



- **ECB stays on hold but cuts inflation projections** ([link](#))
- **Egypt rallies as currency is devalued and IMF deal is reached** ([link](#))
- **Corporate bond market in US booms as issuance hits record levels** ([link](#))
- **Yen appreciates on rate hike speculation** ([link](#))
- **US T-Bill issuance up 55% over past year** ([link](#))
- **Turkish lira depreciates further despite central bank measures** ([link](#))
- **Special Feature: Emerging Market Issuance Monitor** (attached)

[Mature Markets](#)




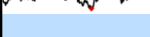


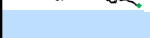
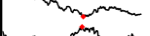


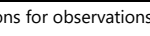
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Markets are cautious ahead of tomorrow's US jobs report

The ECB stayed on hold as expected but cut its inflation forecast. US equity index futures posted fractional gains and most European stock markets were higher in early morning trading. Treasury yields were slightly lower but government bond markets in Europe made more solid gains after the ECB statement. The yen appreciated sharply after comments by a BOJ board member prompted speculation that Japan could see its first rate hike since 2007 at the central bank meeting later this month. Markets assign a probability of 78% to a rate hike at the March 19 meeting. Meanwhile, Fed Chair Powell's testimony to Congress had no surprises and made few waves. New York Community Bank announced that it received an equity investment of \$1 bn, relieving some of the pressure on US regional bank equities yesterday. The UK budget met expectations, with limited impact on local markets. The Bank of Canada stayed on hold at 5%, noting that it is not yet time to cut rates.

Key Global Financial Indicators

Last updated: 3/7/24 8:35 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities							
			%				%
S&P 500		5105	0.5	1	2	28	7
Eurostoxx 50		4950	0.7	1	6	16	9
Nikkei 225		39599	-1.2	1	7	39	18
MSCI EM		41	1.4	2	2	5	1
Yields and Spreads			bps				
US 10y Yield		4.07	-3.7	-19	-6	10	19
Germany 10y Yield		2.26	-6.4	-15	-6	-43	23
EMBIG Sovereign Spread		367	-1	-1	-26	-75	-16
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.8	0.0	0	0	-7	-3
Dollar index, (+) = \$ appreciation		103.2	-0.1	-1	-1	-2	2
Brent Crude Oil (\$/barrel)		82.6	-0.5	-1	4	-1	7
VIX Index (% change in pp)		14.4	-0.1	1	2	-5	2

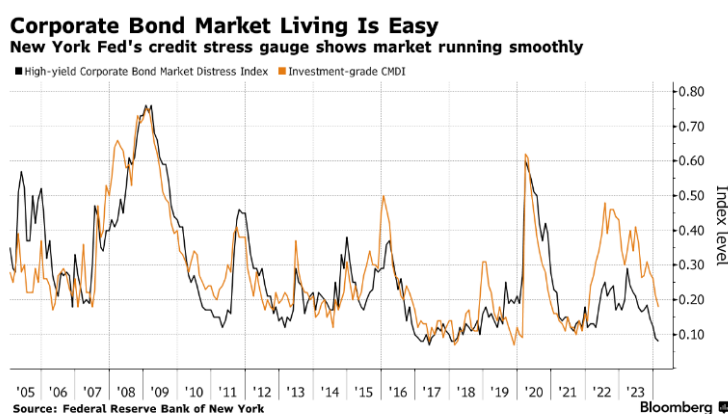
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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United States

The US corporate bond market is booming on record new issuance. Year to date new issuance volume is closing in on \$400 bn, the best start to the year ever seen. Investor demand for new bonds seems to be almost unlimited, with both the investment grade (IG) and high yield (HY) markets seeing much tighter credit spreads so far in 2024. New issue concessions (NICs), which issuers use to attract new buyers, have fallen to historically low levels due to the strong demand, which has seen most new deals heavily oversubscribed. In some cases, new bonds have traded with zero or even negative NICs. The New York Fed's measures of credit stress in the IG and HY markets indicate that plentiful liquidity and strong demand are keeping market conditions very favorable. Markets have adjusted smoothly to lowered expectations of future Fed rate cuts, with 3.5 cuts priced for 2024 compared to six cuts expected back in December. Contacts agree that the biggest risk to credit markets is an unexpected surge in inflation that forces the Fed to turn even more hawkish.



