



- Corporate profit margins could stay higher for longer ([link](#))
- China sets 2024 growth target at 5% ([link](#))
- Monetary policy outlooks have diverged across Sub-Saharan Africa ([link](#))
- UK to announce budget, with primary dealers expecting less long-dated bond issuance ([link](#))
- The number of stocks trading at extreme valuations has declined from 2021 ([link](#))

[Mature Markets](#)

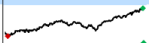



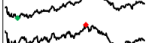

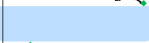



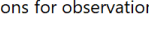
| [Emerging Markets](#)

| [Market Tables](#)

## Markets wait for fresh catalyst and digest Chinese policy announcements

Investors have lacked conviction this week, with advanced economy bond yields modestly lower on Tuesday. US stocks futures were down slightly. Markets are looking ahead to Chair Powell's testimony to Congress tomorrow and the ECB meeting on Thursday. China's National People's Congress set its 2024 targets for growth and inflation at 5% and 3% respectively. Chinese stocks were mixed in response to a lack of clear policy stimulus, while Hong Kong based tech stocks also came under pressure due to continued US trade tensions on AI chips. New York Community Bank came under further pressure yesterday following credit downgrades as its governance and CRE exposure remain in focus. Bitcoin resumed its move higher overnight and trades less than 5% from record highs. On the political front, today marks *Super Tuesday*, where 15 states will cast their primary election ballots.

Key Global Financial Indicators

Last updated: 3/5/24 7:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5131	-0.1	1	4	27	8
Eurostoxx 50		4908	-0.1	0	5	14	9
Nikkei 225		40098	0.0	2	11	42	20
MSCI EM		40	-0.2	0	4	2	0
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.18	-2.9	-12	3	23	30
Germany 10y Yield		2.37	-2.7	-10	5	-35	34
EMBIG Sovereign Spread		365	-4	-3	-29	-86	-19
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.7	0.0	0	-1	-8	-3
Dollar index, (+) = \$ appreciation		103.9	0.1	0	-1	-1	3
Brent Crude Oil (\$/barrel)		82.3	-0.6	-2	6	-4	7
VIX Index (% change in pp)		13.8	0.3	0	0	-5	1

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

## Mature Markets

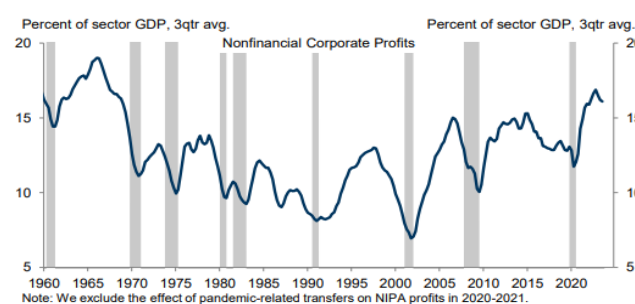
[back to top](#)

### United States

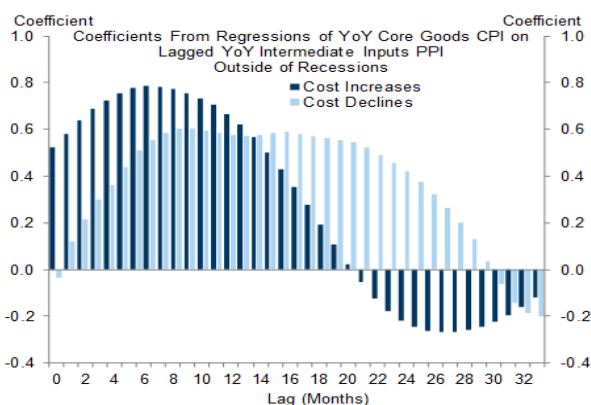
**Treasury yields climbed while equities edged lower (-0.1%) on Monday.** The Treasury curve bear flattened, with 2y yields rising 7 bps and 10y yields gaining 3 bps, after Atlanta Fed President Bostic said he expects the first rate cut in Q3 will be followed by a pause. Heavy corporate bond issuance in the first days of March, on top of record-breaking January and February volumes, also weighed on yields. While most analysts have raised their year-end forecast for US stocks, some have raised concerns about possible froth in pockets of the market. The S&P500 notched its 16th weekly gain since October even as rate cut expectations have been significantly pared back.

