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- Shares of Chinese property developer fall on reports about debt negotiations ([link](#))
- Large cash portfolios have cushioned the impact of higher interest rates on corporates ([link](#))
- Ecuadorian dollar bonds rallied on speculation about IMF program ([link](#))
- Analysts not expecting policy changes at ECB meeting on Thursday ([link](#))

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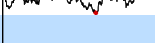
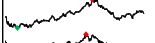





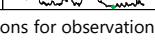
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## Markets start the week on a cautious note following recent record highs

Markets were mixed after US, Japanese, and European indices set new record highs in recent days.

Japan's Nikkei index extended gains on Monday and has gained nearly 20% year to date. S&P futures were down slightly. Shares of one of China's largest property developers fell sharply after media reports that they are negotiating with lenders to delay certain payments. China's National People's Congress will commence this week, with markets looking for clarity about the 2024 growth target and any new policy measures. Treasury yields are up slightly to start the week. Oil prices have crawled higher in recent days, highlighted by the announcement that OPEC+ will extend production cuts through the middle of the year. Bitcoin resumed its upward move, surpassing 65k this morning.

Key Global Financial Indicators

Last updated: 3/4/24 7:52 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5137	0.8	1	4	27	8
Eurostoxx 50		4913	0.4	1	6	14	9
Nikkei 225		40109	0.5	2	10	44	20
MSCI EM		40	1.2	0	5	2	1
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.20	2.4	-8	18	25	32
Germany 10y Yield		2.40	-1.6	-4	16	-32	37
EMBIG Sovereign Spread		368	0	-5	-32	-80	-15
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.7	0.0	0	-1	-8	-3
Dollar index, (+) = \$ appreciation		103.8	0.0	0	0	-1	2
Brent Crude Oil (\$/barrel)		83.1	-0.5	1	7	-3	8
VIX Index (% change in pp)		13.5	0.4	0	0	-5	1

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

In the week ahead, key market events include China's National People's Congress, the ECB policy meeting on Thursday, and US nonfarm payrolls on Friday. Chair Powell will testify before Congress mid-week. Congress will need to pass new funding agreements to prevent partial government shutdowns on March 8 and March 22. Analysts expect the ECB to leave rates unchanged but will instead focus on the staff forecasts and whether firmer inflation this year has changed the governing council's view that "declining trend in underlying inflation has continued." Other central bank policy meetings are scheduled in Canada (Wed, hold), Poland (Wed, hold), Malaysia (Thu, hold), and Peru (Thu, cut).

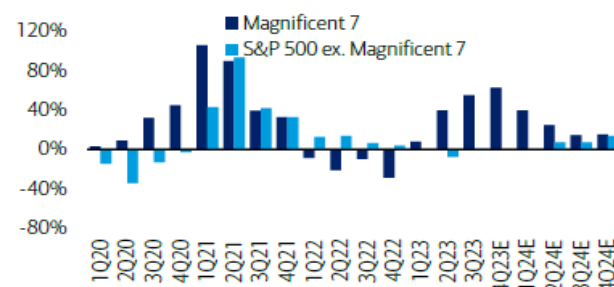
## Mature Markets

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### United States

**Analysts expect equity gains to spread as smaller firms catch up on earnings growth.** The earnings growth by the *Magnificent 7* stocks in the S&P500 vastly outpaced other firms in 2023, but analysts expect the gap to close in 2024. Most analysts have raised their year-end forecasts for the S&P 500, and smaller firms could become more attractive given their much lower valuations. Even in a downside scenario, either from a major surprise on the monetary policy front or from the November election, forced selling of stocks could asymmetrically impact the most crowded stocks in the index.

**Exhibit 8: Magnificent 7 earnings growth outpaced "Other 493" in 2023, but the gap is narrowing...**  
YoY qrtly earnings growth of Magnificent 7 vs. Other 493 (1Q20-4Q24E)

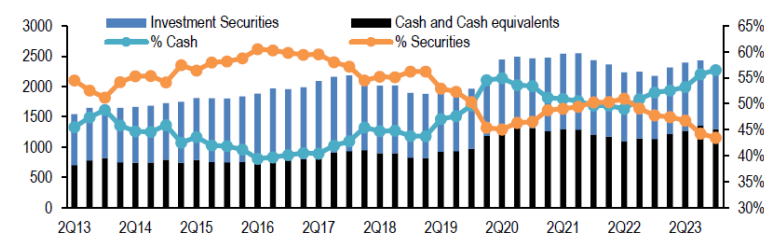


Source: BofA US Equity & Quant Strategy, FactSet. Current constituents, consensus estimates.  
BofA GLOBAL RESEARCH

