



- **Bond traders reposition themselves in anticipation of potential rate cuts** ([link](#))
- **Zambia's Eurobonds extend gains after debt restructure deal reached** ([link](#))
- **Senegal's Eurobonds rally following election** ([link](#))
- **Central Bank of Sri Lanka unexpectedly lowered policy rates by 50 bp** ([link](#))
- **Chile's central bank President highlights importance of FX in the inflation battle** ([link](#))

[Mature Markets](#)

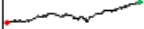










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## Rally continues despite continued caution on valuations

**Equity markets are higher this morning as investors continue to assess incoming data**. This morning US durable goods orders were reported higher than expected for February, while German consumer confidence was also reported higher than expected. Investors will attempt to assess the fallout from the collapse of a heavily used bridge in Baltimore after a container ship collided with it overnight. The disaster is likely to cause transportation issues along the eastern corridor and could potentially disrupt shipping into a major US port. Elsewhere, the yen gained slightly today as Japanese authorities reiterated their concern about excessive volatility in the currency, and traders remain wary about potential intervention should the yen weaken further. The renminbi declined slightly despite ongoing support from Chinese authorities. The RMB was once again set at a fixing stronger than consensus and reports indicate that state-owned banks have increased their selling of dollars. In a major development on the sovereign restructuring front, Zambia announced it has reached an agreement with its creditor committee to restructure \$3bn of Eurobonds.

**Key Global Financial Indicators**

Last updated: 3/26/24 8:47 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5218	-0.3	1	3	31	9
Eurostoxx 50		5068	0.5	1	4	23	12
Nikkei 225		40398	0.0	2	3	47	21
MSCI EM		41	0.1	0	1	6	2
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.26	1.0	-4	-2	88	38
Germany 10y Yield		2.36	-1.3	-9	-8	23	34
EMBIG Sovereign Spread		343	-1	-13	-30	-160	-40
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.6	0.1	0	0	-7	-3
Dollar index, (+) = \$ appreciation		104.1	-0.1	0	0	1	3
Brent Crude Oil (\$/barrel)		86.8	0.0	-1	5	16	13
VIX Index (% change in pp)		13.1	-0.1	-1	-1	-9	1

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

## Mature Markets

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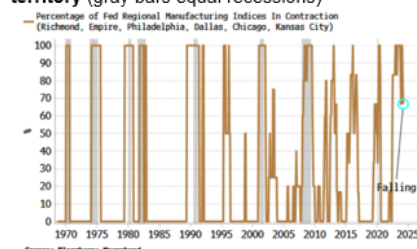
### United States

**Bond traders reposition themselves in anticipation of a steepening yield curve.** Investors have been favoring short-dated bonds after signals that the Fed might be cutting interest rates as soon as June, causing the spread between 2-year and 10-year treasuries to move closer to zero. Based on overnight index swaps, the likelihood of a single 25bp rate cut by the Fed in June rose to 67%, from 52% a week ago, after last week's FOMC press conference. The timing and extent of rate cuts remain clouded by concerns about inflation and the resilience of the labor market. Even though recessions frequently occurred after the yield curve un-inverted in previous cycles, a Bloomberg summary of Fed regional indexes shows that less than 70% of them are in the contraction territory on a three-month smoothed basis, indicating that recession risks may be moderating.

2-year vs 10-year US yield gap



Percent of regional Fed indicators in contractionary territory (gray bars equal recessions)



**This morning, durable goods orders were reported to increase 1.4% m/m in February, above expectations.** Headline durable goods orders increased to 1.4% driven by transportation. This was above consensus (1.0%) but overall consistent with two regional Fed surveys published for March, both indicating significant improvement and increased expectations for future activity. In the Philadelphia Fed poll, in particular, capital-expenditure plans are set to reach their highest level since March 2022. Excluding transportation, durable goods orders increased 0.5%, also above expectations (0.4%). Stock futures were higher (+0.35%) before the print, while the Bloomberg Dollar Index remained largely muted. The 2-yr treasury yield rose slightly (+1bp) on the release.

