



- US Treasury yields surged on Powell's hawkish remarks ([link](#))
- Powell does not see signs of recession in the yield curve ([link](#))
- ECB speakers leave the door open for a 2022 rate hike ([link](#))
- Japan government is reportedly preparing additional stimulus ([link](#))
- Russia says Eurobond coupon is sent to National Settlement Depository ([link](#))
- Central bank of Ghana unexpectedly hikes 250 bps ([link](#))

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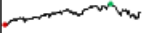

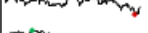

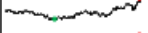
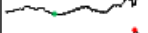


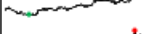
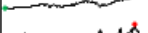
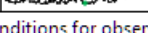
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Sovereign bond yields take off

The sell-off in sovereign bonds is continuing this morning as investors continue to digest statements from Fed Chair Powell yesterday. His comments that the Fed is prepared to hike more than 25 bps at upcoming meetings sent Treasury yields sharply higher, and yields in other jurisdictions have been rising alongside. The 2-year US yield rose 17 bps yesterday, and is up another 5 bps this morning. Similarly, the German 2-year bund yield rose 10 bps on Monday and is a further 4 bps higher this morning, as ECB speakers have kept open the possibility of hikes beginning in 2022. Equity markets are somewhat higher this morning. The payment on Russia's dollar bond maturing in 2029 that was due yesterday has not yet reached investors, but the government has stated that it made the payment to the domestic depository responsible for sending along the money.

Key Global Financial Indicators

Last updated: 3/22/22 8:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4461	0.0	7	4	13	-6
Eurostoxx 50		3915	0.9	5	-2	2	-9
Nikkei 225		27224	1.5	8	1	-9	-5
MSCI EM		45	-1.5	8	-7	-17	-9
Yields and Spreads			bps				
US 10y Yield		2.34	5.3	20	40	65	83
Germany 10y Yield		0.51	3.9	18	27	82	69
EMBIG Sovereign Spread		452	-6	-35	57	107	85
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		51.8	0.3	1	-4	-9	-2
Dollar index, (+) = \$ appreciation		98.7	0.2	0	3	8	3
Brent Crude Oil (\$/barrel)		115.9	0.2	16	20	79	49
VIX Index (% change in pp)		23.4	-0.2	-6	-5	4	6

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

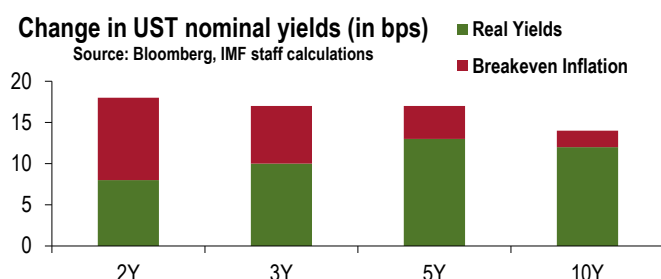
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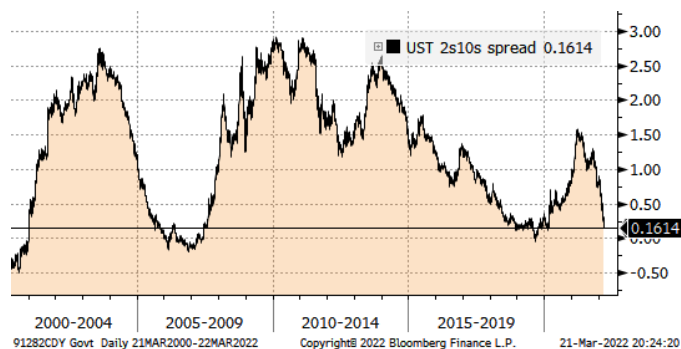
United States

On Monday, US equities experienced significant intraday fluctuations, but closed virtually unchanged. Markets reacted to more hawkish communication by Federal Reserve Chair Powell, with UST yields increasing (UST 10Y yield +14 bps) and the dollar appreciating against major currencies (+0.3%).

