



- Options markets still show elevated policy uncertainty with wide distribution ([link](#))
- Markets increasingly expect Bank of Japan to hike in March ([link](#))
- Egypt's central bank hikes 600 bps and allows the currency to depreciate by nearly 40% ([link](#))
- Chinese authorities raise possibility of cut in reserve ratio as NPC continues ([link](#))
- Uganda's central bank hikes policy rate 50 bps in unscheduled meeting ([link](#))

[Mature Markets](#)





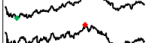

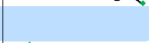



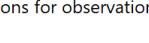
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Markets look to rebound after stocks slumped and bond yields fell on Tuesday

US stock futures were higher after the S&P500 slumped to its worst loss in three weeks yesterday. European and Treasury bond yields were little changed Wednesday morning ahead of the UK budget announcement and Chair Powell's testimony to Congress. The Japanese yen strengthened on increasing speculation that the Bank of Japan will end its negative interest rate policy in March sooner than previously expected. At the National People's Congress, Chinese officials tried to support the growth outlook by raising the possibility of a cut in the reserve requirement ratio for banks, while also indicating they would maintain an active role in markets. Following the *Super Tuesday* primary election results, Nikki Haley will reportedly end her campaign and clear the way for President Biden and President Trump to clash in the general election.

Key Global Financial Indicators

Last updated: 3/6/24 7:48 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5079	-1.0	0	3	25	6
Eurostoxx 50		4906	0.3	0	5	14	9
Nikkei 225		40091	0.0	2	11	42	20
MSCI EM		40	-0.9	-1	1	2	0
Yields and Spreads			bps				
US 10y Yield		4.15	-0.6	-12	5	19	27
Germany 10y Yield		2.34	1.3	-12	4	-41	31
EMBIG Sovereign Spread		368	3	0	-23	-83	-15
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.8	0.2	0	0	-8	-3
Dollar index, (+) = \$ appreciation		103.6	-0.2	0	-1	-1	2
Brent Crude Oil (\$/barrel)		82.5	0.6	-1	5	-4	7
VIX Index (% change in pp)		14.1	-0.4	0	1	-5	2

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

The S&P500 fell 1% on Tuesday while a flight to safety helped drive bond yields lower. Large declines in several megacap stocks (Apple, Tesla) weighed on equity indices and risk sentiment, as the S&P500 posted its largest one-day decline in three weeks. Treasuries gained following mixed economic data, with yields dropping 6–8 bps across the curve. ISM services signaled continued expansion but came in below expectations at 52.6 (vs 53 expected), with prices paid at 58.6 (vs 62 expected). Factory orders also disappointed at -3.6% (vs -2.9% expected).

Option markets show elevated policy uncertainty. Discussions among Fed officials about balance sheet policies have added to the elevated uncertainty around the rate outlook. While forward OIS rates show the average expected future policy path, the implied probability distribution from options markets can provide information about the market's view on the range and relative weight of different scenarios. JPM analysis shows that while the modal scenario (defined as the scenario with the largest weight) remains the same, with five rate cuts by year end, investors have priced in an increasing probability of one rate hike (as shown in the first column).

Date	Scenario							Scenario with		1st minus 2nd Wt. diff	YE24 fwd OIS
	1 hike	Unch	1 Cut	2 Cuts	3 Cuts	5 Cuts	9 Cuts	Largest wt	2nd largest wt		
12/14/23	0.01	0.18	0.03	0.00	0.05	0.74	0.00	5 cuts	Unch	0.56	3.84
12/22/23	0.01	0.19	0.07	0.00	0.01	0.71	0.00	5 Cuts	Unch	0.52	3.76
01/05/24	0.02	0.22	0.08	0.00	0.01	0.67	0.00	5 Cuts	Unch	0.46	3.96
01/12/24	0.01	0.01	0.04	0.00	0.03	0.92	0.00	5 Cuts	1 Cut	0.88	3.64
01/26/24	0.00	0.00	0.05	0.00	0.07	0.87	0.00	5 Cuts	3 Cuts	0.80	4.00
02/01/24	0.00	0.00	0.04	0.00	0.20	0.75	0.00	5 Cuts	3 Cuts	0.55	3.85
02/09/24	0.05	0.17	0.04	0.00	0.18	0.57	0.00	5 Cuts	3 Cuts	0.39	4.21
02/13/24	0.20	0.00	0.14	0.00	0.21	0.44	0.00	5 Cuts	1 hike	0.24	4.44
02/20/24	0.19	0.00	0.17	0.00	0.13	0.51	0.00	5 Cuts	1 hike	0.32	4.42
02/29/24	0.24	0.00	0.19	0.02	0.13	0.42	0.00	5 cuts	1 hike	0.19	4.53

