



- French sovereign spreads stable as investors wait for elections ([link](#))
- Near-term geopolitical developments expected to weigh on South African rand ([link](#))
- S&P500 companies are largely avoiding greenhouse gas emissions disclosures ([link](#))
- US leveraged loan prices may rebound from recent slide ([link](#))
- Japanese yen appreciated today, but markets positioned for a weaker yen in the near term ([link](#))

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Tech valuations drive volatility in markets

While chipmaker Nvidia became the world's largest stock by market capitalization last week, its footprint declined by 16% since Thursday morning. With its market cap retracing to below \$3tn, Nvidia's stock falls behind Microsoft and Apple once again. Large swings in tech valuations drove a divergent picture in equity markets: yesterday, the Nasdaq lost -1.1% while the S&P 500 only lost -0.3%. Today, technology stocks also underperformed in European markets; however, US futures pricing suggests that a technology-led rebound is in-the-making for today's opening. Some analysts note that the tech-sector's volatility does not seem to be driven by fundamental news flows. Global sovereign bond yields showed small declines across most jurisdictions. European sovereign yields declined by around 3–4 bps across the board; French sovereign spreads remain stable as investors await the first round of voting on Sunday. While there will be relatively little economic data news today, US consumer confidence data may draw markets' attention later today.

Key Global Financial Indicators

Last updated: 6/25/24 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5448	-0.3	0	3	25	14.22
Eurostoxx 50		4923	-0.6	0	-2	15	9
Nikkei 225		39173	0.9	2	1	20	17
MSCI EM		43	0.0	1	-1	9	6
Yields and Spreads			bps				
US 10y Yield		4.21	-1.0	-1	-25	48	34
Germany 10y Yield		2.39	-3.3	-1	-20	3	36
EMBIG Sovereign Spread		397	3	3	26	-46	14
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.1	-0.2	0	-2	-7	-4
Dollar index, (+) = \$ appreciation		105.6	0.1	0	1	3	4
Brent Crude Oil (\$/barrel)		85.4	-0.7	0	4	16	11
VIX Index (% change in pp)		13.4	0.1	1	1	0	1

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

Mature Markets

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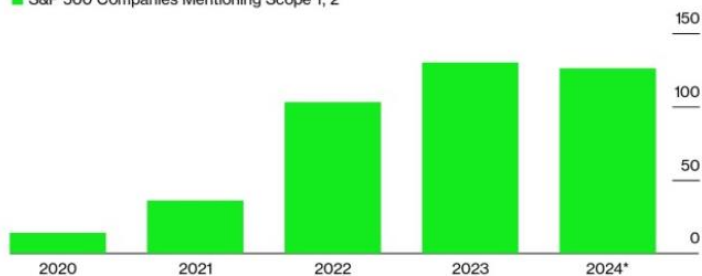
United States

S&P500 companies are largely avoiding greenhouse gas emissions disclosures in their annual reports to the SEC, given the uncertain future of climate reporting rules. According to Bloomberg analysis, out of the 410 companies listed on the S&P 500 stock index that filed their 10-K reports with the Securities and Exchange Commission (SEC) through May this year, only 126 discussed pollution stemming from their direct operations and energy usage, and even in these cases, detailed pollution figures were not always provided. While emission disclosures surged between 2020 and 2022, they have since plateaued. Given that the SEC froze the regulations in April due to lawsuits, it remains unclear how quickly emissions reporting would be required if the rules are reinstated.