### Corporate bankruptcy filings continue at a steady pace, amplified by supply chain issues.

Longer payment terms are said to contribute to a challenging environment for many businesses, along with higher interest rates and inflation—as businesses continue to navigate ongoing and new geopolitical, financial, and operational hurdles—according to data recently compiled by S&P Global Market Intelligence. The number of bankruptcy filings increased from 35 in January to 50 until the end of February, with the number being broadly in line with previous years. Analysts believe that the pace of US business bankruptcies is unlikely to decrease much before year-end unless there are major developments which might prompt the Fed to revise its rate-cutting timeline. Nevertheless, references to supply-chain disruptions have steadily faded in the Fed's Beige Book, a compilation of opinion on US economic conditions: in its March 6 issue, supply-chain issues were addressed just once, as opposed to 11 times the previous year.

US bankruptcy filings by year



## Euro Area

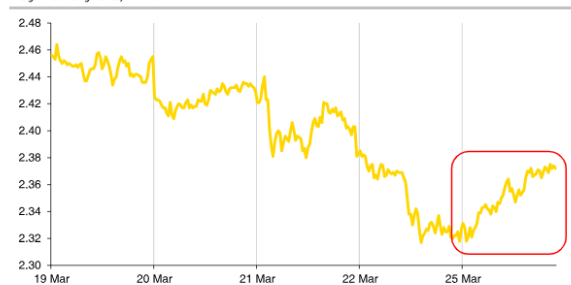
European equities **were mixed with the STOXX 600 index marginally higher (+0.1%)**. The euro was marginally stronger against the dollar (+0.2%). On the data front, Germany's GfK consumer confidence was marginally higher than expected in April (-27.4 versus expected -28.0 from a revised -28.8).

**Euro area sovereign yields increased yesterday despite dovish ECB commentary, but eased slightly this morning** (10y bund yield -2bp at 2.35%). 10y bund yields yesterday retraced most of Friday's decline ending the day 5bp higher. Some contacts note that the move was in parallel to US Treasuries following hawkish commentary from some Fed speakers, while other contacts note that thin trading could have played a role. Yesterday **ECB Chief Economist Lane expressed confidence that high wage growth will return to a normal level**. In

separate remarks ECB Governing Council (GC) member Panetta noted that "EU inflation (was) quickly falling towards the 2% target", with the inflation decline allowing "for a possible cut in rates." This morning GC member Muller also indicated that an ECB rate cut in June is a possibility. Despite these rather dovish signals, 10y bund yields halted last week's trend and traded higher across the entire curve yesterday. This morning market pricing for ECB rate cuts in 2024 was little changed.

Countermove within the range

10y Bund yield, in %



Source: Bloomberg, Commerzbank Research

## Japan

**The yen appreciated slightly to 151.3 yen per dollar (+0.1%)** as markets became increasingly wary about the FX intervention risk. Finance Minister Suzuki continued with his verbal intervention, saying that excessive exchange fluctuations are undesirable and emphasizing that Japanese authorities continued watching the FX market with a high sense of urgency. Bank of America analysts believe that FX intervention would be more likely if the yen move into the 152–155 yen per dollar zone or if 1-month implied volatility rises above 10%. Japanese equities were little changed. Long-end JGB yields rose (10-year: +0.4 bp; 30-year: +0.2 bp), with the 10-year yield trading at 0.734%.

