



- Italian spreads widen on ECB policy statement ([link](#))
- U.S. CPI inflation rises to 7.9% yoy, as expected ([link](#))
- Deutsche Bank and Credit Suisse report exposure to Russia ([link](#))
- Japan's PPI inflation unexpectedly accelerates in February ([link](#))
- Prices of Ukrainian Eurobonds rise on interest of distressed funds ([link](#))
- Weekly inflation rises sharply in Russia ([link](#))
- Hungarian inflation surprises to upside ([link](#))

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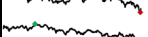
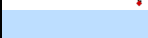


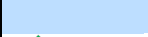
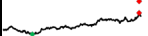
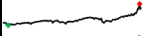

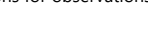
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## ECB signals move to data-dependent asset purchases

European stocks fell as Ukraine and Russia failed to make progress in talks. German yields rose and Southern European spreads widened as the ECB signaled that it is likely to conclude net purchases in its regular QE program in the third quarter of this year even though the ECB stands ready to revise its schedule for net asset purchases depending on data. **U.S. treasury rates and the U.S. dollar were little changed as U.S. CPI inflation accelerated in February but printed in line with expectations.**

Key Global Financial Indicators

Last updated: 3/10/22 1:11 PM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
S&P 500		4278	2.6	-2	-5	10	-10
Eurostoxx 50		3628	-3.7	-3	-14	-5	-16
Nikkei 225		25690	3.9	-3	-7	-12	-11
MSCI EM		44	2.8	-4	-10	-17	-9
<b>Yields and Spreads</b>			bps				
US 10y Yield		1.97	2.1	13	-6	46	46
Germany 10y Yield		0.28	6.5	26	0	59	46
EMBIG Sovereign Spread		505	-21	28	129	134	138
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		50.2	-0.2	-2	-6	-11	-5
Dollar index, (+) = \$ appreciation		97.8	-0.2	0	2	7	2
Brent Crude Oil (\$/barrel)		114.7	3.2	4	25	69	47
VIX Index (% change in pp)		33.9	1.4	3	10	11	17

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

## Mature Markets

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### Energy markets

**Brent crude oil (+5% to \$117/bbl) are higher as European gas prices (-2% at €145/MwH) fell amid reports that flows from Russia remain steady despite military action close to pumping stations.**

**Market panic related to the nickel price surge showed signs of easing.** Nickel contracts traded in Shanghai Futures Exchange dropped by the daily limit as trading partially resumed on the Chinese bourse. Reportedly, Tsingshan Holding, which faces billions of dollars in potential losses on short positions in nickel futures, secured a loan package from Chinese and international banks to help it meet a wave of margin calls.



### United States

**U.S. 10-yr rates (+2 bps to 1.98%) were little changed as CPI inflation rose 7.9% yoy in February, as expected.** Core inflation also printed in line with expectations at 6.4% yoy (from 6% in January).

**Equities rose on gains in financials (+4.5%), big tech (+4.5%) and the consumer retail sectors (+2.9%).** Energy related stocks were the big laggards and down 3.2%. This reflected the sharp 12% decline in crude oil prices yesterday as the U.A.E. and Iraq signaled OPEC may have greater willingness to raise output.

**The broader risk rally of the past days has also led to a 15 bps decline in US HY credit spreads, but spreads remain significantly wider from pre-invasion levels. 10-yr treasury yields for the US rose by almost 10 bps extending the increase to almost 20 bps this week.** This was driven by a 15 bps rise in real rates as inflation breakevens took cues from the oil prices and declined by c5 bps.

**Tech sector got a boost after-markets yesterday when Amazon announced a share buyback plan, which led a rise of almost 7% in the shares of the tech giant.** Goldman analysts note that the breadth of repurchase activity in 2022 stands near a historic high, with the number of active programs double the typical amount. Total authorizations have already totaled almost \$240 billion YTD, a record high at this point in the year. Stocks spending the most on buybacks have outperformed the S&P 500 since early December, per the report.

**Outflows from the US high grade credit funds have intensified since late February, averaging \$1.2bn per day between February 25 and March 8.** However, the pace of outflows slowed over the past few days. BofA analysts expect this trend to continue and believe the outflows have peaked out.