**High cash portfolios have helped cushion the impact of higher interest rates on corporates.** According to JPMorgan analysis, non-financial corporates in the S&P500 universe continue to hold large investment portfolios, which have declined only marginally from the "dash for cash" peak at the onset of COVID. In addition, the cash allocation within investment portfolios has risen to a record 57%, at the expense of investment securities. Corporates have been able to earn solid returns from their cash holdings, typically through money market funds. Analysts attribute the recent increase to corporates trying to lock in higher yields in anticipation of upcoming rate cuts.

**Figure 1: Cash investment portfolios of S&P 500 corporates grew by \$125bn to \$2.3tn over 2023, with cash & cash equivalent allocation at a historical high of 57% at year-end**

Investment securities and cash/cash equivalents held by S&P 500's non-financial companies, absolute (LHS, \$bn) and as a % of aggregate cash portfolios (RHS)



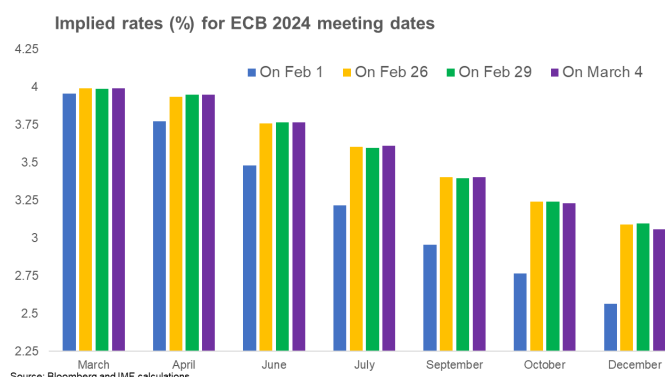
Source: Bloomberg Finance L.P., J.P. Morgan

## Europe

**European equities were mixed with the STOXX600 index little changed, hovering near record-highs after six weeks of gains**, ahead of the ECB meeting later this week. The technology sector (+0.7%) outperformed this morning, while the banking sector (+0.2%) was also in the green. The benchmark index has gained nearly 4% year to date, with the technology sector (+14.4%) seeing the strongest performance.

**Euro area sovereign bond yields were little changed this morning** (10y bund yield trading at around 2.40%). The euro was marginally stronger against the dollar (+0.2%) trading at around 1.086. On Friday, S&P upgraded Portugal's long-term foreign currency rating by one-notch to A-, citing external financial balance sheet improvement and a decline in external liquidity risks. Portugal's 10y bond yield was trading near 3.11% this morning, with the spread over 10y bund yields falling 2 bps.

**Analysts are not expecting any policy changes at the ECB meeting on Thursday, though any revisions to the staff forecasts will be in focus.** Some contacts expect President Lagarde to communicate during the press conference that the debate around the timing of rate cuts and policy normalization has started, and several contacts expect President Lagarde to reiterate that the ECB would wait to see Q1 wage data before considering a rate cut. Analysts expect the ECB to revise both growth and inflation forecasts downward. Barclays sees the first rate cut in June, as the disinflation process will likely be insufficient to trigger a move by April. Deutsche Bank also pushed back its estimate of the first rate cut to June (from April) following the upside surprise in flash February inflation data. Media reports also have suggested the ECB could present some results on the framework review in the coming weeks. Market expectations for ECB rate cuts in 2024 were little changed over the past week, now pricing in roughly 94 bps of rate cuts this year, and roughly 23 bps of rate cuts by June.



## Japan

**Japan's Nikkei stock index (+0.5%) surpassed the 40,000 level to set a record high on Monday (+0.5%)**, while the TOPIX declined slightly (-0.1%). Domestic investors have added to the rally in recent days, which had been primarily driven by global equity funds, according to Bloomberg. Market participants remain broadly bullish on Japanese stocks, although some flagged concerns that the stock market may be overheating.

