



- Fed Chair Powell expected to communicate on balance sheet runoff and QT tapering ([link](#))
- Robust demand likely to match strong US high-grade corporate bond issuance ([link](#))
- Ahead of BoE meeting, UK inflation printed marginally lower than expected ([link](#))
- As expected, Bank Indonesia maintained its policy rate unchanged at 6% ([link](#))
- Increasing South African inflation reinforces views that rates will remain on hold ([link](#))
- Zambia's Eurobond continue to increase on debt restructuring progress hopes ([link](#))
- **Special Feature: 2023 Q4 Corporate Earnings Monitor** (attached)

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Will the Dots go Marching?

Ahead of the Fed meeting today, stock markets remained lower this morning. Sovereign bond yields are easing, and the dollar is stronger. After stalling US services disinflation, investor's focus is whether the updated dot plot will remain sticky or show fewer than three cuts, with some market contacts noting that any hawkish surprise from the Fed could unleash a wave of profit taking. In terms of data, inflation in the UK softened with headline falling to a level last seen in September 2021, while services inflation remains elevated. German producer prices printed lower than expected, while market pricing for a June ECB rate cuts is not yet mirroring the conviction exuded by ECB officials, whose commentary coalesced around June as the most likely timing for a first cut. Albeit Japanese markets are closed for a public holiday, the Japanese yen is approaching the weakest level in three decades as investors look for clues whether yesterday's rate hike decision by the Bank of Japan remains a one-off absent clear forward guidance. In Emerging Markets, the Banco Central de Chile's Governor Costa mulls further policy easing while Governor Remolona stated that Philippines Central Bank does not need to wait for the Fed before cutting policy rates.

Key Global Financial Indicators

Last updated: 3/20/24 8:49 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5179	0.6	0	4	31	9
Eurostoxx 50		5001	-0.1	0	5	21	11
Nikkei 225		40004	0.7	3	4	48	20
MSCI EM		41	-0.5	-2	1	8	1
Yields and Spreads			bps				
US 10y Yield		4.29	-0.6	10	1	80	41
Germany 10y Yield		2.43	-2.1	6	6	30	41
EMBIG Sovereign Spread		356	-1	-5	-26	-154	-28
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.5	-0.2	-1	-1	-7	-3
Dollar index, (+) = \$ appreciation		104.1	0.3	1	0	1	3
Brent Crude Oil (\$/barrel)		86.0	-1.6	2	4	17	12
VIX Index (% change in pp)		14.0	0.2	0	-1	-10	2

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

Mature Markets

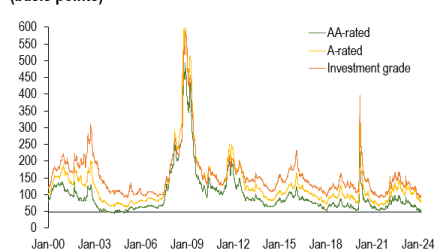
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United States

Fed Chair Powell is expected to comment on QT balance sheet runoff at the meeting today. In speeches this year, Fed officials—including Dallas Fed President Logan and Fed Board member Waller—indicated that the level of overnight reverse repo facility (ON-RRP) will be decisive for when to start the tapering of the QT balance sheet runoff. Given the declined usage of the ON-RRP facility, whose level declined to \$440 bn from \$2280bn a year ago, Fed Chair Powell is expected to shed some light on QT tapering at today's press conference.

The massive high-grade issuance volume is likely to be matched with robust investor demand. US corporate high-grade bonds have witnessed a significant tightening of spreads. This is even more pronounced for AA rated bonds, whose spreads are at their tightest levels since 2005 (left chart). Additionally, muted concessions on these new issuances and high book-cover ratios suggest strong investor demand. Sensing this, high-grade issuers have ramped up their offerings, which are estimated to stand at \$466 bn year-to-date as of March 12, 2024 (right chart). Market contacts expect the strong demand to persist as investors continue to hunt for attractive yields before the Fed embarks on its easing cycle.

AA bond spreads are tightest since 2005 (basis points)



High-grade bond issuance on track to set 1Q record (bn USD)



Japan

The Japanese yen continued to depreciate.