## Europe

**Sovereign yields increased (10-yr bund +6 bps) and spreads widened (Italian 10-yr yields +21 bps) after the ECB monetary policy statement was more hawkish than expected.** The statement dropped the clause that policy rates would remain at their present "or lower" levels until inflation is on track to hit target, pointing to rates staying "at their present levels." The ECB revised the purchase schedule for its asset purchase programme (APP), with monthly net APP purchases amounting to €40 bn in April, €30 bn in May and €20 bn in June. **Purchases thereafter will be data-dependent, if incoming data indicates that the inflation outlook does not weaken even after the end of net asset purchases, net asset purchases under APP will conclude in the third quarter.** Previously, the APP pace was set to increase to €40 bn in Q2 2022, €30 bn in Q3 2022 and €20 bn thereafter. **Changes to policy rates will now come "some time after" the end of net asset purchases and will "be gradual". This replaces the previous language of QE ending shortly before a hike.** The euro initially appreciated (+0.3%) following the press release but retraced some gains shortly thereafter.

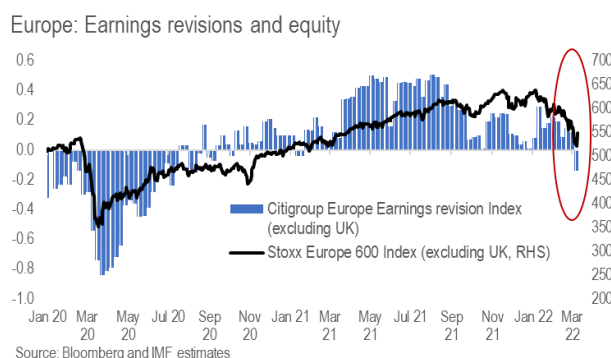
**Purchases under the Pandemic emergency purchase programme (PEPP) will stop in March 2022, as previously communicated, with reinvestments of the principal payments until at least the end of 2024.**

**The ECB still expects to end special conditions under TLTRO III in June 2022.** The Governing Council extended the repo facility for central banks to 15 January 2023, to address possible euro liquidity needs in the event of market dysfunction outside the euro area.

**European equities were mostly trading lower this morning with the Stoxx 600 Europe index down by -1.3%.** Losses were broad based across sectors with the banking sector trading -2.7% lower. **Equities with exposure to Russia were underperforming, with the Barclays Russia exposure basket declining by -2.4%, after closing +7.7% higher yesterday.**

**Deutsche Bank said the majority of its derivative exposure to Russia has been unwound** with the remaining exposure not presenting material risk. It had a net loan exposure to Russia of €600 mn as of 31 December, when taking guarantees and asset collateral into consideration. Gross loan exposure amounted to €1.4 bn. **Credit Suisse reported a net exposure of \$914 mn to Russia as at end 2021, with negligible exposure to individuals that were sanctioned.** CEO Thomas Gottstein notes that the bank's exposure is well-managed. Relatedly, the ECB reportedly requested banks to take a closer look at loans to Russian firms as well as exposures to counterparties beyond those impacted directly by the war or sanctions, according to Bloomberg.

**A Citigroup index of profit forecast revisions turned negative this week,** with analysts noting that earnings forecasts are weighed down by weaker economies and increased input costs. Citigroup forecast growth of +5% EPS in 2022.



**In line with ECB communication, the weekly release of asset holdings under the asset purchase programmes indicates a steady decline in the pace of asset purchases throughout the quarter.**

## Japan

**PPI increased 9.3% y/y in February, up from 8.6% in January (consensus: +8.6%), driven by rising oil and coal prices.** Analysts expect that the impact of high energy prices due to the Russia-Ukraine conflict will remain elevated for the upcoming months. **Meanwhile, CPI inflation remains relatively low; analysts, however, view that it would be increasingly difficult for firms to keep absorbing costs instead of passing them on to consumers.** Japanese equities gained (NIKKEI: +3.9%) along with a global market rebound, outperforming regional peers as global equities; Japanese yen depreciated (-0.1%); long-end JGB yields edged up (10-year: +2.9 bps; 30-year: +1.4 bps).

