GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, MARCH 29, 2024

LEAD EDITOR: PATRICK SCHNEIDER

- **Fitch downgraded Panama to junk (BBB- to BB+)** (link)
- **Swiss franc weakens on monetary policy divergence with the Federal Reserve** (link)
- **Chinese property sector struggles remain in the spotlight** (link)
- **European stock gains have broadened** (link)
- **Hungarian financial assets have underperformed regional peers amid fiscal concerns** (link)

Mature Markets | Emerging Markets | Market Tables

Most global markets are closed for Good Friday

With the exception of Japan, China, and South Korea, major financial markets are closed today. Japanese and onshore Chinese equity markets posted modest gains on Friday. Japanese officials reiterated verbal warnings that yen weakness isn't warranted by fundamentals, with the yen stabilizing near 151.3 against the dollar over the last two days. **PCE inflation in the US for February came in slightly below expectations at 0.3% m/m (vs 0.4% expected), while core was in line at 0.3%.** Personal spending beat expectations at 0.8% m/m, showing continued strength among consumers. Yesterday, the University of Michigan's consumer sentiment index climbed to the highest since mid-2021 while inflation expectations declined. Elsewhere, French and Italian preliminary inflation prints for March came in below expectations.

Key Global Financial Indicators

Last updated: 3/29/24 6:22 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5254	0.1	0	3	30	10
Eurostoxx 50		5083	0.0	1	4	20	12
Nikkei 225		40369	0.5	-1	3	45	21
MSCI EM		41	0.4	0	3	5	2
Yields and Spreads					bps		
US 10y Yield		4.20	0.0	0	-5	64	32
Germany 10y Yield		2.30	0.6	-11	-16	1	27
EMBIG Sovereign Spread		341	-5	-2	-27	-151	-42
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.5	0.1	0	0	-8	-3
Dollar index, (+) = $ appreciation		104.6	0.0	0	0	2	3
Brent Crude Oil ($/barrel)		87.0	1.9	1	4	11	13
VIX Index (%, change in pp)		13.0	0.2	0	0	-6	1