Reporting Emissions

Fewer than 150 S&P 500 companies discuss Scope 1, 2 emissions in 10-Ks

■ S&P 500 Companies Mentioning Scope 1, 2



Source: Company 10-K reports
Note: 2024 filings only from January to May

Bloomberg Law

Leveraged loan prices may rebound from their slide during the second half of June. The recent decline in US leveraged loan prices has raised concerns about the sustainability of the year-plus rally. Largely thanks to rising rates, floating-rate debt (including leveraged loans) has attracted strong demand in recent years. Notably, the market has been relatively unfazed by a prior increase in defaults, many of which, however, have been “soft” defaults involving restructuring arrangements (distressed debt exchanges). Default rates have now eased from their peaks, remaining historically low when excluding distressed debt exchanges, amid robust primary market appetite. Goldman Sachs analysts believe that this downward trend in default rates will persist and, given an anticipated summer slowdown in issuance, some market participants expect a rebound in loan prices ahead of potential Federal Reserve easing later in the year.

June Stumble

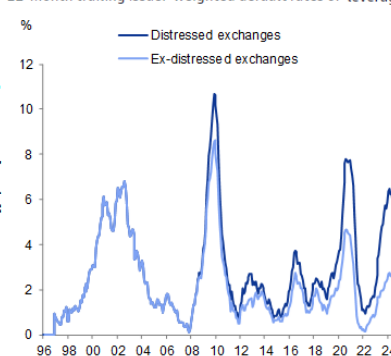
US leveraged loan prices have dropped the most in 2024 the past two weeks



Source: Bloomberg

Bloomberg

When excluding distressed exchanges current default rates are at historically low levels
12-month trailing issuer-weighted default rates of leveraged loan issuers

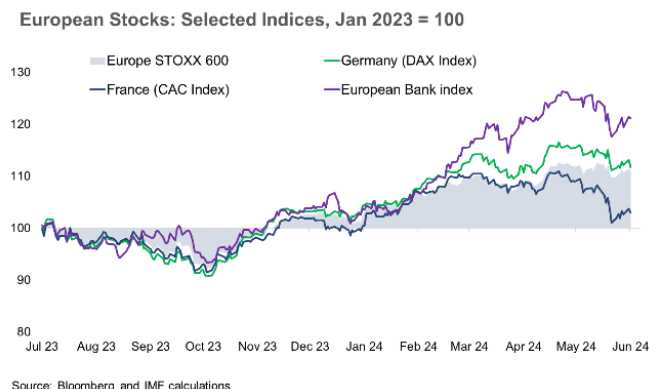


Source: Moody's, Goldman Sachs Global Investment Research

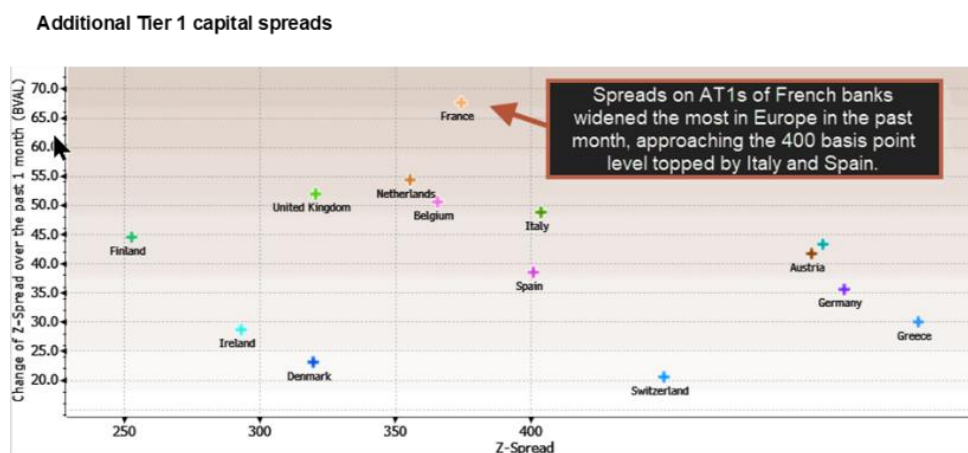
Europe

European stocks traded lower this morning, with the Stoxx 600 index down by -0.2% and higher losses in Germany (Dax index -1%) and France (CAC40 index -0.4%). European equities were dragged down by the tech-led decline in the US yesterday and by the outsized -10% price decline for Airbus, after the company lowered its 2024 earnings guidance (exp EBITDA cut by €1.5bn to €5.5bn) due to persistent supply-chain issues. Analysts at Nomura see investors rotating out of the technology sector with the closing of the quarter, and alerted on developments on French upcoming elections as the main political parties will hold a debate this evening (Tuesday 25) ahead of the first round of voting on Sunday.

