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- Japanese yen and 10-year JGB yield breached key psychological levels ([link](#))
- Additional T-Bill supply likely to buffer the impact of higher US deficit ([link](#))
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- Rand weakens for third consecutive day ahead of expected cabinet announcement ([link](#))
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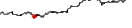




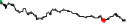


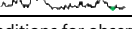
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## Japanese yen in the spotlight as it breaches the 160 level

**Markets closely watched for potential FX interventions as the yen breached the 160 level versus the US dollar.** This brings the currency to its weakest point since 1986. In April-May this year, the Ministry of Finance intervened after the 160 level was briefly breached, and over the past days, officials have made verbal warnings. Analysts doubt whether there is an immediate case for intervention this time. Some only expect action if moves become more volatile, and others consider that there might be an incentive to await Friday's US PCE inflation print, as it may ease pressure on the yen. The yen weakening also reflects overall dollar strength, with the US dollar index increasing by 0.3% today. The Nikkei index advanced by 1.3%, driven by industrials and a rebound in global tech-stocks. Global sovereign bond yields increased modestly, almost across the board; notably, the 10-year JGB yield crossed the 1% level in Japan (+3bps). More significant moves were seen in Australia, where sovereign yields increased by 18 bps at the 2-year point after the May CPI inflation print came in at 4% y/y versus 3.8% expected, and 3.6% prior. This overshoot prompted markets to reprice the expected monetary policy path; a rate hike is now back in the picture with a market-implied probability of 51%. Government bonds in China stood out as an exception, with 10-year yields slipping to 2.22%, the lowest level since 2002.

Key Global Financial Indicators

Last updated: 6/26/24 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5469	0.4	0	3	26	14.66
Eurostoxx 50		4917	-0.4	1	-2	15	9
Nikkei 225		39667	1.3	3	2	22	19
MSCI EM		43	-0.2	0	-1	8	6
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.29	3.9	6	-18	57	41
Germany 10y Yield		2.44	3.2	4	-14	14	42
EMBIG Sovereign Spread		396	-2	0	24	-48	12
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.9	-0.2	-1	-3	-7	-5
Dollar index, (+) = \$ appreciation		105.9	0.3	1	1	3	5
Brent Crude Oil (\$/barrel)		85.4	0.5	0	4	15	11
VIX Index (% change in pp)		13.0	0.2	1	1	-1	1

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

## Mature Markets

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### United States

**Additional T-Bill supply likely to buffer the impact of a higher US deficit.** Last week the congressional Budget office revised its deficit outlook higher, increasing the likelihood of additional Treasury supply. However, markets have shown growing signs of indigestion due to heavy net supply since 2023, such as periodic auction tails and higher dealer Treasury holdings constraining their balance sheets, all of which can put upward pressure on Treasury yields. However, market contacts anticipate that the extra supply will primarily be absorbed through T-Bills issuance rather than coupon issuance, at least until fiscal clarity is established post-elections. T-Bill issuance would be easily absorbed by Money Market Funds, which are expected to see ongoing inflows in the coming months. In this way the impact of rising deficits on Treasury yields could be somewhat mitigated.

**Exhibit 10: Primary dealer UST holdings (\$bn)**

Dealers are holding an all-time high of dealer paper



Source: Bloomberg

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**Exhibit 5: Bills as % of total USTs outstanding**

Bills will stay elevated vs the 15-20% TBAC guidance



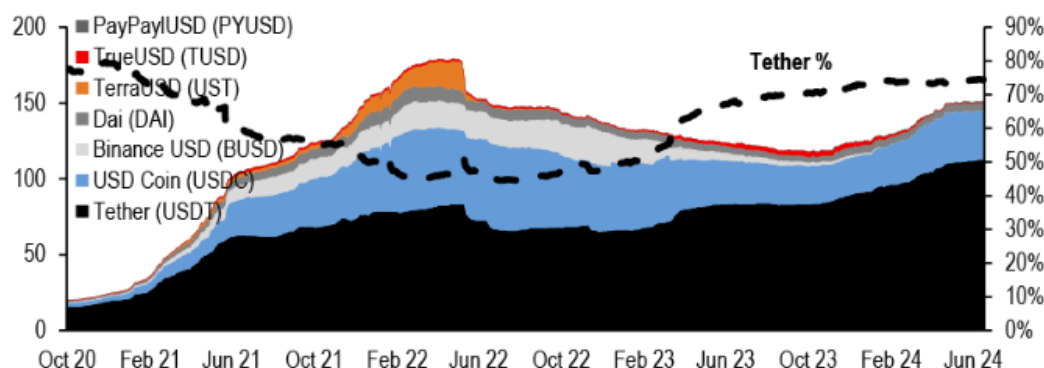
Source: Bloomberg, BofA Global Rates Research

