



- Utilization of the Fed's Reverse Repo Facility close to record highs ([link](#))
- ECB announces timeline to phase out pandemic collateral-easing measures ([link](#))
- Eurozone business activity stronger than expected ([link](#))
- Russia to request ruble payments from certain nations for gas supplies ([link](#))
- Stock market reopens in Moscow with various trading limitations ([link](#))
- Philippine central bank holds policy rate but warns inflation could exceed target ([link](#))
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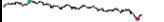
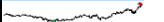
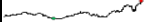



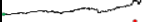

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## Geopolitics and central banks continue to shape markets

Global equity markets are mixed, and core sovereign bond yields are moving higher again as investors react to geopolitical developments and central bank signals. Yesterday, advanced economy sovereign bonds recovered modestly from the selloff that took hold to start the week as yields fell 4 to 12 bps, with long-maturity yields seeing sharper declines as the trend of curve flattening persisted. However, this morning, major equity indices have traded choppy and are slightly lower while benchmark government bond yields have resumed their move higher. Commodity prices have moved back into focus with oil prices rising on data showing further inventory drawdowns alongside capacity constraints at a key port, while European gas prices jumped as much as 30% intraday after news Russia would demand payment in rubles for natural gas supplies from certain nations. The offshore ruble strengthened significantly in response, while Russia's stock market also resumed trading this morning, though with various limits on short-selling and foreign participation. Elsewhere, with no breakthrough in Russia-Ukraine negotiations ahead of the NATO summit, G7, and EU Council meetings starting today, investors should remain attentive to updates on sanctions, as well as central banks and their policy intentions. Market pricing for Fed tightening continues to adjust to recent communications from committee members suggesting the potential for a 50 bp hike at the May meeting. The odds of a 50 bp hike in May has risen above 70% and over 180 bps of rate increases are now priced for the rest of the year.

Key Global Financial Indicators

Last updated: 3/24/22 8:06 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4456	-1.2	2	4	15	-7
Eurostoxx 50		3866	-0.1	0	1	1	-10
Nikkei 225		28110	0.3	9	6	-2	-2
MSCI EM		45	-0.7	0	-3	-13	-8
<b>Yields and Spreads</b>			bps				
US 10y Yield		2.37	8.2	20	41	77	86
Germany 10y Yield		0.53	6.6	15	36	89	71
EMBIG Sovereign Spread		467	11	-1	54	115	100
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		52.3	0.2	1	-1	-7	-1
Dollar index, (+) = \$ appreciation		98.7	0.1	1	2	7	3
Brent Crude Oil (\$/barrel)		121.7	0.1	14	23	89	56
VIX Index (% change in pp)		23.5	-0.1	-2	-7	2	6

