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- Disrupted port traffic in Baltimore could weigh on critical supply chains ([link](#))
- Losses on US banks' bond portfolios declined in Q4 ([link](#))
- Mexican peso appreciates to highest level since 2015 ([link](#))
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Markets digest Fed comments while yen stabilizes ahead of holiday weekend

European and Chinese stocks were modestly higher this morning, while Treasury yields have drifted higher since yesterday afternoon following a speech by Federal Reserve Governor Waller titled "There's Still No Rush." Japanese equity indices declined as most stocks traded ex-dividend today. After falling earlier in the week, the yen appeared to stabilize near 151 versus the dollar as Japanese officials suggested they would intervene in the case of "excessive" market movements. The dollar index gained for the third consecutive day, with several EM currencies lower on the day. US initial jobless claims were broadly in line with expectations at 210k (vs 212k expected), while Q4 GDP was revised upwards to 3.4%. Markets in several Latin American and European countries are closed beginning today for the Easter holiday, and most major markets will be closed on Friday, except for mainland China and Japan.

Key Global Financial Indicators

Last updated: 3/28/24 8:41 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5248	0.9	0	4	32	10
Eurostoxx 50		5093	0.2	1	4	22	13
Nikkei 225		40168	-1.5	-2	3	44	20
MSCI EM		41	0.2	0	2	5	2
Yields and Spreads			bps				
US 10y Yield		4.22	2.8	-5	-5	65	34
Germany 10y Yield		2.32	2.4	-9	-14	3	29
EMBIG Sovereign Spread		346	2	-7	-22	-143	-37
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.5	-0.2	0	0	-8	-3
Dollar index, (+) = \$ appreciation		104.6	0.2	1	1	2	3
Brent Crude Oil (\$/barrel)		87.3	1.4	2	4	11	13
VIX Index (% change in pp)		13.0	0.2	0	-1	-7	1

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

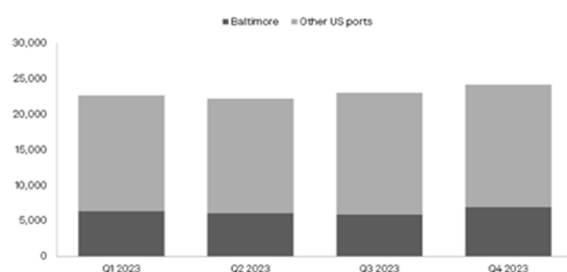
Fourth quarter GDP revised higher while initial jobless claims came in slightly below expectations.

US GDP grew at a 3.4% annualized pace in the fourth quarter, up from 3.2% in the previous estimate. Personal consumption remained strong at 3.3%, while the Conference Board highlighted a shift in spending from goods to services in its latest March report. Initial jobless claims were broadly in line with expectations at 210k (vs 212k expected, 210k prior). Continuing claims were 1819k (vs 1815k expected).

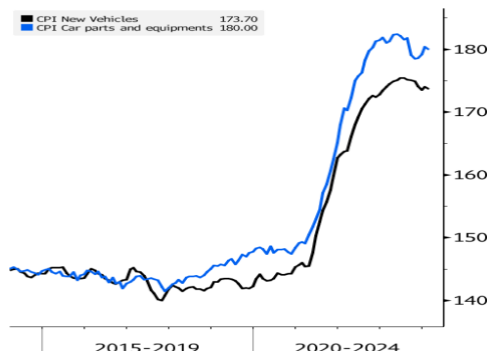
	Actual	Consensus	Prior	Revised
GDP (% Q/Q, AR)	3.4%	3.2%	3.2%	
GDP Price Index	1.6%	1.6%	1.6%	
Initial Jobless Claims	210K	212K	210K	212K

Disrupted port traffic in Baltimore could weigh on critical supply chains. The Port of Baltimore was the second largest port for coal exports in 2023Q4 and the largest port for coal shipped to Asia, handling 7.0 million metric tons of coal (28.9% of US exports), according to data from S&P Global Market Intelligence. Analysts believe coal prices could rise as other transit routes have limited excess capacity. The impact on fertilizers and other metals is less clear cut, as North America has enough aluminum billet capacity to counter delays for example. Nevertheless, a prolonged stoppage might affect US automotive supply chains, where prices of intermediate goods and cars have already risen sharply in recent years. Bloomberg analysts estimate that a risk scenario involving a protracted traffic interruption would increase CPI by 0.2% by year end and leave core CPI over 3%.