US T-Bill issuance has increased by 55% over the past year, accounting for \$1.9 tn in new paper. Most of the growth occurred after the debt ceiling was resolved in May 2023, according to analysis by JP Morgan. Although large by historical standards, the recent growth surge remains much smaller than those seen during the Global Financial Crisis and the onset of the Covid pandemic. Net issuance is expected to turn negative in Q2 in keeping with the usual seasonal pattern. In most years T-Bill issuance rises sharply in February and March as the government raises cash to pay tax refunds, while April 15 and June 15 see inflows due to tax payments from individuals and corporations respectively. Tax receipts are expected to be robust this year, with unemployment low and both stocks and bonds rallying sharply at the end of last year.

Figure 14: The T-bill market has grown by over 50% in the last year...

Rolling annual change in T-bills outstanding; %

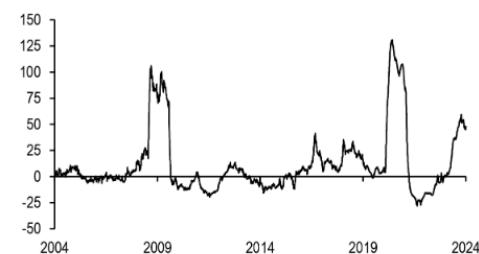
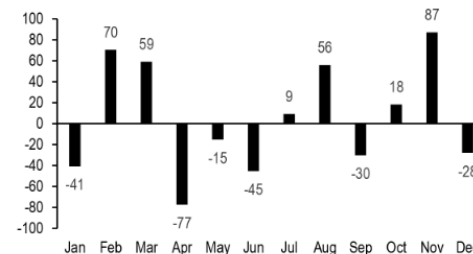


Figure 15: ...and seasonals point to negative T-bill net issuance in 2Q24

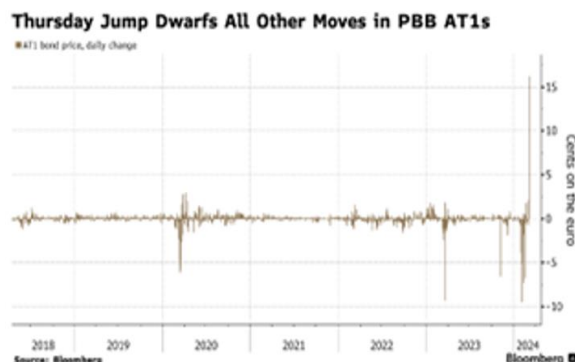
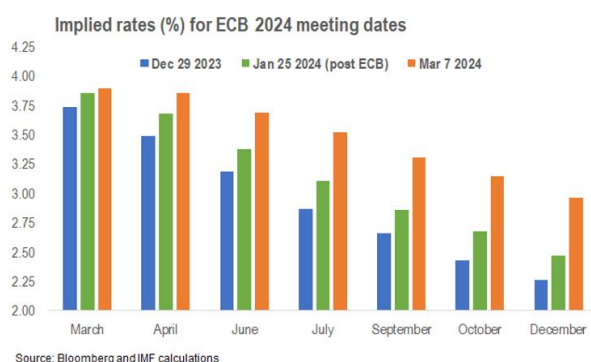
Net T-bill issuance by month; 2010-2019 average; \$bn



Euro Area

The ECB stayed on hold as expected but cut its inflation forecast, predicting that its inflation goal of 2% will be reached in 2025. The accompanying statement noted that the latest staff projections show inflation falling to an average of 2.3% in 2024, 2.0% in 2025 and 1.9% in 2026. Government bonds added to earlier gains on the news and equities were also up. Contacts expect rate cuts to start in either June or July, with around 100bps of easing expected for this year. The latest staff ECB projections for growth show activity is expected to remain subdued in the near-term with growth of 0.6% projected for 2024, picking up to 1.5% in 2025 and 1.6% in 2026. Like the last couple of meetings, the statement noted that the Governing Council considers that the key ECB interest rates are at levels that, maintained for a sufficiently long duration, will make a substantial contribution towards inflation returning to its 2% medium-term target. The statement reiterated that the Governing Council intends to reduce the PEPP portfolio over 2H 2024, by €7.5bn per month on average. Focus now shifts to the press conference, due later today.