BofA GLOBAL RESEARCH

**Stablecoins are gaining ground in financial markets.** Despite challenges faced last year, such as crypto entity collapses and the regional banking crisis, the stablecoin market is rebounding. Currently valued at approximately \$160 billion, it has grown by about 30% since late 2023, approaching its peak of \$180 billion in early 2022. Tether (USDT) dominates the market, accounting for nearly 75% of the stablecoin market. While crypto rallies have contributed to stablecoin growth, global payment giants like Stripe, PayPal and Ripple are also embracing stablecoins. Stripe plans to accept stablecoins on its platform, PayPal has recently enabled cross-border stablecoin transfers and Ripple is launching its own stablecoin.

**Figure 1: The size of the stablecoin market is ~\$160bn today, about a 30% increase from the local low in late 2023 and a little shy of the peak of \$180bn in early 2022**

Select stablecoin issuers, market cap (LHS, \$bn) and % of market share (RHS, %)



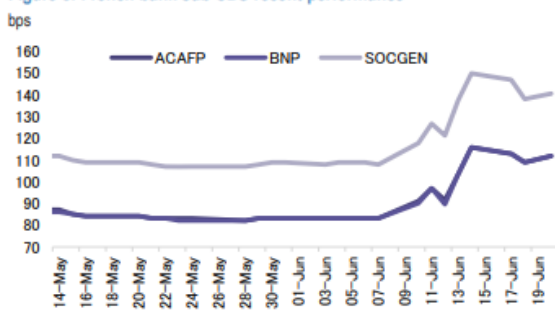
Source: CoinMarketCap, J.P. Morgan

## Euro Area

**European equities edged higher today mirroring similar performance in the US yesterday.** The Stoxx 600 index increased by +0.5% led by gains in the technology, retail and industrial sectors. The European banking sector gained +0.4% today.

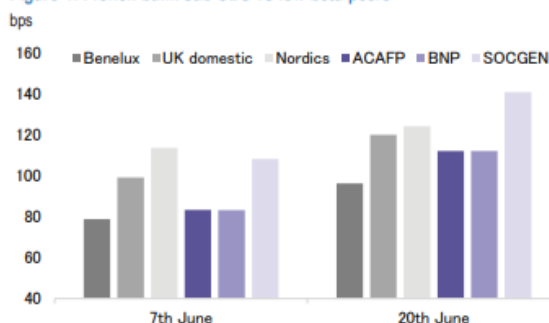
**Current spread dislocation in French banks may not represent a buying opportunity,** according to analysts at JP Morgan. JPM highlights that investors will perceive French domestic banking risk as higher under any outcome of the upcoming elections.

Figure 3: French bank sub CDS recent performance



Source: J.P. Morgan.

Figure 4: French bank sub CDS vs low beta peers



Source: J.P. Morgan.

**Today's data on consumer confidence continued to disappoint in Germany** (GfK index at -21.8 in July, vs est. -19.5, from -21 in June), which ING sees as confirmation of the difficulty of the German consumer demand to gain momentum despite surging real wages. Analysts at Bloomberg revised downward the growth forecast for German economy, now projected to 0.3% in 2024 and 1.1% in 2025.

**ECB governing council member Olli Rehn said today that expectations of two more rate cuts taking the policy rate to 3.25% by the end of this year are “reasonable expectations.”** The euro declined (-0.2%) against the dollar, trading at \$1.06/€. Analysts at Bloomberg highlight that relatively low euro-dollar volatility is masking negative euro sentiment linked to concerns around the French elections, which can be spotted by looking at one-month risk reversals. ING sees euro-dollar price action before the weekend being determined by investor's positioning on French election and Friday's US PCE, and expects weakening of the euro.