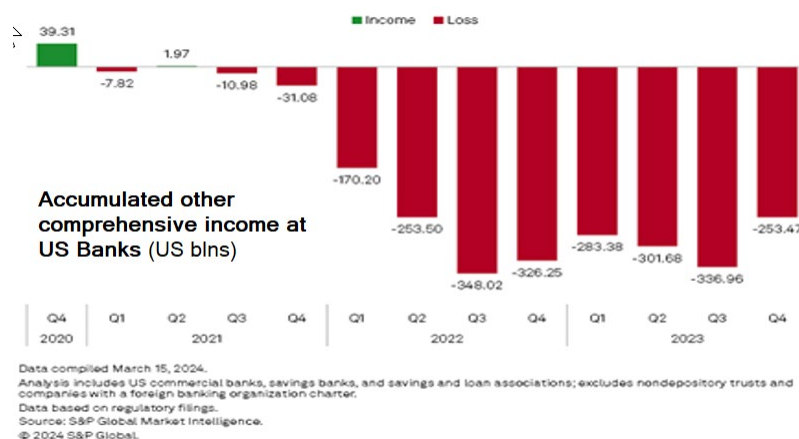
US coal exports (thousands of metric tons)



Data compiled Feb. 16, 2024.
Excludes exports of coal not produced in the US.
Source: S&P Global Market Intelligence.
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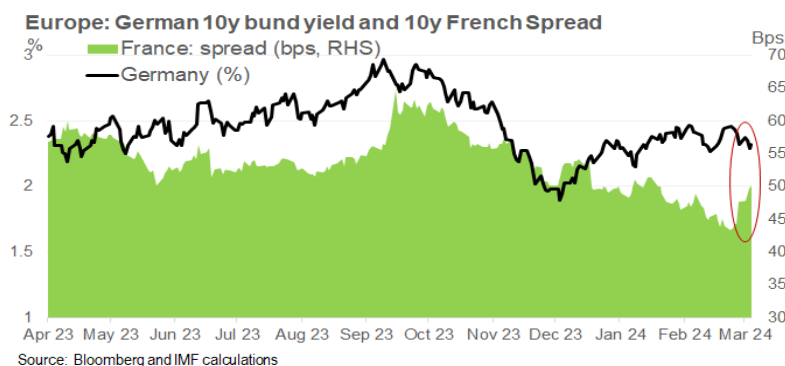


Losses on US banks' bond portfolios declined in Q4. Accumulated other comprehensive income (AOCI), which tracks changes in the market value of securities held under available for sale accounting, improved sharply in the fourth quarter of 2023. Cumulative bank losses declined by nearly 25% to -\$253 bn, according to data from S&P Global. In the fourth quarter, Treasury yields declined by 77 bps on average for bonds with maturities between two and seven years, bolstering the market value of bank holdings. However, while Treasury markets have reversed about half the move in the first quarter (+33 bps), S&P analysts believe AOCI could be less vulnerable going forward, as banks have been able to reallocate their portfolios and some low-yield securities have matured.



Euro area

European equities edged higher this morning to reach a fresh record high, with the STOXX600 index up 0.3%, led by gains in the consumer discretionary (+0.7%) and communication services (+0.5%) sectors. The euro was weaker (-0.4%) against the dollar, trading at around 1.08. Euro area sovereign yields were up slightly this morning (10y bund yield +2 bps at 2.31%). Contacts highlighted that French OAT spreads (over bunds) have widened to 50 bps over the past week on concerns over the French fiscal outlook, with the upcoming sovereign credit assessment a potential catalyst. S&P currently has France on a “negative” outlook with an AA rating, with some analysts describing the risk of a one notch downgrade as being non-negligible. ECB member Panetta reinforced expectations of a June rate cut as he said that “Risks from price stability have decreased and the conditions for a monetary loosening are coming about.” Markets are pricing in roughly 90 bps of ECB rate cuts in 2024.