**Corporate profit margins could stay higher for longer.** Nonfinancial corporate profit margins have declined only modestly from the recent peak in 2021Q3 and remain well above the 2019 level, supported by lower input costs. Goldman Sachs (GS) analysis show that while changes in input costs are mostly passed on to final prices, the passthrough rate is slower during cost declines compared to periods of cost increases. Going forward, GS analysts expect the positive support from lower input costs and slower wage growth to outweigh the drag from higher interest expenses.

**Exhibit 1: Nonfinancial Corporate Profit Margins Have Declined Slightly From Their Peak in 2021Q2 But Remain High**

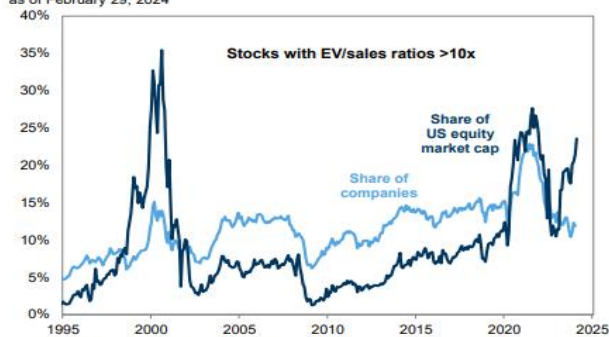


Source: Department of Commerce, Goldman Sachs Global Investment Research



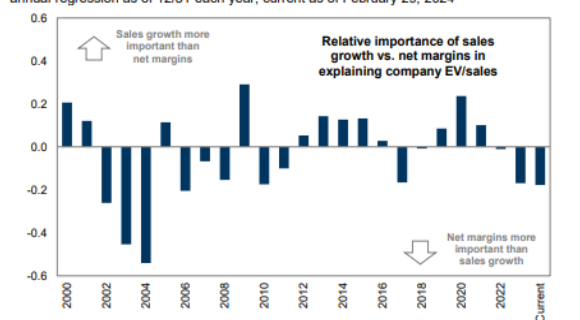
**The number of stocks trading at extreme valuations has declined from 2021.** The number of stocks with an elevated enterprise value to sales ratio has declined sharply from the peak in 2021. Unlike the broad-based euphoria in growth stocks, investors today are mostly paying high valuations for the growth stocks that have showed strong fundamentals. Profitability has become the more important factor driving valuations, compared to 2021 when growth played a larger role as the cost of capital was lower.

**Exhibit 3: Share of market cap and companies with elevated EV/sales as of February 29, 2024**



Source: IBES, FactSet, Goldman Sachs Global Investment Research

**Exhibit 5: Margins have taken on elevated importance for valuations annual regression as of 12/31 each year, current as of February 29, 2024**



R3K stocks ex-Financials & Biotech. Cross-sectional regression of EV/sales on sales growth, net margin, and interest coverage.  
Source: Goldman Sachs Global Investment Research

## Euro Area

**European equities opened lower this morning with the STOXX600 index down 0.2% after six consecutive weeks of gains.** The consumer discretionary sector led the declines (-0.9%), followed by the energy (-0.4%) sector as China's latest policy announcements failed to reassure investors. The euro was broadly unchanged against the dollar trading at around 1.085. Euro area sovereign bond yields were a touch lower (-2 bps) with the 10y bund yield trading at around 2.40%.

**French industrial production data came in weaker than expected at -1.1% m/m** (vs -0.1% expected, +0.4% prior). ING analysts noted that today's data release is the first activity data for the first quarter and points to further stagnation for the French economy. Elsewhere, Eurozone PPI data for January came in at -0.9% m/m (-0.1% expected, -0.8% prior), February final composite PMI came in at 49.2 (48.9 prior), and final services PMI came in at 50.2 (50.0 prior). There was little immediate market reaction to the releases.