Source: J.P. Morgan., CME

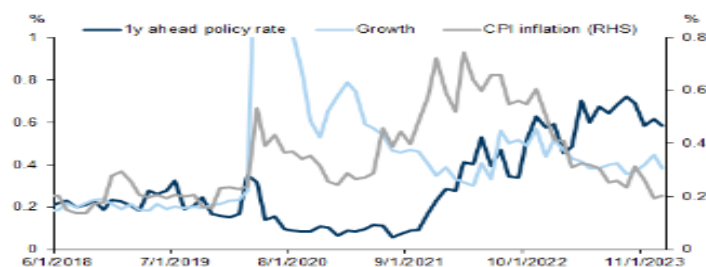
*1 hike scenario corresponds to mean of 5.5%, unchanged corresponds to a mean of 5.25%, 1 cut corresponds to mean of 5%, 2 cuts corresponds to mean of 4.75%, 3 cuts corresponds to mean of 4.5%, 5 cuts corresponds to mean of 4% and 9 cuts corresponds to mean of 3%

**Implied distribution is assumed to take the form of a weighted sum of many individual Gaussian density functions with various different means and standard deviations. The weights are solved for by calibrating to the prices of 3M SOFR ATM and OTM calls and puts, while also recovering the underlying futures price

Elevated forecast dispersion on growth has contributed to policy uncertainty.

The dispersion of analyst forecasts (a proxy for uncertainty) on the growth outlook has remained relatively high even as uncertainty about inflation has come down significantly. Uncertainty about growth has likely contributed to the persistently elevated level of uncertainty on policy rates. This shift has occurred in line with the changing tail risks currently priced in option markets, where the focus has shifted from scrutinizing left tail risks around recession, towards right tail risks of no landing, with the latter increasing the probability of no rate cuts or even additional hikes.

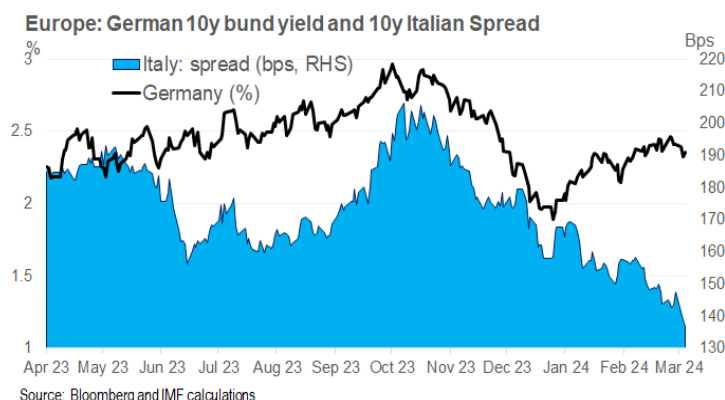
Dispersion of analyst forecasts by variable, in %



Source: Consensus Economics, Goldman Sachs Global Investment Research

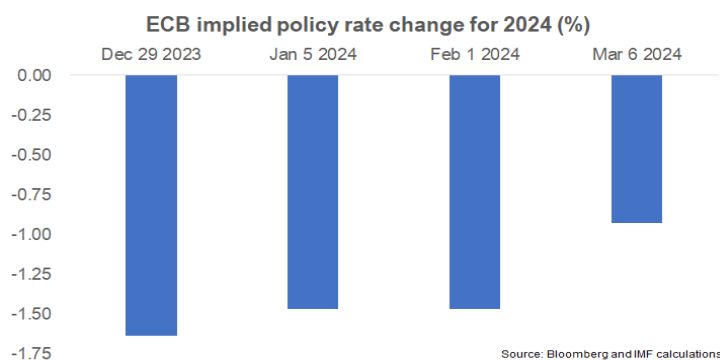
Euro Area

European equities gained 0.2% led by the real estate (+1.5%) and energy (+0.5%) sectors. The euro was slightly stronger (+0.1%) against the dollar trading near 1.087. Meanwhile, Euro area sovereign bond yields were higher by 1–2 bps with the 10y bund yield trading near 2.35%. **Italian bonds continued to rally, with spreads over bunds tightening to 137 bps for the first time since February 2022.** Commerzbank analysts think the current 10y spread suggests only a small premium against their fair value model, and they expect further tightening towards pre-pandemic lows.



