



- US Treasury yield curve measures provide different signals ([link](#))
- Spanish inflation comes in higher than expected in March ([link](#))
- Bank of Japan unexpectedly expands bond buying program ([link](#))
- Russia offers to buyback US dollar debt from local holders in rubles ([link](#))
- Chilean central bank raises rate less than expected and signals smaller future hikes ([link](#))

[Mature Markets](#)




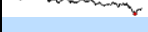
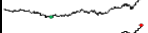


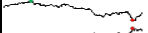
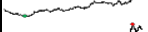
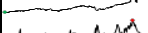
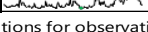
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## Bond markets in focus amid flattening yield curves

**Swings in commodity prices and the flattening in sovereign bond yield curves has grabbed investor attention over the last day.** Bond markets have continued to be volatile this morning as the US yield curve is steepening slightly while short-maturity yields are increasing in the Euro area, outpacing moves higher in longer-term yields. Yesterday, the spread between 2-year, 10-year US Treasury yields briefly turned negative intraday before reversing to now stand only about 4 bps from curve inversion. While monetary policy expectations have been a key factor behind the move in front-end rates, analysts have noted longer-term yields could be exhibiting concerns about the resilience of the growth outlook to policy tightening. In Asia, Japanese bond yields traded lower across the curve in response to expanded purchases by the BOJ to defend its yield curve control policy. Despite the volatility in bond markets, global equity markets had mostly been trading in positive territory amid optimism for progress in talks between Russia and Ukraine. However, the positive headlines gave way overnight following news reports that Russian authorities did not observe any breakthrough in Ukraine talks. European stock indices are pulling back about 1% and US equity futures are pointing to modest losses at the open. Assets in eastern Europe have outperformed since the news of improved prospects for Russia-Ukraine negotiations with currencies strengthening between 2 to 3% and local equities initially posting strong gains before easing this morning. Although stabilizing this morning, the constructive Russia-Ukraine talks was also reflected across oil markets with prices initially extending the slide so far this week with Brent crude oil now trading close to \$112 a barrel.

Key Global Financial Indicators

Last updated: 3/30/22 8:05 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4632	1.2	3	6	17	-3
Eurostoxx 50		3959	-1.1	2	1	1	-8
Nikkei 225		28027	-0.8	0	6	-4	-3
MSCI EM		46	1.7	1	-2	-13	-6
<b>Yields and Spreads</b>			bps				
US 10y Yield		2.41	1.8	12	59	71	90
Germany 10y Yield		0.69	6.0	23	56	98	87
EMBIG Sovereign Spread		439	-9	-17	-30	89	72
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		53.5	0.4	2	3	-4	2
Dollar index, (+) = \$ appreciation		97.9	-0.5	-1	1	5	2
Brent Crude Oil (\$/barrel)		112.5	2.1	-7	11	75	45
VIX Index (% change in pp)		19.5	0.6	-4	-11	0	2

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

## Mature Markets

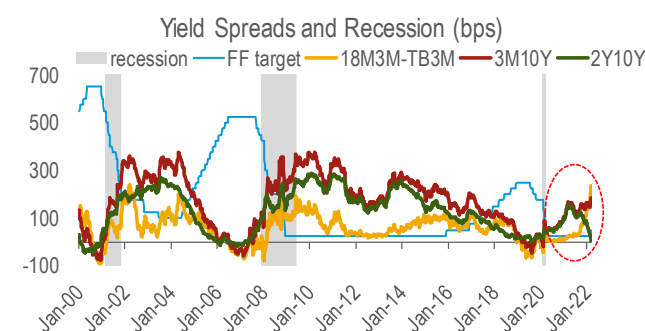
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### United States

Positive news of peace talks between Russia and Ukraine boosted market sentiment yesterday as the S&P 500 (+1%) rose for the fourth day, with all eleven major sectors except energy closing in the green. As broader commodity prices went down, TIPS breakeven inflation rates fell and dragged nominals yields lower. 5-year breakeven rates declined 13 bps to 3.5%. Nominal yields on 5 to 30-year tenors were down 4-7 bps, while 2-year yields rose 4 bps. **The 2-year, 10-year yield curve spread inverted at one point during yesterday's trading session.**

In data releases this morning, **the ADP employment numbers for March came in slightly stronger than expected (+455 vs. +450k consensus)**, along with an upward revision to the previous month (from +475k to +486k). The third estimate for **Q4 2021 US GDP was revised down from 7.0% to 6.9%** (q/q, saar), slightly weaker than expected (7.0% consensus). Q4 personal consumption was revised down from 3.1% to 2.5%. There was limited market reaction to these releases.