Euro: Dollar exchange rate and Volatility



Source: Bloomberg and IMF calculations

Short-term euro risk reversal

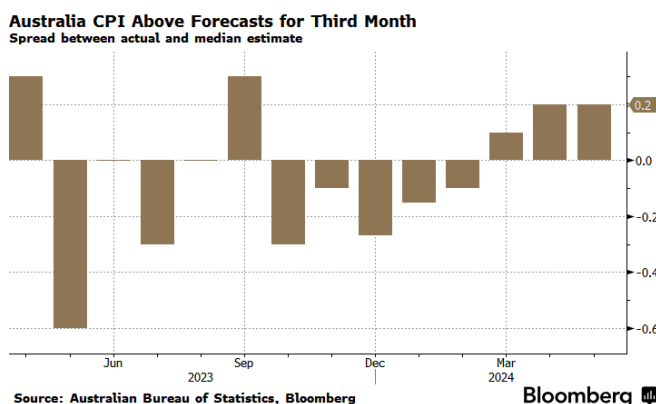


Source: Bloomberg and IMF calculations

## Australia

**Higher-than-expected inflation raised the likelihood of a rate hike by the Reserve Bank of Australia (RBA).** Headline CPI inflation accelerated to 4.0% y/y in May from 3.6% in April, higher than expected (consensus: +3.8%). The trimmed mean core measure, which smooths out volatile items, also increased

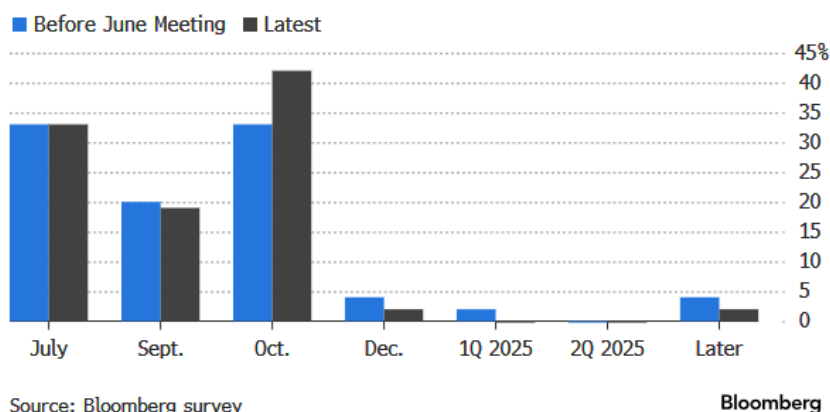
to 4.4% from 4.1%. Market repriced for another rate hike. The 1-year OIS rate rose to 1.85% (+16.3 bps). Government bond yields also increased (1-year: +11.9 bps; 10-year: +11.0 bps). However, an analyst at State Street Global Advisors commented that it would be a mistake for the RBA to hike interest rates as inflation data has seasonal issues. Australian dollar appreciated (+0.3%), outperforming other regional currencies which depreciated across the board amid a broad-based USD strengthening, in response to higher interest rates. Equities fell (-0.7%).



## Japan

**The Japanese yen and 10-year JGB yield breached key psychological levels.** The Japanese yen depreciated to 160.3 yen per dollar (weakening by 0.4%). The size of the depreciation was broadly similar to that of other currencies in the region amid a broad-based USD strengthening. Markets closely watched for potential FX interventions; the last time that Japanese authorities stepped in the FX market was when Japanese yen reached the level of 160 yen per dollar. Meanwhile, 10-year JGB yield rose to 1.023% (+2.9 bps), surpassing the 1% level for the first time since June 12. Traders continued to assess how the Bank of Japan (BOJ) will reduce the JGB purchases. The BOJ plans to hold meetings during July 9-10 to hear views from market participants on the future direction of its JGB purchases. The latest Bloomberg survey showed that one-third of respondents expected that the BOJ will raise the policy rate along with providing more details on its plan to reduce JGB purchases at the July policy meeting. Longer-term JGB yields also increased (30-year: +5.1 bps). Japanese equities increased (NIKKEI: +1.3%).

### Most BOJ Watchers Expect Rate Hike by End of October



Japanese yen reached the level of 160 yen per dollar. Meanwhile, 10-year JGB yield rose to 1.023% (+2.9 bps), surpassing the 1% level for the first time since June 12. Traders continued to assess how the Bank of Japan (BOJ) will reduce the JGB purchases. The BOJ plans to hold meetings during July 9-10 to hear views from market participants on the future direction of its JGB purchases. The latest Bloomberg survey showed that one-third of respondents expected that the BOJ will raise the policy rate along with providing more details on its plan to reduce JGB purchases at the July policy meeting. Longer-term JGB yields also increased (30-year: +5.1 bps). Japanese equities increased (NIKKEI: +1.3%).