The spread between French and German sovereign bond yields stayed around 76bps for the 10-year maturity, a level that Commerzbank considers stable for the time being before the elections. This morning yields on German government bonds were lower by about 3bps across tenors, with the 10-year German bund yield at 2.38%, The 10-year BTP spread against the Bund was little changed to 151bps.



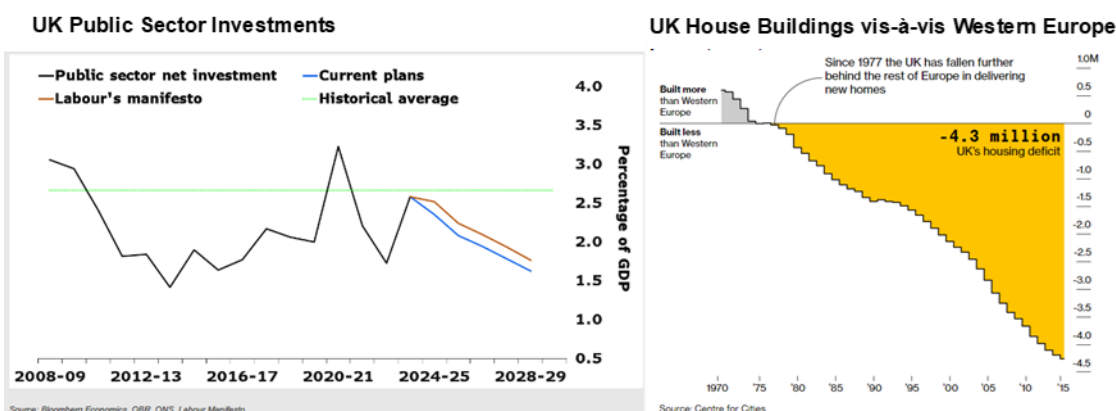
Analysts at Bloomberg highlight that at this stage the risk of contagion across European banks from political uncertainty in France remains contained. Additional tier-one (AT1) bonds of French banks saw spreads widening by an average of 68bps in the past month, led by banks with domestic-focused business model such as La Banque Postale. The premium rose to 400bps, a level that is still exceeded by the AT1 spreads of Italian and Spanish banks.



United Kingdom

The UK stock market was modestly hit by the selloff in continental Europe's equities (FTSE 100 Index -0.1%) as July 4 UK elections approach. The pound sterling was little changed (+0.1%) this morning against the dollar, trading at \$1.27/£. Analysts at Bloomberg do not expect the economy to take a materially different path if, as suggested by the polls, the Labour party comes to power. The fiscal plans proposed are seen to imply policy continuity rather than radical reform: Labour proposes limited increases to tax and public investment, while, according to Bloomberg, the Conservative manifesto looks in line with the latest budget and Autumn Statement. There are some proposed tax cuts in the plan—the biggest being a 2% cut in employees' National Insurance contribution—which raises the question of whether the plan