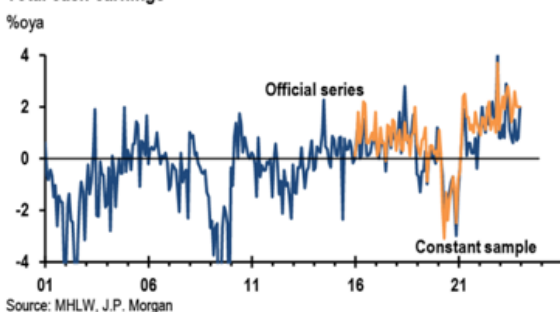
Separately, **Bloomberg reports that Deutsche Pfandbriefe has announced that it will not distribute a dividend for last year as the German property lender looks to conserve capital.** At the same time, the lender sought to reassure investors by announcing that it meets conditions to make an AT1 bond coupon payment due in April. The prices of the lender's AT1 bonds rose on the news. Share prices in the lender, which has significant exposure to US commercial real estate have fallen to record lows in recent weeks.



Japan

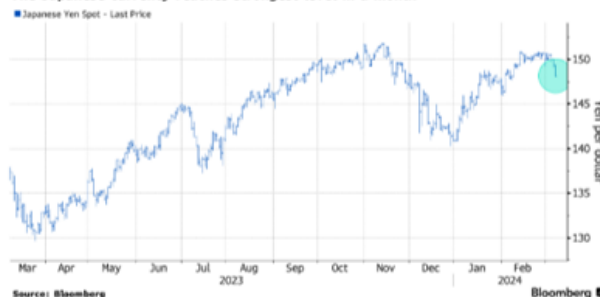
The Japanese yen appreciated by +1% and broke below the 148 level to 147.80, supported by speculation that the BOJ could deliver its first rate hike this month, along with optimism on labor negotiations. January's labor cash earnings rose more than expected to +2% y/y (consensus: +1.2%, previous: +0.8%) and Japan's largest labor union Rengo asked for an average wage increase of 5.85% compared to 4.49% in 2023, the highest in 30 years. Bank of Japan (BOJ) officials are signaling confidence in a virtuous wage-price cycle, and a rate hike by the BOJ either in March or April has received support from some Japan government officials, Bloomberg reported. Governor Ueda pledged in parliament that the BOJ will keep buying long-term government bonds even after any rate change occurs. He reiterated that the BOJ's ultraloose monetary policy could continue if required. He also flagged alternatives to rate hikes such as an increase in interest on bank reserves parked at the central bank.

Total cash earnings



Yen Rally

The Japanese currency reaches strongest level in a month

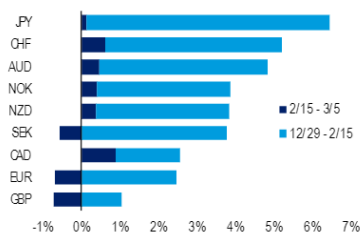


Foreign Exchange Markets

The strong dollar rally that began the year appears to have stalled. The dollar has actually lost ground against a number of currencies including the euro and the pound since the middle of February. The most recent price action could be driven by caution ahead of tomorrow's crucial US jobs report, according to analysts at Bank of America. They point out that January's blowout jobs report sparked the biggest one day rally in the dollar index in many months. Meanwhile, the dollar index continues to trade in a very narrow range as market participants seek further guidance on the Fed's interest rate policy before committing to large new currency trades versus the dollar.

Exhibit 1: USD YTD Performance: Dec23 to mid-Feb & mid-Feb to today

USD has outperformed all G10 to start the year, though mostly unchanged over recent weeks



Source: Bloomberg; BofA Global Research

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Exhibit 2: 1-Month rolling average of daily % DXY range

February DXY range narrowest since late-2021



Source: Bloomberg; BofA Global Research

BofA GLOBAL RESEARCH

Emerging Markets

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EMEA markets were mixed. Equities outperformed in Egypt (+2.8%) and Türkiye (+2.4%) but underperformed in Poland (-1.2%). **CEE currencies were mostly little changed against the euro ahead of the ECB meeting, with the exception of the Hungarian forint (-0.4% to 395.5/€).** Bloomberg points to concerns about growth and inflation amidst a dispute between the central bank and the government. Elsewhere, **in Senegal** the government announced March 24 as the new date for the presidential elections. **Latam markets were mostly up on Wednesday, led by Chile (+1.4%) and Argentina (+0.7%).** Regional currencies were stronger against the dollar. **Asian equities were mixed and rose 0.4% on net.** **Taiwan POC (+1%)** led the gains, driven by semiconductor shares bolstered by AI optimism. **India's** regulators reportedly imposed new restrictions to curb lending and IPO financing, after the Reserve Bank of India limited lending by some shadow banks and fintech. **Malaysia** stayed on hold at 3% as expected.