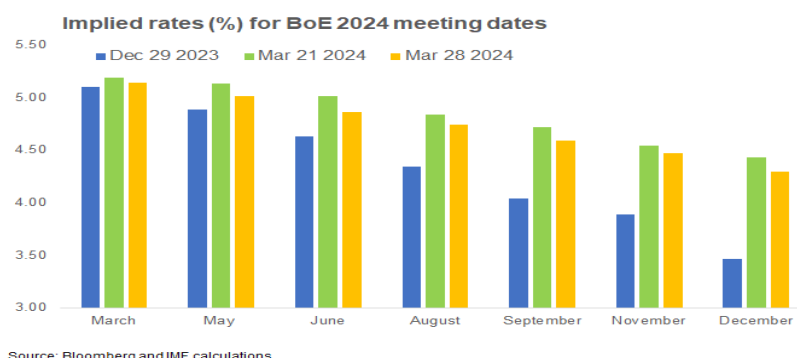


Euro area bank lending edged up again in February, with contacts noting that the data points to a cautious recovery in bank lending, albeit from low levels. Lending to nonfinancial corporates rose by €6 bn (+1.5% 3m/3m seasonally adjusted annualized rate), while lending to households rose by €4 bn (0.4% 3m/3m seasonally adjusted annualized rate). Elsewhere, the German labor market held firm in March, with unemployment ticking up less than expected. March unemployment figures rose by 4k (vs 10k expected, 11k prior) and the unemployment rate held steady at 5.9%.

United Kingdom

Bank of England voting member Haskel favors a later start and slower pace of easing. In an interview with the Financial Times, the external member of the monetary policy committee (MPC) said that interest rate cuts should be “a long way off.” Last week, Haskel voted to keep rates on hold, but flagged high wage growth and sticky services inflation as reasons for caution. Some contacts have noted that Haskel’s comments were more hawkish than Catherine Mann’s earlier in the week. Markets are pricing a 70%

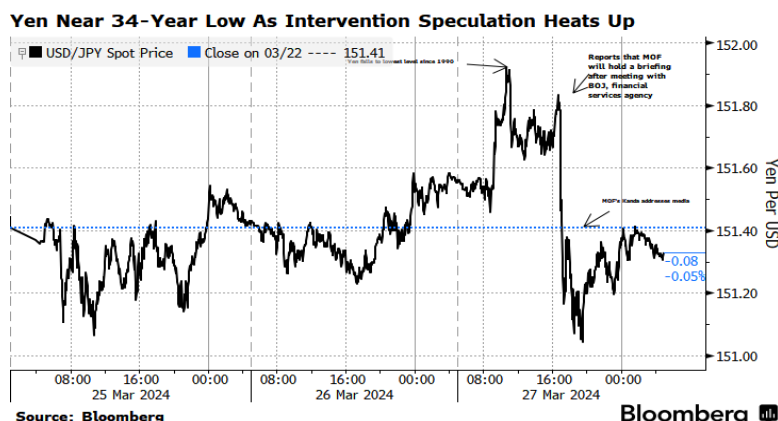
probability of the first rate cut in June, up from 50% prior to the MPC meeting. Elsewhere, the second estimate of fourth quarter GDP confirmed that the UK suffered a technical recession, contracting 0.3% q/q. The pound declined (-0.2%) against the dollar, while 10y gilts were higher (+2 bps) at 3.95%.



Japan

Japanese yen was little changed today alongside growing intervention rhetoric. The Japanese yen traded around 151.3 per dollar as markets became more cautious about potential FX interventions. Yesterday, the yen appreciated after Masato Kanda, the country's currency chief, held a briefing following a joint meeting between the Ministry of Finance, the Bank of Japan (BOJ), and the Financial Services Agency. He said that the recent weakening of the Japanese yen was not in line with fundamentals, with speculative forces driving recent movements. He also reiterated that Japanese authorities would take appropriate actions against excessive market movements and that the BOJ would consider addressing the situation with monetary policy if the macroeconomic impact becomes significant.