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

Mature Markets

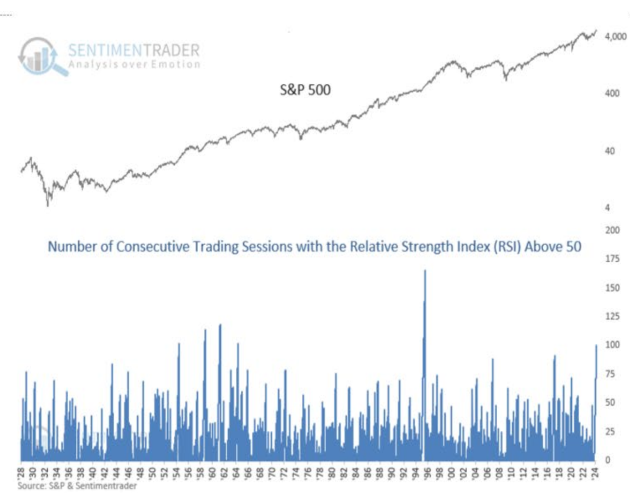
back to top

United States

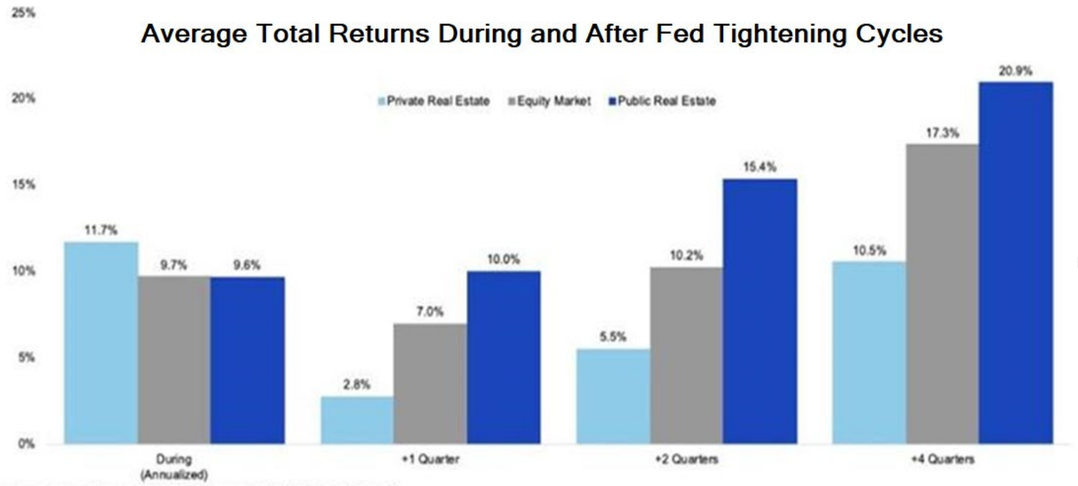
PCE inflation for February came in slightly below expectations on a monthly basis (0.3% m/m vs 0.4% m/m), while core PCE was in line with expectations at 0.3% m/m. Headline PCE inflation for February was in line with January, while core slowed slightly. Transportation services—particularly volatile categories such as flight and car rentals—were a major contributor to inflation in February, according to Bloomberg analysts. Personal spending was stronger than expected at 0.8% (vs 0.5% expected), while personal income slowed to 0.3% m/m (vs 0.4% expected.

	Actual	Consensus	Prior	Revised
Personal Income (Feb.)	0.3%	0.4%	1.0%	
Personal Spending	0.8%	0.5%	0.2%	
PCE Deflator (m/m)	0.3%	0.4%	0.3%	0.4%
PCE Deflator (y/y)	**2.5%**	**2.5%**	**2.4%**	
Core PCE Deflator (m/m)	0.3%	0.3%	0.4%	0.5%
Core PCE Deflator (y/y)	**2.8%**	**2.8%**	**2.8%**	**2.9%**

Historically high levels of stock market concentration haven't always signaled a downturn ahead. The top ten stocks have contributed over 30% of the annualized total return in the S&P500 over the last five years, compared to 10% on average. Moreover, those top ten stocks now account for 33% of the S&P500, up from 27% during the late 1990s technology bubble. Although increased concentration is typically interpreted by investors as a sign of downside risk, Goldman Sachs analysts highlighted that in the year after previous peaks in market concentration, the S&P500 historically increased more frequently than it decreased. Analysts added that the top ten stocks are trading at lower valuations compared to the late 1990s because of higher profit margins. As a measure of how persistent this equity rally has been, the S&P 500 Relative Strength Index, which gauges price momentum, closed above 50 for 100 consecutive trading sessions, which is the sixth-longest streak in history, according to SentimenTrader data.



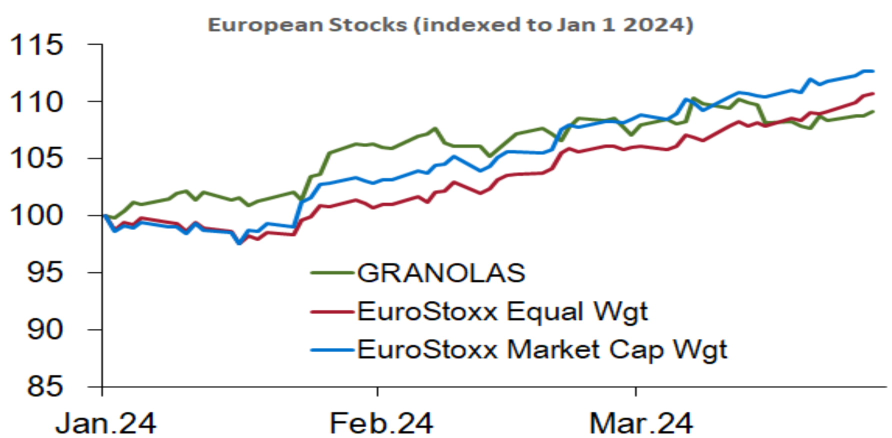
Real estate investment trusts (REITs) have typically seen strong gains in anticipation of and during easing cycles. Total returns for REITs have outperformed private real estate and equity markets in the four quarters following Fed tightening cycles. The US REIT market is the largest globally by revenue, and alternative property types such data centers, cold storage facilities, cell towers, and healthcare facilities now account for 64% of the US REIT market. Moreover, most analysts expect the sector to continue expanding as AI boosts the operational effectiveness of traditional sectors as well as demand for data centers and related industries.



