



- The Fed raised policy rates with softer forward guidance ([link](#))
- Japan ended restrictions on exports of chips inputs to South Korea ([link](#))
- The Swiss National Bank raised policy rates by 50 bps ([link](#))
- Lower oil prices could pressure oil exporters' sovereign spreads ([link](#))
- Markets in Argentina under stress as government orders sale of dollar bonds ([link](#))
- China's Evergrande released details of a debt restructuring plan ([link](#))

[Mature Markets](#)












[Emerging Markets](#)

[Market Tables](#)

Recent string of central bank decisions is the focal point

Markets have been focused on the slew of central bank decisions. In response to renewed inflation pressures, the Federal Reserve and the Swiss National Bank raised interest rates by 25 bps and 50 bps, respectively, while expressing confidence in the soundness of their banking systems. Joining in lockstep with the Fed, the Bank of England, Norges Bank, Hong Kong Monetary Authority, Philippines central bank, and the central banks in the Gulf Cooperation Council also raised policy rates by 25 bps. Unexpectedly, the Taiwan POC's central bank completed the pack with a 12.5 bps hike. Conversely, the Turkish central bank kept rates on hold at 8.5%. In terms of forward guidance, the Fed's acknowledgement of likely credit tightening amid softened forward guidance was seen as dovish, leading to a front-end rally in US Treasuries and a broad depreciation of the dollar. The central bank decisions have been overshadowed by US Treasury Secretary Yellen's commentary that the US is not considering widespread bank deposit insurance, which reignited market concerns on the banking system. In reaction, equity markets globally sold off, led by Financials.

Key Global Financial Indicators

Last updated: 3/23/23 8:32 AM	Level		Change from Market Close				YTD	Since 23-Feb-22
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
Equities			%				%	
S&P 500		3937	-1.6	1	-2	-12	3	-7
Eurostoxx 50		4184	-0.3	2	-2	8	10	5
Nikkei 225		27420	-0.2	1	0	-2	5	4
MSCI EM		38	0.4	3	-2	-15	1	-19
Yields and Spreads			bps					
US 10y Yield		3.48	4.5	-10	-40	119	-40	149
Germany 10y Yield		2.27	-6.2	-2	-21	180	-31	204
EMBIG Sovereign Spread		504	11	0	48	48	52	91
FX / Commodities / Volatility			%					
EM FX vs. USD, (+) = appreciation		50.4	0.1	1	0	-3	1	-5
Dollar index, (+) = \$ appreciation		102.2	-0.1	-2	-2	4	-1	6
Brent Crude Oil (\$/barrel)		76.4	-0.4	2	-7	-37	-11	-21
VIX Index (% change in pp)		21.5	-0.7	-1	0	-2	0	-10

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

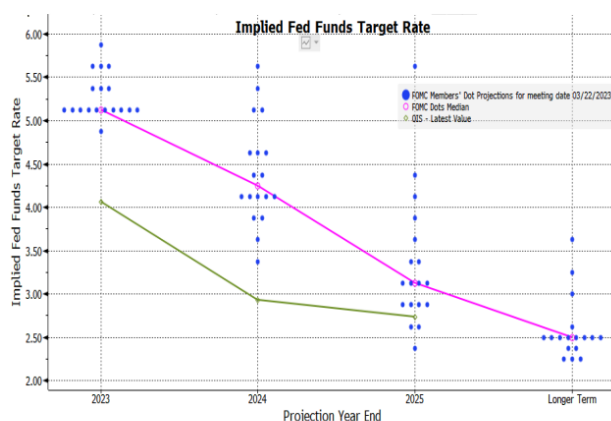
Mature Markets

[back to top](#)

United States

Amid softer forward guidance, the Fed's 25 bps hike is perceived as dovish. With its latest interest rate decision, the Fed set the target range of the Federal Funds rate to 4.75%-5.0% while a more conciliatory tone in the forward guidance suggests that from now on, the Fed Fund's path may be more responsive to banking woes. Notably, the statement dropped the reference to *"ongoing increase (...) will be appropriate"* and added, *"some additional policy firming may be appropriate"*. As the Fed does not yet see bank reserves running into shortages, the quantitative tightening continues at a monthly pace of \$95bn for the time being.