Yen Weakens to Previous Intervention Levels



Source: Bloomberg

Bloomberg

## Emerging Markets

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**Asian stock markets were mixed**, gaining 0.8% on net. Share prices rose in Singapore (+1.2%), Hong Kong SAR (+0.9%) and Korea (+0.7%), while Indian equities declined (-0.5%). The outperformance of Singaporean equities was supported by stronger-than-expected industrial production data. In Singapore, industrial production increased 3.8% y/y in February (consensus: +0.5%), showing a strong m/m growth. Most Asian currencies appreciated, led by the Thai baht (+0.2%) and Korean won (+0.2%). Meanwhile, the Chinese yuan depreciated (-0.1%). Long-end government bond yields increased, with 10-year yields rising in Korea (+3 bp) and Singapore (+3 bp), following the increase in US treasury yields. In Korea, retail sales increased 13.7% y/y in February. **EMEA equities were mixed, while currencies were mostly higher**. Equities outperformed in Poland (+0.4%) and underperformed in Türkiye (-1.9%). CEE currencies were mostly stronger against the euro. The Hungarian forint was marginally stronger (+0.1%) ahead of the central bank meeting later today, where a 75bp rate cut is widely expected to take the policy rate to 8.25%. Elsewhere on the central bank front today, in Nigeria consensus expect a 125bp rate hike to take the benchmark rate to 24%, while some contacts anticipate a 400bp rate hike. **Latin American currencies**

**appreciated Monday and equity indices closed in the red.** The Brazilian real (+0.5%), Mexican peso (+0.5%), and Chilean peso (+0.4%) all appreciated. In anticipation of Brazil's central bank minutes, yields have shifted lower across the curve. Colombian markets were closed for a local holiday.

## China

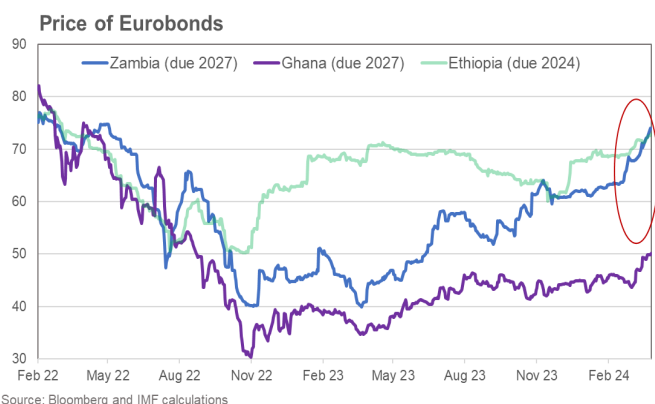
**Onshore RMB depreciated to 7.22 yuan per dollar (-0.1%) despite stepped-up efforts to support the currency.** Today, the PBC reinforced its signal by setting the daily RMB fixing at 7.094 yuan per dollar, slightly stronger than yesterday's level. The deviation from market consensus remained large at 1,076 pips. Furthermore, state-owned banks reportedly increased their dollar selling today. Chinese equities gained (CSI 300: +0.5%; Hong Kong SAR-listed: +1.2%). The onshore market advance was led by healthcare, telecom and industrials stocks, while tech stocks led the rebound in the Hong Kong market. Market sentiment improved somewhat on a bullish view on the EV sector, with CATL (a leading battery manufacturer) vowing for an expansion. The People's Bank of China injected liquidity in an amount of 145 bn yuan (\$20 bn) as money market rates continued to rise on the back of quarter-end funding pressures. The key interbank repo rate (DR007) increased to 1.98% (+7 bps), compared to the policy rate at 1.80%. Spreads in repo markets also widened, though still at relatively low levels.

## Zambia

**Prices of Zambia's Eurodollar bonds rose after the country reached yesterday an agreement to restructure \$3bn of Eurobonds.**

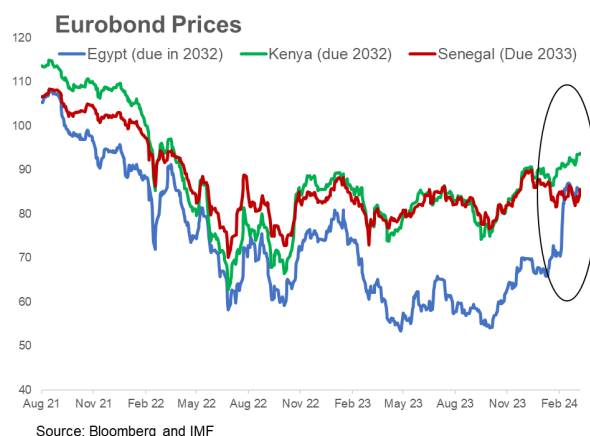
Zambia's government yesterday announced that an agreement in principle has been reached with the steering committee of the Ad Hoc Creditor Committee on 'key commercial terms of a proposed restructuring transaction' related to Eurobonds due in 2022, 2024 and 2027. Contacts especially note the importance of the government's announcement that it has confirmation that the agreed terms