Markets interpreted Jerome Powell's communication today as more hawkish than the one a week ago. He reiterated the Fed's commitment to curb inflation and highlighted that the central bank is prepared to raise interest rates by a half percentage-point at its next meeting if needed. Powell added that the Fed is no longer assuming significant relief on supply-chain issues and that "the risk is rising that an extended period of high inflation could push longer-term expectations uncomfortably higher, which underscores the need for the committee to move expeditiously". He characterized the economy as "very strong" and well positioned to handle higher interest rates. However, some market participants raised concerns whether a soft landing is possible amid both hiking rates and shrinking the Fed's balance sheet. UST yields surged across the whole yield curve, with the changes being among the largest daily increases in the last decade.



Fed Chair Powell discouraged the use of 2s10s yield spread as a predictor of recession. In recent weeks, many commentators expressed their concerns that the level of 2s10s spread is close to the historical lows and may indicate a looming recession (left chart below). However, in today's Q&A session, Powell said that he doesn't see the theoretical basis for linking 2s10s spread with the risks of recession and he noted that the Fed's decision-making is not substantially impacted by the shape of the longer-term parts of the curve. Instead, he recommended to use the 18-month spread of the front part of the curve as the most reliable indicator of the expectations of a recession. The right chart shows that the 18-month spread is positive and has been increasing in the last months—thus, suggesting that the markets are not pricing a significant probability of a recession.



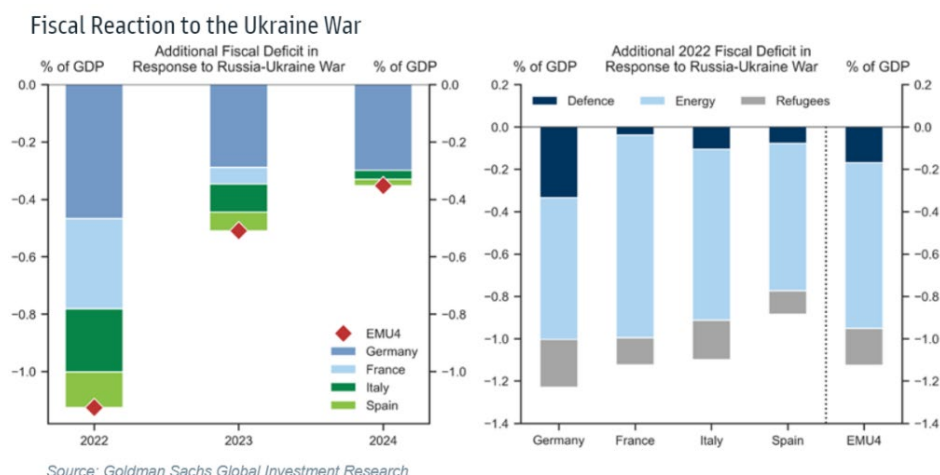
Europe

European equity markets were generally trading higher this morning with the Stoxx 600 Europe Index up 0.5%. The banking (+2.4%) and insurance (+2.0%) sectors were outperforming. Stocks with exposure to Russia continued to underperform but traded +0.6% stronger this morning.



Sovereign yields increased (10-yr bund +4 bps) after ECB speakers yesterday left the door open for rate hikes in 2022 - Joachim Nagel said the ECB could increase rates in 2022 if the bank ends net bond-purchases in the third quarter. Olli Rehn said the ECB may start to hike later in 2022 or in early 2023 depending on the extent of the war's impact on the euro-area economy. He also noted that targeted fiscal policy could be an appropriate response to energy-price shocks. ECB Vice President Luis de Guindos played down stagflation fears and cautioned that monetary policy should consider the possibility of second-round effects and the possibility of inflation expectations becoming de-anchored.

Goldman Sachs estimates that public deficits will increase by roughly 1.1% of GDP across Germany, France, Italy, and Spain (EMU4). Additional fiscal measures, including income support measures, higher military spending and support for refugees are expected to keep the 2022 deficits large - ranging from 5.9% of GDP in France and Spain to 6.5% in Italy and 6.7% in Germany. **Amid weaker ECB support in sovereign debt markets, analysts forecast that net issuance will turn positive in 2022.**



Commodities

Nickel prices traded within the limits set by the London Metal Exchange (LME) this morning, falling by 8.4% to bring prices in line with comparable prices on the Shanghai futures exchange (\$28,500/ton ex. taxes). Bloomberg reports that within the first 15 minutes of opening, more than 4 000 lots of Nickel was traded. The LME has increased the up/down limits from 5% since last Wednesday.