In the median, the Fed's updated dots show minimal changes. With the meeting yesterday, the Fed also updated its Survey of Economic Projections (Dot plot). In terms of the Fed Funds, the median dots suggest one more hike this year and rate cuts in 2024 and in 2025. Compared to December, the median dots for end-2023, end-2025 and long-run remain unchanged at 5.125%, 3.25% and 2.5%, respectively. Only the Fed Fund median dot for 2024 increased slightly to 4.25% from 4.125% (left chart below). Also, according to the dots, all but one Fed participant are expecting to raise rates at least one more time this year, and several see rates going even higher, implying that the Fed needs to see more tangible evidence that inflation is heading lower before backing off, which Chair Powell reiterated at the press conference. Changes in the median dots for economic aggregates include downward revisions for real GDP growth in the next two years, and upticks in PCE and Core PCE inflation this year on the back of downward revision of the unemployment rate this year in reflection of the tight labor market (right chart below).

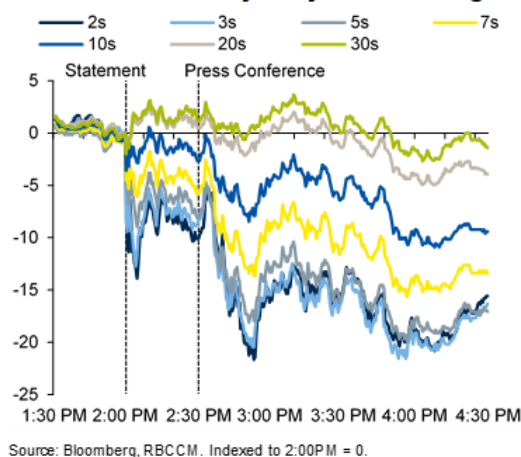


March FOMC Economic Projections				
Medians	2023	2024	2025	Longer run
Change in real GDP*	0.4	1.2	1.9	1.8
Dec projection	0.5	1.6	1.8	1.8
Unemployment rate**	4.5	4.6	3.6	4.0
Dec projection	4.6	4.6	4.5	4.0
PCE inflation*	3.3	2.5	2.1	2.0
Dec projection	3.1	2.5	2.1	2.0
Core PCE inflation*	3.6	2.6	2.1	
Dec projection	3.5	2.5	2.1	

*% change, Q4/Q4 **%, Q4 level

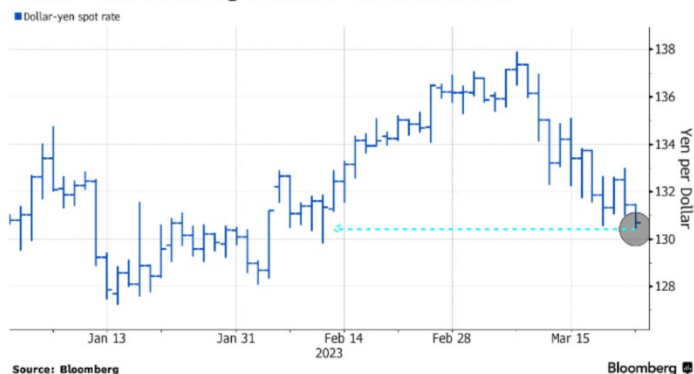
Source: Federal Reserve, TD Securities

US equities turned lower during the Fed press conference, which was overshadowed by Treasury Secretary Yellen's comments on deposit insurance. Market participants noted the contrast between Fed Chair Powell's and Treasury Secretary Yellen's comments on deposit insurance, that occurred around the same time. Whereas Fed Chair Powell stated that depositors should assume that their deposits are safe, Treasury Secretary Yellen stated that the US government wouldn't consider a blanket deposit insurance. This prompted US equities to sharply correct during the Fed press conference with bank stocks underperforming as shown by a -4.7% decline in the KBW bank index compared to a decline in the S&P 500 of -1.65% (left chart below). Treasury yields declined, driven by lower real yields, with the curve steepening. The US dollar weakened against most major currencies.