are compatible with both the OCC's assessment of comparability of treatment and the IMF's program parameters under the second review framework. According to Zambia's finance minister, the agreement reached yesterday sets the stage to 'conclude restructuring agreements' with other private creditors. Bloomberg notes that the deal marks the first of its kind under the Common Framework. Absa analysts see the agreement as encouraging for Zambia's longer-term growth outlook but caution that drought remains a major headwind. **Prices on Zambia's defaulted dollar Eurobonds rose to about 74 cents on the dollar, returning to levels last seen in May 2022 after rallying since the start of the year on hopes for a deal.**



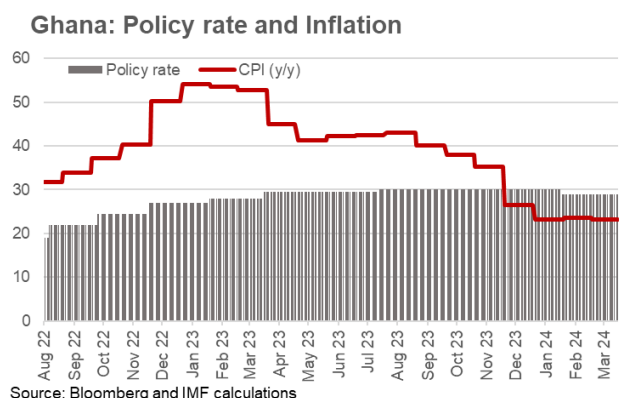
## Senegal

**Sovereign Eurobonds retraced losses after the election victory of opposition member Bassirou Diomaye Faye.** Investors had been nervous due to concerns that Faye may change policies implemented by former president Sall, that generated average economic growth of more than 5% over the past decade, as the new president pledged to tackle corruption and use the nation's resources to improve the living conditions of its citizens. Initial apprehension has eased after Faye toned down his doubts on the use of the CFA franc (a euro-pegged regional currency), and bonds eventually rallied on Monday with the yield on Senegal's 2033 dollar debt falling by 29 bp to 8.88%.



## Ghana

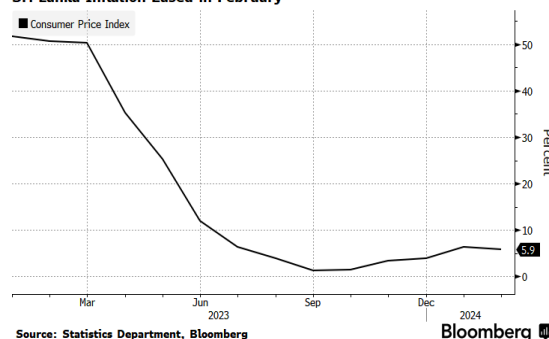
The central bank Ghana kept the policy rate unchanged at 29% yesterday, as expected. This follows after the central bank lowered rates by 100 bp in January, ending a prolonged policy tightening cycle that commenced in 2021 and lifted the benchmark from 13.5% to a 30% peak. Governor Addison said that “overall, risks to inflation are slightly on the upside and will require close monitoring.” Inflation has remained stable since December 2023, with a minor decline to 23.2% in February from 23.5% in January 2024, also fed by a slide in the value of the cedi against the dollar (-8% since the start of year).



## Sri Lanka

The Central Bank of Sri Lanka unexpectedly lowered policy rates by 50 bp. The standing lending facility rate is now at 9.5%, and the deposit facility rate at 8.5%. More favorable inflation dynamics and easing external pressures provided some space for further easing of monetary policy to support credit expansion and economic activity. The central bank also said that it was moving away from administrative measures and adopting market-based instruments. From April 1, the remaining restrictions on the usage of the standing deposit facility will be removed. Last week, the government reached a staff-level agreement with the IMF on the second review of the IMF program. Separately, the government continues negotiating with international investors to restructure its \$12bn of defaulted bonds. The rupee appreciated (+0.3%).