Japanese equities declined as most stocks traded ex-dividend on Thursday, leaving new buyers without rights to the next dividend (NIKKEI: -1.5%; TOPIX: -1.7%). Separately, data showed that Japanese retail investors' appetite for local stocks is rising. Retail investors have increased their activity in the domestic stock market even as share prices reached new highs, in contrast to past market rallies, possibly due to the accommodative messaging from the recent BOJ meeting. **Long-end government bond yields declined** (10-year: -1.5 bps; 30-year: -1.5 bps).



Emerging Markets

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EMEA equities were mostly trading higher, while currencies declined slightly. Stocks outperformed in Türkiye (+2%), which reported an increase in economic confidence in March. Polish stocks also gained (+1%). **Asian equity markets were mixed, gaining 0.5% on net.** India (+1.2%) and Hong Kong (+1.0%)

led the gains, while share prices dropped in Indonesia (-0.6%) and Singapore (-0.6%). On the currency front, the Thai baht depreciated (-0.2%), while Korean won appreciated (+0.2%). Long-end government bond yields declined, with 10y yields falling in India (-3 bps) and Thailand (-2 bps). **The Bank of Korea warned that a further slump in the real estate sector would undermine broader economic activity.** A key concern is the rising delinquency rate of project finance loans, which may create stress in the credit market. **Latin American stocks and currencies closed mostly higher on Wednesday.** Equity markets in Chile (+1.2%), Colombia (+1.1%), Brazil (+0.7%), and Mexico (+0.3%) all gained. The central bank of the Dominican Republic left its key policy rate unchanged at 7%.

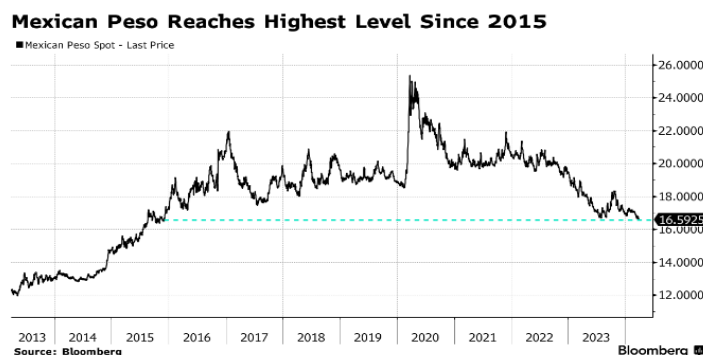
China

Chinese equities gained (+0.4% onshore, +1.7% HK), spurred by speculation of additional monetary policy easing. Markets climbed following a news article that cited President Xi's previously unheard remarks that the central bank should increase the trading of government bonds in its open market operations. However, analysts are generally of the view that President Xi's remarks were about the central bank's standard market operations rather than quantitative easing. Separately, markets remain focused on financial statements of large state-owned banks, as published financial results showed signs of deteriorating credit quality of mortgage loans.

Chinese yuan depreciated slightly to 7.23 yuan per dollar. The People's Bank of China (PBC) continued setting the daily RMB fixing stronger than expected. While today's fixing was at the same level as yesterday at 7.095 yuan per dollar, the deviation from market consensus further widened to 1,324 pips. Analysts noted that the PBC may find it difficult to let RMB move more freely amid a stronger dollar environment as any sign of loosening control would invite markets to speculate on RMB depreciation. The PBC injected liquidity of 248 bn yuan (\$34.3 bn) to ease quarter end funding pressures. The key interbank repo rate edged down to 1.98% (-3.5 bps), still above the policy rate at 1.80%.

Mexico

Mexican peso appreciates to highest level since 2015. The peso (+0.6%) outperformed yesterday to reach MXN16.6/USD, the strongest level since 2015, and is the best performing major emerging market currency YTD (+2.5%). The peso has been a popular vehicle for carry trades, with a still large interest rate differential, low volatility, and a cautious central bank.

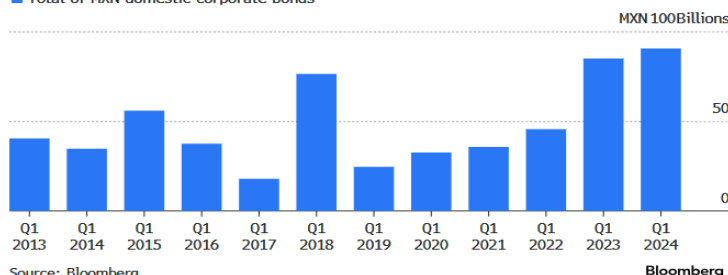


Mexican corporate bond issuance in Q1 hits record high. Domestic corporate bond issuance of just under 93 billion pesos is the highest on record, according to Bloomberg. Analysts highlighted that companies typically front load issuance in election years, as seen in 2018, with the added incentive of the US presidential election also later this year.