## Emerging Markets

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**EMEA equities were mostly trading higher this morning, while CEE currencies were weaker against the euro.** Equities in Türkiye (-0.8%) were underperforming while those in Poland were trading higher (+0.6%).

**The Turkish lira was trading a touch firmer (+0.1%) against the dollar at 32.91/\$ ahead of tomorrow's central bank policy meeting where expectations are for the policy rate to remain unchanged at 50%.**

Elsewhere, Fitch Ratings revised its Turkish banking sector outlook to “improving” from neutral citing improvements in the country’s macro and financial stability risks following the adoption of more conventional macroeconomic policies alongside improved investor confidence.

**Separately, Bloomberg reports that Hungary’s central bank announced yesterday that it will increase the countercyclical capital buffer rate (CCyB) to 1% (from 0.5%) effective from 1 July 2025 to bolster financial stability.** On the issuance front, according to Bloomberg, Lithuania (A2/A/A) may price a 7-year euro denominated bond today, with indicative pricing of mid-swaps +100bps.

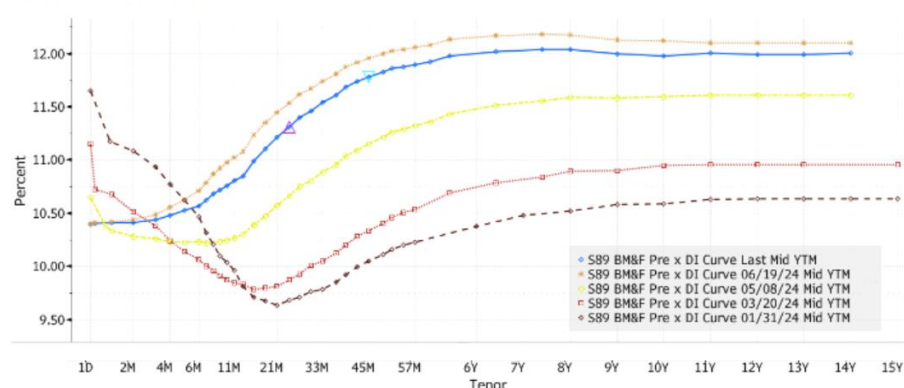
**Asian equities advanced**, gaining 0.5%, led by Indian (+0.7%), Chinese (CSI 300: +0.6%) and Taiwanese (+0.5%) stocks. **Asian currencies depreciated**, led by Thai baht (+0.5%) and Taiwan dollar (-0.4%), amid a broad-based USD strengthening. Long-end government bond yields increased, with 10-year yields rising in Singapore (+6.4 bps).

**Latin American assets saw mainly negative performance.** Stocks declined in Colombia (-1.4%), Chile (-1.2%) and Peru (-0.5%). Currencies depreciated in Brazil (-1.1%) and Mexico (-0.8%), while the Chilean peso strengthened 0.4% against the US dollar.

## Brazil

**Brazil’s central bank raised neutral interest rate estimation to 4.75% from 4.5%**, as the economy now requires higher real interest rates to keep growing without inflationary pressures. The central bank published the minutes from the last Copom meeting. The minutes were in line with Copom's unanimous decision to interrupt/pause the normalization cycle, and were interpreted as somewhat hawkish. It is unanimous among the directors that there is a firm commitment to drive inflation to the target, but there is no indication they debated any future rate hikes. Analysts assessed that the window of opportunity to resume the easing cycle will likely not open until mid-2025. Markets adjusted their 2024 rate expectations after the statement indicated that inflation might approach the target by the end of 2025.