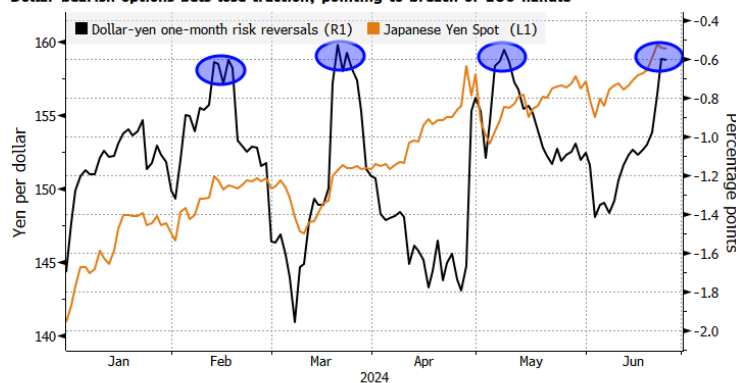
might eventually increase public borrowing instead of lowering it as claimed. Property markets have become a key issue in the political debate, with both Conservatives and Labour leaders promising to boost new home building. A Bloomberg study shows that in some parts of the UK, for every 10 new people just one new residence was built between 2011 to 2021. Official data shows that house prices across the UK rose on average by almost 70% since 2010, which priced many out of the market. Today the Financial Times reported that Barclays has announced cutting its mortgage rates (5y swap rates, used by UK lenders to price loans, declined by -25bps to 3.9% on the month) and eased loan-to-value requirements (reportedly at 60%), as the bank anticipates increased competition on mortgages ahead of an expected interest rate cut by the Bank of England this summer.



Japan

The Japanese yen appreciated today, but markets remain positioned for a weaker yen in the near term. Today, the Japanese yen appreciated to 159.5 yen per dollar (+0.1%). Market analysts commented that market liquidity was relatively thin, partly driven by sporadic quarter-end flows. They also generally viewed that it is difficult for Japanese authorities to conduct FX interventions that would stop further Japanese yen depreciation amid still substantial interest rate differentials. USD interest rates remain elevated, while the pace of the Bank of Japan (BOJ)'s monetary policy tightening is expected to be slow. In other words, Governor Ueda's remarks that the BOJ may raise the policy rate in July did not alter traders' appetite to short the Japanese yen.

Adding to Yen Spot Shorts as Options Momentum Eases
Dollar bearish options bets lose traction, pointing to breach of 160 handle



Source: Bloomberg

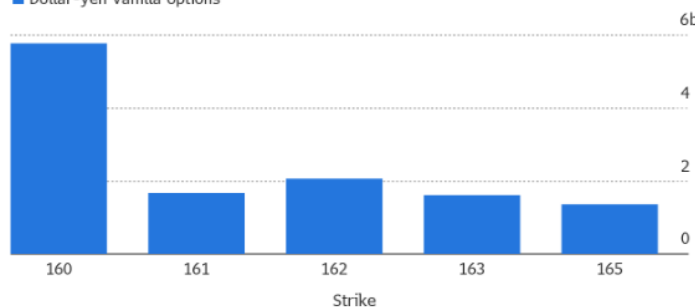
Bloomberg

Verbal warnings did not really affect the bearish view of market participants on Japanese yen. Option pricing based on risk reversals suggested that the likelihood for a sudden, sharp appreciation of Japanese yen was relatively low in the near term. However, market participants appeared to take a 'one-step-at-a-time' approach to position for a weakening Japanese yen, with limited interest for dollar-yen options with a strike at levels above 165 yen per dollar. Today, Japanese equities gained (NIKKEI: +0.9%) and long-end JGB yields increased, with the 10-year yield touching 0.993% (+0.7 bp) and 30-year yield reaching 2.186% (+2.0 bps). Analysts commented that the prospect of a weakening Japanese yen increased the likelihood that the BOJ will raise interest rates sooner, driving the rise in JGB yields.

Big Wall of Expiries Awaits at 160

Fresh cycle highs for the dollar could be followed by rally to 165

■ Dollar-yen vanilla options



Source: DTCC, Bloomberg

Note: Vanilla options through DTCC since June 1

Bloomberg

Emerging Markets[back to top](#)

EMEA equities were mostly trading lower this morning, while CEE currencies were mixed against the euro. Equities in Türkiye (-1.1%) were underperforming while those in Poland were trading higher (+0.6%). On the data front, May unemployment data for Poland printed broadly in line with consensus expectations with the unemployment rate declining to 5% from 5.1% in April. Elsewhere, Bloomberg reports that the United Arab Emirates is to issue its first Eurobond since September. According to Bloomberg, details on the size and yield of the offer are expected to be announced later today.