Sources: Federal Reserve Board; Nareit; NCREIF; FactSet. Data as of 2023:Q2.
Note: Public equity REITs, private equity real estate, and stock market performances were measured by the FTSE Nareit All Equity Index (FTSE Nareit), the NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE), and the Standard & Poor's 500 (S&P 500), respectively.

Euro Area

European stock gains have been more broad based over the last month, with the Euro Stoxx 50 index up 4.2%. Through February, gains in a select group of large market cap stocks, represented by the *GRANOLAS*, were largely responsible for the move higher in European indices. However, in the last month, gains have broadened, with the equal weight index surpassing the *GRANOLAS* year to date. Banks and defense sectors have climbed over 10% in March, while travel, real estate, and industry have all gained at least 4% as well.

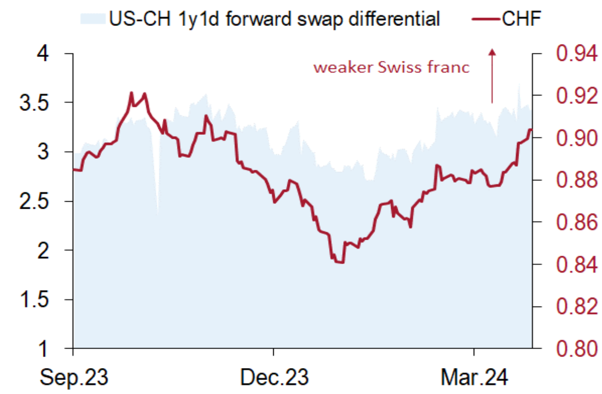


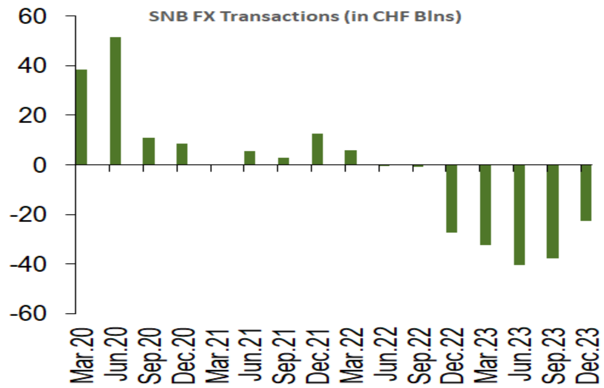
Source: Bloomberg, Goldman Sachs
Note: GRANOLAS inlcudes Glaxosmithkline, Roche, ASML, Nestle, Novartis, Novo Nordisk, l'Oreal, LVMH, Astrazeneca, SAP, Sanofi

French and Italian inflation estimates for March came in below expectations. In Italy**,** the preliminary HICP print was lower than expected at 1.3% y/y (vs 1.5% expected), while French inflation came in at 2.4% y/y (vs 2.8% expected).

Switzerland

Swiss franc weakens on monetary policy divergence with the Federal Reserve. The Swiss franc has fallen almost 7% against the dollar in 2024 alongside market pricing of a more accommodative Swiss National Bank (SNB) and a more hawkish Federal Reserve. The alpine currency's decline is the largest quarterly sell off since 2014, according to Bloomberg. The franc is also down about 4.5% against the euro. The SNB slowed the pace of FX purchases in Q4, and most analysts believe that trend will continue as purchases have become inconsistent with the policy direction given that fears over imported inflation have eased (Feb CPI at 1.2% y/y). Nevertheless, the SNB stands ready to intervene "as necessary" in either direction due to the currency's importance to trade and inflation dynamics.