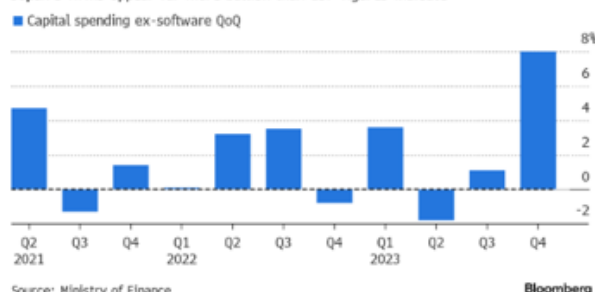
**Japanese corporate investment accelerated, as capital spending increased 16.4% y/y in Q4, up from 3.4% previously.** Some analysts noted the latest data reflects robust business investment that will likely lead to an upward revision in the Q4 GDP data due March 11. Separately, Kyodo reported the Japanese government will consider officially declaring that Japan has overcome deflation. Both the government and investors are focused on the ongoing 2024 wage negotiations, which are expected to conclude by mid-March, to ensure that wages are increasing in line with rising prices. 10y bond yields were little changed and the Japanese yen depreciated 0.1%.

**Nikkei 225 Reaches Another Milestone**  
The gauge passes 40,000 for the first time



**Japan Inc. Ramps Up Investment**

Japan's firms appear far more bullish than GDP figures indicate



## Emerging Markets

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EMEA markets were mixed, with equities in South Africa outperforming (+0.6%), while Türkiye (-0.5%) lagged. The Hungarian forint is trading roughly 1.5% lower over the last week amid concerns over the interest rate outlook raised by an ongoing dispute between the government and the central bank. Egypt's 12 month NDFs have strengthened to EGP49/USD from as high as EGP65/USD several weeks ago. Asian equities were mixed, up +0.6% on net, as Taiwan POC (+2%) and South Korea (+1.2%) outperformed driven by semiconductor stocks. Regional currencies were mixed, with the Malaysian ringgit, Thai baht, and Taiwanese dollar appreciating while the Indonesian rupiah depreciated (-0.3%). The spread between US Treasuries and Chinese bond yields widened 42 bps in February, the largest move since September 2022. The spread has weighed on the renminbi, coinciding with seven consecutive months of net foreign currency purchases, as well as the reluctance of local exporters to sell dollars. In Latin America, most regional equity markets gained on Friday, while currencies were mixed. Peru's CPI increased 3.3% (vs 2.9% expected) ahead of the monetary policy meeting on Thursday. Brazilian Q4 GDP came in below expectations at 0% q/q (vs 0.1% expected), leaving full year growth at 2.9%.

## China

Chinese equities were mixed (Shanghai +0.4%) after shares of Vanke, China's second largest property developer by sales, fell to a record low on Monday. Onshore (-5.2%) and offshore (-7.8%) share prices fell sharply after reports that Vanke will negotiate with lenders on upcoming loans. In December, media reports suggested that some state-linked private lenders had agreed to delay certain payments. Vanke's dollar denominated 2027 bond fell as much as 6 cents on the dollar, while local currency bonds also declined.

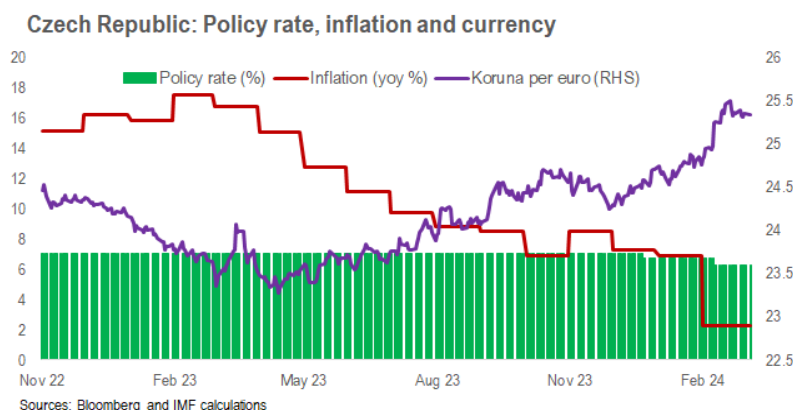
**Vanke's Hong Kong Shares, Dollar Bonds Plunge**  
Prices near record lows on worries over repayments



**China's Premier Li Qiang will not hold a press briefing at the close of the National People's Congress in a deviation from past precedent**, a spokesperson said on Monday. He will be the first premier in three decades to not hold a press briefing at the annual parliamentary meetings. However, he will still deliver the government's annual work report. Some analysts speculated the cancellation is designed to undercut the Premier's influence.