Oil prices were little changed this morning after closing 7% higher at around \$116/barrel yesterday as EU jurisdictions mulled over a potential ban on Russian energy exports. While there is support for an embargo among some EU member states, other steps are also reportedly being considered as Germany is maintaining that it is too dependent on Russian supplies to impose an embargo. It is expected that further sanctions will be discussed in the European Council meeting starting on Thursday.

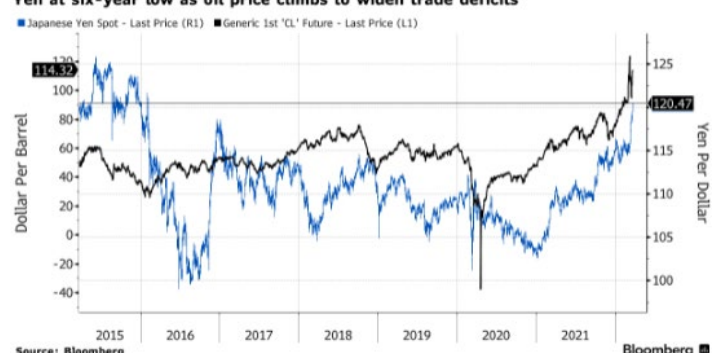
European gas prices steadied this morning (+1.3%) to trade roughly at levels seen at the start of the conflict (€97/MwH) amid steady supplies and warmer weather forecasts. The head of Ukraine's largest state-owned oil and gas company noted that gas flows from Russia to Europe via Ukraine are continuing as normal, with Russia paying in "hard currency". Goldman Sachs analysts note that the EU Council could deliver a short-term policy response, for example the introduction of a price cap on natural gas.

Japan

Equities rallied 1.3%. Japan's government is reportedly preparing additional stimulus exceeding ¥10 tn (\$83 bn) with the decision targeted by end-April. New measures include an extension of fuel subsidies beyond March, unfreezing the "trigger clause" relating to the gasoline tax, and mechanisms to reduce household burdens arising from increased food prices. Separately, **Japan's largest refinery has halted new crude oil purchases from Russia.**

ENEOS Holdings will look to products from the Middle East instead, according to Bloomberg. Russian oil purchases relating to existing contracts will continue. Separately, **electricity wholesale prices surged in Tokyo amid persisting power outages.** Spot prices reached the highest level in over a year. The outages were the result of damaged infrastructure and power plants caused by the magnitude 7.4 earthquake in Fukushima last week, Bloomberg reports. **The Japanese yen depreciated 0.8% and breached the 120 level against the dollar; 10-year yields firmed +0.7 bps.**

Yen at six-year low as oil price climbs to widen trade deficits



Emerging Markets

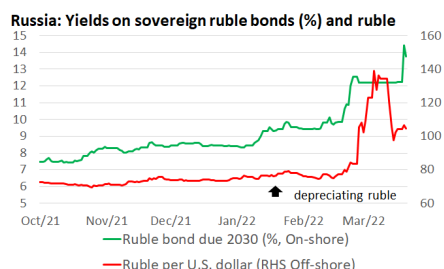
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Asian equities gained 1.1% on net. Hong Kong SAR outperformed (+3.0%), lifted by the technology sector while Singapore and Thailand were broadly unchanged. **Indonesian** stocks gained 0.7%. **Indonesia** announced lifting all quarantine rules for international travelers. **Asian currencies mostly weakened. 10-year yields mostly firmed** on hawkish Fed statements. Hong Kong SAR (+16 bps) climbed the most, followed by Australia (+14 bps) and New Zealand (+13 bps). **EMEA stock markets are trading without much direction** as US president Biden is traveling to Europe tomorrow to meet with NATO and EU leaders. Equities gained 0.5% in Poland but are little changed in Hungary as Hungary said that EU sanctions on Russian energy imports were "a red line." The resilience of equities is noteworthy as swap rates are following core rates higher. 5-yr swap rates are 35 bps higher in Hungary, 15 bps higher in Poland and 9 bps higher in South Africa. The National Bank of Hungary is expected to hike its policy rate 100 bps to 4.4% later today. In **Latin America**, the Brazilian real was the best performing EM currency, appreciating 1.8% and breaking the 5.0/USD level for the first time since June 2021. The rally happened without any major local headlines. Brazil remains the best performing currency YTD (+13%) as the commodity rally and high interest rates have increased the attractiveness of Brazilian assets. The Chilean peso appreciated (+1.3%) seemingly benefitting from the positive risk sentiment on commodity currencies. Long-end rates in Chile have been under some marginal pressure recently (10y swap: +14 bps) as a fifth pension withdrawal bill is set to be debated in the lower house.