Japan

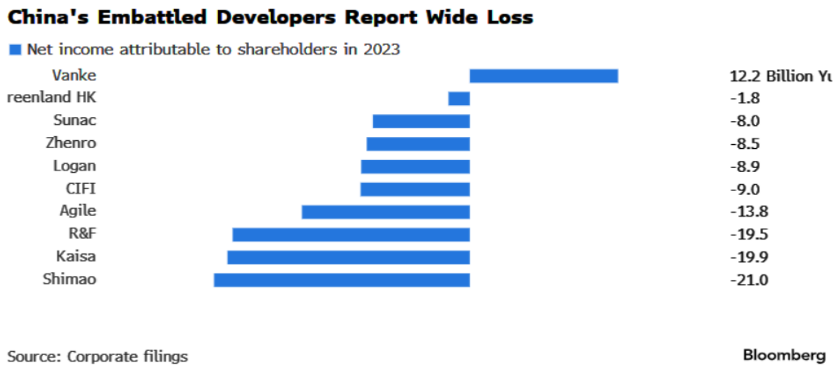
Japanese yen was little changed amid thin global trading and a flurry of economic data. Tokyo CPI data came in slightly above expectations at 2.6% y/y (vs 2.5%); industrial production was weaker than expected at -3.4% y/y (vs -2.7% expected); and retail sales were stronger than expected at 4.6% y/y (vs 2.9%).

Emerging Markets back to top

Chinese stocks (CSI300) gained 0.5% on Friday. Most markets in EMEA, Latin America and Asia were closed on Friday and some on Thursday. Equities in Türkiye gained 0.5%. In Latin America**,** Brazilian equities followed the S&P500 higher on Thursday to gain 0.3%, while the real fell 0.6%. **Central banks in Jamaica and Trinidad and Tobago left their policy rates unchanged at 7% and 3.5% respectively.**

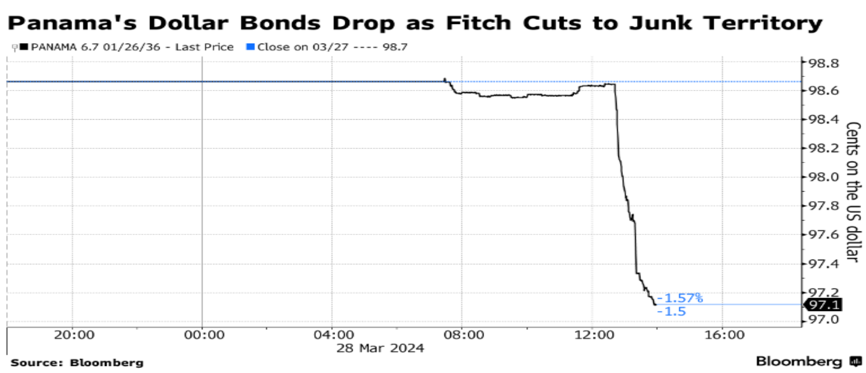
China

The property sector remains in the spotlight, as Country Garden surprised markets by delaying its annual report. Country Garden, once China's largest property developer by sales, had previously defaulted on its dollar debt. China Vanke, also one of the largest developers facing debt renegotiations, announced that its "net profit" fell by 46%, the worst result since its listing in 1991. A weak economy and downbeat consumer sentiment have been a headwind for home sales, driving a decline in house prices and further weighing on consumers for whom homes are their largest investment. China's property woes are also impacting the largest state banks, where nonperforming loans have risen to a record high and profits are under pressure, according to Bloomberg.