## Czechia

**The Czech National Bank expects to ease policy cautiously going forward.** According to Governor Michl, while inflation slowed to 2.3% y/y in January from a peak of 18% y/y in 2022, policymakers will proceed with caution to ensure inflation remains near the central bank's 2.0% target. *"Price stability has been restored, but we still have a long way to go to ensure that [it] stays for as long as possible. That is why we are cautious and will remain hawkish."* Policymakers are weighing a prolonged period of economic stagnation against the risk of renewed price pressures, with some Board members citing the weaker-than-expected currency as representing an inflationary risk. Analysts at HSBC expect the CNB to deliver a 75bp rate cut in March following combined easing of 75 bps in December and February. Markets are pricing in close to 300 bps of cuts over the next 12 months.



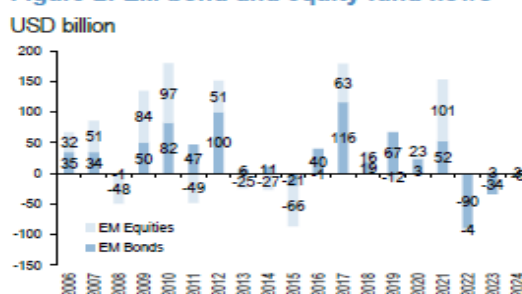
## EM Fund Flows

**EM bond fund outflows moderated last week to -\$0.5 bn, while equity inflows accelerated to \$0.6 bn** from \$0.2 bn last week. Smaller outflows from hard currency bond funds (-\$0.25 bn) drove the smaller headline figure (-\$1 bn previously), even as local currency funds reverted to outflows. Large inflows to equity ETFs helped offset outflows from mutual funds, with sizeable inflows to Asia ex. Japan (\$0.6 bn). Latin America focused funds saw modest outflows.

**Figure 1: Weekly cross-asset flows**

Asset	8w flows (8w ago → current)	This wk	YTD
<b>EM Bonds and Equities</b>		0.1	-2.3
EM Bonds		-0.5	-4.9
Hard Ccy		-0.2	-4.1
Local Ccy*		-0.3	-0.8
o.w. EM ex-China		-0.2	-0.2
o.w. China		-0.1	-0.6
<b>EM Equities</b>		0.6	2.6
US HG		6.4	67.5
US HY		-0.9	4.5
Global Equities		7.7	8.6
<b>EM Bond and Equity ETFs</b>		1.1	5.4
EM Bond ETFs		-0.6	-2.3
EM Equity ETFs		1.7	7.7
<b>Non-resident EM flows*</b>		1.8	10.9

**Figure 2: EM bond and equity fund flows**



\*High frequency non-resident EM portfolio flow data where available. \*Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

## Ecuador

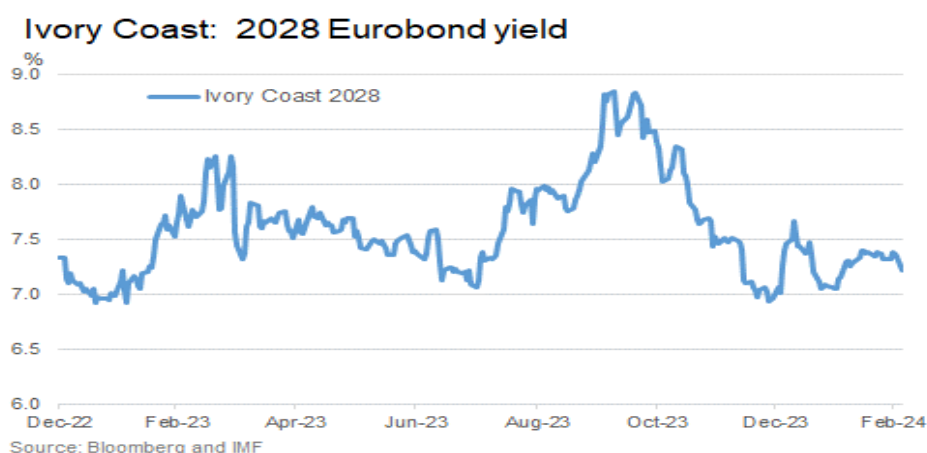
**Ecuadorian dollar bonds rallied on speculation about an IMF program.** President Noboa reportedly told investors his government expects to reach a new funding deal with the IMF within the next two months, according to Bloomberg. The prices of outstanding dollar denominated bonds jumped higher, with the 2030 bond gaining nearly 3 cents on the dollar to 63.7, the highest in over a year. Ecuadorian bonds have rallied alongside most frontier issuers in 2024.