**Philadelphia Fed President Harker (alternate voting member) said that he is open to speeding up the pace of rate increases to curb inflation, and he would not take a 50 bp hike off the table for the next meeting.** Regarding the yield curve inversion, he said that it seems to correlate with recessions, but causation is not very clear, so it is important to look at lots of different data. Meantime, he does not think the US is heading for recession. **Despite spread tightening between 2-year and 10-year yields, other metrics such as the near-term forward spread and the 3-month and 10-year spread show different signals so far.**

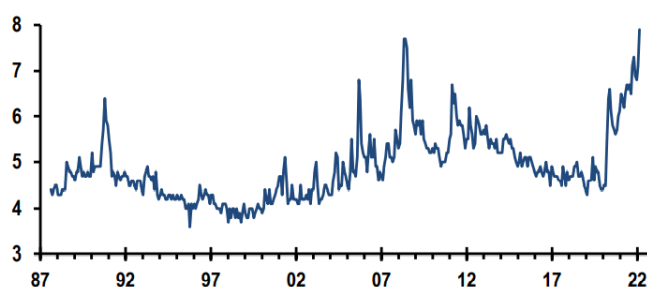


Source: Bloomberg, NBER

**US consumer confidence increased to 107.2 from a downwardly revised 105.7 last month after declines for two consecutive months.** The present situation index improved to 153 from 143 the previous month, supported by strong labor markets. However, **the expectations index declined to 76.6 from 80.8, with consumers citing rising prices, especially for gas, and the war in Ukraine as factors.** In addition, purchasing intentions for durable goods have softened as expectations for interest rates have risen. **Expectations for inflation over the next 12 months reached 7.9 %, an all-time high.**

Conference Board survey year-ahead inflation expectations

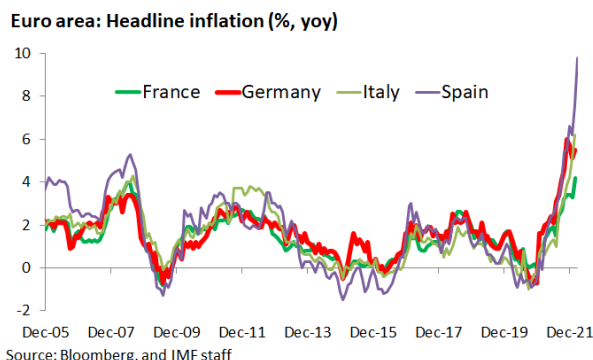
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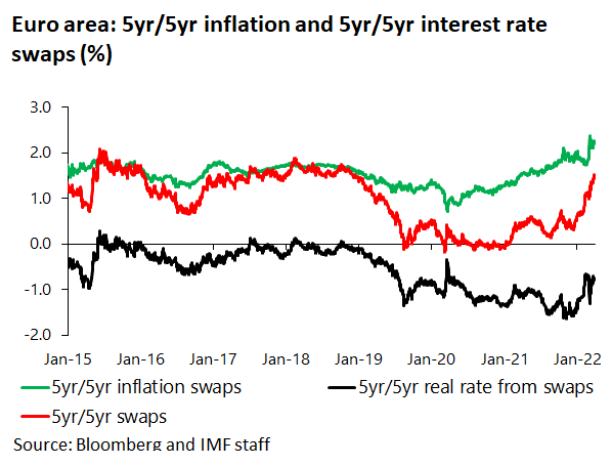
Source: Conference Board, J.P. Morgan

## Euro area

**Equities (-0.9%) fell with bank equities 1.7% lower as Russia said that there is no breakthrough in talks with Ukraine.** German 10-yr bund yields (+4 bps to 0.67%) rose after Spanish inflation data surprised markedly to the upside at 3% m/m (1.3% m/m expected) or 9.8% y/y (8.4% y/y expected) and German regional inflation prints also indicated upside risk to euro area inflation in March.