Russia

The off-shore ruble (+1% to \$105) is little changed as Russia said that it sent a \$66 mn coupon payment on its Eurobond maturing in 2029 to the National Settlement Depository. The finance ministry e-mailed that it has therefore “performed its obligations to service the securities of the Russian Federation in full and in pursuance with the Eurobonds’ issuance Documentation.” Contacts did not expect Russia to use the RUB alternative payment clause available for this bond.

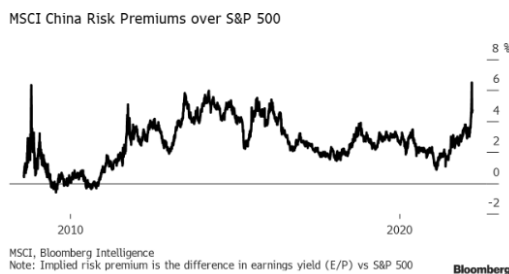
Local currency 10-yr yields settled around 250 higher after the stock section of the Moscow Exchange restarted trading in federal government bonds yesterday. The central bank said that it will purchase federal government bonds to prevent excessive volatility.



Source: Bloomberg and IMF

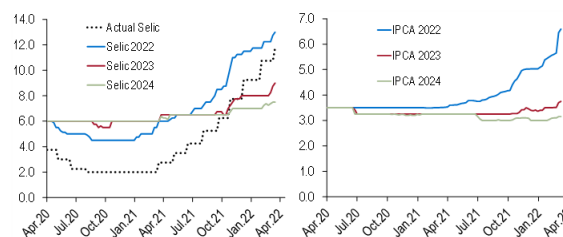
China

China’s State Council pledged stronger policy support. In a meeting chaired by Premier Li on Monday, the cabinet called for the adoption of monetary policy tools to sustain credit expansion at a stable pace. The authorities also promised to maintain policies that can support the economy and avoid measures that can hurt sentiment in the capital market. The State Council didn’t make specific reference to the reserve requirement ratio but focused instead on fiscal support. In particular, **China will implement a large-scale value-added tax (VAT) credit refund.** The move is aimed at keeping operations of market entities stable and maintaining job security. The refund is worth about 1.5 tn yuan (\$236 bn), of which 1 tn yuan will go to self-employed households, micro businesses, and small businesses. Separately, **Alibaba expands its share buyback plan to \$25 bn from \$15 bn.** The move follows China’s earlier signals to soon end its technology sector clampdown. The buyback program will end in March 2024. Alibaba shares rallied 11% on the news. Separately, **several property developers will miss the March 31 release deadline for audited 2021 results.** Some developers blamed the COVID pandemic for the delay. Evergrande and related units also mentioned drastic changes in the operational environment as reasons. Further, Evergrande’s property services unit is investigating how 3.4 bn yuan (\$2.1 bn) of deposits were pledged as security for third party pledge guarantees enforced by relevant banks. Sunac warned its 2021 profit attributable to owners will crash by about 85% y/y, based on exchange filings. **Equities were mixed (Shanghai: +0.2%, Shenzhen: -0.4%).** Meanwhile, The MSCI China Index’s implied risk premium over the S&P 500 Index has climbed to a record 6.5%, exceeding the previous high set during the global financial crisis, Bloomberg estimates. **The renminbi was little changed. 10-year yields firmed +2 bps,** the spread to US Treasuries narrowed to 50bps the lowest level since 2019.



