



- French and German business surveys signal rebound in June ([link](#))
- Sales of U.S. existing homes continue declining ([link](#))
- China increases liquidity injection, the first time since March ([link](#))
- ECB expected to lift restriction on bank dividend payments in July ([link](#))
- British pound falls as BoE expects inflation to return to target ([link](#))
- Czech National Bank hikes 25 bps, begins a tightening cycle ([link](#))

[Mature Markets](#)

[Emerging Markets](#)

[Market Tables](#)

European data boosts market

European equities and US futures are higher this morning after stronger than expected business surveys out of Germany and France. The sterling fell as much as 0.4% this morning after the BoE voted to leave its bond-buying program unchanged, with only one member dissenting. Members expect that inflation will surge temporarily but return to around the 2% target over the medium term. The 10-year gilt is about 3 bps lower on the day, while most other sovereign bond yields in advanced economies are little changed. In emerging markets, China increased its short-term liquidity injection for the first time since March. Most EM currencies are stronger versus the dollar on the day, with the Turkish lira (-0.4%) a notable exception, falling after two days of gains.

Key Global Financial Indicators

Last updated: 6/24/21 8:21 AM	Level Last 12m Latest	Change from Market Close				YTD
		1 Day	7 Days	30 Days	12 M	
Equities		%				%
S&P 500	4242	-0.1	0	1	39	13
Eurostoxx 50	4117	1.0	-1	2	29	16
Nikkei 225	28875	0.0	0	1	30	5
MSCI EM	55	0.6	0	2	35	6
Yields and Spreads		bps				
US 10y Yield	1.48	-0.7	-3	-12	80	57
Germany 10y Yield	-0.18	-0.6	1	-4	26	39
EMBIG Sovereign Spread	335	-3	7	2	-130	-16
FX / Commodities / Volatility		%				
EM FX vs. USD, (+) = appreciation	57.4	0.2	0	0	5	-1
Dollar index, (+) = \$ appreciation	91.8	0.0	0	2	-6	2
Brent Crude Oil (\$/barrel)	74.8	-0.5	2	9	86	44
VIX Index (% change in pp)	14.6	-1.8	-3	-4	-19	-8

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

Mature Markets

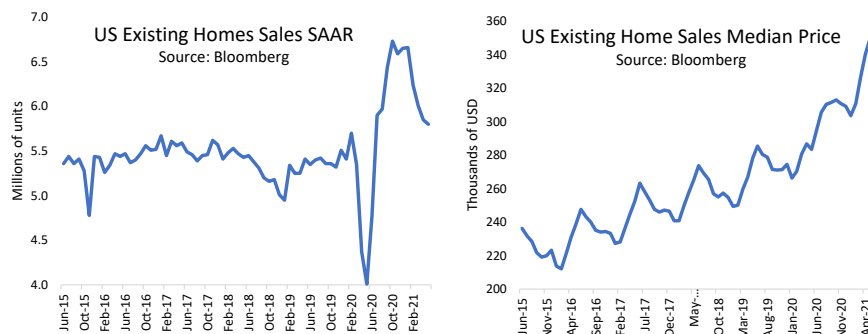
[back to top](#)

United States

On Wednesday, US equity indices were little changed (S&P500 fell 0.1%). UST 10Y yields rose by 2.4 bps, attributed to increasing breakeven inflation. Stock prices of Fannie Mae and Freddie Mac lost 1/3 of their values after the U.S. Supreme Court rejected claims that the Federal Housing Finance Agency exceeded its authority under federal law.

US data releases this morning were slightly disappointing. Initial jobless claims posted 411k in May, exceeding expectations (380k); continuing claims recorded 3390k, lower than expected (3460k). Durable goods orders in May grew by 2.3% (slower than expected 2.8%), while wholesale inventories for May increased by 1.1% (expected 0.8%). GDP annualized q/q for 1Q2021 grew by 6.4%, in line with expectations. Market reaction was muted, with no significant price action immediately upon the release.