**The euro (+0.4%) firmed and money markets are now pricing in over 50 bps of hikes in 2022 as the governor of the central bank of Austria signaled that he favors two hikes of 25 bps this year.** Euro area 5-yr/5-yr inflation swaps were little changed at 2.25% with real yields remaining negative.



## Commodity Prices

**Brent oil prices (+1.6%) are higher as are natural gas prices (+11%) in Europe after Russia said that ruble payments for gas will take time to come into force.** Last week, Russia said that Gazprom needs to work out how ruble payments can be done from a technical and logistical point of view. Further news flow was expected given a ten-day deadline communicated by Russia last Wednesday, but this deadline may have been pushed back.

## Japan

**The Bank of Japan (BOJ) unexpectedly expanded its bond buying program.** The bank increased offers for 3-5-year (¥600 bn, planned: ¥450 bn) and 5-10-year (¥725 bn, planned: ¥425 bn) government bonds. Also, it offered unplanned purchases of 10-25-year bonds (¥150 bn), and bonds maturing over 25 years (¥100 bn). The bank's fixed rate 10-year bond buying operation saw no uptake today. Separately, **Governor Kuroda linked yen weakness with high energy prices.** He also said following his meeting with PM Kishida that individual market operations do not directly impact exchange rates and that he received no

specific policy requests. Separately, **Japan's Government Pension Investment Fund (GPIF) added its eighth ESG index to its portfolio.** The fund will allot ¥760 bn (\$6.2 bn) into FTSE's new Blossom Japan Sector Relative Index, partially using funds rotated from other ESG indexes, Bloomberg reports. Separately, **Japan's retail sales slipped -0.8% m/m in February** reflecting lower spending on clothes and accessories amid quasi-emergency measures. **Japanese stocks declined -1.2%, yen recovered +0.8%, 10-year yield fell -1.8 bps, 30-year yield dived -8 bps**



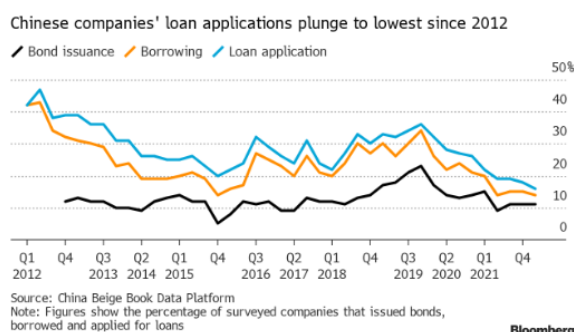
## Emerging Markets

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**Latin American equities were mostly higher yesterday**, led by gains in Brazil (+1.1%) and Mexico (+0.8%). Local currencies were mixed with Mexico and Colombia appreciating slightly, while Chile (-0.4%) underperformed following the dovish central bank decision. **Asian equities rallied +1.7% on net.** Chinese stocks outperformed (CSI +2.9%), Hong Kong SAR was up (+1.4%), losses persisted in Sri Lanka (-6.3%) amid lingering concerns about country's solvency. **Asian currencies appreciated.** Thai baht (+1%), South Korean won (+0.8%). **10-year yields mostly fell.** Yields in the Philippines (-16.4 bps), Thailand (-13.8 bps), and Hong Kong SAR (-13.4 bps) slipped the most (-4.9 bps). Sri Lanka yields climbed +7 bps. **Malaysia's** central bank pledged in its 2021 Economic and Monetary Review to adjust accommodative state of the monetary policy in line with economic recovery in a measured and gradual manner if needed, while preserving price stability. It also said, however, that continued monetary policy support would need to be balanced against an emergence of financial imbalances arising from maintaining low interest rates for a prolonged period. The **Bank of Thailand** expectedly kept its policy rate at 0.5% following its March meeting referring to cost-push factors behind inflation pick-up. The bank cut 2022 growth forecast to 3.2% in 2022 from 3.4%, but boosted headline inflation projections to 4.9% from 1.7%, with core now sees core inflation averaging 2.0% (previous: 0.4%). **EMEA markets traded with a cautious tone as contacts wonder to what extent Russia's offer to cut back its military operations in northern Ukraine signals de-escalation.** Equities fell in Hungary (1.1%) and are little changed in Poland. The Hungarian forint and Polish zloty edged lower.