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

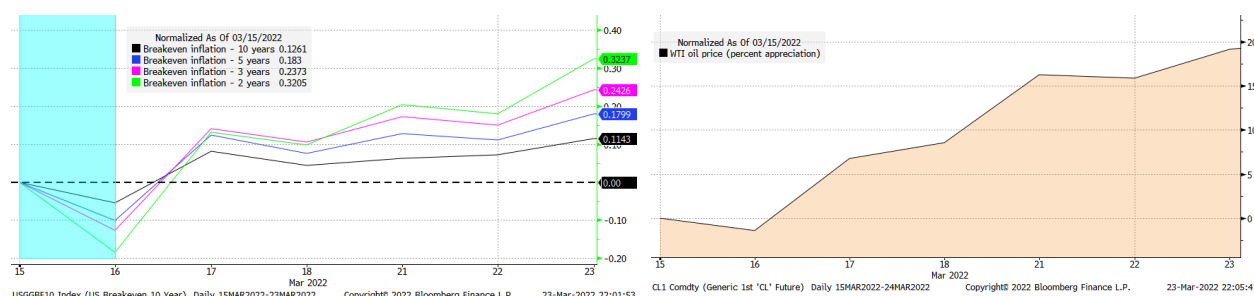
## Mature Markets

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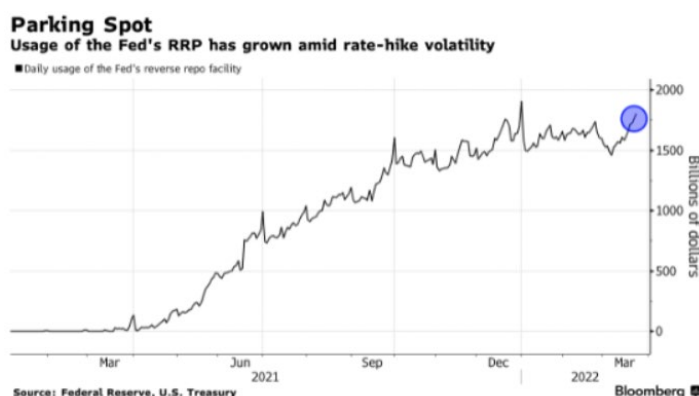
### United States

**Yesterday, the S&P 500 fell by 1.2%** (led by financial stocks), while UST 10Y yields dropped by 9 bps (predominantly due to real yields). The US dollar appreciated 0.2% against major currencies. In data releases this morning, initial jobless claims fell to 187k (210k expected), reaching the lowest level in decades and reflecting the increased tension between supply and demand in labor markets. Durable goods orders fell a much more than expected 2.2% in February (-0.6% expected); durables ex-transportation fell by 0.6% (+0.6% expected). Markets were little changed following the releases.

**US breakeven inflation has been rising since the last FOMC meeting** (left chart below). The initial reaction to the FOMC decision was a drop in the breakeven inflation for all tenors. However, despite Monday's somewhat hawkish reiteration by Fed Chairman Powell that the Fed is committed to fighting inflation, markets have still priced increasing inflation, especially for shorter tenors. Similarly, Bloomberg's survey showed a marginal increase in inflation expectations. One of the contributing factors has been the ongoing increase in oil prices (right chart).



**The utilization of the Fed's Reverse Repo Facility reached \$1.8 trillion, its second-highest level ever.** One of the drivers has been the increasing demand to reduce exposure to interest rate risk by money managers amid the volatility caused by the uncertainty around the pace of monetary policy normalization.



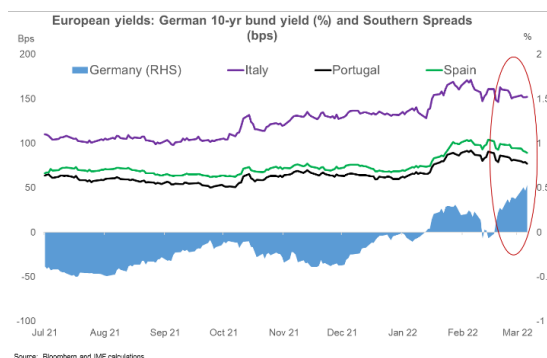
### Euro area

**European equities were trending lower this morning** with the benchmark Stoxx 600 Europe index down -0.2%. The energy sector (+0.8%) continued to outperform in line with higher energy prices, while the retail sector underperformed (-0.8%). The banking sector was trading -0.6% lower.

**The euro depreciated (-0.2%) and analysts expect further weakening this week** as the currency is likely to be weighed down by EU decisions to cut back exposure to commodities from Russia. **European gas futures were trading higher (+11% at €125/MWh)** after Russia announced that **unfriendly**

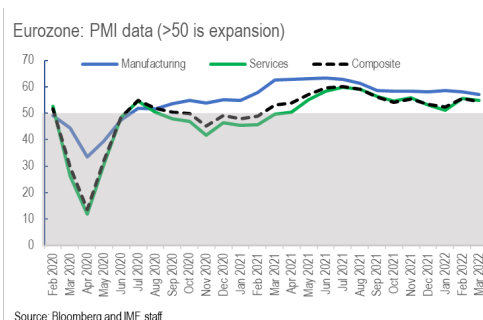
**jurisdictions have to pay for Russian gas in rubles.** Prices were also supported by debates over possible EU sanctions on Russian energy exports.