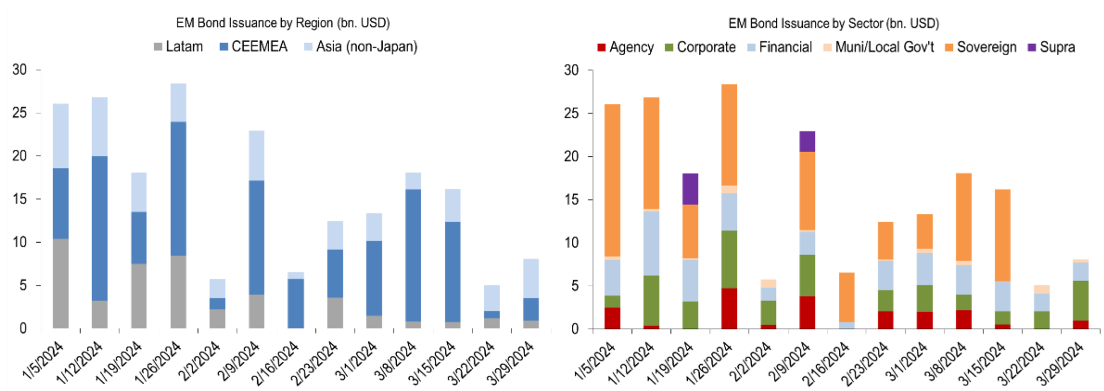
Panama

Fitch downgraded Panama to junk (BBB- to BB+), citing fiscal and governance challenges amplified by the closure of a large copper mine last year. USD bonds fell 1.5 cents on the dollar to 97.1. Moody's and S&P continue to rate the sovereign as investment grade, though analysts are expecting a downgrade by Moody's later in the year. Morgan Stanley analysts estimated that further downgrades to HY from another agency would drive forced selling of $14.5 bn by investment grade dedicated funds.



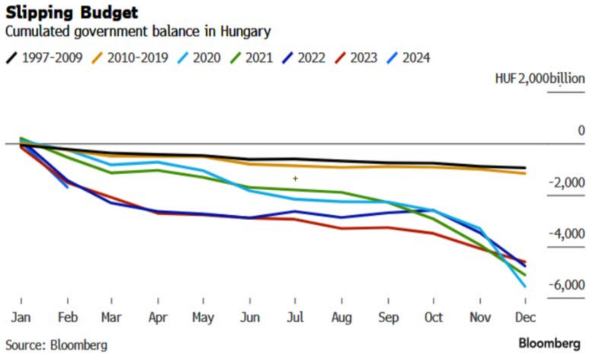
EM Bond Issuance

EM weekly bond issuance increased to $8.1 bn, up from $5.7 bn last week, led by corporates. Asia ex-Japan accounted for 56% of the total, followed by CEEMEA and Latin America at 32% and 12% respectively. Corporate issuance accounted for nearly 60% of the total, followed by financials (26%), while sovereigns were absent from the market.



Sources: Bond Radar and IMF staff calculations

Hungarian financial assets have underperformed regional peers amid fiscal concerns. The Hungarian forint has depreciated 3.1% against the euro (5.3% against the US dollar) and 10y yields have risen 87 bps YTD. The first quarter bond sell off is the largest since the third quarter of 2022 during the previous tightening cycle. The authorities have revised the 2024 fiscal deficit from 2.9% of GDP to 4.5% GDP. Some analysts have cited the apparent divergence between the central bank and the government, with the former emphasizing the prudence of spending cuts during this monetary easing cycle even as spending continues to ramp up.



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.

***Disclaimer:** This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*

Global Financial Indicators

3/29/24 6:21 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		5254	0.1	0	3	30	10
Europe		5083	0.0	1	4	20	12
Japan		40369	0.5	-1	3	45	21
China		3537	0.5	0	1	-12	3
Asia Ex Japan		68	0.3	0	3	1	2
Emerging Markets		41	0.4	0	3	5	2
Interest Rates					basis points		
US 10y Yield		4.20	0.0	0	-5	64	32
Germany 10y Yield		2.30	0.6	-11	-16	1	27
Japan 10y Yield		0.73	1.6	-1	2	40	11
UK 10y Yield		3.93	0.1	-6	-25	48	40
Credit Spreads					basis points		
US Investment Grade		120	-1.3	1	-8	-53	-14
US High Yield		347	-3.1	5	-22	-176	-39
Exchange Rates					%		
USD/Majors		104.58	0.0	0	0	2	3
EUR/USD		1.08	0.0	0	0	-1	-2
USD/JPY		151.3	0.0	0	1	14	7
EM/USD		46.5	0.1	0	0	-8	-3
Commodities					%		
Brent Crude Oil ($/barrel)		87.0	1.9	2	7	16	14
Industrials Metals (index)		140	0.9	-1	1	-13	-2
Agriculture (index)		60	1.0	0	2	-11	-4
Implied Volatility					%		
VIX Index (%, change in pp)		13.0	0.2	0.1	-0.4	-6.1	0.6
Global FX Volatility		6.6	0.0	-0.4	-0.1	-4.1	-1.5
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		109	1.5	4	3	-82	5
Italy		138	6.2	6	-5	-44	-29
Portugal		71	2.6	4	0	-14	8
Spain		86	2.1	3	-1	-15	-10