Sharp Correction of US Equities Post Meeting**Front End Treasury Rally Post Meeting****Japan**

Japanese stocks declined -0.3%.

Nationwide department sales accelerated to +20.4% y/y in January (previous: +15.1%). Separately, **Japan ended restrictions on exports to South Korea of three key compounds used in the manufacture of semiconductors.** The Ministry of Economy announced easing of licensing requirements on fluorinated polyimide, hydrogen fluoride and photoresists. South Korea's trade ministry simultaneously announced it had withdrawn its complaint to the World Trade Organization over the issue. **Yields on 10Y benchmark declined -2.3 bps; the yen appreciated +0.5%.**

Dollar-Yen Extending Declines on Fed Outlook**Euro Area**

While European equities saw declines, the euro strengthened. Following two consecutive days of strong gains, the Stoxx Europe 600 declined -0.9%, and banking stocks lost -2.4% as US Treasury Janet Yellen's remarks that the US is not considering widespread bank deposit insurance sparked further market concerns. The euro gained 0.2% vs. the dollar following the Fed's dovish hike. Bond yields are down, with German 10y bund yields declining -4 bps to 2.29% while Italian spreads are +2 bps higher at 186 bps.

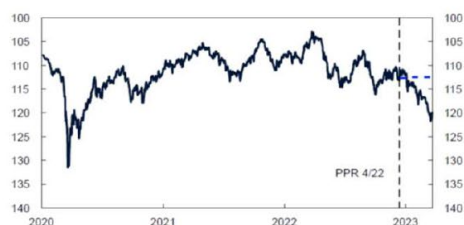
ECB officials' communication on forward guidance yields mixed results. Bundesbank President Nagel, Finnish Governor Rehn and ECB President Lagarde have made hawkish remarks that suggest that the monetary policy path could take prevalence again over financial stability issues with Rehn being cleared in stating that the ECB should first focus on inflation and then on financial stability. According to him, the EU needs to maintain momentum on completing the banking union and the European deposit insurance. Belgian Governor Wunsch emphasized that the ECB should use the time before its next meeting to assess the impact of the recent banking turmoil, noting that the ECB will probably need to keep raising interest rates if markets stabilize. Italian Governor Visco reiterated that global uncertainty is such that the ECB needs follow a meeting-by-meeting approach. He added that real interest rates remain low, and that the ECB should continue its efforts to keep prices in check. ECB Board Member Panetta warned against pre-committing to future policy moves, arguing that officials must remain flexible. He added that the tightening must be calibrated prudently as it is already having a strong impact on financing conditions.

Norway

The Norwegian krone appreciated +0.8% vs. the dollar after Norges Bank hiked rates by 25 bps.

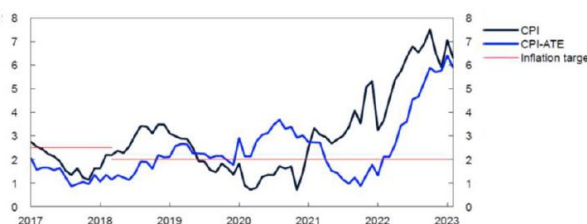
While acknowledging that there is considerable uncertainty about future economic developments, Governor Bache said that if developments turn out as expected, the policy rate will be raised further in May, because wage growth and the weaker krone are seen as contributing to inflation going ahead. The krone has been the worst performing G-10 currency this year, losing 5.6% to the dollar.