While Japan's markets were closed for a public holiday today, the Japanese yen declined (-0.5%) to ¥151.7/\$ one day after the Bank of Japan's (BOJ) exited its unconventional monetary policy. Absent clear guidance on further rate hikes, market contacts look for clues whether the rate hike decision yesterday remains a one-off or whether the BOJ will continue raising policy rates. For now, market contacts view that US monetary policy remains the near-term market driver for the Japanese yen. Also, data from the Commodity Futures Trading Commission points shows that traders accumulated a considerable short position in yen that hasn't been seen in six years.

Yen Approaching Weakest Level in Three Decades

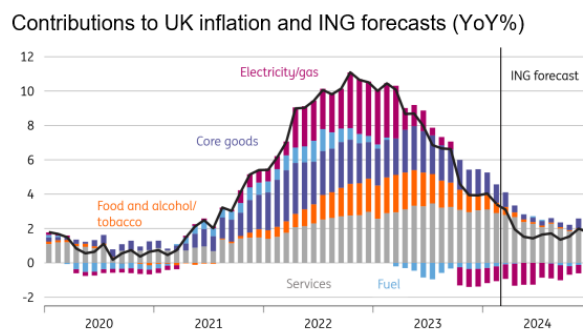


Euro Area

The STOXX 600 index remained flat ahead of the Fed meeting later today. The euro was trading weaker (-0.2%) against the dollar trading at around \$1.08/€ while 10y bund yields eased (-4bps) trading at around 2.4%. In terms of data, Germany's PPI for February printed at -4.1% (exp. -3.8% from -4.4%). Market pricing remains for -89bps of rate cuts for the 2024, with around 21bps of rate cuts priced in for June. ECB Governing Council member and Bank of Latvia Governor Kazaks expressed comfort with market expectations of three rate cuts in 2024.

United Kingdom

Ahead of the Bank of England meeting tomorrow, gilt yields eased after a softer February inflation print. Headline inflation for February printed at 3.4% y/y (exp. 3.5% from 4%) to its lowest rate since September 2021. ING analysts note that headline inflation could ease to below 2% in either April or May and stay below target for 2024. HSBC analysts highlight that services inflation remains elevated, even though it eased to 6.1%/y/y (from 6.5%), which was in line with the BoE's most recent forecast. For the meeting tomorrow, the expectation is that the BoE will keep its policy rate unchanged at 5.25%, and market contacts will focus on guidance (no changes expected) and the MPC member vote split. Markets scaled up BoE rate cut expectations slightly, with 71bps of BoE easing priced in for 2024 (compared to 67bps priced in yesterday), seeing today slightly higher odds of a 25bps rate cut in June compared to a 35% probability yesterday. 10y gilt yields eased (-5bps to 4.01%), while the pound was weaker against the dollar (-0.2%) at around \$1.27/£.



Source: Macrobond, ING

Emerging Markets

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Today, EMEA currencies traded mostly weaker while stock markets lacked clear direction. CEE currencies were mostly weaker against the euro, with the Czech krone marginally weaker (-0.1% at 25.30/€) ahead of the policy decision later today, where the consensus is for a -50bps rate cut to take the policy rate to 5.75%. Equities outperformed in Russia (+0.6%) and while underperforming in Poland (-0.80%).

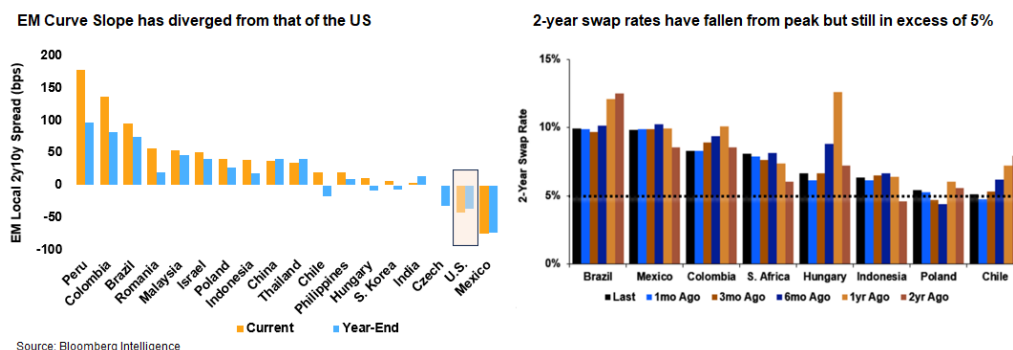
Today, Asian equities posted mixed results while currencies depreciated. On net, stock markets slightly gained (+0.3%), driven by regional strength in Korea (+1.3%), while Thai (-0.7%) and Malaysian (-0.6%) equities were weaker. Within currencies, the Philippine peso (-0.4%) and Thailand (-0.3%) lead the decline. former underperformed following communication by Bangko Sentral ng Pilipinas' Governor Remolona, who stated that the central bank does not need to wait for the Fed before cutting its own policy rate and that there is room to lower banks' reserve requirement ratio. Long-end government bond yields were mixed, with 10-year yields rising in China (+1.8 bps) while falling in Singapore (-1.7 bps) and Korea (-1.7 bps).