**Brazil Yield Curve**



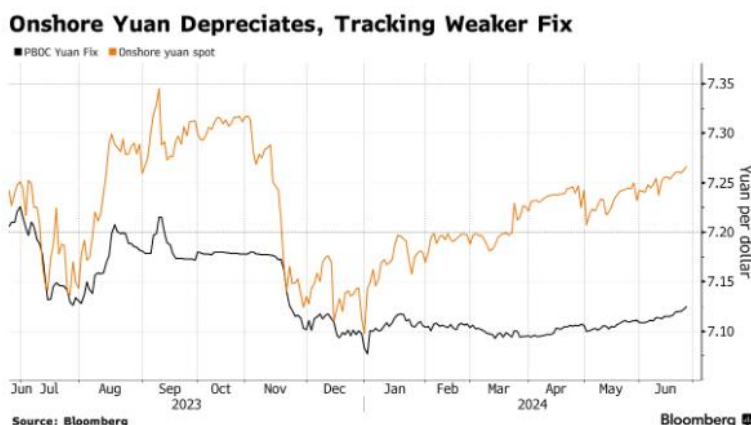
Source: Bloomberg

## China

**The renminbi (RMB) depreciated as the People’s Bank of China (PBC) continued setting the daily fixing weaker** for six consecutive days, the first time since June 2023. RMB depreciated to 7.27 yuan per dollar (-0.1%). Long-end government yields declined, with 10-year yield slipping to 2.22%, the lowest level since 2002. Yields of longer-end CGBs also have traded near their historical lows for months. Analysts viewed that with subdued risk sentiment, lack of better investment alternatives, and expectations for additional monetary policy support, funds continued flowing into CGBs. Chinese equities gained (CSI 300: +0.6%). Beijing lowered the downpayment requirement for first-time homebuyers to 20% from 30%,



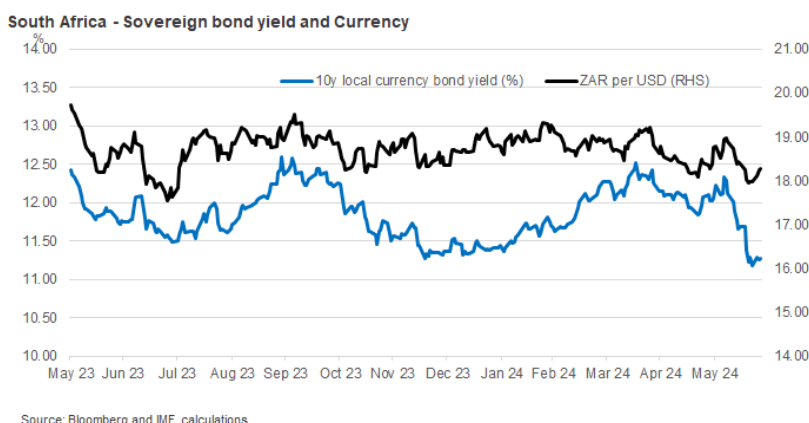
following other cities to provide more support to the housing market. The downpayment requirement in Beijing has been among the most restrictive in the country.



## South Africa

**The Rand weakened for a third consecutive day ahead of the expected cabinet announcement.**

















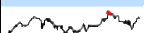


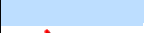
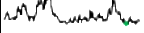
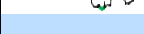
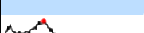


Almost a month after the elections, negotiations on the formation of a new cabinet are continuing, with an announcement on the make-up of the cabinet expected in the coming days. According to Bloomberg, the rand has “whip-sawed” on speculation that discussions between the ANC and the Democratic Alliance—the second largest party in the collation government—have stalled. In early morning trading, the rand weakened by as much as 0.6% against the dollar although retraced some of the losses to trade around 0.1% lower at 18.26/\$. Over the past five days, the rand has weakened by around 1.6% against the dollar as domestic political uncertainty weighs on the currency. Meanwhile, the yield on rand-denominated bonds maturing in 2035 rose around 3bps to 11.3%, according to Bloomberg data.



*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

6/26/24 8:15 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5478	0.4	0	3	27	15
Europe		4917	-0.4	1	-2	15	9
Japan		39667	1.3	3	2	22	19
China		3480	0.6	-1	-4	-9	1
Asia Ex Japan		72	-0.2	0	0	9	8
Emerging Markets		43	-0.2	0	-1	8	6
<b>Interest Rates</b>			basis points				
US 10y Yield		4.29	3.9	6	-18	57	41
Germany 10y Yield		2.44	3.2	4	-14	14	42
Japan 10y Yield		1.03	2.6	10	3	67	42
UK 10y Yield		4.12	4.1	5	-14	-18	58
<b>Credit Spreads</b>			basis points				
US Investment Grade		129	-0.4	2	12	-27	-5
US High Yield		358	-3.1	-4	15	-112	-27
<b>Exchange Rates</b>			%				
USD/Majors		105.89	0.3	1	1	3	5
EUR/USD		1.07	-0.3	-1	-2	-2	-3
USD/JPY		160.4	0.4	1	2	12	14
EM/USD		45.9	-0.2	-1	-3	-7	-5
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		85.4	0.5	0	4	19	12
Industrials Metals (index)		151	0.6	0	-8	7	6
Agriculture (index)		58	0.3	-2	-8	-17	-8
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		13.0	0.2	0.7	1.1	-1.2	0.6
Global FX Volatility		7.4	0.0	0.1	0.7	-0.8	-0.7
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		122	-0.1	-2	21	-1	19
Italy		152	0.4	-2	22	-12	-15
Portugal		74	-0.5	-2	10	4	10
Spain		87	1.2	-2	11	-10	-10