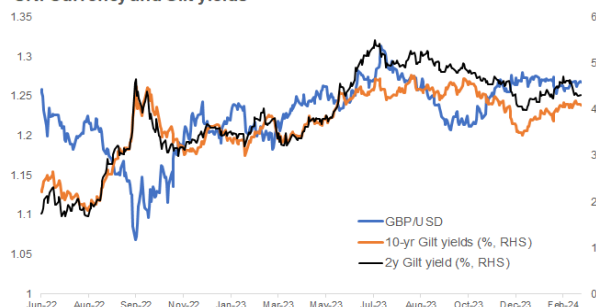
**Investors have turned their focus to Thursday's ECB meeting.** Investors are looking ahead to the updated set of staff projections and the press conference for insight into the likely timing of rate cuts. Analysts at Raiffeisen note that President Lagarde could also provide a preliminary update on the ECB's revised operational framework and liquidity strategy given press reports suggesting an update on the framework review may be presented on March 13. Raiffeisen expects the Governing Council will reinforce a message of "continuity, caution and patience" and that policymakers prefer to wait for more information on the drivers of underlying inflation and wage growth. Markets have repriced expectations of ECB rate cuts to 90 bps in 2024, compared to nearly 150 bps earlier in the year.



## United Kingdom

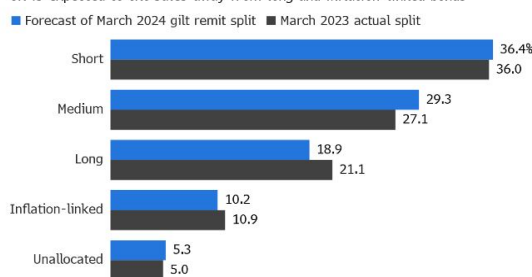
**UK Treasury to announce budget tomorrow, with markets focused on upcoming issuance.** Analysts expect the Debt Management Office to announce a target of £258 bn in gilt sales for the year starting in April, up from £237 bn in the prior period. Combined with the £100bn in balance sheet reduction from the BoE, analysts at Citi note that this would bring the total stock of debt that the market has to absorb to an all-time high, with the risk of driving yields higher. Contacts also point to some concern over the falling demand from pension funds who are typically buyers of longer maturity debt. A Bloomberg survey showed primary dealers expect the share of long-dated bond issuance to fall to 19%, down from 22% in March last year. Most analysts expect the government to push ahead with a 2 percent reduction in income taxes. **10y gilt yields fell (-6 bps) to 4.05%.** Markets continue to price in roughly 60 bps of easing by December 2024, little changed from a week ago, but down sharply from earlier in the year.

## UK: Currency and Gilt yields



## Moving Shorter

UK is expected to tilt sales away from long and inflation-linked bonds



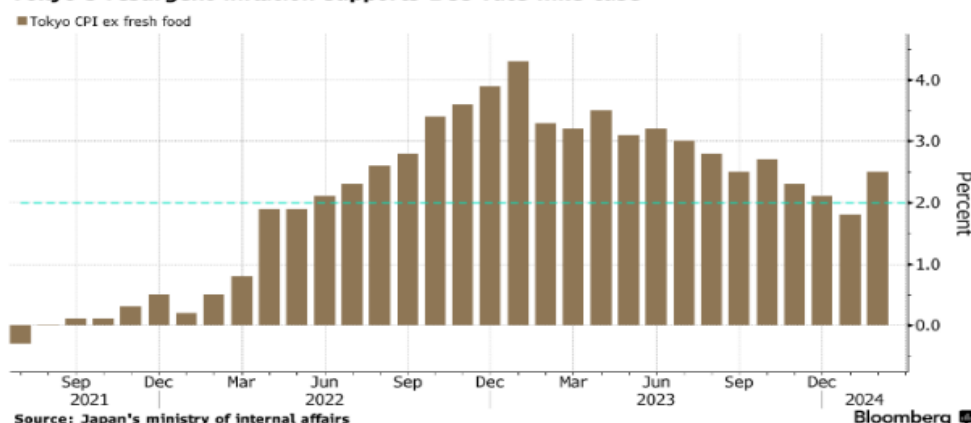
Bloomberg

## Japan

**Japanese stocks rose +0.5%, led by the financial sector.** Tokyo's February CPI inflation accelerated to +2.6% y/y (consensus: +2.5%, previous: +1.8%), while core CPI (excluding fresh food) rose to +2.5% y/y (consensus: 2.5%, previous: 1.8%). Some market participants noted the increase in core CPI was expected given the fading impact of government subsidies introduced to contain utility costs last year. 10y bond yields fell 1 bp, while the yen gained slightly.