Eurozone retail sales data for January came in at +0.1 m/m (vs 0.2% expected, -1.1% prior). ING analysts noted that the data suggests that goods price inflation is likely to remain very modest, making services inflation and sluggish economic activity bigger concerns for the ECB. There was little immediate market reaction to the data with investors focused on tomorrow's ECB meeting.

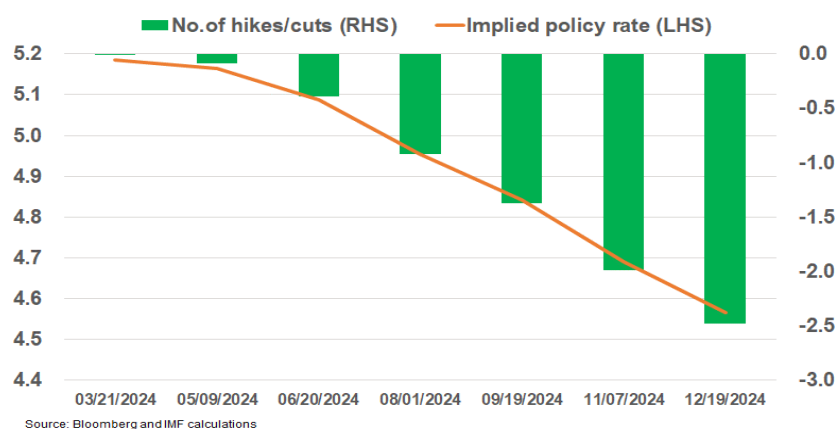
Analysts looking ahead to updated ECB staff forecasts tomorrow. While consensus expects no change in the policy rate, analysts at BNY Mellon argue that given the divergent views on the Governing Council, *"the updated staff projections could be used to help set out the criteria for rate cuts and provide greater policy clarity."* They also expect President Lagarde to give an update on the path for balance sheet normalization. Since the end of last year, markets have reassessed expectations of rate cuts from the ECB with around 92 bps of easing expected by December, compared to around 150 bps of cuts a month ago.



United Kingdom

Gilt yields moved higher (+3 bps) and the pound gained (+0.2%) ahead of the UK budget release. Citi analysts expect bond issuance in FY24/25 to be £263.5 bn, slightly above the Bloomberg median estimate of £258 bn. With regards to the budget itself, Citi note that the widely reported two percentage point cut to national insurance contributions is likely to be less expensive and less inflationary than a change in personal income tax. As a result, they don't expect any *"pre-election fiscal rabbits-in-the-hat that might*

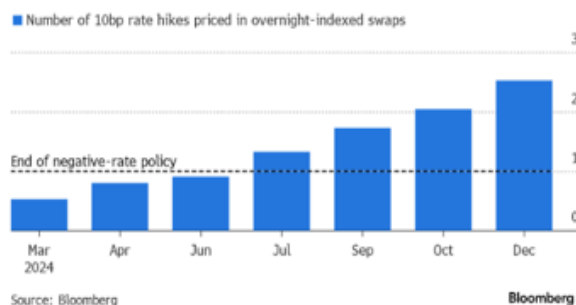
push out BoE rate cuts”, and highlighted that an income tax cut would be the hawkish surprise. Markets are currently pricing in approximately 60 bps of rate cuts by end-2024, little changed from a week ago, but down from around 170 bps expected in December.



Japan

Japanese stocks gained 0.4%, driven by banks, on expectations that the Bank of Japan (BOJ) will end negative interest rates policy (NIRP) sooner than previously expected. Overnight indexed swaps are pricing a 53% probability of a rate hike in March (compared to 40% yesterday), and a cumulative 80% chance by April. Japanese bank MUFG called for the BOJ to end NIRP in March not April, according to an interview with the head of global markets. Mr. Seki said he expects the BOJ to hike to 0.25% by October to “secure policy flexibility,” and the central bank should leave enough time between the two moves, according to Bloomberg. Separately, former BOJ executive Yamamoto said the BOJ will need at least nine years to normalize its balance sheet based on a calculation of central bank maturities and the assumption that the BOJ will refrain from purchases or reinvestments. However, he added that realistically, the BOJ will not cut its operations to zero given the desire to maintain stability in the bond market. **10y government bonds yields rose 1 bp to 0.705% while the yen gained 0.3%.**