The number of contract closings in U.S. existing homes market fell for a fourth straight month in May, according to Bloomberg (left chart below). One factor is demand-driven rising prices that increasingly offset low borrowing costs: the median selling price rose 23.6% from a year ago to a record \$350,300 in May (right chart). Another factor is lean inventories as builders struggle to replace the deficit in existing homes with new builds. Builders cite high materials prices, supply shortages and a limited number of skilled workers as ongoing challenges. On average, properties remained on the market for 17 days in May, matching an all-time low. Eighty-nine percent of the homes sold last month were on the market for less than a month.

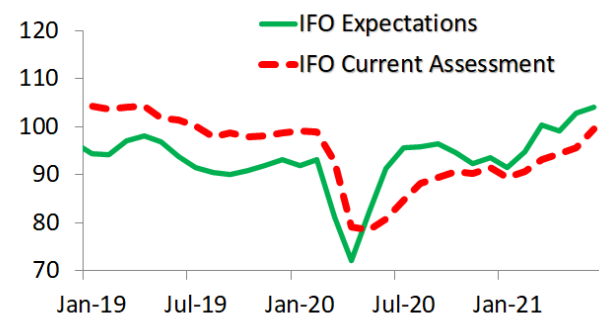


Goldman Sachs analysts expect the recovery in labor force participation to accelerate in the coming months as unemployment insurance benefits expire and other pandemic-related labor supply disincentives like school closures and health risk exposure fade away. However, it will likely not fully retrace its 1.8pp decline since the start of the pandemic. One of the drags is early retirements: the number of excess retirees - defined as the difference between the actual number of retirees and the number of retirees implied by the age-specific retirement rates observed in 2019 - has risen to 1.2mn, a 0.5pp hit to the labor force participation rate in addition to the roughly 0.2pp structural drag from population aging since the pandemic began. The analysts believe that most early retirements reflect permanent labor force exits - thus, the labor force drag from early retirements will persist until it unwinds through fewer new retirements.

Euro area

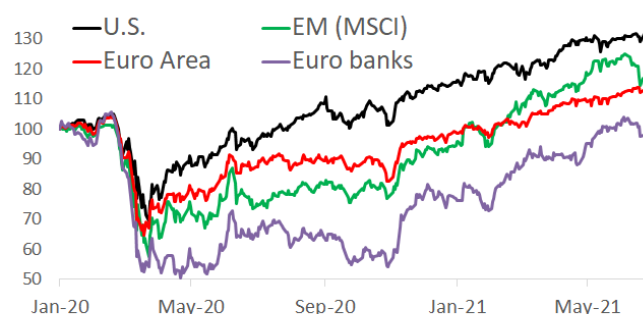
Equities (+1%) gained as business surveys were better than expected in June. Both the German IFO assessment index (at 99.6 compared to 97.9 expected) and IFO expectations index (104 compared to 103.6 expected) were better than expected. The IFO press release pointed to shortages in manufacturing, but JP Morgan points out that the business climate nevertheless improved. The French INSEE business confidence index rose to 113 (110 expected). IFO and INSEE surveys are based on larger samples than PMIs and include small and medium-sized enterprises. **10-yr bund yields (+ 1 bps at -0.17%) and the euro (+0.1%) are little changed.**

Germany: IFO Business Surveys



Banks stocks (+1.3%) are trading higher after ECB vice-president de Guindos said that the ECB could lift a restriction on bank dividend payments soon. Analysts now expect the ECB to make the decision on whether to lift restrictions on bank dividends and buy-backs on July 23. The ECB has asked banks to limit dividends and buy-backs until the end of September but has already indicated that the restrictions would be lifted unless the economic outlook deteriorates.