Source: Bloomberg, IMF staff calculation

## Ivory Coast

**Eurobond prices edged higher after Moody's sovereign rating upgrade.** Moody's raised Ivory Coast's credit rating one notch to Ba2 (two levels below investment grade), citing the resilience of the economy and rising private sector investment. The outlook was changed to stable from positive. The yield on the 2028 dollar denominated bond fell 11 bps to 7.24%, the largest one day decline since 2019, according to Bloomberg. Moody's expects the economy to grow by 7% until 2026 driven by private sector investment, and highlighted fiscal consolidation efforts under the current IMF program. Ivory Coast joins South Africa as the highest rated sovereign in sub-Saharan Africa after Botswana.

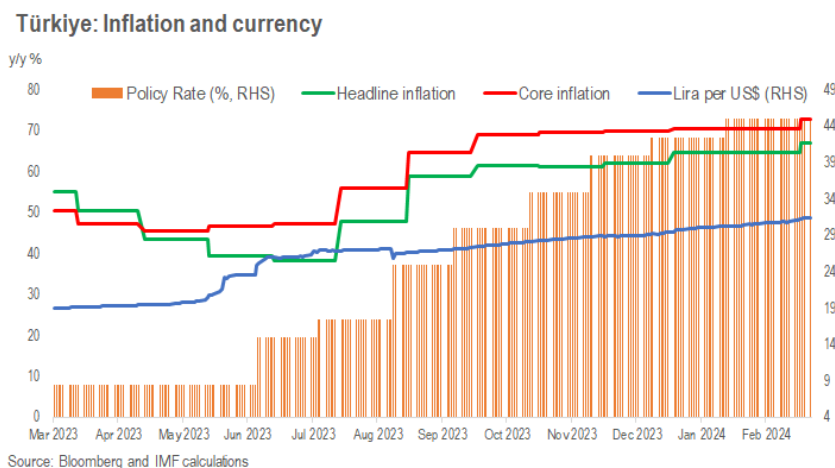


## Türkiye

**Turkish lira weakened (-0.5%) after February inflation data surprised on the upside and reached a 15-month high.** Annual inflation rose to 67.1% y/y (66% expected, 64.9% prior). Central Bank of Türkiye (CBRT) policymakers expect annual inflation to peak above 70% in May, with policy rates to remain on hold








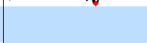

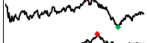

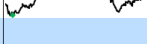





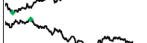
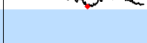

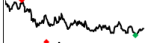

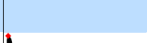


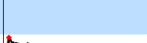

for now at 45%. Analyst views are somewhat mixed, as QNB Finansbank expects the CBRT to hike rates in the second quarter, while Bloomberg expects the CBRT to pursue additional tightening through other measures. Bank of America analysts reported that foreign investor inflows continued to increase in February, with three consecutive weeks of inflows.



*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



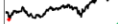

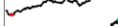





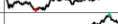
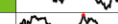












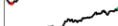

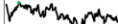






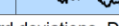




3/4/24 7:53 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5137	0.8	1	4	27	8
Europe		4914	0.4	1	6	14	9
Japan		40109	0.5	2	10	44	20
China		3541	0.1	3	11	-14	3
Asia Ex Japan		67	1.4	0	5	-1	0
Emerging Markets		40	1.2	0	5	2	1
<b>Interest Rates</b>			basis points				
US 10y Yield		4.21	2.5	-7	19	25	33
Germany 10y Yield		2.40	-1.5	-4	16	-32	38
Japan 10y Yield		0.72	0.2	3	5	21	11
UK 10y Yield		4.11	-0.5	-5	19	26	57
<b>Credit Spreads</b>			basis points				
US Investment Grade		128	-1.1	3	0	-14	-6
US High Yield		369	1.5	5	-16	-48	-16
<b>Exchange Rates</b>			%				
USD/Majors		103.83	0.0	0	0	-1	2
EUR/USD		1.08	0.1	0	1	2	-2
USD/JPY		150.4	0.2	0	1	11	7
EM/USD		46.7	0.0	0	-1	-8	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		83.1	-0.6	2	8	4	8
Industrials Metals (index)		138	0.1	1	1	-15	-3
Agriculture (index)		58	0.7	0	-4	-15	-7
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		13.5	0.4	-0.2	-0.4	-5.0	1.1
Global FX Volatility		6.6	0.1	0.1	-1.0	-3.2	-1.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		107	-0.6	1	0	-70	3
Italy		144	-3.7	-2	-14	-38	-24
Portugal		71	-2.0	-1	-10	-15	8
Spain		88	-2.0	-2	-5	-7	-9