Brazil

Markets and surveys suggest that BCB might have to continue hiking beyond May 2022. BCB last week raised rates to 11.75% and signaled that another 100 bps hike in May might be the end of the hiking cycle especially if inflation expectations start moving back closer to target. Financial markets are not yet convinced that May will mark the end and there are currently pricing 80 bps extra hikes after May. The latest survey also showed similar doubt as year-end Selic expectations rose 25 bps for 2022 to 13.0%. For example, JP Morgan changed its call this week and now expects another 50 bps hike in June to follow the 100 bps hike in May. In terms of inflation, the median of IPCA inflation expectations increased 14 bps for 2022 (to 6.59%), its tenth consecutive increase. For 2023 (the main policy horizon for the central bank) the IPCA figure increased marginally to 3.75%, well above the 3.25% target.



Source: BCB focus survey

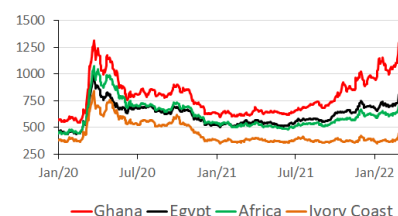
Egypt

Egypt's Eurobonds are little changed after Egypt unexpectedly hiked its policy rate 100 bps and devalued its currency 10% yesterday. Some analysts are speculating that a weaker currency and tighter monetary policy could lead to new inflows.

Ghana

EMBIG U.S. dollar spreads fell but remain elevated at 1276 bps after the Bank of Ghana (BoG) hiked its policy rate a more-than-expected 250 bps to 17% yesterday. Headline inflation rose to 15.7% yoy in February, compared to a 10% upper target band of the BoG, as the cedi depreciated 17% against the U.S. dollar so far in 2022. **Analysts believe that the BoG will need to deliver more hikes and that Ghana will need to implement more fiscal reforms to boost domestic and external market confidence.**

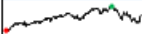


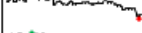






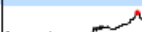




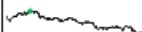

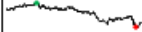
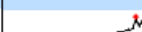


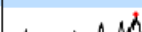


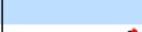
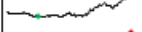
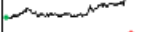

Africa : EMBIG Spreads (bps)



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Global Financial Indicators

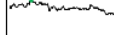




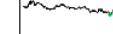








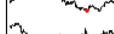










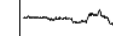







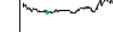


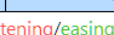
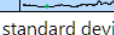


Last updated: 3/22/22 8:09 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		4463	0.0	5	4	13	-6
Europe		3911	0.8	5	-2	2	-9
Japan		27224	1.5	8	3	-6	-5
China		4255	-0.1	7	-8	-15	-14
Asia Ex Japan		75	-2.1	8	-6	-20	-9
Emerging Markets		45	-1.5	8	-7	-17	-9
Interest Rates							
			basis points				
US 10y Yield		2.34	5.5	20	41	65	83
Germany 10y Yield		0.51	3.7	18	26	82	68
Japan 10y Yield		0.22	0.8	1	2	13	15
UK 10y Yield		1.67	3.0	9	20	85	70
Credit Spreads							
			basis points				
US Investment Grade		144	0.3	-20	3	47	32
US High Yield		390	-3.3	-55	-20	31	52
Europe IG		79	-0.9	-1	7	24	31
Europe HY		368	-6.0	-10	18	97	127
Exchange Rates							
			%				
USD/Majors		98.68	0.2	0	3	8	3
EUR/USD		1.10	-0.1	0	-3	-8	-3
USD/JPY		120.8	1.1	2	5	11	5
EM/USD		51.8	0.4	2	-4	-9	-1
Commodities							
			%				
Brent Crude Oil (\$/barrel)		116	0.1	16	23	92	50
Industrials Metals (index)		205	-1.6	-9	9	40	19
Agriculture (index)		76	0.7	1	10	47	25
Implied Volatility							
			%				
VIX Index (% change in pp)		23.2	-0.3	-6.6	-5.6	4.4	6.0
US 10y Swaption Volatility		102.5	0.0	2.6	7.8	18.2	23.5
Global FX Volatility		8.9	0.0	-0.9	1.2	0.9	1.4
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		224	1.6	-9	-14	101	72
Italy		153	-0.8	-4	-15	57	18
Portugal		79	-0.5	-5	-11	26	15
Spain		92	-2.2	-6	-10	27	18