Asian equities generally gained, up 0.2% on net, led by Indian (+0.6%) stocks. Meanwhile, Chinese equities declined (CSI 300: -0.5%). Most Asian currencies appreciated, led by Thai baht (+0.2%). Long-end government bond yields generally declined, with 10-year yields falling in Indonesia (-1.6 bps) and China (-1.3 bps), following the decline in US treasury yields. In Malaysia, CPI inflation edged up to 2.0% y/y in May from 1.8% in April, higher than expected (consensus: +1.9%). Sri Lanka will sign bilateral debt restructuring agreements with Paris Club-led creditors this week.

Latin American equities saw mixed performance yesterday. Stocks gained in Brazil (+1.1%), Colombia (+1.6%) and Peru (+0.9%), while Mexico's equity market declined by 0.5%. Currencies appreciated in Brazil (+0.8%), Mexico (+0.9%) and Colombia (+1.3%), while the Chilean peso weakened 0.6% against the US dollar. Argentina GDP contracted by -2.6% q/q and -5.1% y/y compared to 1Q23.

China

Premier Li Qiang warned of negative consequences for decoupling at the World Economic Forum.

The official, tasked with economic affairs, made a call to work closely together and abandon camp formations. At the same time, he mounted a defense against the claim that China is dumping cheap goods on the world market, emphasizing China's capability in science and technology to advance innovation and upgrade their products. The renminbi (RMB) depreciated slightly to 7.26 yuan per dollar.

The People's Bank of China (PBoC) continued setting the daily RMB fixing at a weaker level today.

Analysts expected that the PBoC will continue guiding the RMB to depreciate steadily, partly due to the prospect of a weakening Japanese yen. Chinese equities declined (CSI 300: -0.5%), underperforming regional peers. However, machinery stocks rose after President Xi urged scientists to enhance innovation. The PBoC injected liquidity in an amount of 214 bn yuan (\$29.5 bn) to ease quarter-end funding pressures. The key interbank repo rate (DR007) further edged up to 2.04% (+3.7 bps), above the policy rate at 1.80%. Unrelated, China's top legislature will review draft Financial Stability Law this week.

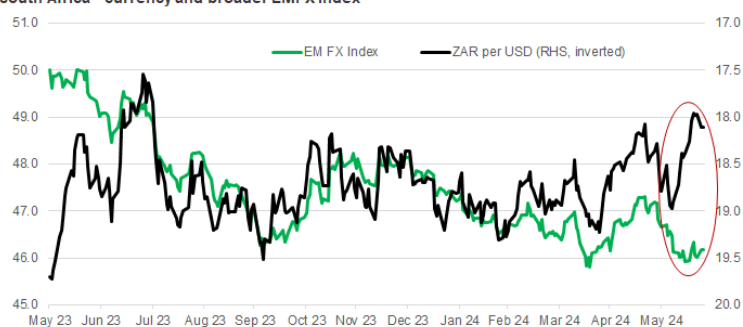
South Africa

Near-term geopolitical developments are expected to weigh on the South African rand.

Bank of America (BoFA) analysts believe that near-term geopolitical events, both local and global, could result in a weaker rand. Since the South African election outcome, the rand has outperformed the broader EMFX index, which the analysts attribute to the rand's higher beta relative to the broader gauge. However, the analysts think that the upcoming US

Presidential debates later this week will likely increase the risks for EMFX. On the domestic front, BoFA argues that the newly formed coalition government is less stable than expected. Against this backdrop the analysts estimate that the rand is roughly 4% overvalued. As a result, they expect to see the rand weaken against the dollar in the near-term. This morning the rand was trading weaker (-0.4%) against the dollar at 18.17/\$, ahead of the announcement of the new cabinet. Contacts are also keeping an eye on the weekly bond auction to gauge investor appetite for rand-denominated debt.