**The ECB said in a statement today that starting in July this year, it would start to gradually phase out collateral-easing measures that were introduced in April 2020.** Greek debt will be eligible as collateral for loans to banks until at least as long as reinvestments in Greek government bonds under the pandemic emergency purchase program continue. **Sovereign bond yields continued their upward trend with 10-yr bund yields up 8 bps to 0.54% while southern spreads narrowed: Greek 10-yr spreads fell by 4 bps.**



**Eurozone's March flash composite PMI fell to 54.5, but surprised on the upside** (consensus expectations 53.8, from 55.5). Both the services (54.8) and manufacturing (57) components decreased but was still stronger than expected. **The survey notes unprecedented increases in firm's costs and average prices charged for services and goods.** Analysts caution that while the data suggest that the Ukraine war has not yet weighed heavily on eurozone output, higher prices suggest a broadening of inflation—with the impact on consumer purchasing power expected to be substantial.

**On a jurisdictional level,** France's flash March Services PMI surprised on the upside, increasing to 57.4 (consensus expectations 55), while manufacturing PMI disappointed, falling to 54.8 (consensus expectation 55.1). Similarly, Germany's composite PMI fell to 54.6, remaining stronger than the expected 53.8. **The surveys for both Germany and France noted record input and output prices,** while manufacturing demand fell as a result of both supply issues and weaker demand.



## Norway

**The krone (+0.7%) strengthened after the Norges bank hiked its policy rate by 25 bps to 0.75%,** in line with expectations. This was the third hike since the onset of the pandemic. While the rate hike was expected, analysts were somewhat surprised by the revised rate path outlook for the end of 2023, that was raised to 2.5% compared to 1.7% expected in December. The central bank noted concern among committee members that the war in Ukraine could weigh on economic growth amid higher inflation. Noting substantially higher residential and commercial property prices, together with an acceleration in household credit growth, **the monetary policy and financial stability committee voted unanimously to increase the countercyclical capital buffer rate to 2.5%, effective at the end of March 2023.**

## Switzerland

**The Swiss National Bank left interest rates unchanged at -0.75%, in line with expectations.** The central bank maintained its description of the Swiss franc as 'highly valued' and re-emphasized that it would

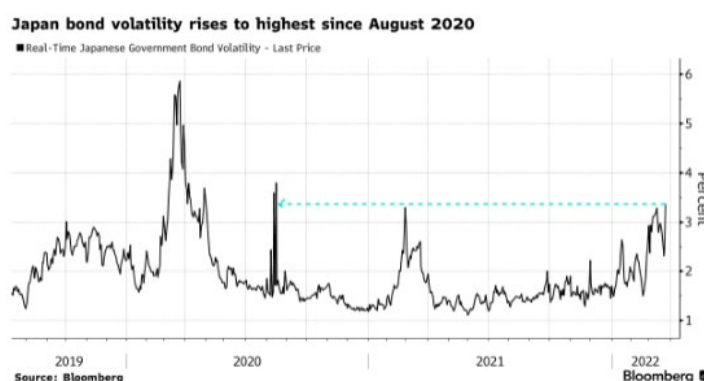
intervene in the foreign exchange market if necessary. Inflation forecasts were revised upwards, with 2022 inflation seen at +2.1%, while economic forecasts were revised downwards, with growth now seen at 2.5% in 2022 in comparison to a previous estimate of around 3%.

## United Kingdom

**In yesterday's Spring Statement, the UK Chancellor announced a range of tax-cutting measures to support households with cost-of-living pressures and provide additional support to businesses.** Some analysts commented that the measures will not provide enough support to consumers as living costs increase sharply, with expectations for additional fiscal support measures to be required shortly.

## Japan

**Japanese 10-year yields approached 0.23%, while the Bank of Japan (BOJ) reiterated its accommodation bias.** The implied volatility of Japanese government securities jumped to the highest level since August 2020 this week, according to Bloomberg. In February, the Bank of Japan offered to buy unlimited debt after the yields hit this level. Meanwhile, BOJ board member Kataoka stated he does not see a shift to tighter monetary policy and that the weaker yen is good for the economy. He said that while inflation may hover above 1.5% from April, price momentum is still insufficient to achieve the bank's 2% target in a stable way. Relatedly, according to BOJ's January minutes, many board members stressed the importance of explaining to the public about continuing with powerful monetary easing. Separately, **Japan PMIs improved, and input prices rose in March.** The preliminary manufacturing PMI was 53.2 (previous: 52.7), services PMI reading stood at 48.7 (previous: 44.2), while input prices soared due to surging raw material prices, notably energy, oil, and semiconductors amid deteriorating supplier performance, according to Jibun Bank's. **Stock market was little changed, Japanese yen depreciated further -0.4%.**