## Emerging Markets

**Asian equities gained, +2.0% on net, led by Taiwan (+2.5%), Korean (+2.2%), and Chinese (CSI 300: +1.6%) equities, as market sentiment improved following the decline in oil prices.** Most Asian currencies appreciated, led by Korean won (+0.7%), Indonesian rupiah (+0.5%), and Taiwan dollar (+0.5%). Long-end government bond yields were mixed, with 10-year yields rising in Hong Kong SAR (+5.9 bps) and Philippines (+5.1 bps) while falling in Indonesia (-4.3 bps) and India (-3.7 bps). Indian yields benefited from falling oil prices. In Indonesia, a key ally of President Joko Widodo said that it is possible to change the constitution to extend his time in office beyond two terms. Reportedly, Sri Lanka is open to seeking a financing assistance from the IMF; equities gained (+7.6%); Sri Lankan rupee depreciated (-12.0%). **Markets in Eastern Europe traded more cautiously as Ukraine and Russia failed to make progress in talks.** Equities traded lower in Hungary (-2.4%) and Poland (-0.3%) as did the Hungarian zloty (-1%) and the Polish forint (-1.4%). **The Turkish lira (-1%) fell against the U.S. dollar for a loss of 4.7% in the past 5 days, failing to benefit from the broader rally in risk assets of the past two days.** Yesterday, equities rallied in Mexico (1.2%), Chile (1.7%) and Brazil (2.4%). Banco Bradesco's outperformed (6.4%) in Brazil, as it seeks to restructure its global private banking. Currencies appreciated (against the US dollar) in Chile (0.7%), Colombia (0.8%), Brazil (1.0%), and Mexico (2.2%).

**The EU announced additional sanctions, including the prohibition of transactions with the Central Bank of Belarus, excluding three Belarusian banks from SWIFT, and sanctions on an additional 160 individuals.** For Russia, the amendment also introduces new restrictions on the export of maritime navigation and radio communication technology. Finally, the EU clarified that transferable securities include crypto-assets.

## China and Hong Kong SAR

**Chinese equities rebounded but investors remained jittery about Chinese tech stocks.** Chinese equities rose (CSI 300: +1.6%; Hang Seng Chinese Enterprises: +0.9%) along with the rebound of global equities. However, Chinese tech stocks trimmed gains in the afternoon trading, as investors are still concerned about regulatory uncertainty (Hang Seng Tech: +1.0%). Analysts noted that investors' sentiment towards Chinese tech stocks remain weak as they have been burned repeatedly buying dips in Chinese tech giants in the past year. Chinese authorities widened the RMB trading band against ruble to 10% from 5%. RMB depreciated (-0.1%).

## Korea

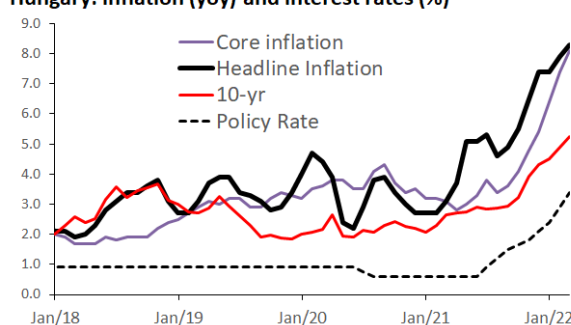
**Yoon Suk-yeol, from the opposition party, was elected new president in a tight race.** His administration will likely pursue more market-centered industrial policies and support nuclear power generation. Analysts expected that the new administration may not be able to make a drastic change in overall economic policies given that his party does not control the parliament (parliamentary election in April

2024). **The Bank of Korea (BOK)'s monetary policy report highlighted upside risks to inflation.** Deputy Governor Park noted that policy rate hikes have helped stabilize financial imbalances while having a limited negative impact on growth. Analysts noted that a relatively hawkish message suggested that the BOK will continue raising its policy rate. Korean won appreciated (+0.7%) but still among the most underperforming Asian currencies YTD. Equities gained (+2.2%), with nuclear energy, internet, and construction stocks among the biggest winners. Long-end government bond yields were little changed.

## Hungary

**2-yr swap yields traded 15 bps higher at 7.22% after the central bank of Hungary increased its one-week deposit rate less than expected (to 5.85% compared to 6% expected) despite higher-than-expected inflation data.** Inflation rose to 1.1% mom (0.8% expected) in February or 8.3% yoy (8.1% expected). **Core inflation rose to 8.1% yoy from 7.4% yoy in January.**

Hungary: Inflation (yoy) and interest rates (%)



Source: Bloomberg and IMF staff

## Russia

**The off-shore ruble (+4% to \$131) rose as a gap with the on-shore ruble (trading at around 118) persists.** Liquidity in ruble trading remains poor.

**Weekly inflation data in Russia reached a record-high of 2.22% week-on-week in the week through 4 March (from 0.45%).** Analysts estimate that if prices remain steady from there, inflation for March could reach 11% yoy. Bloomberg sees inflation peaking at 19% in July. Russia's February inflation print hit 9.15%, up from 8.73% in January.