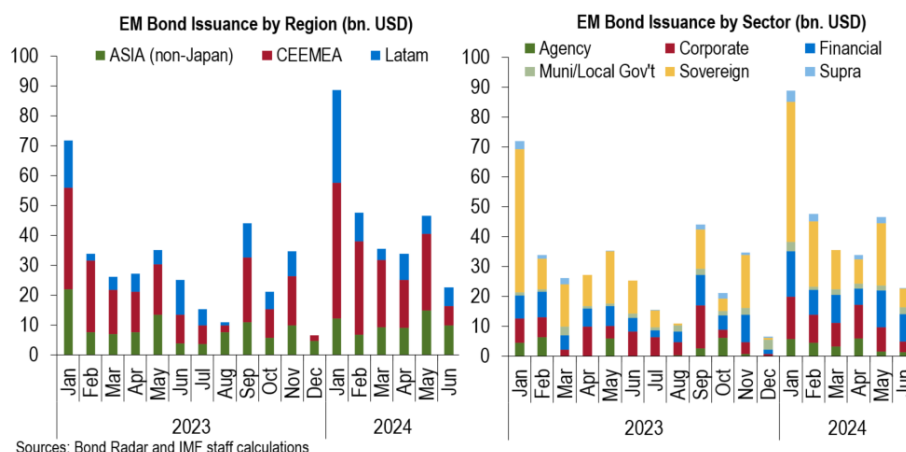
South Africa - currency and broader EMFX index



Source: Bloomberg and IMF calculations

EM Bond Issuance

EM bond markets priced \$11.4bn of new bond issuances last week, more than double from the week before. Analysts believe that EM sovereign bonds, including longer duration bonds, will perform well as the US rate cut cycle begins. 81% of the new issuances are fixed-rate bonds. 84% of the new issuances are hard currency bonds. The weighted average yield is 5.60%. Year-to-date EM total hard currency and local currency issuance now stands at \$274bn.


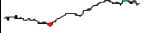














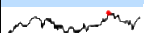


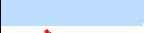
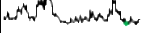
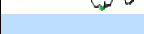
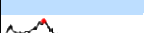




Sources: Bond Radar and IMF staff calculations

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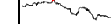






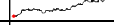
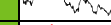









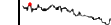


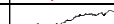




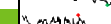

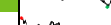
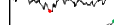
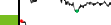
Global Financial Indicators

6/25/24 8:14 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5461	-0.3	0	3	26	15
Europe		4923	-0.6	0	-2	15	9
Japan		39173	0.9	2	1	20	17
China		3458	-0.5	-2	-4	-11	1
Asia Ex Japan		72	0.0	1	0	10	8
Emerging Markets		43	0.0	1	-1	9	6
Interest Rates			basis points				
US 10y Yield		4.21	-1.0	-1	-25	48	34
Germany 10y Yield		2.39	-3.3	-1	-20	3	36
Japan 10y Yield		1.00	0.8	6	0	64	39
UK 10y Yield		4.04	-3.8	-1	-22	-28	51
Credit Spreads			basis points				
US Investment Grade		128	1.0	1	11	-28	-6
US High Yield		364	0.9	1	20	-105	-21
Exchange Rates			%				
USD/Majors		105.63	0.1	0	1	3	4
EUR/USD		1.07	-0.2	0	-1	-2	-3
USD/JPY		159.5	-0.1	1	2	11	13
EM/USD		46.1	-0.2	0	-2	-7	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		85.4	-0.7	0	4	19	12
Industrials Metals (index)		150	-0.3	0	-9	5	5
Agriculture (index)		58	-1.1	-1	-7	-17	-8
Implied Volatility			%				
VIX Index (% change in pp)		13.4	0.1	0.7	1.5	0.0	0.9
Global FX Volatility		7.5	0.0	0.1	0.7	-0.7	-0.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		122	0.9	1	21	-3	19
Italy		151	0.4	2	21	-11	-16
Portugal		73	-0.1	-1	9	4	9
Spain		86	0.3	-1	10	-10	-11