## Emerging Markets

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In **Latin America, the Brazilian real was the regional outperformer**, appreciating by 1.7% yesterday and extending its year-to-date gains to 15.5%. Given the absence of any major local news, analysts have attributed the continued rally to foreign inflows that are attracted to the high carry and commodity exposure. **Asian equities slipped -0.5% on net.** Singapore (+1.1%) outperformed, Hong Kong SAR closed lower (-1%). **Singapore** announced significant easing of COVID restrictions on international travel and domestic activities. In **Hong Kong SAR**, Chief Executive Carrie Lam expressed optimism on border re-openings once the current COVID wave subsides. Asian currencies and 10-year yields were mixed. **EMEA markets traded with a cautious tone ahead of the meeting of President Biden with NATO, G7, and EU leaders.** G-7 leaders are expected to issue a joint statement after the Brussels summit. **Equities and currencies fell in Hungary and Poland as swap rates continue to trade higher.** Ghana Eurobond prices edged higher as the government is expected to announce spending cuts to help meet its budget deficit target.

## Russia

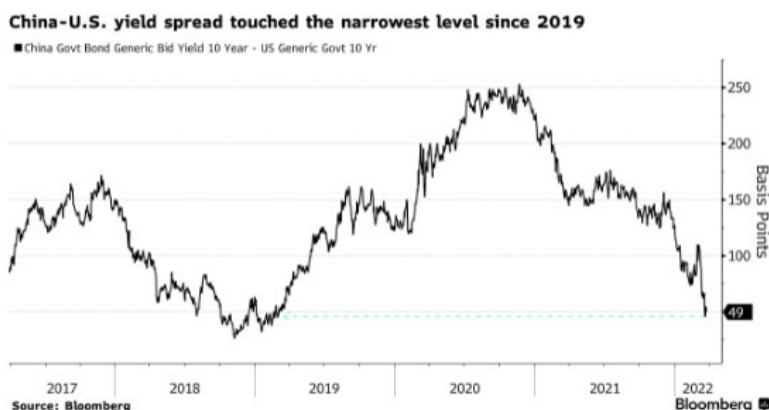
The offshore ruble is little changed (at \$103) after gaining 8% yesterday after President Putin announced that it would request gas payments from *hostile nations* in ruble, a move which contacts believe could lead to further disruptions in energy supply and higher natural gas prices. President Putin reportedly ordered the central bank to develop a mechanism to enable ruble payments within a week. Putin emphasized that Russia would continue to supply gas in line with volumes, prices and pricing mechanisms set out in contracts. **Some 58% of Gazprom's gross gas sales abroad were in euros as of Q3 last year with another 39% in U.S. dollars.** Earlier in March, Russia announced a list of 48 states deemed hostile.

**Russian stocks in Moscow are trading 4% higher after having been closed for 4 weeks following the start of the war in Ukraine.** The trading day has been shortened to 4 hours, short selling will be banned, and foreigners cannot sell equities. **Analysts also expect the welfare fund in Russia to make purchases to stabilize the market, if needed.**

**Russian steelmaker Severstal has reportedly missed a deadline on a \$12.6 mn interest payment to bondholders after a 5-day grace period expired.** The money was originally due to creditors by March 16 but paying and transfer agent Citigroup will reportedly not transfer the payment without receiving explicit permission from the U.S. Treasury.

## China

**China's state-backed newspaper warns of risks from monetary policy shifts in developed economies.** China needs to be vigilant about safeguarding its economy from possible financial stability risks, the paper stated according to Bloomberg. As such, tightening of monetary policy in developed economies may affect emerging economies through trade exchanges, capital flows, and financial markets. Separately, **S&P withdraws Sunac's credit ratings on request.** The property developer asked for its long-term issuer credit rating (B-) and long-term issuer rating on senior unsecured notes (CCC+) to be withdrawn, according to Bloomberg. Trading of Sunac's 5.6% 2025 yuan bond was halted after a -20% dive. **Equities slipped (Shanghai: -0.6%, Shenzhen: -0.9%), renminbi appreciated +0.1%, 10-year yields slipped -2.2 bps.**



## Philippines

**The Philippine central bank left its policy rate unchanged at 2% and warned 2022 inflation could exceed the target range.** Inflation forecast was revised up to 4.3% y/y in 2021 (previous: 3.7%) and 3.6% y/y in 2023 (previous: 3.3%). Governor Diokno said the bank stands ready to tackle second round effects of inflation, and that a reserve requirement ratio cut is possible in H2 2022.