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

## Emerging Market Financial Indicators

Last updated: 6/26/2024 8:15 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		7.27	-0.1	-0.1	0	0	-2		2.2	-0.6	-2	-6	-58	-34	
Indonesia		16405	-0.2	-0.2	-2	-8	-6		7.1	1.9	-3	18	82	63	
India		84	-0.2	-0.1	-1	-2	0		7.3	4.6	5	-4	(7.7)	10	
Philippines		59	-0.2	-0.2	-1	-5	-6		5.4	0.0	-2	-16	-51	-20	
Thailand		37	-0.5	-0.4	-1	-4	-7		2.8	2.0	-3	-6	1	6	
Malaysia		4.72	-0.2	-0.2	0	-1	-3		3.9	-0.1	-1	-4	4	13	
Argentina		909	-0.1	-0.4	-2	-72	-11		43.8	6.8	46	870	-6607	-4259	
Brazil		5.49	-0.7	-1.0	-6	-13	-12		12.2	15.2	8	44	123	178	
Chile		941	0.5	-0.5	-4	-14	-7		5.4	0.0	13	17	39	49	
Colombia		4099	-0.2	0.9	-5	2	-6		8.3	0.0	4	-6	70	65	
Mexico		18.27	-0.9	0.9	-9	-6	-7		9.4	0.0	-23	15	139	91	
Peru		3.8	-0.1	-0.1	-2	-4	-3		7.2	0.0	-4	6	20	48	
Uruguay		39	0.0	0.2	-2	-4	-1		9.5	1.7	14	30	-29	-7	
Hungary		371	-0.5	-0.8	-5	-9	-6		6.5	-5.0	-2	-39	-73	69	
Poland		4.03	-0.5	-0.1	-3	1	-2		5.1	2.8	-8	-29	6	63	
Romania		4.7	-0.3	-0.5	-2	-2	-3		6.7	0.7	0	6	21	46	
Russia		87.6	0.6	-4.6	2	-4	2								
South Africa		18.2	0.3	-1.3	1	3	1		9.2	1.0	4	-61	-52	4	
Türkiye		32.93	0.1	-1.2	-2	-21	-10		28.7	-10.0	13	86	1191	195	
US (DXY; 5y UST)		106	0.3	0.6	1	3	5		4.31	3.7	7	-22	34	47	

	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		3480	0.6	-1	-4	-9	1		140	2	0	-45	-18
Indonesia		6906	0.3	3	-4	4	-5		109	-1	15	-32	13
India		78674	0.8	2	4	24	9		99	2	9	-32	-17
Philippines		6313	0.2	-1	-4	-3	-2		91	-3	8	-22	11
Thailand		1319	0.0	1	-3	-11	-7		0	0	0	0	0
Malaysia		1591	0.4	-1	-2	15	9		87	4	9	-6	2
Argentina		1570620	0.7	-2	3	263	69		1448	63	-3	-796	-465
Brazil		122331	-0.3	2	-2	3	-9		234	1	22	-20	19
Chile		6412	-1.2	-2	-5	13	3		125	-1	9	-6	0
Colombia		1368	-1.4	-1	-3	20	14		314	-8	2	-57	43
Mexico		52604	0.2	-1	-5	-1	-8		316	0	17	-60	-18
Peru		29896	-0.5	0	-1	34	15		148	-5	-6	-16	4
Hungary		70942	0.4	2	3	42	17		159	-5	17	-52	10
Poland		88408	0.5	2	1	32	13		104	-4	11	-33	7
Romania		18289	0.1	1	3	53	19		197	-6	20	-32	-3
South Africa		79648	0.1	-1	1	7	4		323	4	5	-97	15
Türkiye		10584	-0.9	1	-1	85	42		300	-1	24	-199	-14
EM total		43	0.4	0	-1	8	6		386	1	51	-2	41

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

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