## China

**The Shanghai branch of China's central bank urged local banks to step up credit support.** Its 2022 credit policy guidance called for banks to support property project merger and acquisition, and increase funding of affordable housing projects, Bloomberg reported. Earlier this week Shanghai city government also encouraged banks to cut lending rates for retailers. Meanwhile, **China's corporate borrowing cooled in Q1 2022.** A record low 16% of surveyed firms applied for loans over the period,



according to China Beige Book International. Also, the average rates for firms increased in Q4 2021, including on bank loans to 8.5% from 6.1% and on shadow financing loans to 15.1% from 10.7%. **Equities rallied (Shanghai: +2.0%, Shenzhen: +2.6%), renminbi appreciated +0.2%, 10-year yields fell -1.8 bps.**

## Russia

**Russia has offered to local holders to buy back U.S. dollar debt maturing next week in rubles.** The finance ministry offered to repurchase the bonds, which mature on April 4, at 100% of par value using the official central bank ruble rate on March 31. **The offer reportedly targets local holders to help reduce hurdles for local holders to receive funds.** The Finance Ministry is collecting bids from 4 p.m. in Moscow on March 29 to 5 p.m. on March 30, according to a statement. **The bond does not have a clause for payment in an alternative currency.** The offshore ruble (+4%) and stocks (+3.7%) gained.

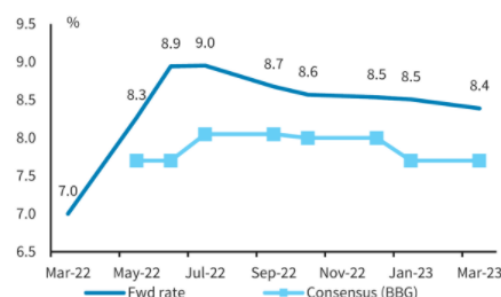
## Ukraine

**Ukraine raised hryvnia 3.3 bn (\$114 mn) in its fifth auction of war bonds at a yield of 11%.**

## Chile

**The Chilean central bank surprised on the dovish side, hiking only 150 bps, less than the 200 bp consensus estimate.** It is the same pace of hikes as the December meeting and the decision of the Board was unanimous. The Board highlighted the deceleration in economic activity, particularly in consumption, but it also emphasized the rise in inflation, with February's print of 7.8%. The below-consensus hike and the addition of clear signaling of a reduced pace of future hikes sent a dovish message compared with market pricing. The market has priced in about 200 bps of extra hikes for the next three months, which would be consistent with a slower pace than before, but some analysts suspect this could be revised somewhat lower given the less hawkish tone of the statement.

Figure 3. Camara curve implies a terminal rate close to 9%



Note: BBG consensus forecast and market pricing as they were at market close before the BCCh March meeting.









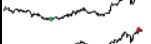












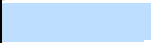



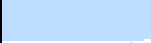


Source: Bloomberg, Barclays Research

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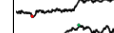





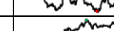
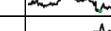





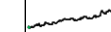



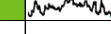









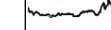


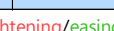
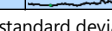