Import-weighted exchange rate index. I-44



Sources: Refinitiv Datastream and Norges Bank

CPI and CPI-ATE. Twelve-month change. Percent



Source: Statistics Norway

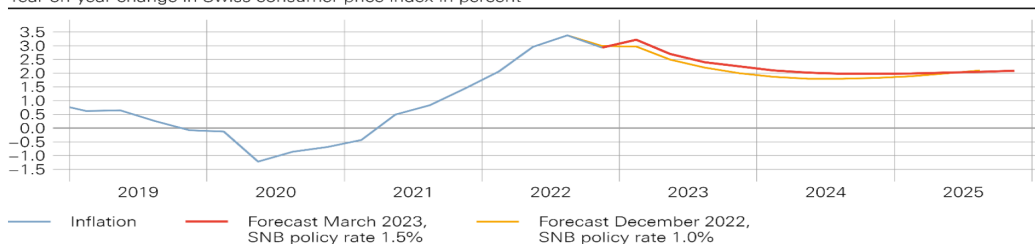
Switzerland

The Swiss Franc gained +0.1% against the euro following the Swiss National Bank's 50 bps hike.

The press statement focused on inflation risks to clarify that the interest rate decision has been made to counter the renewed increase in inflation pressure and that it could not be ruled out that additional rate hikes might be necessary. Inflation was 3.4% y/y in February and the new SNB forecast sees it at 2.6% on average in 2023, higher than it did at its last meeting in December (see chart below). In the press conference, Governor Jordan and Vice Governor Schlegel presented the developments in the context of the liquidity assistance to Credit Suisse and UBS in their introductory remarks. Governor Jordan stated that a Credit Suisse bankruptcy would have had serious consequences for national and international financial stability and the Swiss economy and that taking this risk would have been irresponsible. He later confirmed that a spin-off of the Swiss unit of Credit Suisse is right now not under consideration. While it is important to ensure enough competition and avoid monopolies among Swiss banks, it would appear to early to predict the competition impact Credit Suisse's merger with UBS.

CONDITIONAL INFLATION FORECAST OF MARCH 2023

Year-on-year change in Swiss consumer price index in percent



Sources: SFSO, SNB

The Swiss bank regulator FINMA clarified that the write down of Credit Suisse's AT1 bonds relied on the issuance prospectus and a federal decree. The FINMA statement clarifies the contractual provisions of these bonds that can be completely written down in a 'viability event', in particular if extraordinary government support is granted. The statement adds that these contractual conditions were met since Credit Suisse received extraordinary liquidity assistance loans secured by a federal default guarantee on March 19. The FINMA statement also specified that the decision was essential to ensure that Credit Suisse's banking business could continue to function smoothly, which the regulator assessed has been the case.

Emerging Markets [back to top](#)

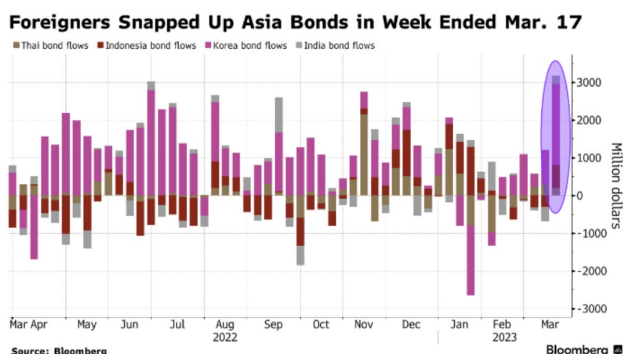
LatAm markets followed the US market down. In Brazil, the central bank stayed on hold as expected, despite calls from the President to bring down rates to boost the economy.

Asian markets have generally increased. Among Asian equities, Hong Kong SAR surged +2.3%, Indonesia gained +1.2% while among currencies, the South Korean won appreciated most, up +2.3%.

EMEA markets posted mixed results. Equity markets only gained in Hungary and Turkiye, which gained +1.1% and +0.4%, respectively. The South African Rand appreciated +0.9% against the dollar and also central European currencies were appreciating against the euro with the Hungarian forint gaining +0.7%.