Mexican Company Bond Issues Hit Record in First Quarter

Companies sold nearly 93 billion pesos of debt in the local market

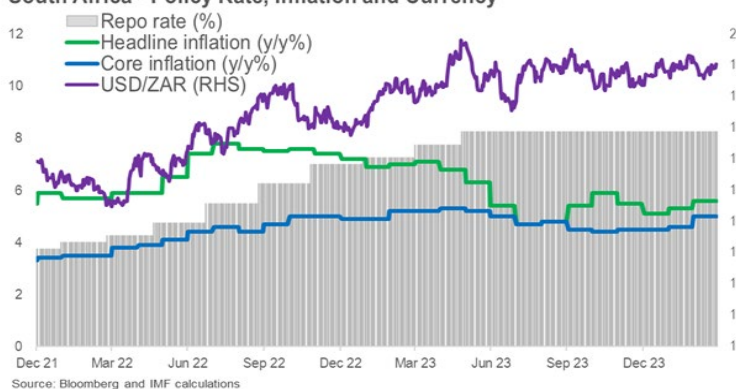
■ Total of MXN domestic corporate bonds



South Africa

The South African rand strengthened (+0.3%) yesterday after the central bank left its benchmark rate unchanged at 8.25%. However, the rand fell (-0.8%) today amid political uncertainty ahead of the May election, and has fallen by nearly 4% YTD. Yesterday's policy decision was unanimous, and Governor Kganyago delivered a hawkish message pushing back on expectations of near-term rate cuts. **The central bank increased its inflation forecast for year-end 2024 to 5.1% y/y, with core inflation at 4.8% y/y.** Kganyago stated that "Given extra inflation pressure, headline now reaches the target midpoint (4.5% y/y) only at the end of 2025, later than previously expected". Inflation is under pressure from higher services prices and upside risks to food inflation linked to recent adverse weather conditions. The central bank's quarterly projection model now shows the implied policy rate at 7.72% for end 2024 (from 7.54% previously), according to Bloomberg. JPMorgan still expects two 25 bps cuts in 2024, with the policy rate falling to 7.50% by mid-2025.

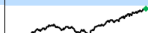














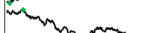



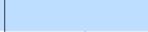


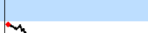


South Africa - Policy Rate, Inflation and Currency



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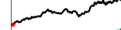















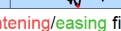











Global Financial Indicators

3/28/24 7:53 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5248	0.9	0	4	32	10
Europe		5089	0.1	1	4	22	13
Japan		40168	-1.5	-2	3	44	20
China		3521	0.5	-2	0	-12	3
Asia Ex Japan		68	0.0	0	3	1	1
Emerging Markets		41	0.2	0	2	5	2
Interest Rates			basis points				
US 10y Yield		4.22	3.0	-5	-4	65	34
Germany 10y Yield		2.32	2.7	-9	-14	3	30
Japan 10y Yield		0.71	-1.4	-3	1	36	10
UK 10y Yield		3.96	2.5	-4	-23	50	42
Credit Spreads			basis points				
US Investment Grade		121	-0.5	0	-4	-51	-13
US High Yield		350	0.4	0	-13	-176	-36
Exchange Rates			%				
USD/Majors		104.58	0.2	1	1	2	3
EUR/USD		1.08	-0.4	-1	0	-1	-2
USD/JPY		151.4	0.0	0	0	16	7
EM/USD		46.5	-0.2	0	0	-8	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		87.2	1.3	2	6	16	14
Industrials Metals (index)		139	0.2	-2	1	-13	-3
Agriculture (index)		59	-0.2	-1	1	-12	-5
Implied Volatility			%				
VIX Index (%, change in pp)		13.0	0.3	0.1	-0.8	-6.9	0.6
Global FX Volatility		6.6	0.0	0.1	-0.1	-4.1	-1.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		110	2.8	10	5	-81	6
Italy		137	4.7	10	-6	-48	-31
Portugal		70	1.3	6	-2	-17	6
Spain		86	1.8	5	-2	-18	-11