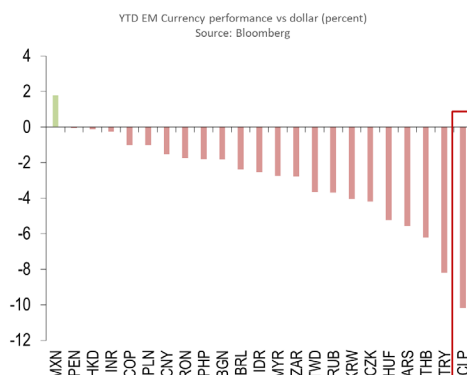
### Sri Lanka Inflation Eased in February





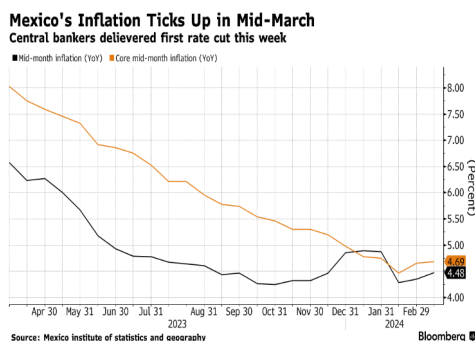
## Chile

**Chile's central bank president highlights importance of FX in the inflation battle.** The Chilean peso is the worst performing EM currency year-to-date, down -10.2%. Additionally, the peso continues to be the most volatile in Latin America, according to Bloomberg. President Rosanna Costa has said the depreciation of the currency can be attributed to the interest rate differential with the US. President Costa highlights the importance of FX performance and that it must be incorporated into the central bank's projections. The central bank has already cut interest rates 4% since July and will have its next meeting on April 2.



## Mexico

**Mexican peso gains and yields rise as bi-weekly inflation comes in higher than expected.** Mexico's bi-weekly inflation for the first half of March rose to 4.48% y/y from 4.35%, higher than Bloomberg's median consensus of 4.44%. Core CPI also came in higher than expected (4.69% y/y vs 4.63%). The hotter than expected print comes right after Mexico's central bank delivered their first rate cut since February 2021. The peso has more than offset its initial decline after the cut and prior to the CPI print, appreciating 0.4%, and the yield curve has shifted up 9–14 bp across the tenor.



*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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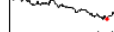