Asia Bond Flows

Global funds gravitated to Asian bonds amid markets turmoil last week, Bloomberg reported. Foreign inflows into South Korean bonds reached the highest level in eight months, inflows into Indonesian notes were the strongest since January; Thailand and India securities also benefited.

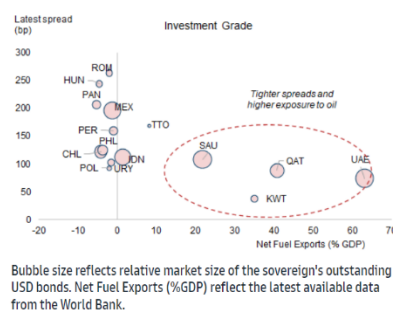


Oil Exporting Emerging Market Sovereign Spreads

Lower oil prices could prompt oil exporters' sovereign spreads to widen. During the recent market turmoil, emerging markets witnessed the widening of their hard-currency sovereign spreads. The degree of widening has varied significantly between investment grade issuers, who saw a widening of +22 bps and high yield issuers, whose spread widened +103 bps. Notably, investment grade sovereign spreads continue to

trade near post-2008 lows. Goldman Sachs analysts note as one potential reason the elevated oil prices. Gulf countries, which make up a significant portion of investment grade countries of the EMBIG Diversified index, tend to issue more hard currency bonds when oil prices are low. New issuances pave the way for these countries' sovereign spreads to widen and underperform relative to peers. Meanwhile for high-yield oil exporter issuers, oil prices falling below \$60/bbl could significantly increase the burden on their spreads to widen.

Exhibit 3 : EM IG oil exporters' spreads look vulnerable to a sudden drop in oil prices



Source: Bloomberg, World Bank, Goldman Sachs Global Investment Research

Exhibit 4 : HY oil exporters are at the tighter end of the range for the current level of oil prices, and are especially vulnerable to a move below \$60/bbl

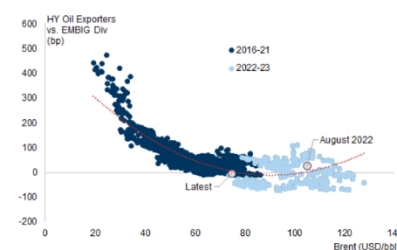
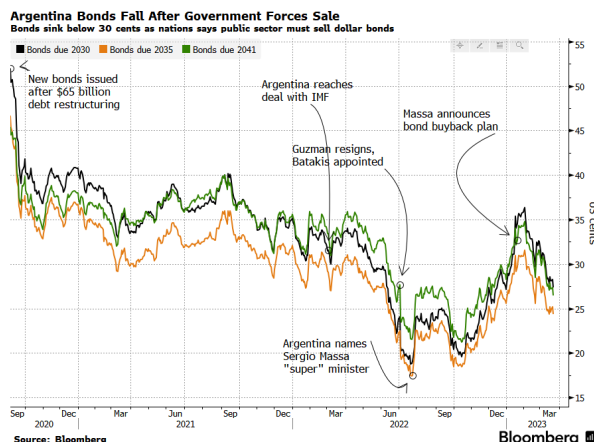


Exhibit shows the spread of HY oil exporters vs. the index, compared with spot Brent prices. Here, HY Oil Exporters consist of the average USD bond spreads of Oman, Bahrain, Azerbaijan, Colombia, Nigeria, Angola, Brazil, Gabon and Iraq.

Source: Bloomberg, Goldman Sachs Global Investment Research

Argentina

Local bond markets were hit hard after the government announced that certain state owned institutions would have to sell dollar bonds to the private sector. The government will require the institutions to sell dollar debt locally under Argentine law. In addition, they will have to swap their dollar bonds issues under New York law for local currency bonds, according to Bloomberg. These measures are intended to save the government roughly \$3.7 bn in interest costs. Some analysts are worried that the move could be counterproductive if it leads to an even greater surge in the demand for dollars that could in turn push inflation even higher. Presidential elections are due in October, and the government is under pressure to introduce measures to slow the rise in prices.