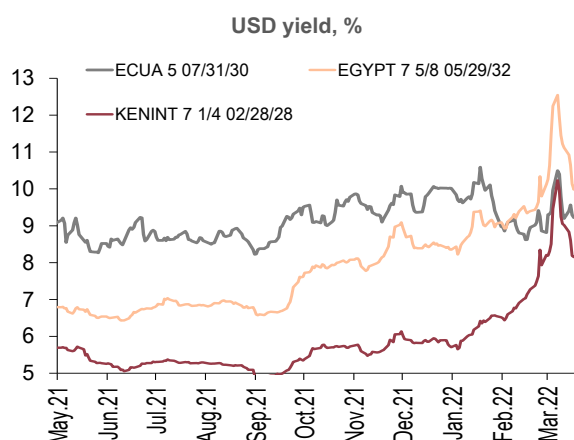


## Sri Lanka

**Sri Lanka reportedly will seek help from the World Bank to address its ongoing economic crisis,** according to Reuters. The assistance will be in addition to a rescue plan to be discussed with the International Monetary Fund in April. On Wednesday, the government asked commercial banks to sell 50% of their foreign currency receipts to boost its reserves.

## Ecuador

**The assembly postponed the final vote on a crucial investment bill until today.** This is the last day for congress to vote before the bill automatically becomes law. Analysts highlight that the vote outcome serves as a litmus test amid a growing opposition in Congress that is impairing governability. JP Morgan expects that the bill will not gather enough votes and will instead pass through a presidential decree. Against this backdrop they highlight there is increased probability of a constitutional mechanism to call new general elections. Other analysts believe that the most likely scenario after a rejection of the bill is to include it with other more controversial bills (judicial, labor) in a referendum next year. Heading into today's vote, dollar bond yields have remained around 10% and have seen less volatility compared to some other low rated issuers (see chart) following the war in Ukraine.



Source: Bloomberg

*This monitor is prepared under the guidance of Ranjit Singh (Assistant Director), Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Tom Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sergei Antoshin (Senior Economist), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Senior Financial Sector Expert), Torsten Ehlers (Senior Financial Sector Expert), Deepali Gautam (Research Officer), Rohit Goel (Financial Sector Expert), Frank Hespeler (Senior Financial Sector Expert), Shoko Ikarashi (Externally Financed Appointee), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Esti Kemp (London Representative), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Xingni Zheng (Research Assistant). Javier Chang (Senior Administrative Assistant) and Srujana Sammeta (Staff Assistant) are responsible for word processing and production of this monitor.*

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## Global Financial Indicators

Last updated: 3/24/22 8:08 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		4456	-1.2	2	4	15	-7
Europe		3866	-0.1	0	1	1	-10
Japan		28110	0.3	9	6	-2	-2
China		4251	-0.6	0	-7	-14	-14
Asia Ex Japan		76	-1.1	0	-3	-16	-9
Emerging Markets		45	-0.7	0	-3	-13	-8
<b>Interest Rates</b>			basis points				
US 10y Yield		2.37	8.2	20	41	77	86
Germany 10y Yield		0.53	6.6	15	36	89	71
Japan 10y Yield		0.23	0.4	2	3	16	16
UK 10y Yield		1.68	5.4	12	23	92	71
<b>Credit Spreads</b>			basis points				
US Investment Grade		144	-1.5	-4	-1	45	32
US High Yield		394	-6.7	-16	-19	38	57
Europe IG		80	0.9	10	5	26	32
Europe HY		373	0.5	39	4	104	132
<b>Exchange Rates</b>			%				
USD/Majors		98.75	0.1	1	2	7	3
EUR/USD		1.10	-0.1	-1	-2	-7	-3
USD/JPY		121.6	0.4	3	5	12	6
EM/USD		52.3	0.2	1	-1	-7	-1
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		122	0.1	14	23	89	56
Industrials Metals (index)		223	3.9	1	17	54	29
Agriculture (index)		75	-0.4	2	7	46	24
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		23.5	-0.1	-2.2	-6.9	2.3	6.3
US 10y Swaption Volatility		106.4	1.3	14.9	7.7	30.0	27.4
Global FX Volatility		9.0	0.0	0.1	0.7	1.0	1.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		225	-2.0	-2	-17	104	73
Italy		151	-0.7	-1	-13	57	16
Portugal		76	-2.3	-5	-13	25	12
Spain		88	-2.1	-6	-12	26	14