Yesterday, Latin American equities traded weaker while currencies diverged. The Colombian peso outperformed peers (+0.4%), reaching the strongest level year-to-date. The Chilean Peso underperformed (-1.8%) amid increasing expectations for further rate cuts, mirroring weaker copper prices. Regional stock markets declined on net (-0.6%). Stock markets in Brazil (+0.5%) and Argentina (+0.5%) bucked the broader trend, with stock markets in the latter marking a third consecutive day of gains.

EM Local Currency Government Bond Markets

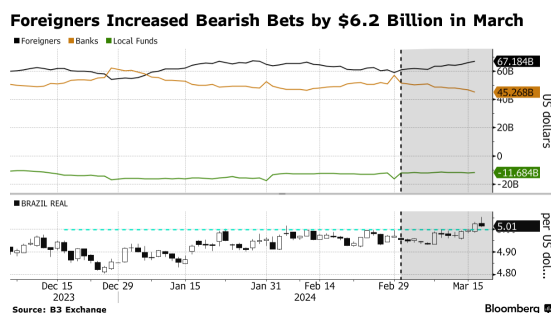
Diverging narratives around the inflation debate imply that the pass-through of US rates into EM local currency bond markets tempered. According to a Bloomberg analysis, most emerging market local currency government bond (EM LCGB) curve slopes, defined as the rate differential between the 2-year

and 10-year (2s10s) yields, have strayed from those of the US Treasuries curve, with local yield curves steepening across a number of EM economies. This divergence can be partially attributed to a “*deeper disinflationary impulse*”, giving some EM central banks more policy headroom to stimulate growth. This steepening trend is more prominent among major Latin American economies, with Peru, Colombia, and Chile experiencing “*significant expansion*” in term premiums since last year-end. In contrast, curves in China, India, Mexico, and Thailand have flattened. Mexico and the Czech Republic are the only remaining EM countries with inverted yield curves, as the 2s10s spreads are now positive in Chile, Hungary, and South Korea. Despite the decline observed in the 2-year swap rates, many of these benchmark yields still trade more than 5%, or above the 2-year US Treasury yield.



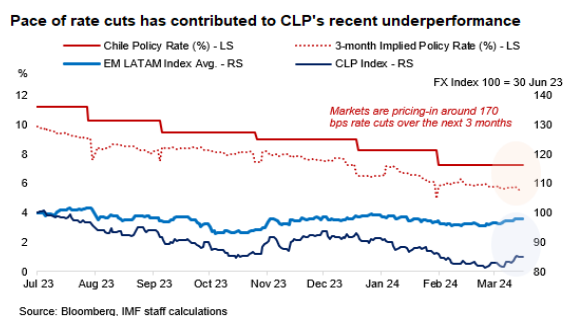
Brazil

Foreign investors increase bearish bets on the Brazilian real, reaching a \$67.2bn short position in the derivatives market. This surge in bearish positioning has pushed the Brazilian real beyond a critical support level, which maintains its weakness above 5.0/\$ since Monday. Month-to-date, foreign investors have increased their bearish position by \$6.2 billion, driven by concerns over political interference in several state-owned conglomerates and fears of a delayed interest rate cut by the Fed. Market commentary suggest investors might be stopping-out bullish positions, signaled by a lack of “*defense*”, which could potentially amplify an accelerated move towards the next technical support level near 5.1/\$.