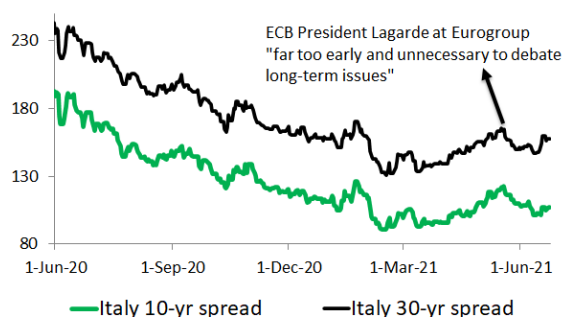
Equities: Euro area bank stocks and other indices
(1 Jan 2020: 100)



At their summit today, EU leaders are expected to discuss vaccination campaigns, the prospects for intra-EU travelling this summer, the NGEU recovery fund, migration, Turkey, and Russia and “economic challenges for the euro area.” Analysts expect Italian PM Draghi to push for additional fiscal support.

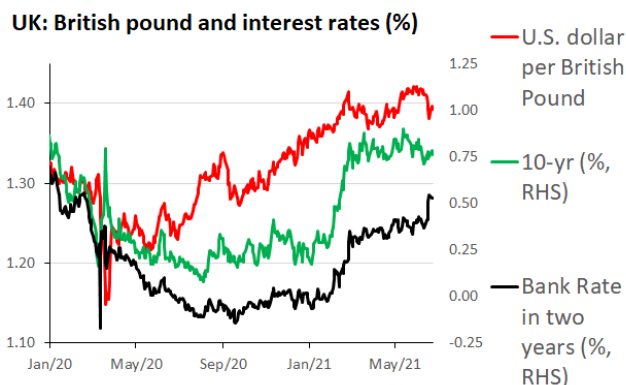
10-yr Italian spreads (-1 bps to 106 bps) are little changed but Italian bonds reversed earlier gains yesterday after Italy hired banks for the syndicated launch of a new floating rate note (CCTeu) maturing in April 2029.

Euro area: Spreads over German bunds (bps)



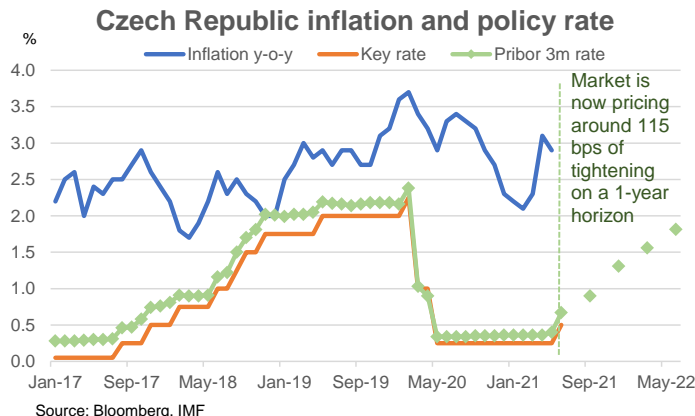
United Kingdom

The British pound (-0.4%) and 10-yr gilt yields (-3 bps to 0.75%) fell after the BoE's MPC decided unanimously to leave rates unchanged and only leaving member Haldane voted to reduce the BoE's QE target. According to the minutes, the MPC expects CPI inflation to temporarily rise above the 2% target, owing mainly to developments in energy prices but return to around 2% in the medium term.



Czech Republic

The Czech National Bank begins a tightening cycle by hiking its policy rate 25 bps to 0.5%. The decision was in line with market expectations, but Governor Rusnok's remark around a potential for a rate hike at every coming meeting was seen as hawkish by market participants with 50 bps of hikes now priced by the end of this year. The Czech koruna appreciated 0.4% against the euro following the rate decision.