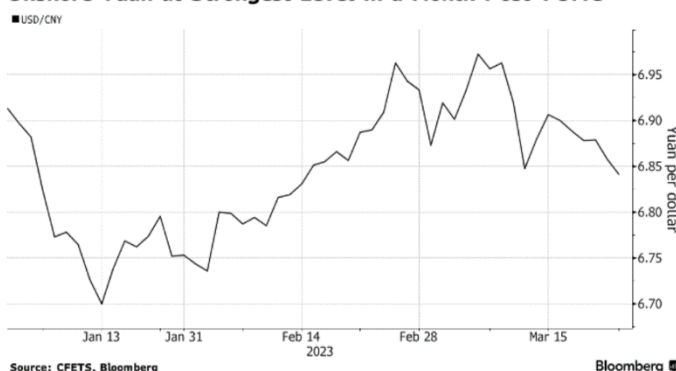


China

Prime Minister Li urged China's manufacturers to promote technological independence and self-reliance. During his first visit to outside capital city after taking the post, Prime Minister Li called for upgrading of traditional manufacturing industries and for accelerating transformation and "*shift of Chinese manufacturing into Chinese creations and Chinese products into Chinese brands.*" Prime Minister Li also said China will protect the rights of entrepreneurs and continue to support private businesses.

China's Evergrande Group released details of a multi-billion-dollar debt restructuring plan. The proposal comes 15 months after Evergrande first defaulted on its public dollar bonds. The plan covers debt tied to Evergrande (its Scenery Journey Ltd. unit and offshore financing arm Tianji Holding Ltd.) and calls for offshore creditors to swap their debt for new notes maturing in 10 to 12 years or a combination of new debt and instruments tied to the shares of Evergrande's property-services unit, its electric-vehicle division or the builder itself. In reaction, Chinese equities gained +1%. Renminbi strengthened +0.7%, 10Y bond yields were little changed.

Onshore Yuan at Strongest Level in a Month Post-FOMC



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Global Financial Indicators

3/23/23 8:33 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		3951	-1.6	0	-2	-11	3
Europe		4184	-0.3	2	-2	8	10
Japan		27420	-0.2	1	0	-2	5
China		4039	1.0	3	-1	-5	4
Asia Ex Japan		66	0.6	3	-2	-13	2
Emerging Markets		38	0.4	3	-2	-15	1
Interest Rates			basis points				
US 10y Yield		3.48	4.5	-10	-40	119	-40
Germany 10y Yield		2.27	-6.2	-2	-21	180	-31
Japan 10y Yield		0.32	-0.5	1	-18	10	-10
UK 10y Yield		3.44	-1.5	1	-15	181	-24
Credit Spreads			basis points				
US Investment Grade		168	-0.6	-6	22	22	9
US High Yield		518	-3.3	11	69	117	38
Europe IG		93	3.0	-3	13	14	3
Europe HY		482	11.8	8	67	109	8
Exchange Rates			%				
USD/Majors		102.21	-0.1	-2	-2	4	-1
EUR/USD		1.09	0.3	3	3	-1	2
USD/JPY		131.4	-0.1	-2	-2	8	0
EM/USD		50.4	0.1	1	0	-3	1
Commodities			%				
Brent Crude Oil (\$/barrel)		76.4	-0.4	2	-7	-19	-10
Industrials Metals (index)		156	0.4	2	-4	-27	-6
Agriculture (index)		66	0.4	-2	-5	-13	-4
Implied Volatility			%				
VIX Index (%, change in pp)		21.5	-0.7	-1.5	0.4	-2.0	-0.1
US 10y Swaption Volatility		134.6	0.0	0.0	17.5	29.6	7.0
Global FX Volatility		10.6	0.0	-0.4	0.4	1.6	-0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		193	4.5	-7	4	-34	-12
Italy		185	1.1	-5	-5	33	-29
Portugal		86	0.2	-6	-2	7	-16
Spain		104	0.3	-5	8	14	-5