Emerging Market Bond Issuance

Montenegro (B/B1) issued \$750mn sovereign bonds maturing in 2031 at a yield of 7.25% on Wednesday. Daily EM issuance totaled \$3.5bn, of which 76% was investment grade. Geographically,

the top issuers came from Poland (61.8%), and Montenegro (21.4%), with the rest from Hongkong and China. By sectors, issuers from agencies (61.8%) led the issuance, followed by issuers from sovereigns (21.4%), the financial sector (14.2%), and municipal/local governments (2.5%). By currency, EUR and USD were the top two currencies accounting for 97.1% of the total issuance, while CNH and JPY accounted for the rest of the issuance.

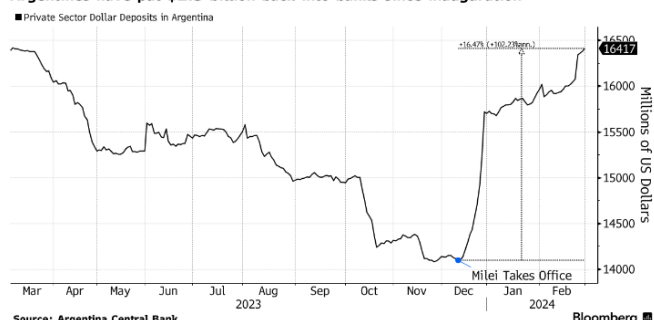
Argentina

Argentina's dollar deposits are up sharply by nearly 17% since President Milei took office. More than \$2.3bn has been deposited to local bank accounts in the past three months, according to data from the central bank and Bloomberg.

Total dollar deposits increased to \$16.4bn, reaching the level seen one year ago. This is a positive signal of faith in the new government as Argentines tend to withdraw money from the banking system when political risk is high. In addition, part of the savers' dollar deposits can be counted towards the central bank's foreign reserves as it seeks to stabilize the currency.

Dollar Deposits Jump Under Milei

Argentines have put \$2.3 billion back into banks since inauguration



China

Chinese equities declined -0.6%. China's foreign minister Wang Yi blasted the US for lengthening its unilateral sanctions list amid news that the US is pressing allies to tighten restrictions on China's access to semiconductor technology and advancing a bill restricting business with Chinese biotech companies. Separately, January-February exports and import growth beat expectations at +7.1% % y/y and +3.5% y/y respectively. Some market participants said the data will likely strengthen policymaker's confidence in China's economy, although it may not offset domestic pressures from the property sector slowdown. Separately, **Chinese regulators are reportedly scrutinizing regional banks' bond purchases on speculation concerns.** This week, policymakers reportedly requested information from rural lenders on their bond-trading activities over the past three years, their major counterparties and the reason behind the investments, Bloomberg reported.

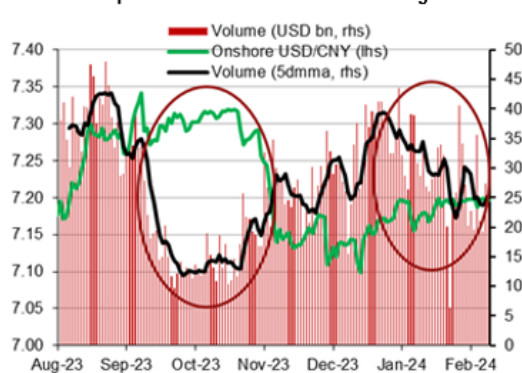
China's Exports Surge 7% So Far This Year