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

Emerging Market Financial Indicators

Last updated: 3/29/2024 6:19 AM	Exchange Rates: Level, Last 12m	Exchange Rates: Level, Latest (vs. USD)	Change (in %) (+) = EM appreciation: 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Level, Latest (% p.a.)	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
China		7.22	0.1	0.1	0	-5	-2		2.3	-3.5	-3	-2	-78	-19
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	0.0	-7	-6	(28.9)	-5
Philippines		56	0.2	-0.2	0	-3	-1		5.4	0.0	0	0	-55	-20
Thailand		36	0.2	0.0	-1	-6	-6		2.5	-0.8	-5	-8	0	-20
Malaysia		4.73	0.2	0.2	0	-6	-3		3.9	0.0	0	-1	-5	12
Argentina		858	-0.1	-0.5	-2	-76	-6		52.7	0.0	-690	-2174	-3951	-3368
Brazil		5.01	-0.6	-0.7	-1	3	-3		11.1	1.4	7	14	-204	67
Chile		979	0.1	-0.7	0	-19	-10		5.2	0.0	4	1	-1	26
Colombia		3852	0.1	1.1	2	22	0		7.7	-6.5	-3	11	-100	10
Mexico		16.58	0.2	1.1	3	9	2		8.7	0.1	6	6	23	29
Peru		3.7	0.0	-0.7	2	1	0		7.3	3.9	34	49	-20	67
Uruguay		38	0.0	1.3	4	3	3		9.0	0.0	1	-1	-136	-53
Hungary		365	0.0	0.8	0	-4	-5		6.6	0.0	22	41	-156	79
Poland		3.99	0.1	0.3	0	8	-1		5.0	0.0	-12	11	-46	49
Romania		4.6	0.0	-0.1	0	-1	-2		6.4	-1.2	-3	-3	-84	16
Russia		92.6	0.0	-0.4	-2	-17	-3							
South Africa		18.9	0.1	0.6	2	-4	-3		9.8	0.0	15	26	75	67
Türkiye		32.38	-0.1	-1.1	-4	-41	-9		26.7	-2.0	36	-14	1594	-6
US (DXY; 5y UST)		105	0.0	0.1	0	2	3		4.21	0.0	3	-3	53	37

	Equity Markets: Level, Last 12m	Level, Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Level, Latest (basis points)	Change (in basis points): 7 Days	30 Days	12 M	YTD
China		3537	0.5	0	1	-12	3		149	0	0	-40	-9
Indonesia		7289	0.0	-1	0	7	0		100	3	-7	-55	4
India		73651	0.0	2	2	27	2		107	-1	6	-63	-9
Philippines		6904	0.0	1	0	5	7		87	5	-2	-43	7
Thailand		1378	0.6	0	1	-14	-3		0	0	0	0	0
Malaysia		1536	0.4	0	-1	9	6		83	-2	1	-21	-2
Argentina		1213485	-0.1	2	21	401	31		1459	6	-296	-1046	-454
Brazil		128106	0.3	0	-1	26	-5		213	5	-1	-63	-2
Chile		6644	0.7	2	3	25	7		124	3	-5	-22	-1
Colombia		1333	1.1	2	4	19	12		293	12	-7	-117	22
Mexico		57369	0.3	1	4	8	0		311	-2	-14	-99	-23
Peru		28367	-1.5	-4	0	29	9		141	6	0	-54	-3
Hungary		65385	0.0	-1	-1	54	8		153	4	-7	-79	4
Poland		82746	0.0	1	1	45	5		98	4	3	23	1
Romania		16965	0.2	1	7	41	10		184	1	-14	-72	-17
South Africa		74536	0.0	3	2	-3	-3		359	15	9	-54	51
Türkiye		9091	0.1	0	-1	84	22		301	-1	-10	-162	-13
Ukraine		#N/A N/A	0.0	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A		3526	-116	-440	-1386	-478
EM total		41	0.0	0	3	5	2		294	-2	-32	-124	-51

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

back to top