## Picking Up

Tokyo's resurgent inflation supports BOJ rate hike case



Bloomberg

## Emerging Markets

[back to top](#)

**EMEA equity markets were mixed while regional currencies mostly weakened.** UAE stocks underperformed (-1.7%). The South African rand gained against the dollar (+0.4%) after the February PMI increased to 50.8 to signal expansion. Q4 GDP came in at 1.2% y/y (vs 0.9% expected), though was slightly worse than expected on a sequential basis (0.1% q/q vs 0.2%). **Asian equity markets declined 0.9% on net.** Mainland China gained 0.7%, while Hong Kong SAR slumped 2.6% as investors expressed skepticism about the 2024 growth and inflation targets, and the tech sector came under pressure after news that the US will bar exports of certain AI chips. **Regional Asian currencies traded in narrow ranges.** Thailand's CPI declined for the fifth straight month at -0.8% y/y (previous: -1.1%) in February, due in part to government energy subsidies, while Philippines' inflation jumped to +3.4% y/y (previous: +2.8%). Thailand's PM reiterated that the Bank of Thailand has room to ease policy rates. **In Latin America, most regional currencies gained against the dollar on Monday, while the Chilean peso fell close to 1%.** Equity markets were mixed, with Chilean stocks falling over 2%.

## China

**China's National People's Congress set growth (5%) and inflation (3%) targets for 2024 largely in line with expectations, with a mixed market reaction.** The growth target of "around 5%" was broadly in line with the median forecast of 4.6%. Some analysts feel China will struggle to reach the targets given ongoing deflation and growth challenges. Premier Li delivered his first Government Work Report and urged strong policy support and concerted efforts from all parties. The authorities also announced more measures to boost domestic consumption and investment, such as improving the policy environment for private and foreign companies. Despite a generally supportive tone, there were few specific details about any new policy support for the property sector. **Chinese equities were mixed (CSI +0.7%, Hang Seng -2.6%).** Separately, Bloomberg reported that Chinese ETFs favored by state funds saw a surge in trading volume to more than three times their daily average over past three months.

**Chinese authorities left the fiscal target at 3% of GDP,** denting some investor hopes for immediate large scale stimulus. Nevertheless, the government will issue 1 tn yuan (\$139 bn) of ultra-long special government bonds to fund key investment projects. The quota for new special local government bonds was set at 3.9 tn yuan (\$542 bn). Deutsche Bank highlighted the government's announcement to continue issuing so called special sovereign bonds for the next few years signals an expansionary fiscal stance in the medium term. This will be the fourth such sale in the past 26 years and was reported earlier in January. Analysts believe the supply of long term government bonds will likely increase to more than 1 tn yuan going forward. 10Y bond yields were little changed on Tuesday but have declined sharply YTD.

### China's Economic Targets

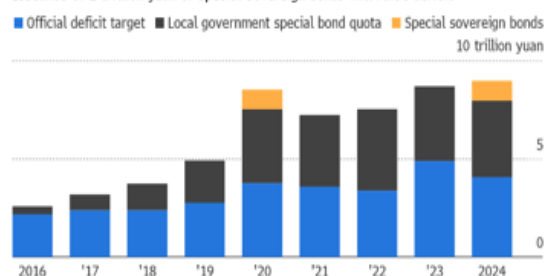
Key indicators	'24 targets	'23 targets	'23 actuals
GDP growth	Around 5%	Around 5%	5.2%
Fiscal deficit (% of GDP)	3%	3% (later bumped to 3.8%)	*3.87%
Ultra-long special sovereign bonds	1 trillion yuan	N/A	N/A
Special local government bond quota	3.9 trillion yuan	3.8 trillion yuan	3.8 trillion yuan
CPI	Around 3%	Around 3%	0.2%
New urban job creation	Over 12 million	Around 12 million	12.44 million
Surveyed jobless rate	Around 5.5%	Around 5.5%	5.2%

Source: Chinese government work reports, Bloomberg  
 \*Bloomberg calculated China's deficit-to-GDP ratio in 2023 based on government data

Bloomberg

### China's Broad Deficit Slightly Higher Than Last Year

Issuance of 1 trillion yuan of special sovereign bonds will raise deficit



Source: China's Ministry of Finance reports, Bloomberg  
 Note: 2023 data is based on revised budget

Bloomberg

## Chile

**Analysts expect Chile's central bank to continue with 100 bp rate cuts rather than increase the pace as previously expected.** A Bloomberg survey showed that 80 percent of respondents now expect the central bank to cut rates by 100 bps at the April 2 policy meeting, rather than increase the pace to 125 bps as expected in the February edition. The Chilean peso has underperformed this year, falling nearly 10% as the short-term interest differential with the US has narrowed from over 6% in mid-2023 to less than 2% currently. Some analysts expect peso depreciation to drive upside risks to inflation.