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 3/22/2022 8:10 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		6.36	-0.1	0.1	-1	2	0		2.9	4.5	2	1	-41	7
Indonesia		14348	-0.1	-0.1	0	0	-1		6.7	4.0	-1	24	-2	36
India		76	-0.1	0.6	-2	-5	-2		6.3	0.0	0	9	75	0
Philippines		52	-0.2	-0.1	-2	-7	-3		5.2	12.5	15	20	50	70
Thailand		33	0.3	0.2	-3	-8	-1		2.3	-1.0	4	13	49	49
Malaysia		4.22	-0.3	-0.3	-1	-2	-1		3.7	5.1	6	8	30	15
Argentina		110	-0.3	-0.7	-3	-17	-7		48.9	-13.0	94	90	316	-166
Brazil		4.93	0.1	4.7	3	12	13		12.2	0.0	-48	66	334	153
Chile		791	0.3	2.5	0	-9	8		6.2	13.5	24	24	288	74
Colombia		3793	0.7	0.1	4	-6	7		7.8	0.5	-22	1	259	136
Mexico		20.33	0.1	2.4	0	1	1		8.2	-11.0	-18	45	170	71
Peru		3.8	-0.1	-1.3	-1	-2	6		6.6	-0.3	-12	55	201	66
Uruguay		43	0.0	0.3	1	4	5		8.4	5.4	5	37	110	-28
Hungary		338	0.2	0.2	-7	-9	-4		6.1	32.5	34	133	365	162
Poland		4.26	0.0	1.0	-6	-10	-5		4.8	14.8	24	93	310	125
Romania		4.5	-0.1	0.5	-3	-9	-3		5.8	8.0	-23	63	310	94
Russia		104.9	1.6	1.0	-25	-29	-28		21.1	99.6	-1368	1041	1373	1233
South Africa		14.9	0.4	1.7	1	-1	7		8.1	6.5	10	61	51	69
Turkey		14.82	0.0	-0.9	-7	-47	-10		26.6	-1.0	76	450	771	228
US (DXY, 5y UST)		99	0.2	-0.4	3	8	3		2.37	4.5	26	50	150	110

	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		4255	-0.1	7	-8	-15	-14		222	-6	15	17	19	
Indonesia		7001	0.7	1	1	12	6		178	-24	-12	4	13	
India		57989	1.2	3	1	16	0		161	-36	6	7	29	
Philippines		7009	0.8	0	-5	9	-2		133	-20	-8	36	32	
Thailand		1678	0.2	2	-1	7	1		0	0	0	0	0	
Malaysia		1586	-0.1	2	0	-1	1		132	-13	2	9	15	
Argentina		90041	1.1	6	0	83	8		1794	-14	87	299	114	
Brazil		116155	0.0	6	3	1	11		302	-23	-29	35	-9	
Chile		4995	0.0	8	12	3	16		155	-17	-11	24	15	
Colombia		1540	-0.2	1	3	16	9		346	-27	-32	131	-2	
Mexico		55467	2.0	4	7	18	4		350	-19	-14	18	18	
Peru		25381	1.2	4	9	16	20		171	-14	-12	24	21	
Hungary		44159	-0.2	3	-8	1	-13		141	-15	-16	6	17	
Poland		63901	0.5	5	-1	11	-8		40	-12	25	4	8	
Romania		12749	0.5	4	-2	17	-2		202	-40	-13	13	10	
Russia		2470	0.0	0	-20	-29	-35		3440	-2528	3150	3267	3263	
South Africa		75882	1.4	6	0	15	3		357	-11	-33	1	2	
Turkey		2172	-0.1	4	8	57	17		562	-57	11	147	-16	
Ukraine		519	0.0	0	0	0	-1		3362	-552	2365	2859	2603	
EM total		45	1.7	8	-7	-17	-9		539	-50	111	186	153	

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