## Global Financial Indicators

Last updated: 3/30/22 8:06 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		4632	1.2	3	6	17	-3
Europe		3959	-1.1	2	1	1	-8
Japan		28027	-0.8	0	6	-4	-3
China		4254	2.9	-1	-7	-16	-14
Asia Ex Japan		77	1.8	1	-2	-17	-7
Emerging Markets		46	1.7	1	-2	-13	-6
<b>Interest Rates</b>			basis points				
US 10y Yield		2.41	1.8	12	59	71	90
Germany 10y Yield		0.69	6.0	23	56	98	87
Japan 10y Yield		0.23	-2.5	0	4	14	16
UK 10y Yield		1.69	4.7	6	28	87	72
<b>Credit Spreads</b>			basis points				
US Investment Grade		139	2.3	-7	-7	45	27
US High Yield		376	1.1	-25	-36	29	38
Europe IG		73	0.8	-6	2	19	25
Europe HY		337	5.8	-36	-8	76	96
<b>Exchange Rates</b>			%				
USD/Majors		97.88	-0.5	-1	1	5	2
EUR/USD		1.11	0.5	1	-1	-5	-2
USD/JPY		121.8	-0.9	0	6	10	6
EM/USD		53.5	0.4	2	3	-4	2
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		113	2.1	-7	11	75	45
Industrials Metals (index)		213	1.8	-1	12	49	23
Agriculture (index)		73	0.5	-4	4	47	20
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		19.5	0.6	-4.1	-10.6	-0.1	2.3
US 10y Swaption Volatility		115.5	0.2	10.4	16.0	29.5	36.5
Global FX Volatility		9.2	0.0	0.2	1.0	1.2	1.8
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		206	-17.3	-21	-34	88	54
Italy		151	2.6	-1	-6	54	16
Portugal		78	1.7	-1	-9	26	13
Spain		89	2.1	-2	-10	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: 3/30/2022 8:08 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		6.35	0.2	0.3	-1	3	0		2.9	-2.0	-4	-1	-41	1
Indonesia		14343	0.1	0.0	0	1	-1		6.7	-1.7	2	23	-4	37
India		76	0.1	0.5	-1	-3	-2		6.3	0.0	0	9	75	0
Philippines		52	0.1	0.7	-1	-7	-2		5.3	5.0	15	23	68	85
Thailand		33	1.1	0.9	-2	-6	0		2.4	-12.0	1	14	51	51
Malaysia		4.20	0.2	0.5	0	-1	-1		3.9	-2.5	14	25	64	33
Argentina		111	-0.1	-0.7	-3	-17	-7		49.3	-14.9	27	95	335	-122
Brazil		4.75	0.3	1.7	9	22	18		11.6	-3.0	-58	-7	213	90
Chile		789	-1.1	0.5	1	-7	8		6.0	-22.0	-25	23	263	60
Colombia		3756	0.8	0.1	5	-2	9		8.0	0.0	-20	-3	243	161
Mexico		19.91	0.4	1.6	3	3	3		8.3	-0.5	-10	39	139	76
Peru		3.7	0.1	1.4	1	1	7		6.7	-8.1	5	50	167	75
Uruguay		41	0.5	2.7	3	8	9		8.8	0.0	36	68	139	10
Hungary		331	0.2	2.7	0	-6	-2		6.1	-7.5	-17	100	352	162
Poland		4.19	0.4	2.4	0	-5	-4		4.8	0.6	-11	89	296	126
Romania		4.4	0.4	1.2	-1	-5	-2		5.9	-12.4	9	40	330	109
Russia		118.7	1.4	-8.3	-37	-38	-37		14.3	-62.3	-624	-52	694	554
South Africa		14.5	0.3	1.9	6	3	10		8.0	-2.0	-16	31	27	55
Turkey		14.68	-0.6	1.1	-6	-43	-9		25.8	-3.0	-208	137	660	145
US (DXY; 5y UST)		98	-0.5	-0.7	1	5	2		2.49	-1.0	17	77	159	123

	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		4254	2.9	-1	-7	-16	-14		215	-6	1	11	12	
Indonesia		7053	0.6	1	2	18	7		180	-6	-30	15	15	
India		58684	1.3	2	4	19	1		159	-3	-11	12	27	
Philippines		7167	0.7	2	-2	11	1		133	-6	-30	40	32	
Malaysia		1583	0.0	-1	-2	1	1		127	-7	-19	4	10	
Argentina		89967	-1.8	0	2	87	8		1732	-57	-82	179	52	
Brazil		120014	0.0	2	6	3	14		291	-10	-40	17	-20	
Chile		4915	0.0	2	8	0	14		147	-6	-36	19	7	
Colombia		1599	0.0	1	5	20	13		329	-17	-54	106	-19	
Mexico		56111	0.8	1	5	17	5		331	-15	-36	-9	-1	
Peru		25259	-0.3	-1	6	18	20		164	-8	-28	17	14	
Hungary		46385	-0.7	4	6	4	-9		140	1	-38	9	16	
Poland		65613	0.0	2	7	13	-5		12	-37	-50	-25	-20	
Romania		12816	0.4	3	1	15	-2		202	-6	-53	15	9	
Russia		2513	4.3	2	2	-29	-34		3188	-160	715	3011	3011	
South Africa		74945	0.2	0	-2	11	2		362	-1	-50	5	7	
Turkey		2224	0.8	2	14	59	20		529	-35	-68	-2	-49	
Ukraine		519	0.0	0	0	0	-1		2572	-811	-624	2071	1813	
EM total		46	0.0	1	-2	-13	-6		513	-29	-44	143	127	

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

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