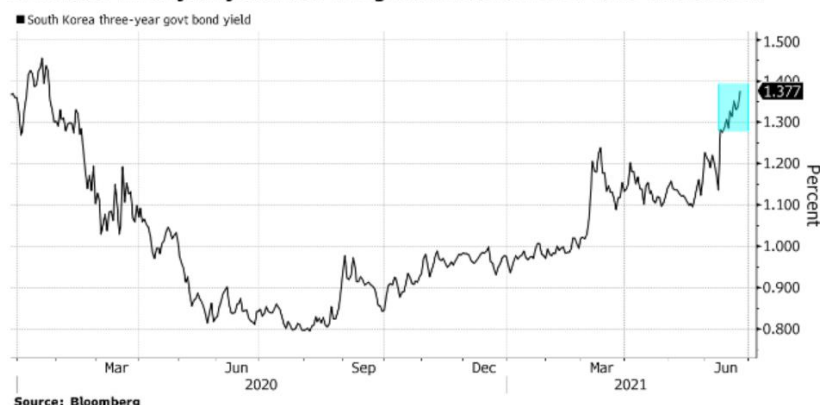


Korea

The Bank of Korea (BOK) flagged stronger inflation pressure in H2 and the Governor signaled policy normalization this year. In its bi-annual inflation review, BOK said that demand-side inflation pressure is growing alongside the rapid economic recovery and inflation will fluctuate around 2% in 2H 2021, according to Reuters. Consumer price inflation registered at 2.6% y/y in May, the highest in nine years and above the BOK's 2% target. Governor Lee said during the briefing that policy normalization should not be seen as tightening of monetary conditions. The timing and speed of normalization will depend on the spread of COVID-19, financial imbalances, and economic recovery momentum. He also said that monetary policy

would remain accommodative even after a small amount of rate hikes of around 25 to 50 bps. **The 3-year bond yield rose 3bps to 2.07%, the Korean won appreciated +0.3% and equities rose +0.3%.**

S. Korea's three-year yield rises to highest since Jan. 2020 after Lee remarks



Emerging Markets

[back to top](#)

Asian equities rose 0.1% on net. Southeast Asia was pulled lower by Philippines (-0.5%), Thailand (-0.4%), and Indonesia (-0.4%). North Asia rose modestly – Taiwan Province of China (+0.4%), Korea (+0.3%) and Hong Kong SAR (+0.2%). **Most regional currencies remained in tight ranges.** Bangko Sentral ng Pilipinas (BSP) held its key interest rate steady for a fifth straight meeting at 2%, as expected. Bank of Thailand (BOT) Governor mentioned in a Bloomberg interview that credit access for businesses is a more pressing issue than the level of the policy rate, adding that the economy is likely to return to pre-pandemic levels only at end-2022. **EMEA equity markets were mostly in the green** with indices up in Poland (+0.7%), Turkey (+0.7%) and South Africa (+0.5%). **EMEA currencies** were trading mixed with the Russian ruble (+0.5%) appreciating while the Turkish lira (-0.4%) depreciated. **Latin American equity and currency markets traded in tight ranges yesterday, consistent with US markets.**

China

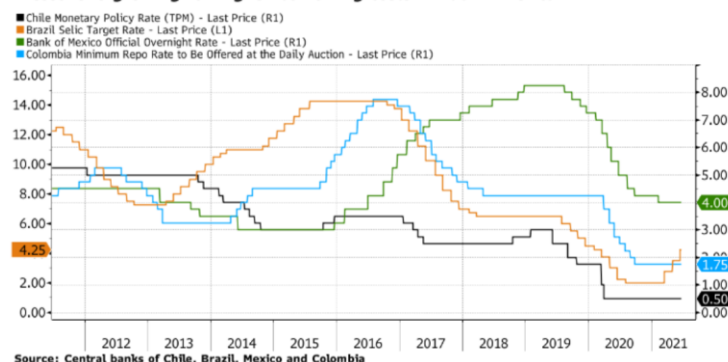
China's central bank increased short-term liquidity injection for the first time since March. The People's Bank of China (PBOC) added RMB30 bn (\$4.6 bn) of liquidity via 7-day reverse repurchase agreements at 2.2%, according to Bloomberg. This exceeded RMB10 bn that was due and aims at ensuring stable banking liquidity at end-June. **Separately, China's Evergrande Group announced it has arranged \$1.75 bn for its June 28 payment.** It has a \$1.5 bn dollar note maturing on Monday and has arranged HKD13.6 bn for the principal repayment and also interest payments. The company is facing renewed scrutiny on its financial position in recent weeks as it aims to lower its heavy debt burden, according to Bloomberg. **Equities (Shanghai +0.01%; Shenzhen -0.5%) were mixed and the RMB was little changed.**