Swaps Yet to Fully Price in March BOJ Move



BOJ's massive balance sheet creates big chore for Ueda



Australia

Australian Q4 GDP moderated to 1.5% y/y (2.1% previously) in line with expectations. In per capita terms, GDP fell for the fourth consecutive quarter. On a sequential basis, real GDP rose 0.2%, weighed down by weak household consumption (0.1% q/q), according to Bloomberg. Swap markets are pricing in just under two rate cuts this year, with a 70% probability of a cut by June. **10y bond yields declined 8 bps on Wednesday.**

Emerging Markets

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EMEA equities and currencies were mostly trading higher on Wednesday. South African stocks (+1%) outperformed while the rand strengthened (+0.5%), with Bloomberg noting that leveraged funds have increased long rand contracts since the budget announcement last month. The Polish zloty (+0.2%) gained slightly ahead of the policy meeting later today, where consensus expects the central bank to keep the base rate unchanged at 5.75%. **Asian equities rose +0.4% on net, led by Hong Kong (+1.7%) as tech stocks rebounded after yesterday's sell-off.** Thailand (+1.1%) and Indonesia (+0.8%) also posted solid gains. Most regional currencies appreciated. Indonesia's Defense Minister Prabowo, on track to become the new President, stated he is targeting economic growth of 8% in next five years while also maintaining fiscal discipline. In Latin America, equity markets were mixed, while most regional currencies declined modestly against the dollar on Tuesday, led by the Chilean peso (-0.5%). **Fitch upgraded Jamaica's credit rating by one notch to BB- due to progress on debt reduction.**

China

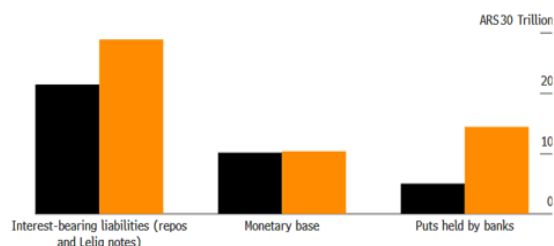
People's Bank of China (PBC) Governor Pan said there is room to cut banks' reserve requirement as several officials commented on the economy at the National People's Congress. The governor noted that the PBC monetary toolbox is ample and can push financing costs lower. China Securities Regulatory Commission (CSRC) Chairman Wu vowed to crack down heavily on market manipulation and stated there is a need to increase investor protections. Amid skepticism, the head of the National Development and Reform Commission said China's 5% GDP target can be achieved through "vigorous efforts", according to Bloomberg. He also noted that the issuance of 1 tn yuan (\$139 bn) of ultra-long special sovereign bonds will drive investment and consumption. Minister of Commerce Wang struck a cautious note on the foreign trade outlook due to uncertainty from rising trade restrictions. **10y bond yields declined 4 bps and fell below 2.3% for the first time since 2002.**

Argentina

Officials have tried to scale back the use of puts on peso bonds, which have surged in recent months. The stock of puts increased to 16.3 tn pesos (\$19.5 bn) from 11.3 tn pesos just three months ago, surpassing the size of the monetary base, according to local sources and Bloomberg. Banks have absorbed 77% of bonds at recent auctions, compared to 50% under the previous administration. While puts increase the attractiveness of bonds for investors and facilitate debt financing, a widespread redemption at scale could pressure bond prices and force the central bank to monetize the liabilities. However, limiting the use of puts weighed on demand at the most recent bond auction.

Puts Delivery Increases Central Bank's Peso Exposure

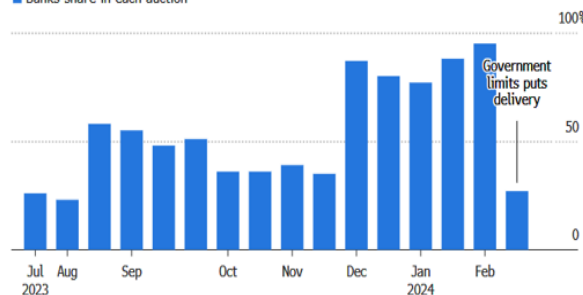
■ Before Milei (12/10/2023) ■ Today (updated on 02/27/24)