## Traders Now See Central Bank Maintaining Pace of Rate Cuts

Numbers are percentages

	February	March
The pace of rate cuts will decrease	9.1	13.3
The pace of rate cuts will accelerate	63.6	6.7
<b>Will maintain the pace of rate cuts</b>	<b>27.3</b>	<b>80.0</b>

Source: Bloomberg

Bloomberg

## Sub-Saharan Africa

**Monetary policy outlooks have diverged across the region.** JPMorgan analysts note that Ghana is the only major economy in the region that is moving towards monetary policy easing in the near term. Numerous idiosyncratic factors are impeding policymakers, including weak external balances, FX reforms, and food shortages amid dry weather. Recent inflation data showed an acceleration in Zambia's inflation in February as food inflation picked up, while in Kenya food and headline inflation eased. JPMorgan believes Kenya could start cutting interest rates late in the year with a 150 bp rate cut in Q4 but expects further tightening in Zambia in May. JPMorgan also expects further rate hikes in Nigeria after the 400 bp move last week.

Figure 1: Zambia and Kenya headline inflation

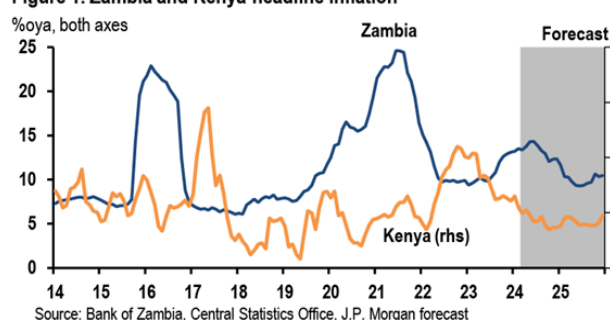
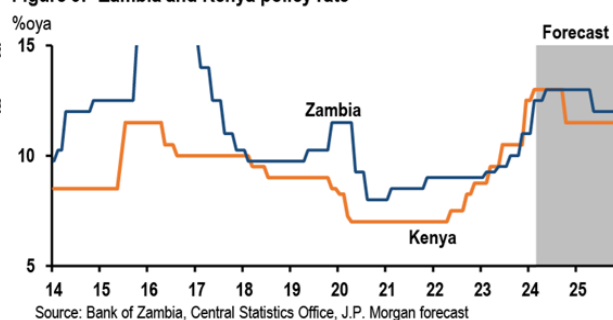




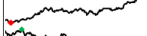


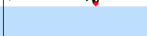






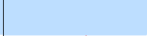



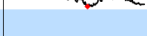



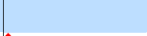

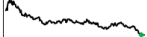
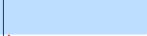

Figure 3: Zambia and Kenya policy rate



*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.




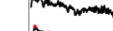








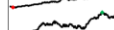





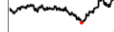














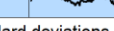
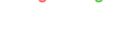



## Global Financial Indicators

3/5/24 7:38 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5131	-0.1	1	4	27	8
Europe		4907	-0.1	0	5	14	9
Japan		40098	0.0	2	11	42	20
China		3566	0.7	2	8	-13	4
Asia Ex Japan		67	-0.2	0	5	-1	0
Emerging Markets		40	-0.2	0	4	2	0
<b>Interest Rates</b>			basis points				
US 10y Yield		4.18	-2.9	-12	3	23	30
Germany 10y Yield		2.37	-2.6	-10	5	-35	34
Japan 10y Yield		0.71	-1.2	1	-2	20	9
UK 10y Yield		4.05	-6.5	-14	5	20	52
<b>Credit Spreads</b>			basis points				
US Investment Grade		128	-1.3	2	0	-15	-6
US High Yield		362	-4.9	-1	-23	-54	-23
<b>Exchange Rates</b>			%				
USD/Majors		103.91	0.1	0	-1	-1	3
EUR/USD		1.08	-0.1	0	1	2	-2
USD/JPY		150.4	-0.1	0	1	11	7
EM/USD		46.7	0.0	0	-1	-8	-3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		82.2	-0.7	-1	6	3	7
Industrials Metals (index)		138	0.0	1	3	-15	-3
Agriculture (index)		58	-0.5	-1	-4	-15	-7
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		13.8	0.3	0.3	0.1	-4.7	1.3
Global FX Volatility		6.5	0.0	0.1	-1.2	-3.3	-1.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		106	0.1	2	-1	-71	2
Italy		137	-4.1	-7	-20	-44	-30
Portugal		69	-2.3	-4	-11	-18	5
Spain		85	-2.0	-4	-6	-10	-12