Latin American monetary policy

The Chilean central bank considered raising rates at its last meeting, while other regional central banks also see pressures to hike, based on Bloomberg reporting and data (figure). Chile's policy meeting minutes revealed that the central bank discussed whether to hike rates by a quarter point. Policy makers said that the strengthening economic outlook does not necessitate the current amount of monetary stimulus and that they need to prepare markets for changes in policy in the short run, but added that monetary policy will remain accommodative for a prolonged period. **Chilean swap markets suggest the first 25 bp hike will come in July with an overall 150 bp tightening over the next six months.** Other regional central banks see mounting pressure to hike rates amid global and domestic factors raising the inflation outlook. Domestic factors include emergency stimulus in Chile and Brazil and social unrest in

Colombia, while headline and core inflation has been recently above expectations in Mexico. **Brazilian markets now imply a 100 bp increase in August and then three consecutive 75 bp hikes to bring the key policy rate above 7% by year's end. Colombian markets suggest a first rate hike within the next two or three months.**

Pressure is growing for higher borrowing costs in Latin America




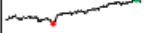



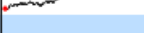
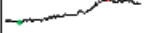


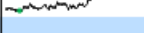

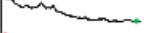




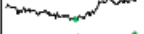




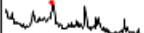






South Africa

AfriCrypt suspected of a record investor fraud reaching \$3.6bn. The South African based crypto investment firm reported a hacking attack and an account freeze in April with incidents resurfacing this week as founders have gone missing and an investigation has been launched, according to press reports.

This monitor is prepared under the guidance of Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Thomas Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Jose Abad (Financial Sector Expert), Sergei Antoshin (Senior Economist), John Caparusso (Senior Financial Sector Expert), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Han Teng Chua (Economic Analyst), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Financial Sector Expert), Deepali Gautam (Research Officer), Frank Hespeler (Senior Financial Sector Expert), Phakawa Jeasakul (Senior Economist), Sonia Meskin (Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), Xingmi Zheng (Research Assistant), Magally Bernal (Senior Administrative Assistant) and Andre Vasquez (Staff Assistant) are responsible for 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

Last updated: 6/24/21 8:21 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4249	-0.1	1	1	39	13
Europe		4117	1.0	-1	2	29	16
Japan		28875	0.0	0	1	30	5
China		3567	0.0	1	0	20	3
Asia Ex Japan		93	0.7	1	1	34	4
Emerging Markets		55	0.6	0	2	35	6
Interest Rates			basis points				
US 10y Yield		1.48	-0.7	-3	-12	80	57
Germany 10y Yield		-0.18	-0.6	1	-4	26	39
Japan 10y Yield		0.06	0.0	-1	-2	4	4
UK 10y Yield		0.74	-4.0	-4	-7	55	54
Credit Spreads			basis points				
US Investment Grade		90	-0.2	1	-2	-62	-5
US High Yield		319	-0.9	-4	-25	-293	-60
Europe IG		46	-0.3	-1	-5	-23	-2
Europe HY		228	-1.9	-6	-29	-171	-15
Exchange Rates			%				
USD/Majors		91.78	0.0	0	2	-6	2
EUR/USD		1.19	0.1	0	-2	6	-2
USD/JPY		110.7	-0.2	0	2	3	7
EM/USD		57.4	0.2	0	0	5	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		75	-0.5	2	9	86	44
Industrials Metals (index)		153	-0.3	2	-1	50	16
Agriculture (index)		54	-1.5	2	-6	55	12
Implied Volatility			%				
VIX Index (% change in pp)		14.6	-1.8	-3.2	-3.8	-19.3	-8.2
US 10y Swaption Volatility		65.5	-1.6	0.0	-2.4	-1.3	5.4
Global FX Volatility		6.8	0.0	0.0	-0.3	-1.7	-1.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		102	0.0	4	-7	-69	-17
Italy		105	-2.5	3	-12	-66	-6
Portugal		60	-1.2	0	-8	-30	0
Spain		62	-1.0	0	-7	-29	0

