching the 159 yen per dollar mark in the morning. Traders became more cautious due to the risk of FX interventions by Japanese authorities to

support the currency. On Thursday, the US Treasury released its “currency report” to congress; the report puts Japan on a monitoring list.

Governor Ueda said that the Bank of Japan decided to reduce its JGB purchases so that long-term yields can be determined by markets more freely, in a statement being read out on his behalf. Long-end JGB yields increased (10-year: +2.0 bps; 30-year: +1.1 bps), with the 10-year yield touching 0.968%. Japanese equities declined (NIKKEI: -0.1%). On the economic news front, inflation accelerated though at a slower-than-expected pace in May. Headline CPI inflation increased to 2.8% y/y from 2.5% in April, though slightly lower than expected (consensus: +2.9%). Core inflation (excluding food) also picked to 2.5% y/y from 2.2% (consensus: +2.6%). Composite PMI weakened to 50.0 in June from 52.6 in May, driven by both manufacturing and services components. Manufacturing PMI remained expansionary at 50.1 (from 50.4), while services PMI weakened more notably to 49.8 (from 53.8).



Emerging Markets

[back to top](#)

EMEA equities were mostly trading higher, while CEE currencies were mostly weaker against the euro in early morning trade. Equities in Egypt (+1.1%) and Kenya were outperforming (+0.9%) while those in Czechia were underperforming (-0.2%). In CEE, currencies were trading weaker against the euro, led by the Hungarian forint which was down (-0.3%) to trade at 398.0/€ and the Polish zloty which was weaker (-0.2%) to trade at 4.33/€. Elsewhere, the South African rand was firmer (+0.4%) against the dollar at 17.90/\$ this morning building on positive momentum on the news of the formation of a market-friendly coalition government.

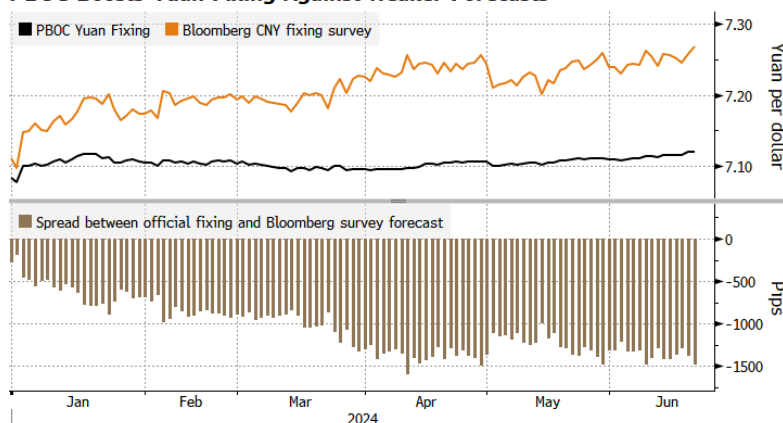
Asian equities generally declined, falling 1.3% on net, led by Philippine (-2.9%), Hong Kong SAR (-1.7%), Korean (-0.8%) and Taiwanese POC (-0.7%) stocks. The decline was partly driven by tech stocks. Asian currencies were mixed. Thai baht appreciated (+0.4%), while Korean won depreciated (-0.3%). Long-term government bond yields were also mixed, with 10-year yields rising in China (+1.3 bps) while falling in Thailand (-2.7 bps) and Korea (-2.1 bps).

Latin American equities mostly gained yesterday, and currencies were split across the region. Stocks in Argentina (+1.2%) led the advance, followed by Chile (+0.7%), and Brazil (+0.2%), while Colombia (-0.3%) saw losses. The Peruvian sol and Mexican peso appreciated (+0.3%), while the Brazilian real and Colombian peso depreciated (-0.3%). On the monetary policy front, Costa Rica's, and Paraguay's central bank left interest rates unchanged at 4.75% and 6%, respectively. In other news, Colombia's Congress approved an increase in their debt ceiling, removing the risk of a recent potential default.