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

## Emerging Market Financial Indicators

Last updated: 3/24/2022 8:10 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		6.37	0.0	-0.4	-1	2	0		2.9	-2.0	3	-1	-38	2	
Indonesia		14352	0.0	-0.3	0	1	-1		6.7	-2.5	-2	18	1	32	
India		76	-0.1	-0.7	-1	-5	-3		6.3	0.0	0	9	75	0	
Philippines		52	0.1	-0.3	-2	-7	-3		5.2	0.0	13	18	50	70	
Thailand		34	-0.1	-1.1	-3	-8	-1		2.4	3.0	11	19	59	53	
Malaysia		4.23	-0.1	-0.7	0	-2	-1		3.8	-0.2	8	12	39	19	
Argentina		110	-0.1	-0.7	-3	-17	-7		49.3	27.0	103	139	389	-122	
Brazil		4.80	0.5	4.9	7	17	16		12.1	-3.0	-40	62	306	145	
Chile		789	0.5	1.3	4	-8	8		6.3	1.0	37	35	295	86	
Colombia		3785	-0.6	1.4	3	-5	8		8.2	0.0	40	30	295	181	
Mexico		20.17	0.3	1.8	2	4	2		8.4	0.5	4	47	141	86	
Peru		3.8	0.3	-1.2	-1	-1	6		6.6	1.3	0	58	194	71	
Uruguay		42	0.6	1.5	0	5	6		8.5	4.6	12	36	113	-21	
Hungary		340	-0.2	-1.7	-4	-9	-5		6.6	27.0	80	159	412	206	
Poland		4.31	-0.6	-2.1	-4	-9	-6		5.0	11.5	52	110	333	148	
Romania		4.5	-0.1	-0.9	-2	-8	-3		5.8	1.7	-7	69	320	102	
Russia		118.7	1.4	-8.3	-37	-38	-37		21.6	102.3	-818	737	1422	1280	
South Africa		14.7	0.4	1.5	4	2	8		8.1	-1.0	11	41	47	70	
Turkey		14.86	-0.2	-1.1	-6	-47	-10		28.2	34.0	184	368	1005	387	
US (DXY; 5y UST)		99	0.1	0.8	2	7	3		2.39	7.0	24	53	158	113	

	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		4251	-0.6	0	-7	-14	-14		219	-12	11	13	16	
Indonesia		7050	0.8	1	2	15	7		191	-12	6	17	26	
India		57596	-0.2	1	3	19	-1		162	-36	8	11	30	
Philippines		7083	1.0	-1	-2	8	-1		142	-6	5	41	41	
Malaysia		1599	0.1	1	0	0	2		132	-13	-1	10	15	
Argentina		90107	-0.1	3	2	85	8		1839	58	102	338	159	
Brazil		117457	0.0	6	5	5	12		311	-7	-20	41	0	
Chile		4841	0.0	1	10	0	12		163	-9	-11	29	23	
Colombia		1587	2.0	4	5	20	13		359	7	-33	142	11	
Mexico		55155	-1.0	4	7	18	4		357	-10	-13	23	25	
Peru		25643	0.8	4	11	19	21		182	-5	-8	29	32	
Hungary		44347	-0.6	-1	3	0	-13		148	-7	-5	9	24	
Poland		64518	0.2	1	15	13	-7		51	1	35	14	19	
Romania		12557	0.7	1	-1	16	-4		218	-16	-14	25	25	
Russia		2579	4.4	4	25	-26	-32		3988	273	3474	3804	3811	
South Africa		75025	0.2	2	2	15	2		378	15	-11	14	23	
Turkey		2186	0.2	2	18	55	18		569	13	6	15	-9	
Ukraine		519	0.0	0	0	0	-1		3414	508	1941	2907	2655	
EM total		45	-0.4	0	-3	-13	-8		558	7	100	188	172	

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