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



## Emerging Market Financial Indicators

Last updated: 3/4/2024 7:55 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	0.0	0	-4	-1		2.4	-1.5	4	0	-85	-15
Indonesia		15740	-0.3	-0.7	0	-3	-2		6.6	1.2	6	12	-34	16
India		83	0.0	0.0	0	-1	0		7.2	-1.0	-1	4	(57.7)	-2
Philippines		56	0.1	0.2	1	-2	-1		5.4	0.0	0	0	-54	-20
Thailand		36	0.4	0.8	0	-3	-5		2.6	-1.5	1	-16	-20	-14
Malaysia		4.72	0.5	1.2	1	-5	-3		3.9	1.9	0	10	-19	14
Argentina		843	-0.1	-0.5	-2	-77	-4		69.9	-496.8	-577	-379	-1838	-1649
Brazil		4.95	0.1	0.6	1	4	-2		10.8	-4.8	-9	21	-284	39
Chile		968	-0.2	2.1	-1	-18	-9		5.1	0.0	-3	25	-54	23
Colombia		3948	-0.6	0.4	-2	22	-2		7.6	0.0	-15	-3	-209	-6
Mexico		17.02	0.0	0.5	1	6	0		8.6	-0.5	-11	-9	-42	17
Peru		3.8	0.3	0.8	1	0	-2		6.9	0.0	-4	25	-131	18
Uruguay		39	0.3	0.4	0	0	0		9.0	-0.4	-1	-25	-125	-53
Hungary		365	-0.3	-1.6	-1	-3	-5		6.0	-1.0	15	-2	-227	26
Poland		3.98	0.0	-0.3	1	10	-1		4.8	-1.6	8	9	-106	33
Romania		4.6	0.0	0.0	1	0	-2		6.3	-2.7	1	17	-119	14
Russia		91.2	0.5	1.3	-1	-17	-2							
South Africa		19.0	0.4	1.4	0	-4	-4		9.5	0.6	-12	21	27	38
Türkiye		31.53	-0.5	-1.3	-3	-40	-6		27.9	61.0	106	26	1631	112
US (DXY; 5y UST)		104	0.0	0.0	0	-1	2		4.18	2.6	-13	20	-6	34

	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		3541	0.1	3	11	-14	3		147	-3	-15	-19	-11	
Indonesia		7277	-0.5	0	1	7	0		109	-3	-15	-28	13	
India		73872	0.2	1	3	24	2		97	-2	-24	-51	-19	
Philippines		6952	0.5	1	3	4	8		91	-3	-16	-23	11	
Thailand		1363	-0.4	-3	-2	-15	-4		0	0	0	0	0	
Malaysia		1539	0.1	-1	2	6	6		79	-1	-12	-17	-6	
Argentina		1054959	4.0	-5	-20	329	13		1631	-57	-329	-418	-282	
Brazil		129180	0.1	0	2	24	-4		212	1	-21	-47	-3	
Chile		6482	0.5	4	8	19	5		133	5	-6	-5	8	
Colombia		1286	1.0	0	1	6	8		301	3	-20	-99	30	
Mexico		55536	0.2	-2	-5	2	-3		324	2	-11	-46	-10	
Peru		28331	0.3	-1	5	27	9		144	-1	-10	-38	0	
Hungary		66577	0.6	1	2	50	10		162	-3	-9	-43	13	
Poland		81419	-0.9	-2	2	35	4		99	4	-13	35	2	
Romania		16096	0.5	1	3	30	5		201	1	6	-36	0	
South Africa		72743	0.0	-1	-2	-7	-5		353	1	-1	-12	45	
Türkiye		9017	-0.9	-3	4	73	21		325	15	-43	-152	11	
Ukraine		507	0.0	0	0	0	0		3876	-311	-321	-801	-128	
EM total		40	0.1	0	5	2	1		319	-12	-42	-69	-26	

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

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