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

Emerging Market Financial Indicators

Last updated: 3/23/2023 8:37 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		6.83	0.6	1.0	1	-7	1		3.1	1.5	1	-11	26	8
Indonesia		15345	0.1	0.3	-1	-7	1		6.9	-0.6	17	15	19	-4
India		82	0.5	0.6	1	-7	1		7.5	-4.0	-6	-20	21.0	1
Philippines		54	0.4	1.1	1	-4	3		6.0	0.0	-3	0	78	-5
Thailand		34	1.0	1.0	2	-1	2		2.4	-3.5	-7	-33	4	-24
Malaysia		4.42	0.8	1.9	0	-4	0		3.9	-5.7	-4	-4	9	-17
Argentina		205	0.0	-1.2	-5	-46	-14		91.7	131.0	210	447	4267	353
Brazil		5.23	0.2	0.0	-2	-8	1		13.3	10.6	-6	-15	113	69
Chile		807	0.3	2.2	0	-2	5		4.9	-5.0	-17	-55	-133	-40
Colombia		4768	0.7	1.6	3	-21	2		9.0	0.0	-48	-81	73	-83
Mexico		18.53	0.4	1.0	-1	9	5		8.5	-13.0	-12	-56	7	-22
Peru		3.8	0.1	1.0	1	0	1		7.6	0.2		-30	104	-32
Uruguay		39	0.1	1.7	0	9	3		10.4	0.0	3	46	188	-33
Hungary		353	1.1	5.3	2	-4	6		8.1	-12.0	-25	-41	175	-155
Poland		4.30	0.4	2.9	4	0	2		5.4	4.9	15	-56	46	-79
Romania		4.5	0.2	2.5	3	-1	2		7.2	-2.0	-11	-21	141	-46
Russia		76.0	1.4	2.0	0	27	-2							
South Africa		18.1	0.7	1.4	0	-19	-6		9.0	2.3	-30	-34	82	-21
Turkey		19.04	0.0	-0.2	-1	-22	-2		12.2	-5.0	77	167	-1569	233
US (DXY; 5y UST)		102	-0.1	-2.1	-2	4	-1		3.54	2.7	-20	-57	122	-47

	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		4039	1.0	3	-1	-5	4		186	7	19	-35	9	
Indonesia		6692	0.0	1	-2	-4	-2		169	-1	15	-17	29	
India		57925	-0.5	1	-3	1	-5		175	8	25	13	33	
Philippines		6536	-0.2	2	-2	-8	0		144	8	17	5	47	
Thailand		1594	0.5	3	-2	-5	-4		0	0	0	0	0	
Malaysia		1411	-0.1	1	-3	-12	-6		105	1	4	-29	5	
Argentina		224915	-1.7	7	-9	150	11		2475	76	376	686	270	
Brazil		100221	-0.8	-2	-7	-15	-9		286	-8	21	-15	12	
Chile		5271	-0.5	1	-1	9	0		154	-3	18	1	22	
Colombia		1121	-0.7	1	-6	-29	-13		428	-22	7	82	56	
Mexico		52550	-0.2	0	-1	-5	8		410	-9	43	64	29	
Peru		21650	0.0	1	1	-16	1		199	-1	15	27	19	
Hungary		42403	1.0	4	-7	-5	-3		254	2	35	115	32	
Poland		56685	-0.5	0	-5	-12	-1		105	1	27	56	32	
Romania		12085	0.4	-1	-2	-3	4		278	2	26	70	23	
South Africa		75315	0.1	3	-5	1	3		421	-6	41	58	54	
Turkey		5008	0.1	-4	-2	129	-9		489	-15	-32	-75	49	
Ukraine		507	0.0	0	0	-2	-2		4950	87	298	1567	871	
EM total		38	0.9	3	-2	-15	1		430	0	37	-111	55	

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

[back to top](#)