Uptick in overseas shipments better than expectations

Exports (in \$) Imports Economists' median estimate for exports



Onshore spot transaction volume is declining

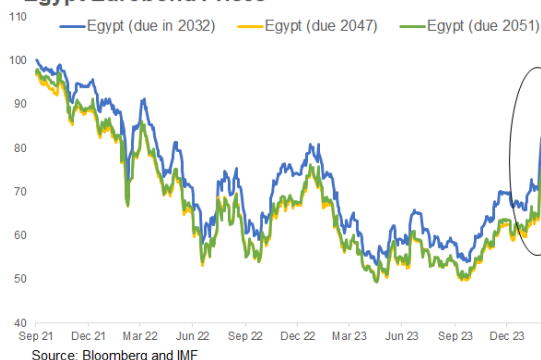


Egypt

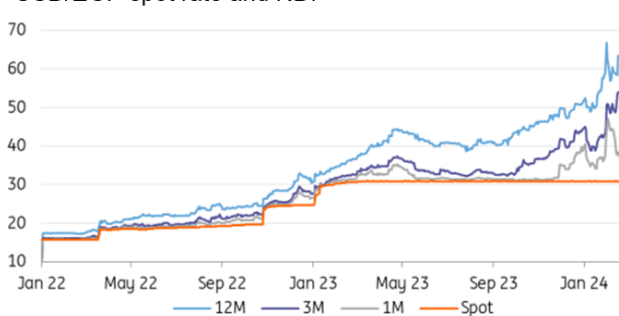
Contacts welcomed the front-loaded rate hike, FX devaluation and an improved IMF deal. After Egypt yesterday hiked interest rates by 600bps to take the deposit rate to 27.25% in a special monetary policy

meeting, authorities also announced that they would allow the exchange rate to be determined by market forces. The Egyptian pound depreciated by almost 40% to a record low of around 50/\$, after having traded at around 30.9 over the past year, bringing it closer to the reported parallel rate and in line with the devaluation priced in by 3-month non-deliverable forward (NDF) contracts. The IMF and Egypt also announced that a staff level agreement was reached to increase IMF funding to \$8 bn (from \$3 bn previously). Looking ahead, analysts see limited risk of further currency devaluations. **This morning the Egyptian pound was roughly 1.3% stronger against the dollar, trading at around 49.43.**

Egypt Eurobond Prices



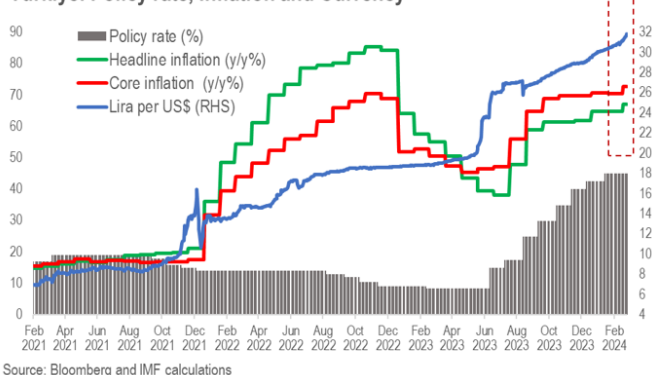
USD/EGP spot rate and NDF



Türkiye

The Turkish lira continues to weaken despite additional tightening measures announced by the central bank. Türkiye's central bank yesterday imposed restrictions on lira-denominated loan growth and sold \$475mn in lira-settled foreign-currency forwards. The monthly growth limits for some lira commercial loans as well as for general purpose loans were reduced to 2% (from 2.5% and 3% respectively). The central bank also introduced a temporary reserve requirement on banks if monthly loan growth exceeds 2%, according to Bloomberg. While noting that these regulatory changes are not a perfect substitute for rate hikes, Bloomberg analysts estimate that these steps could be comparable to a 230bps policy rate hike. However, analysts caution that such measures could worsen inflation expectations if they are interpreted as a signal of central bank reluctance to increase interest rates even if hikes are merited by economic developments.

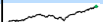

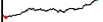


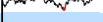



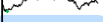
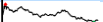
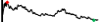







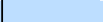

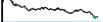
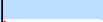


Türkiye: Policy rate, Inflation and Currency



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Global Financial Indicators

3/7/24 8:37 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				
United States		5120	0.5	0	3	28	7
Europe		4950	0.7	1	6	16	9
Japan		39599	-1.2	1	7	39	18
China		3530	-0.6	0	5	-13	3
Asia Ex Japan		67	1.6	2	3	1	1
Emerging Markets		41	1.4	2	2	5	1
Interest Rates			basis points				
US 10y Yield		4.07	-3.7	-19	-6	10	19
Germany 10y Yield		2.26	-6.4	-15	-6	-43	23
Japan 10y Yield		0.73	1.4	2	1	23	12
UK 10y Yield		3.96	-3.4	-17	-3	14	42
Credit Spreads			basis points				
US Investment Grade		128	-0.6	-1	1	-17	-6
US High Yield		368	2.3	0	-12	-47	-17
Exchange Rates			%				
USD/Majors		103.23	-0.1	-1	-1	-2	2
EUR/USD		1.09	-0.2	1	1	3	-1
USD/JPY		147.7	-1.1	-2	0	8	5
EM/USD		46.8	0.0	0	0	-7	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		82.6	-0.5	1	5	6	8
Industrials Metals (index)		140	1.3	2	5	-11	-2
Agriculture (index)		59	1.3	0	-3	-14	-6
Implied Volatility			%				
VIX Index (%, change in pp)		14.4	-0.1	1.0	1.5	-5.2	1.9
Global FX Volatility		6.6	0.0	0.0	-0.9	-3.2	-1.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		103	-0.2	-3	-16	-78	-1
Italy		130	-2.0	-13	-27	-53	-37
Portugal		65	-1.3	-6	-16	-22	2
Spain		81	-1.2	-6	-11	-22	-16