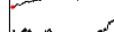





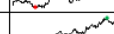

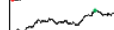







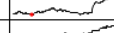









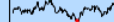


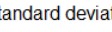


## Global Financial Indicators

3/26/24 8:47 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5227	-0.3	1	3	32	10
Europe		5068	0.5	1	4	23	12
Japan		40398	0.0	2	3	47	21
China		3544	0.5	-1	1	-12	3
Asia Ex Japan		68	0.1	0	1	1	1
Emerging Markets		41	0.1	0	1	6	2
<b>Interest Rates</b>			basis points				
US 10y Yield		4.26	1.0	-4	-2	88	38
Germany 10y Yield		2.36	-1.3	-9	-8	23	34
Japan 10y Yield		0.74	0.5	0	5	42	13
UK 10y Yield		3.96	-2.5	-9	-20	68	43
<b>Credit Spreads</b>			basis points				
US Investment Grade		119	0.0	-1	-6	-54	-15
US High Yield		344	-3.4	-5	-20	-199	-41
<b>Exchange Rates</b>			%				
USD/Majors		104.12	-0.1	0	0	1	3
EUR/USD		1.09	0.1	0	0	1	-2
USD/JPY		151.5	0.0	0	0	15	7
EM/USD		46.6	0.1	0	0	-7	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		86.8	0.0	-1	6	20	13
Industrials Metals (index)		140	-0.4	-1	3	-11	-2
Agriculture (index)		60	-0.1	1	3	-9	-4
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		13.1	-0.1	-0.7	-0.7	-8.7	0.6
Global FX Volatility		6.6	0.0	0.2	0.1	-4.5	-1.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		104	-1.1	4	-2	-92	0
Italy		130	-1.8	5	-15	-58	-37
Portugal		66	-0.2	4	-6	-21	3
Spain		83	-0.8	3	-6	-23	-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: 3/26/2024 8:48 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		7.22	-0.1	-0.3	0	-5	-2		2.4	1.1	5	1	-76	-17
Indonesia		15793	0.0	-0.5	-1	-4	-2		6.7	2.6	4	12	-11	21
India		83	0.2	-0.3	0	-1	0		7.2	-2.0	-4	1	(22.9)	0
Philippines		56	0.1	-0.7	0	-4	-2		5.4	0.1	0	0	-51	-20
Thailand		36	0.1	-0.7	-1	-5	-6		2.5	-1.0	0	-2	7	-17
Malaysia		4.72	0.1	0.3	1	-6	-3		3.8	0.3	-3	-3	-3	12
Argentina		856	-0.2	-0.4	-2	-76	-6		54.5	-384.7	-751	-2120	-3713	-3193
Brazil		4.98	-0.1	1.0	0	4	-3		11.0	-0.4	-3	4	-219	58
Chile		976	0.2	-1.1	1	-17	-10		5.1	1.0	1	-3	5	22
Colombia		3901	-0.2	-0.1	2	20	-1		7.8	-0.5	-5	3	-95	12
Mexico		16.71	-0.2	0.6	2	10	2		8.8	-1.0	-2	3	26	31
Uruguay		38	0.0	1.7	4	3	3		9.0	-1.0	0	-4	-117	-56
Hungary		364	0.6	-0.3	-2	-2	-5		6.4	0.0	17	53	-157	64
Poland		3.97	0.1	0.0	0	9	-1		5.1	-3.8	13	38	-28	63
Romania		4.6	0.1	-0.1	0	0	-2		6.4	0.9	-7	6	-72	19
Russia		92.5	0.5	0.0	0	-17	-3							
South Africa		18.9	-0.3	-0.2	2	-3	-3		9.7	6.5	10	11	67	62
Türkiye		32.20	-0.1	0.5	-3	-41	-8		26.8	27.0	-19	0	1465	6
US (DXY; 5y UST)		104	-0.1	0.3	0	1	3		4.25	1.8	-5	-7	84	40

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)						Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		Last 12m	Latest	7 Days	30 Days	12 M	
									basis points					
China		3544	0.5	-1	1	-12	3		150	2	0	-41	-8	
Indonesia		7366	-0.2	0	1	10	1		96	-4	-16	-69	0	
India		72470	-0.5	0	-1	26	0		107	1	8	-68	-9	
Philippines		6898	0.7	1	1	5	7		83	-2	-11	-57	3	
Thailand		1377	0.3	0	-1	-14	-3		0	0	0	0	0	
Malaysia		1538	0.1	0	-1	10	6		85	1	5	-22	0	
Argentina		1212897	-1.2	8	12	453	30		1420	-166	-268	-1136	-493	
Brazil		126931	-0.1	0	-2	28	-5		209	-2	-2	-81	-6	
Chile		6494	-0.3	1	5	24	5		123	-2	-5	-31	-2	
Colombia		1329	0.6	2	3	20	11		289	-5	-9	-132	18	
Mexico		56553	-0.1	1	1	7	-1		314	-7	-8	-100	-20	
Peru		29519	-0.4	0	3	38	14		137	-3	-8	-61	-7	
Hungary		65160	0.1	-1	-1	56	7		148	-6	-17	-93	-1	
Poland		80685	0.8	1	-3	44	3		95	-2	0	9	-2	
Romania		16789	0.5	3	5	40	9		181	-8	-19	-81	-20	
South Africa		73657	0.5	2	0	-1	-4		353	5	1	-66	45	
Türkiye		8851	-2.0	-1	-5	76	18		310	-16	0	-164	-4	
EM total		41	0.3	0	1	6	2		296	-12	-35	-132	-49	

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

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