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

Emerging Market Financial Indicators

Last updated: 6/25/2024 8:15 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	0	-2		2.2	-1.8	-4	-6	-57	-33
Indonesia		16375	0.1	0.2	-2	-8	-6		7.1	-2.1	-11	16	79	61
India		83	0.0	0.0	0	-2	0		7.3	-0.4	0	-8	(12.2)	6
Philippines		59	0.1	-0.3	-1	-5	-6		5.4	0.0	8	-16	-51	-20
Thailand		37	0.1	0.5	0	-4	-7		2.7	1.8	-6	-8	-1	4
Malaysia		4.71	0.2	0.2	0	-1	-2		3.9	-0.4	-1	-4	3	13
Argentina		909	-0.3	-0.6	-2	-72	-11		43.7	-42.7	49	863	-6614	-4266
Brazil		5.39	0.8	0.6	-4	-12	-10		11.9	-8.1	-14	13	98	153
Chile		946	-0.3	-1.0	-5	-15	-7		5.4	0.0	19	17	39	49
Colombia		4091	1.3	1.0	-5	2	-6		8.3	1.0	1	-8	67	62
Mexico		18.04	-0.5	2.0	-8	-5	-6		9.4	0.0	-23	18	142	94
Peru		3.8	-0.2	-0.4	-2	-4	-3		7.2	-1.0	8	7	20	49
Uruguay		39	0.8	0.1	-2	-4	-1		9.4	5.8	14	29	-31	-9
Hungary		370	-0.4	-0.6	-4	-8	-6		6.5	-1.0	3	-31	-65	77
Poland		4.01	-0.2	0.7	-2	2	-2		5.1	-3.9	-8	-32	3	60
Romania		4.6	-0.1	-0.2	-1	-2	-3		6.7	0.0	3	5	21	45
Russia		87.6	0.4	-2.6	2	-4	2							
South Africa		18.1	-0.2	-0.5	1	3	1		9.1	-5.0	-8	-64	-55	1
Türkiye		32.97	-0.2	-1.2	-2	-21	-10		28.9	22.0	30	103	1244	212
US (DXY; 5y UST)		106	0.1	0.2	1	3	4		4.25	-0.5	1	-28	26	40

	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	
									basis points					
China		3458	-0.5	-2	-4	-11	1		143	6	3	-42	-15	
Indonesia		6883	-0.1	2	-5	4	-5		110	6	16	-31	14	
India		78054	0.9	1	4	24	8		97	0	7	-34	-19	
Philippines		6299	0.4	-1	-5	-1	-2		93	4	10	-20	13	
Thailand		1319	0.2	2	-3	-12	-7		0	0	0	0	0	
Malaysia		1585	-0.3	-1	-2	14	9		87	4	9	-6	2	
Argentina		1559667	-1.1	-1	3	271	68		1448	54	-3	-796	-465	
Brazil		122637	1.1	3	-1	3	-9		234	1	22	-20	19	
Chile		6492	0.0	0	-4	14	5		126	1	10	-5	1	
Colombia		1387	1.6	0	-1	22	16		320	-10	8	-51	49	
Mexico		52513	-0.5	0	-5	-2	-8		316	-7	17	-60	-18	
Peru		30059	0.9	2	-1	35	16		150	-2	-4	-14	6	
Hungary		70540	0.2	1	2	40	16		160	0	18	-51	11	
Poland		88130	0.3	3	1	33	12		105	0	12	-32	8	
Romania		18245	0.1	2	3	52	19		200	0	23	-29	-1	
South Africa		79952	-0.4	0	1	7	4		325	4	7	-95	17	
Türkiye		10682	-0.8	3	0	91	43		299	-2	23	-200	-15	
EM total		43	-0.3	1	-1	9	6		388	2	53	0	43	

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

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