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

## Emerging Market Financial Indicators

Last updated: 3/5/2024 7:40 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	-2.0	-1	-2	-87	-17
Indonesia		15769	-0.2	-0.8	0	-3	-2		6.7	1.2	7	5	-33	17
India		83	0.0	0.0	0	-1	0		7.2	1.1	-1	5	(56.6)	-1
Philippines		56	0.0	0.2	1	-2	-1		5.4	0.0	0	0	-54	-20
Thailand		36	0.0	0.0	0	-3	-5		2.6	0.8	2	-15	-19	-13
Malaysia		4.74	-0.3	0.5	0	-5	-3		3.8	-1.2	-4	2	-23	10
Argentina		844	-0.1	-0.4	-2	-76	-4		70.9	102.6	-325	-289	-1747	-1547
Brazil		4.96	-0.2	-0.5	1	4	-2		10.8	-1.9	-17	3	-296	37
Chile		976	-0.1	0.5	-2	-18	-10		5.2	0.0	2	28	-51	26
Colombia		3942	0.1	0.4	1	19	-2		7.6	0.0	-13	2	-205	-2
Mexico		16.97	-0.1	0.6	1	6	0		8.7	0.0	-11	-5	-38	21
Peru		3.8	-0.1	0.7	2	0	-2		6.9	0.1	1	#VALUE!	-130	19
Uruguay		39	-0.2	0.4	0	1	0		9.0	-1.1	-5	-22	-126	-54
Hungary		365	0.0	-1.2	-1	-3	-5		6.0	-4.0	-2	-4	-229	24
Poland		3.98	-0.1	-0.4	1	10	-1		4.8	-2.9	-5	8	-108	31
Romania		4.6	-0.1	-0.1	1	0	-2		6.3	0.3	0	13	-114	14
Russia		91.0	0.5	1.1	0	-17	-2							
South Africa		19.0	0.2	0.5	0	-4	-3		9.5	-0.5	-4	21	27	38
Türkiye		31.64	-0.2	-1.6	-3	-40	-7		28.3	38.0	140	82	1672	153
US (DXY; 5y UST)		104	0.1	0.1	-1	-1	3		4.18	-2.5	-13	6	-7	33

	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	YTD	
									basis points						
China		3566	0.7	2	8	-13	4		153	3	-6	-10	-5		
Indonesia		7247	-0.4	-1	0	6	0		106	1	-7	-39	10		
India		73677	-0.3	2	2	22	2		105	6	-16	-40	-11		
Philippines		6905	-0.7	1	2	4	7		89	3	-2	-29	9		
Thailand		1359	-0.2	-2	-3	-15	-4		0	0	0	0	0		
Malaysia		1537	-0.1	-1	2	6	6		83	1	-7	-11	-2		
Argentina		1047614	-0.7	-3	-17	326	13		1600	-105	-326	-506	-313		
Brazil		128341	-0.7	-1	1	24	-4		213	3	-14	-45	-2		
Chile		6341	-2.2	0	6	17	2		129	1	-6	-9	4		
Colombia		1289	0.2	0	1	6	8		303	7	-17	-93	32		
Mexico		55462	-0.1	-1	-5	2	-3		325	4	-7	-47	-9		
Peru		28638	1.1	0	6	29	10		142	-1	-11	-41	-2		
Hungary		66061	-0.4	1	2	49	9		158	-3	-7	-56	9		
Poland		80832	-0.5	-3	2	34	3		97	7	-12	27	0		
Romania		16221	0.6	3	3	31	6		201	6	8	-43	0		
South Africa		72331	-0.4	-1	-2	-8	-6		348	0	-2	-21	40		
Türkiye		8950	0.5	-3	2	72	20		333	29	-28	-149	19		
Ukraine		507	0.0	0	0	0	0		3800	-398	-409	-914	-204		
EM total		40	-0.6	0	4	2	0		316	-11	-40	-74	-30		

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

[back to top](#)