Chile

Chile’s central bank president calls for further policy easing. Banco Central de Chile’s Governor Costa noted that inflation is nearing its target and that consumer price expectations stabilized around target. She also noted that recent price hikes, primarily affecting specific items, have not translated into widespread pressures, as core inflation rates continued to slow. She emphasized that as economic imbalances resolve and inflation realigns with target, the benchmark rate will approach its neutral level, estimated at about 4%. Referencing to currency movements, Costa attributes the Chilean Peso’s recent decline to local interest rate cuts outpacing global trends. Critically, she also noted that Peso weakness is not occurring over the backdrop of larger domestic risk. Since the second half of last year, the central bank has slashed policy rate by 4.0%, which is one of the steepest descents in policy rates globally.

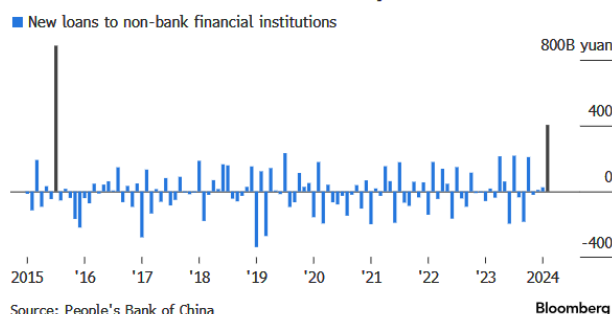


China

As expected, Chinese banks kept loan prime rates unchanged (1-year: 3.45%; 5-year: 3.95%). The move followed last week's decision by the People's Bank of China (PBC) to keep the medium-term lending facility (MLF) rate unchanged. Banks' lending to nonbank financial institutions surged in February by the most in seven years. Lending to nonbank financial institutions increased by more than 400bn yuan (\$55.6 bn) amid growing concern that banks provided loans to state funds, which might have bought stocks as part of the authorities' stock market stabilization efforts. The lending increase appeared to broadly match with analysts' expectations of '*national team*' buying. The RMB remained at 7.2 yuan per dollar. The PBC continued setting the daily RMB fixing stronger than expected, with a large deviation from market consensus. Chinese equities gained (CSI 300: +0.2%; Hong Kong SAR-listed: +0.4%). CGB yields rose (1-year: +1.3 bps; 10-year: +1.8 bps).

China's Non-Bank Borrowing At Highest Since 2015

Scale of increase hasn't been seen since last major stock meltdown

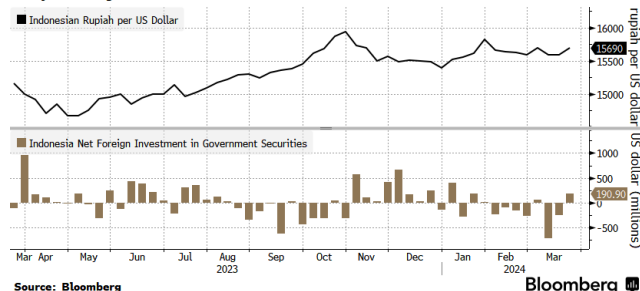


Indonesia

As expected, Bank Indonesia kept its policy at 6%. Governor Warjiyo stated that rupiah stability, which is one of the central bank's primary objectives, will be key for the timing and pace of Bank Indonesia's next policy move. Analysts viewed that Bank Indonesia will wait for the Federal Reserve to cut before following. While the Indonesian rupiah has been broadly stable, the currency could face significant downward pressures amid capital outflows which could be driven by narrowing interest rate differentials. Investors remain wary of Indonesian assets amid the fiscal policy outlook under the new government. The planned increase in the valued-added tax is in doubt after several lawmakers called for a delay. This pushback illustrates how the next administration may face a more fractured parliament. The biggest ruling party is poised to become an opposition that will hold nearly a quarter of the next parliament's seats. Today, Indonesian rupiah remained flat. Equities declined (-0.1%). Government bond yields were mixed (1-year: -4.6 bps; 10-year: +0.3 bp).