Source: Argentina's central bank
Note: Stocks in nominal terms. Puts are not accounted as liabilities and are an estimate of the consulting firm 1816 and local broker PPI

The puts delivery attracted banks to Treasury debt auctions

■ Banks share in each auction



Bloomberg

Source: Consulting firms 1816 Economia & Estrategia and PPI

Bloomberg

Egypt

The central bank hiked the policy rate by 600 bps to 27.25% and allowed the pound to weaken nearly 40%. The central bank highlighted that foreign currency shortages have resulted in a parallel exchange rate market that has been weighing on domestic activity. The authorities also committed to transitioning to a flexible inflation targeting regime and allowing the exchange rate to be determined by market forces. The Egyptian pound depreciated to EGP49.9/USD from EGP30.9/USD, with the pound fluctuating between EGP48–52 in the parallel market. This is the fourth devaluation since early 2022. Egypt's dollar bonds rallied, with the 2047 bond gaining 4 cents on the dollar to around 82 cents. Egyptian stocks also gained 3.9% this morning.

Egypt: Deposit rate and Currency



EM Sovereign Bond Issuance

Croatia issued \$1.6 bn in euro denominated bonds maturing in 2034 at a yield of 3.42%. The sovereign's outstanding 2035 bond was trading at a yield of 3.52% yesterday. Total emerging market issuance totaled \$3.3 bn on Tuesday, predominately investment grade, with Middle Eastern banks accounting for most of the remaining volume.

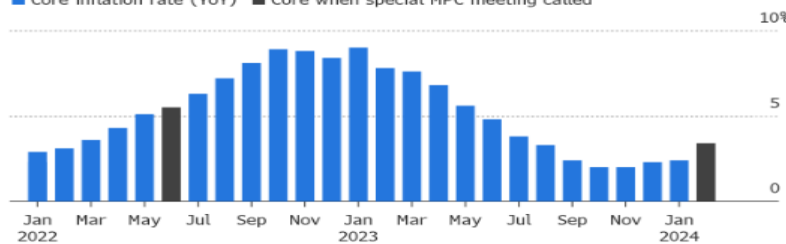
Uganda

The central bank of Uganda hiked its benchmark interest rate by 50 bps to 10% in an unscheduled policy meeting today. Market contacts noted that recent depreciation of the shilling likely contributed to fears about upside risks to inflation. Inflation increased to 3.4% y/y in February, from 2.8% in January. ICBC analysts expected the central bank to hike another 50–100 bps and forecast inflation to increase to 4.5% in June 2024 before declining.

Uganda's Central Bank Has Again Called a Special MPC Meeting

Core inflation, which it targets, is at a seven-month high

■ Core inflation rate (YoY) ■ Core when special MPC meeting called



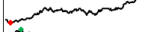






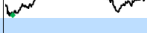
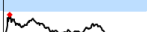

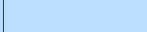







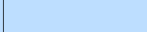

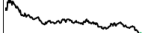
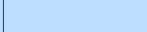



Bloomberg

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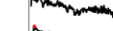







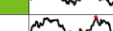
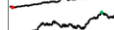





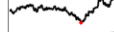











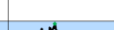


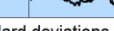
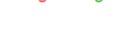



Global Financial Indicators

3/6/24 7:47 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5079	-1.0	0	3	25	6
Europe		4906	0.3	0	5	14	9
Japan		40091	0.0	2	11	42	20
China		3551	-0.4	3	6	-12	3
Asia Ex Japan		66	-0.9	-1	1	-2	-1
Emerging Markets		40	-0.9	-1	1	2	0
Interest Rates			basis points				
US 10y Yield		4.15	-0.6	-12	5	19	27
Germany 10y Yield		2.34	1.3	-12	4	-41	31
Japan 10y Yield		0.72	1.0	2	-1	21	10
UK 10y Yield		4.04	2.5	-15	9	17	50
Credit Spreads			basis points				
US Investment Grade		130	1.7	5	2	-13	-4
US High Yield		367	5.0	5	-19	-49	-18
Exchange Rates			%				
USD/Majors		103.61	-0.2	0	-1	-1	2
EUR/USD		1.09	0.1	0	1	2	-2
USD/JPY		149.6	-0.3	-1	1	10	6
EM/USD		46.8	0.2	0	0	-8	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		82.5	0.6	0	5	3	7
Industrials Metals (index)		138	0.4	1	2	-14	-3
Agriculture (index)		58	0.2	-1	-4	-16	-7
Implied Volatility			%				
VIX Index (%, change in pp)		14.1	-0.4	0.2	1.0	-4.5	1.6
Global FX Volatility		6.5	0.0	-0.1	-1.1	-3.3	-1.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		105	-2.1	0	-14	-70	2
Italy		135	-3.9	-8	-21	-47	-32
Portugal		68	-1.1	-3	-12	-18	5
Spain		84	-1.7	-4	-8	-11	-13