China

The renminbi (RMB) depreciated slightly, trading around 7.26 yuan per dollar, as the People's Bank of China (PBoC) continued supporting the currency via setting the daily RMB fixing stronger than market expectations. Today, the PBoC weakened the daily fixing slightly. However, the deviation from market consensus widened to 1,487 pips, the largest magnitude since early April. Reportedly, Chinese state-owned banks sold dollar to support the currency in both morning and afternoon today. Given the sign that the PBoC continued to firmly support the currency, offshore RMB (CNH) appreciated for the first time in four days. Chinese equities declined (CSI 300: -0.2%) as onshore investors continued disappointing about the lack of more stimulus measures. The Shanghai stock index dropped below the 3,000 level, which is perceived as a key psychological level. Some analysts noted that overly stringent policies introduced by the China Securities Regulatory Commission (CSRC) weakened investor confidence. Such measures included imposing penalties on brokerages and banning major institutional investors from reducing equity holdings at the open and close of each trading day, among others. Four Mainland property developers are scheduled for Hong Kong SAR court hearings on liquidation next week. These property developers included Kaisa, Shimao, Dafa Properties, and Redsun Properties. Last week, Dexin China Holdings became the latest property developer to be liquidated.

PBOC Boosts Yuan Fixing Against Weaker Forecasts



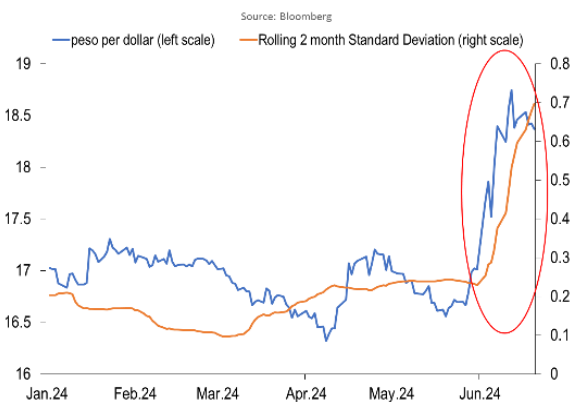
Source: Bloomberg

Bloomberg

Mexico

The Mexican peso appreciated after Marcelo Ebrard was named as new Economy Minister.

Previously, the peso had depreciated by -7.4% since the end of May, when first official projections revealed President-elect Claudia Sheinbaum won in a landslide victory coupled with her Morena party securing a two-thirds majority. The two-thirds majority would allow the pursuit of constitutional reforms, which some viewed as potentially unfriendly to markets. The peso reacted favorably after Sheinbaum named Ebrard as the new Economy Minister, appreciating by almost 0.9% intraday. Bloomberg analysts describe Ebrard as more "market friendly" compared to other candidates for the position. Sheinbaum will be sworn in as Mexico's first female president on October 1.

















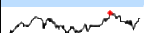


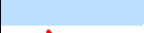
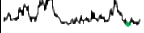

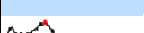




Source: Bloomberg

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 Srulana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

6/21/24 8:29 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5463	-0.3	1	3	25	15
Europe		4908	-0.8	1	-3	14	9
Japan		38596	-0.1	-1	0	18	15
China		3496	-0.2	-1	-3	-10	2
Asia Ex Japan		73	-0.1	1	0	8	9
Emerging Markets		43	-0.2	1	-1	7	6
Interest Rates			basis points				
US 10y Yield		4.23	-3.3	1	-19	51	35
Germany 10y Yield		2.38	-5.2	2	-12	-6	36
Japan 10y Yield		0.98	1.8	3	-1	59	36
UK 10y Yield		4.05	-0.7	-1	-8	-36	51
Credit Spreads			basis points				
US Investment Grade		127	0.3	1	11	-28	-6
US High Yield		366	4.2	-4	25	-93	-19
Exchange Rates			%				
USD/Majors		105.78	0.2	1	1	4	4
EUR/USD		1.07	-0.1	0	-1	-3	-3
USD/JPY		159.0	0.0	1	2	12	13
EM/USD		46.0	-0.1	0	-3	-8	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		85.7	0.0	4	4	16	13
Industrials Metals (index)		151	-1.3	-1	-12	3	6
Agriculture (index)		58	0.2	-3	-5	-20	-7
Implied Volatility			%				
VIX Index (% change in pp)		13.6	0.3	1.7	1.8	0.4	1.2
Global FX Volatility		7.4	0.0	-0.3	0.6	-0.7	-0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		124	1.5	-5	24	-7	20
Italy		154	2.2	-3	24	-8	-14
Portugal		75	1.9	-5	12	8	12
Spain		89	2.2	-5	12	-5	-8