Indonesia's Rupiah Under Pressure Amid Foreign Outflows

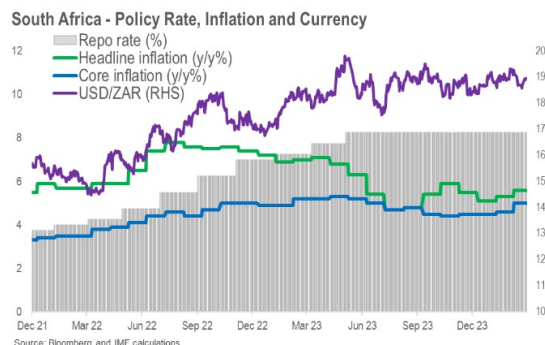
Weekly data change



South Africa

Marginal upside inflation surprise reinforces the view that policy rates could remain on hold at the upcoming policy meeting. Data released this morning shows that headline inflation kept rising, cementing expectations that central bank will leave its policy rate at a 15-year-high of 8.25% at the upcoming policy

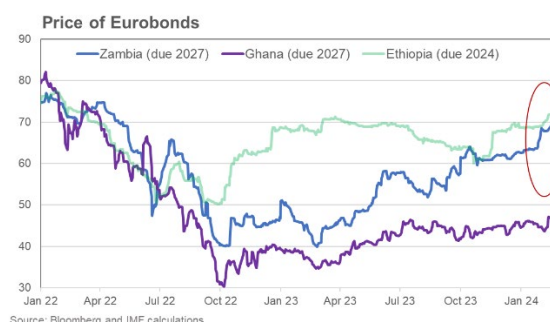
meeting on March 27. South Africa's headline inflation rate climbed to 5.6% y/y (exp. 5.5% from 5.3%). Core inflation also surprised on the upside, increasing to 5.0% y/y (exp. 4.9% from 4.6%). According to Bloomberg analysts, this reinforces the expectation that the central bank will keep borrowing costs on hold for a fifth consecutive time at its meeting next week. The South African Rand retraced some early morning losses in later trading, stabilizing at around 18.91/\$.



Zambia

According to news reports, foreign investors are set to restart debt restructuring talks with officials.

Following a Bloomberg article yesterday, this morning the FT also reported that the Zambian president once again called on creditors to end the debt restructuring impasse. President Hichilema also cautioned that if an agreement is not reached this month, the delay is starting to negate the country's post-default economic recovery gains. Absa analysts highlight that the \$13bn debt restructuring has been in stalemate since November 2023, when an agreement with some commercial creditors was rejected by official creditors. Bloomberg yesterday reported that foreign investors and Zambian officials are hoping to reach an agreement ahead of the IMF's upcoming spring meetings. Bloomberg data showed Zambia's Eurobonds due in 2027 have gained roughly 10 cents since the start of this year, to trade at around 72cents on the dollar this morning.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert-New York Representative), Benjamin Mosk (Senior Financial Sector Expert), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Mustafa Oguz Caylan (Research Officer), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Phakawa Jeasakul (IMF Resident Representative in Hong Kong SAR), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Sonal Patel (Senior Financial Sector Expert-London Representative), Silvia Ramirez (Senior Financial Sector Expert), Ying Xu (Economist), Dmitry Yakovlev (Senior Research Officer), and Akihiko Yokoyama (Senior Financial Sector Expert). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Sammeta (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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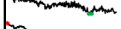






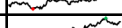




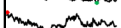

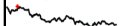





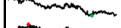


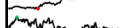




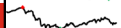



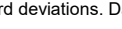


Global Financial Indicators

3/20/24 8:50 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5179	0.6	0	4	31	9
Europe		5001	-0.1	0	5	21	11
Japan		40004	0.7	3	4	48	20
China		3585	0.2	0	4	-10	4
Asia Ex Japan		67	-0.7	-2	2	4	1
Emerging Markets		41	-0.5	-2	1	8	1
Interest Rates			basis points				
US 10y Yield		4.29	-0.6	10	1	80	41
Germany 10y Yield		2.43	-2.1	6	6	30	41
Japan 10y Yield		0.74	0.0	-3	1	49	13
UK 10y Yield		4.03	-3.1	1	-2	72	49
Credit Spreads			basis points				
US Investment Grade		121	0.2	-3	-2	-59	-13
US High Yield		349	0.7	-4	-24	-188	-36
Exchange Rates			%				
USD/Majors		104.13	0.3	1	0	1	3
EUR/USD		1.08	-0.2	-1	0	1	-2
USD/JPY		151.7	0.6	3	1	16	8
EM/USD		46.5	-0.2	-1	-1	-7	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		86.0	-1.6	2	6	20	12
Industrials Metals (index)		141	-0.3	-2	4	-9	-1
Agriculture (index)		59	-0.2	-1	0	-12	-5
Implied Volatility			%				
VIX Index (% change in pp)		14.0	0.2	0.3	-1.4	-10.2	1.6
Global FX Volatility		6.4	0.0	-0.1	-0.4	-4.7	-1.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		100	-0.1	6	-8	-98	-4
Italy		128	2.3	5	-21	-59	-40
Portugal		64	0.7	0	-12	-25	0
Spain		81	0.9	1	-10	-26	-16