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

Emerging Market Financial Indicators

Last updated: 3/6/2024 7:42 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		2.3	-5.0	-4	-13	-92	-22
Indonesia		15700	0.4	-0.1	0	-3	-2		6.6	-1.0	4	3	-29	16
India		83	0.1	0.1	0	-1	0		7.2	-1.0	-2	3	(57.7)	-2
Philippines		56	0.2	0.6	1	-2	-1		5.4	0.0	2	0	-54	-20
Thailand		36	0.3	1.0	0	-3	-4		2.5	-1.5	-2	-15	-21	-15
Malaysia		4.73	0.1	0.8	1	-5	-3		3.8	-1.2	-4	2	-21	10
Argentina		845	-0.1	-0.5	-2	-76	-4		70.1	-85.2	-679	-576	-1832	-1632
Brazil		4.94	0.3	0.6	0	4	-2		10.7	-5.8	-18	-2	-302	31
Chile		978	0.3	-0.1	-3	-18	-10		5.0	-1.0	-14	24	-64	13
Colombia		3945	-0.1	-0.3	1	19	-2		7.6	0.0	-9	15	-206	-3
Mexico		16.89	0.4	1.2	1	7	1		8.6	0.0	-7	-12	-42	17
Peru		3.7	0.6	1.1	3	1	-1		6.9	0.6	6	14	-125	22
Uruguay		39	-0.1	0.3	0	0	-1		9.0	-1.9	-6	-22	-128	-56
Hungary		361	0.6	0.6	0	-2	-4		6.0	1.0	-11	-6	-230	23
Poland		3.96	0.4	0.7	2	11	-1		4.8	4.0	-3	11	-104	36
Romania		4.6	0.2	0.3	1	1	-1		6.3	-0.4	-2	11	-114	13
Russia		90.5	0.4	0.9	0	-17	-1							
South Africa		18.9	0.5	2.1	0	-3	-3		9.5	-1.0	-10	24	24	35
Türkiye		31.74	-0.3	-1.7	-4	-40	-7		28.0	-42.0	113	111	1609	120
US (DXY; 5y UST)		104	-0.2	-0.4	-1	-1	2		4.14	-0.2	-12	10	-11	30

	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		3551	-0.4	3	6	-12	3		154	5	-3	-9	-4		
Indonesia		7330	1.1	0	1	8	1		112	8	6	-33	16		
India		74086	0.6	2	3	23	3		109	9	-11	-36	-7		
Philippines		6879	-0.4	0	1	3	7		95	9	10	-23	15		
Thailand		1371	0.8	-1	-2	-15	-3		0	0	0	0	0		
Malaysia		1532	-0.4	-1	1	5	5		86	4	-3	-8	1		
Argentina		992684	-5.2	-4	-18	292	7		1619	-141	-256	-487	-294		
Brazil		128098	-0.2	-3	-2	22	-5		218	9	-4	-40	3		
Chile		6259	-1.3	-1	4	15	1		132	5	-3	-6	7		
Colombia		1301	1.0	1	2	5	9		308	10	-16	-88	37		
Mexico		55476	0.0	-1	-5	3	-3		327	4	-6	-45	-7		
Peru		28685	0.2	1	5	30	10		145	7	-7	-38	1		
Hungary		65994	0.2	0	2	49	9		161	4	-3	-53	12		
Poland		80501	0.0	-1	2	31	3		102	13	-5	32	5		
Romania		16219	0.1	2	3	30	6		204	10	13	-40	3		
South Africa		72918	0.9	1	-2	-7	-5		356	9	7	-13	48		
Türkiye		8830	-0.3	-3	0	64	18		349	41	-1	-133	35		
Ukraine		507	0.0	0	0	0	0		3835	-262	-395	-879	-169		
EM total		40	1.1	-1	1	2	0		320	-7	-33	-69	-25		

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

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