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

Emerging Market Financial Indicators

Last updated: 6/21/2024 8:30 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M		
	vs. USD		(+) = EM appreciation						% p.a.						
China		7.26	0.0	-0.1	0	-1	-2		2.2	1.1	0	-4	-57	-30	
Indonesia		16450	-0.1	-0.3	-3	-9	-6		7.1	0.5	-6	21	83	66	
India		84	0.1	0.0	0	-2	0		7.3	-1.0	2	-16	(8.9)	6	
Philippines		59	-0.1	-0.3	-1	-5	-6		5.4	-3.7	6	-17	-52	-21	
Thailand		37	0.3	0.3	-1	-5	-7		2.7	-3.3	-3	-12	-7	4	
Malaysia		4.71	-0.1	0.2	0	-1	-3		3.9	1.0	1	-1	9	14	
Argentina		906	0.0	-0.4	-2	-72	-11		44.1	0.0	109	975	-6778	-4226	
Brazil		5.45	0.0	-1.3	-6	-13	-11		12.1	-2.6	5	37	97	170	
Chile		932	0.5	-1.7	-5	-15	-6		5.3	0.0	11	15	28	36	
Colombia		4173	-0.3	-0.6	-9	0	-8		8.3	0.0	-3	23	59	68	
Mexico		18.27	0.5	1.0	-9	-6	-7		9.6	-1.0	-9	39	134	112	
Peru		3.8	0.3	-0.8	-2	-4	-3		7.2	0.2	14	15	26	51	
Uruguay		39	-0.2	-0.5	-3	-4	-2		9.4	4.2	15	25	-54	-17	
Hungary		371	-0.2	0.2	-4	-9	-7		6.5	-1.0	-5	0	-91	75	
Poland		4.05	-0.1	1.2	-3	0	-3		5.2	-4.1	-5	2	-8	68	
Romania		4.7	-0.1	-0.1	-2	-3	-3		6.7	1.4	9	13	14	47	
Russia		88.8	-1.8	0.9	2	-5	1								
South Africa		17.9	0.4	2.7	1	2	3		9.1	-5.0	-32	-47	-74	-1	
Türkiye		32.85	0.0	-0.2	-2	-28	-10		28.8	-14.0	26	149	1176	208	
US (DXY; 5y UST)		106	0.2	0.6	1	4	4		4.23	-4.3	-1	-20	28	38	

	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		3496	-0.2	-1	-3	-10	2		138	0	-2	-48	-20	
Indonesia		6880	0.9	0	-5	4	-5		105	2	13	-41	9	
India		77210	-0.3	1	2	23	7		97	4	3	-34	-19	
Philippines		6158	-2.9	-4	-7	-4	-5		90	0	9	-27	10	
Thailand		1306	0.6	0	-4	-13	-8		0	0	0	0	0	
Malaysia		1590	-0.1	-1	-2	14	9		83	5	5	-10	-2	
Argentina		1576462	1.2	2	3	285	70		1407	-17	145	-967	-506	
Brazil		120446	0.2	1	-5	0	-10		233	3	20	-20	18	
Chile		6589	0.7	2	-2	14	6		125	1	13	-7	0	
Colombia		1376	-0.3	0	-4	19	15		324	8	32	-44	53	
Mexico		53333	0.0	2	-6	-1	-7		314	-4	26	-66	-20	
Peru		29858	0.4	2	-3	33	15		152	-1	11	-16	8	
Hungary		70407	0.1	1	4	40	16		161	3	22	-61	12	
Poland		86522	0.0	3	-2	29	10		104	0	11	-35	7	
Romania		18172	0.7	3	4	49	18		199	4	27	-39	-2	
South Africa		80315	0.3	5	1	6	4		316	-10	5	-105	8	
Türkiye		10746	0.1	7	-1	107	44		299	6	22	-197	-15	
EM total		43	0.0	1	-1	7	6		385	2	63	-11	40	

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

[back to top](#)