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

Emerging Market Financial Indicators

Last updated: 3/20/2024 8:50 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		7.20	0.0	-0.2	0	-4	-1		2.4	7.5	1	-1	-66	-15
Indonesia		15715	0.0	-0.9	0	-2	-2		6.7	0.1	2	3	-25	17
India		83	-0.2	-0.4	0	-1	0		7.3	0.0	9	1	(13.6)	4
Philippines		56	-0.4	-1.3	0	-3	-1		5.4	0.1	0	0	-54	-20
Thailand		36	-0.2	-1.2	0	-6	-6		2.5	0.0	7	-1	16	-17
Malaysia		4.74	0.0	-1.1	1	-5	-3		3.9	-1.5	3	1	-5	14
Argentina		853	-0.1	-0.9	-2	-76	-5		57.1	-485.0	-171	-1865	-3380	-2927
Brazil		5.02	0.2	-0.9	-2	4	-3		11.0	-1.2	19	22	-223	61
Chile		977	-1.1	-3.2	-1	-16	-10		5.1	-3.5	3	7	11	18
Colombia		3880	0.4	1.2	1	24	-1		7.8	0.0	17	29	-127	17
Mexico		16.84	-0.2	-1.0	1	12	1		8.8	0.4	16	3	21	33
Peru		3.7	0.1	-0.5	3	2	0		7.0	0.0	-1	28	-67	31
Uruguay		38	0.2	1.0	2	2	1		9.0	1.2	2	-5	-137	-54
Hungary		365	-0.4	-0.8	-2	1	-5		6.2	0.0	28	33	-216	47
Poland		3.99	-0.5	-1.9	0	10	-1		5.0	1.3	5	22	-29	52
Romania		4.6	-0.2	-1.0	0	0	-2		6.5	0.6	9	12	-77	27
Russia		92.7	-0.2	-1.4	0	-17	-3							
South Africa		18.9	0.1	-1.6	0	-2	-3		9.6	1.0	25	26	71	53
Türkiye		32.39	-0.1	-0.9	-5	-41	-9		27.0	0.0	9	64	1518	25
US (DXY; 5y UST)		104	0.3	1.3	0	1	3		4.29	-0.5	9	4	70	44

	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		3585	0.2	0	4	-10	4		149	-5	-6	-33	-9	
Indonesia		7331	-0.1	-1	0	10	1		103	-2	-4	-63	7	
India		72102	0.1	-1	-1	24	0		108	-3	-1	-69	-8	
Philippines		6857	0.1	-2	-1	5	6		89	-1	0	-48	9	
Thailand		1373	-0.7	-1	-1	-13	-3		0	0	0	0	0	
Malaysia		1536	-0.6	0	-1	9	6		86	-1	3	-17	1	
Argentina		1129937	0.5	10	7	411	22		1533	-109	-260	-864	-380	
Brazil		127529	0.5	0	-2	26	-5		214	-3	0	-82	-1	
Chile		6418	-0.6	-1	1	24	4		126	-5	-3	-30	1	
Colombia		1307	0.0	2	5	18	9		296	-6	-6	-153	25	
Mexico		55548	-1.2	1	-3	7	-3		325	-4	-2	-98	-9	
Peru		29294	-1.2	2	4	37	13		142	-1	-2	-56	-2	
Hungary		65965	0.0	-1	0	60	9		154	-5	-11	-105	5	
Poland		79435	-0.3	-3	-3	41	1		98	-4	-3	-11	1	
Romania		16491	0.7	2	5	37	7		188	-11	-12	-95	-13	
South Africa		72252	0.5	-3	-1	-3	-6		351	3	5	-81	43	
Türkiye		8967	0.4	1	-4	80	20		327	4	12	-164	13	
Ukraine		507	0.0	0	0	0	0		3807	-22	-448	-1131	-197	
EM total		41	0.0	-2	1	8	1		308	-4	-35	-126	-38	

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

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