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

Emerging Market Financial Indicators

Last updated: 3/28/2024 7:51 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		7.23	0.0	-0.4	0	-5	-2		2.4	0.5	2	3	-75	-15
Indonesia		15855	0.0	-1.2	-1	-5	-3		6.7	-4.0	7	9	-11	21
India		83	0.0	-0.3	-1	-1	0		7.2	-2.0	-3	-5	(34.0)	-5
Philippines		56	0.2	-0.2	0	-3	-1		5.4	0.1	-7	3	-55	-20
Thailand		36	-0.2	-1.2	-1	-6	-6		2.5	-2.2	-2	-7	1	-19
Malaysia		4.73	-0.3	0.0	1	-7	-3		3.8	-1.1	-4	-3	-5	11
Argentina		858	-0.1	-0.5	-2	-76	-6		52.7	-115.1	-454	-2415	-3923	-3368
Brazil		4.99	-0.1	-0.3	-1	4	-3		11.0	2.7	10	16	-212	65
Chile		982	-0.2	-1.0	-1	-19	-11		5.2	0.0	3	-3	-2	24
Colombia		3852	0.1	1.1	2	22	0		7.8	0.0	5	10	-98	16
Mexico		16.58	-0.2	1.0	3	10	2		8.7	0.1	6	6	23	29
Peru		3.7	0.0	-0.7	2	1	0		7.3	3.9	34	50	-21	67
Uruguay		38	0.0	1.3	4	3	3		9.0	1.1	0	-4	-136	-53
Hungary		367	-0.6	-0.9	-1	-4	-5		6.5	0.0	24	41	-158	75
Poland		4.00	-0.4	-0.9	0	8	-2		5.0	-0.1	-2	15	-39	54
Romania		4.6	-0.3	-0.7	-1	-1	-2		6.4	-1.7	-4	1	-75	17
Russia		92.4	0.1	-0.6	-1	-16	-3							
South Africa		19.1	-0.8	-1.2	1	-5	-4		9.8	4.0	18	24	70	69
Türkiye		32.33	-0.1	-0.9	-3	-41	-9		26.7	0.0	45	-11	1554	-4
US (DXY; 5y UST)		105	0.2	0.5	1	2	3		4.23	4.0	-3	-3	55	38

	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		3521	0.5	-2	0	-12	3		150	0	1	-38	-8		
Indonesia		7289	-0.3	-1	0	7	0		102	2	-2	-49	6		
India		73651	0.9	2	2	27	2		107	-2	7	-65	-9		
Philippines		6904	0.0	1	0	5	7		88	2	2	-39	8		
Thailand		1370	-0.8	-1	0	-15	-3		0	0	0	0	0		
Malaysia		1531	0.0	0	-1	9	5		84	-2	2	-21	-1		
Argentina		1213485	-0.1	2	21	401	31		1442	-61	-318	-1097	-471		
Brazil		127691	0.7	-1	-2	26	-5		212	-1	3	-64	-3		
Chile		6598	1.2	2	4	26	6		125	1	-2	-18	0		
Colombia		1333	1.1	2	4	19	12		292	3	-6	-117	21		
Mexico		57369	0.3	1	4	8	0		313	-9	-10	-93	-21		
Peru		28367	-1.5	-5	1	30	9		141	2	3	-49	-3		
Hungary		65577	1.2	0	-1	56	8		154	1	-3	-74	5		
Poland		82494	1.1	1	1	45	5		99	2	10	30	2		
Romania		16897	0.4	2	6	39	10		185	-1	-9	-66	-16		
South Africa		74278	0.5	3	3	-2	-3		360	10	13	-44	52		
Türkiye		9017	2.4	-1	0	87	21		309	-17	1	-146	-5		
Ukraine		#N/A N/A	0.0	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A		3570	-283	-527	-1328	-434		
EM total		41	0.2	0	2	5	2		300	-6	-27	-115	-46		

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

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