**Prices on Russian CDS suggest a 71% chance of default within one year and 81% within five years, according to ICE Data Services.** Russia's dollar bond coupons next week have a 30-day grace period. If that expires without payment in an accepted currency, market participants are expected to ask the Credit Derivatives Determinations Committee to rule that credit-default swaps have been triggered and schedule a settlement auction.

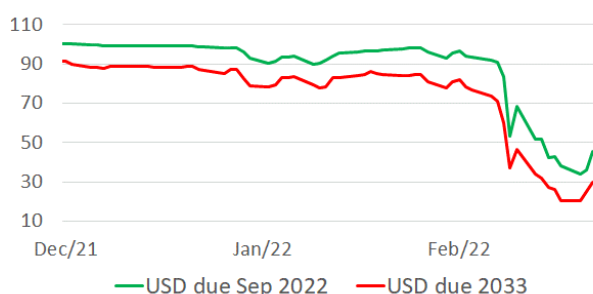
**VTB Bank is offering a Chinese yuan savings account with a maximum interest rate of 8%.** Deposits can be opened remotely through VTB Online with a minimum amount of 100 yuan (\$16), the Moscow-based bank said in a press release Wednesday.

## Ukraine

**Prices of Ukraine's U.S. dollar bonds rose around 10 points this week as contacts report interest from distressed funds.** This interest has allowed some EM-focused funds to reduce holdings. Traders report that there has also been some interest from EM funds. **The IMF approved a \$1.4 bn emergency loan for Ukraine to bolster the nation's economy, citing severe human suffering and forecasting a deep recession this year after Russia's invasion.**



Ukraine: Prices of U.S. dollar bonds



**Ukraine's government has banned the export of wheat, oats and other staples.** The export ban is needed to prevent a “humanitarian crisis in Ukraine,” stabilize the market and “meet the needs of the population in critical food products,” according to Roman Leshchenko, Ukraine's minister of agrarian and food policy.

### Argentina

**Argentina's congress plans to modify the IMF bill to pass the lower house.** Argentina's lower house decided to change the IMF bill's second article. According to Bloomberg, the article “had stated that congress would support the government's financial and economic policies as outlined in its staff-level IMF agreement,” a phrasing that could deny the opposition's support. However, FM Guzman cautioned that changing the bill could jeopardize the IMF Board's approval. The bill intends to underpin a \$45bn deal that involves reducing the fiscal deficit and central bank financing.




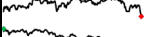
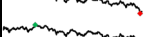





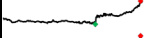

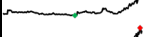

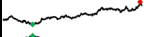
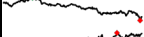

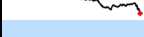
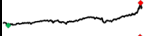

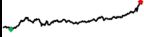




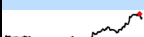

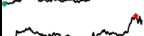
### Mexico

**Mexico's core inflation reached 6.6% y-o-y, its highest level since 2001.** On the other hand, the headline inflation reached 7.3% last month, well above the 3% mid-point target, with prices increasing by 0.8% m-o-m. Analysts expect inflation to reach 6% at the end of this year, well above Banxico's forecast of 4%.

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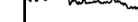




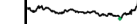

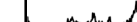


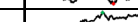
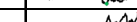



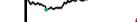









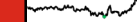

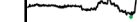


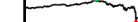

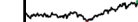





## Global Financial Indicators

Last updated: 3/10/22 1:13 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		4261	2.6	-2	-5	9	-11
Europe		3634	-3.5	-3	-13	-5	-15
Japan		25690	3.9	-3	-7	-12	-11
China		3296	1.2	-5	-5	-4	-9
Asia Ex Japan		74	2.8	-5	-10	-20	-10
Emerging Markets		44	2.8	-4	-10	-17	-9
<b>Interest Rates</b>			basis points				
US 10y Yield		1.96	0.9	12	-7	44	45
Germany 10y Yield		0.28	5.9	26	-1	59	45
Japan 10y Yield		0.19	2.7	2	-4	7	12
UK 10y Yield		1.52	-0.7	22	-1	81	55
<b>Credit Spreads</b>			basis points				
US Investment Grade		162	0.0	13	36	58	50
US High Yield		423	-0.6	14	43	59	86
Europe IG		81	3.5	4	17	33	34
Europe HY		392	19.2	19	79	145	150
<b>Exchange Rates</b>			%				
USD/Majors		97.85	-0.1	0	2	7	2
EUR/USD		1.11	0.0	0	-3	-7	-3
USD/JPY		116.0	0.1	0	0	7	1
EM/USD		50.3	0.0	-2	-6	-11	-4
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		115	3.3	4	26	69	48
Industrials Metals (index)		233	1.9	13	23	64	35
Agriculture (index)		76	0.8	2	14	46	24
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		33.8	1.4	3.4	9.9	11.3	16.6
US 10y Swaption Volatility		108.4	-0.4	-3.3	21.0	29.2	29.4
Global FX Volatility		9.3	0.0	0.5	1.9	1.3	1.8
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		223	6.0	-13	-6	107	72
Italy		162	15.9	7	1	63	27
Portugal		85	5.9	0	1	29	20
Spain		98	5.5	0	9	32	24