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

Emerging Market Financial Indicators

Last updated: 6/24/2021 8:25 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	7 Days	30 Days	12 M	YTD	
	vs. USD		(+)= EM appreciation					% p.a.						
China		6.47	0.1	-0.3	-1	9	1		3.2	-3	6	22	-5	
Indonesia		14440	0.0	-0.6	-1	-2	-3		6.5	15	-1	-82	39	
India		74	0.2	-0.1	-2	2	-1		6.4	4	12	32	44	
Philippines		49	0.1	-0.7	-1	3	-1		4.2	-10	-11	13	59	
Thailand		32	0.0	-1.4	-2	-3	-6		1.8	0	-1	39	52	
Malaysia		4.16	0.1	-0.5	0	3	-3		3.3	1	-1	44	72	
Argentina		96	0.0	-0.2	-1	-27	-12		44.8	-56	-79	-4	-1131	
Brazil		4.94	0.5	1.4	8	8	5		8.4	23	11	310	283	
Chile		735	1.0	-1.1	-1	11	-3		4.3	11	40	186	152	
Colombia		3782	-0.3	-2.6	-1	-2	-9		6.7	10	-17	119	163	
Mexico		20.06	0.7	1.8	-1	14	-1		6.9	19	4	78	130	
Peru		4.0	0.0	-1.8	-4	-11	-9		5.6	28	79	126	200	
Uruguay		43	0.3	0.6	1	-3	-3		7.9	8	19	-220	64	
Hungary		294	0.1	1.7	-3	6	1		2.3	3	-4	78	79	
Poland		3.79	0.4	1.1	-3	5	-1		1.3	10	7	42	64	
Romania		4.1	0.2	0.3	-2	4	-4		2.8	6	1	-93	3	
Russia		72.3	0.5	0.0	2	-4	2		6.9	-8	12	159	118	
South Africa		14.2	0.0	-0.7	-2	22	3		9.7	12	-10	-53	6	
Turkey		8.69	-0.5	0.4	-3	-21	-14		17.5	-20	-23	705	439	
US (DXY; 5y UST)		92	0.0	-0.1	2	-6	2		0.89	1	9	58	53	

	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		5156	0.2	1	-3	25	-1		204	0	-6	-44	-25	
Indonesia		6012	-0.4	-1	3	23	1		171	3	0	-96	-29	
India		52699	0.8	1	4	51	10		145	2	-11	-91	-6	
Philippines		6886	-0.5	0	11	13	-4		92	2	-2	-72	-20	
Malaysia		1556	-0.6	-1	-1	4	-4		124	2	4	-87	-11	
Argentina		66090	0.0	-1	18	63	29		1515	61	0	-884	159	
Brazil		128428	0.0	-1	4	36	8		250	1	1	-122	-9	
Chile		4370	0.0	0	6	8	5		146	-2	5	-70	-10	
Colombia		1247	0.0	0	2	11	-13		255	12	11	-51	40	
Mexico		50171	0.0	-1	1	32	14		336	8	4	-168	-21	
Peru		18780	0.0	-1	-8	12	-10		164	0	5	-24	35	
Hungary		48783	0.3	0	5	31	16		132	-2	-10	-59	-17	
Poland		67516	1.2	3	6	34	18		34	1	-3	-22	6	
Romania		11670	0.7	1	-1	35	19		180	6	-1	-104	-23	
Russia		3812	-0.7	0	4	37	16		168	6	5	-45	-11	
South Africa		66194	0.6	-1	0	22	11		320	16	1	-180	-64	
Turkey		1410	0.5	0	-3	23	-5		458	6	-6	-125	11	
Ukraine		531	0.0	0	0	6	6		499	22	11	-135	6	
EM total		55	0.4	0	2	35	6		353	7	0	-76	14	

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

[back to top](#)