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

## Emerging Market Financial Indicators

Last updated: 10/03/2022 1:14 PM	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		6.32	-0.1	0.0	1	3	1		2.9	3.0	2	17	-37	10
Indonesia		14276	0.5	0.8	0	1	0		6.7	-3.8	19	25	0	36
India		76	0.3	-0.5	-2	-4	-3		6.3	0.0	0	9	75	0
Philippines		52	0.1	-1.3	-2	-7	-2		5.0	0.0	8	20	45	55
Thailand		33	-0.3	-1.6	-1	-7	0		2.2	-1.5	5	7	48	40
Malaysia		4.19	0.0	0.0	0	-1	-1		3.7	-0.2	0	-2	32	7
Argentina		109	-0.1	-0.7	-3	-17	-6		48.5	-16.9	-11	-149	503	-211
Brazil		5.05	-0.7	-0.4	4	12	10		12.3	-16.1	59	73	347	163
Chile		807	-0.3	-1.3	0	-10	6		5.9	3.0	6	-10	257	45
Colombia		3753	-0.3	0.1	4	-5	8		8.2	0.0	26	42	327	174
Mexico		21.04	-0.6	-1.9	-2	-1	-2		8.3	0.0	32	48	201	73
Peru		3.7	0.3	0.6	2	-1	7		6.7	-0.4	35	59	197	77
Uruguay		43	0.0	0.1	1	5	5		8.4	0.0	25	-10	128	-33
Hungary		344	-1.0	-0.3	-10	-11	-6		5.7	13.0	59	97	324	118
Poland		4.35	-1.0	0.0	-9	-12	-7		4.5	4.5	64	48	274	93
Romania		4.5	0.0	0.1	-3	-8	-3		6.1	-5.1	57	101	343	128
Russia		130.5	4.5	-16.1	-43	-44	-42		29.7	105.4	542	2029	2250	2090
South Africa		15.1	-0.6	0.7	1	0	6		8.1	3.0	33	49	52	66
Turkey		14.89	-1.6	-5.2	-9	-50	-11		26.0	30.0	177	416	1207	171
US (DXY; 5y UST)		98	-0.1	0.1	2	7	2		1.90	1.8	16	-5	111	63

	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		4293	1.6	-6	-7	-16	-13		226	10	24	16	23	
Indonesia		6924	0.9	1	2	11	5		215	23	39	11	50	
India		55464	1.5	1	-5	8	-5		205	35	58	36	73	
Philippines		7125	1.9	-4	-2	6	0		164	25	47	39	63	
Malaysia		1581	1.2	-2	0	-3	1		151	16	28	13	34	
Argentina		87226	-0.9	-3	0	84	4		1874	26	111	256	194	
Brazil		113900	2.4	-1	0	1	9		328	6	21	26	17	
Chile		4651	-0.1	2	0	-5	8		180	3	24	25	40	
Colombia		1538	0.1	0	4	14	9		385	3	35	135	37	
Mexico		53912	1.2	1	2	13	1		377	14	34	7	45	
Peru		24755	0.7	2	5	9	17		194	10	22	19	44	
Hungary		42186	-1.6	1	-20	-3	-17		174	9	37	37	50	
Poland		59399	-0.9	-3	-13	0	-14		71	6	64	39	39	
Romania		11939	-0.4	-1	-11	13	-9		255	15	55	52	63	
Russia		2470	0.0	0	-32	-29	-35		6926	3165	6694	6747	6749	
South Africa		73636	1.3	-5	-4	7	0		389	-2	20	5	34	
Turkey		2033	-0.5	0	0	30	9		647	46	107	190	69	
Ukraine		519	0.0	0	0	0	-1		3853	-588	3033	3304	3094	
EM total		44	-1.1	-4	-10	-17	-9		606	30	201	219	220	

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

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