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

Emerging Market Financial Indicators

Last updated: 3/7/2024 8:39 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)					YTD	Level		Change (in basis points)					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M			
	vs. USD		(+) = EM appreciation						% p.a.							
China		7.20	0.0	-0.1	0	-3	-1		2.3	2.5	-2	-6	-88	-19		
Indonesia		15655	0.3	0.4	0	-2	-2		6.6	-0.6	3	2	-35	16		
India		83	0.1	0.2	0	-1	1		7.2	-4.2	-7	2	(61.1)	-6		
Philippines		56	0.1	0.7	0	-1	-1		5.5	7.3	7	7	-49	-12		
Thailand		36	0.2	0.9	0	-1	-4		2.5	-2.8	-6	-11	-13	-18		
Malaysia		4.71	0.6	0.8	1	-5	-2		3.8	-1.2	-3	3	-20	10		
Argentina		846	-0.1	-0.5	-2	-76	-4		68.5	-152.3	-590	-552	-1956	-1784		
Brazil		4.94	0.1	0.6	1	5	-2		10.7	1.1	-11	6	-291	33		
Chile		988	-0.3	-2.1	-3	-19	-11		4.9	-6.5	-30	7	-80	-5		
Colombia		3926	-0.1	0.0	1	21	-1		7.5	-4.0	-13	7	-213	-14		
Mexico		16.87	0.1	1.1	1	7	1		8.6	-2.5	-8	-15	-53	11		
Peru		3.7	0.3	1.6	3	1	-1		6.9	-0.3	6	19	-121	24		
Uruguay		39	-0.1	0.2	0	1	0		9.0	1.8	-1	-23	-126	-54		
Hungary		363	-0.5	0.0	-1	-1	-4		6.0	-1.0	-17	-13	-230	21		
Poland		3.95	-0.2	1.0	2	12	0		4.8	0.1	-7	7	-99	32		
Romania		4.6	-0.2	0.6	1	2	-1		6.3	-0.2	-5	10	-110	13		
Russia		90.9	-0.2	0.3	0	-17	-2									
South Africa		18.8	0.4	2.3	1	-1	-2		9.4	-4.0	-13	16	13	28		
Türkiye		31.84	-0.2	-1.9	-4	-41	-7		28.0	5.0	112	81	1610	120		
US (DXY; 5y UST)		103	-0.1	-0.9	-1	-2	2		4.07	-4.6	-17	0	-24	22		

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD		
									basis points						
China		3530	-0.6	0	5	-13	3		154	5	-6	-11	-4		
Indonesia		7374	0.6	1	2	9	1		115	8	-1	-22	19		
India		74119	0.0	1	4	23	3		111	10	-11	-32	-5		
Philippines		6837	-0.6	-2	0	2	6		98	9	2	-13	18		
Thailand		1372	0.1	0	-1	-15	-3		0	0	0	0	0		
Malaysia		1536	0.3	-1	2	6	6		87	5	-3	-6	2		
Argentina		999642	0.7	0	-13	306	8		1627	-128	-232	-424	-286		
Brazil		129133	0.6	0	-1	24	-4		219	5	-2	-40	4		
Chile		6376	1.4	-1	6	18	3		132	3	-4	-2	7		
Colombia		1307	0.5	3	2	6	9		306	6	-17	-83	35		
Mexico		55285	-0.3	0	-6	4	-4		326	1	-8	-39	-8		
Peru		28630	-0.2	2	5	30	10		144	3	-11	-34	0		
Hungary		66033	0.1	0	3	52	9		164	4	-5	-44	15		
Poland		79662	-1.3	-3	0	31	2		104	9	-6	39	7		
Romania		16274	0.2	2	3	31	6		205	7	6	-25	4		
South Africa		73385	-0.3	1	-1	-7	-5		355	5	5	10	47		
Türkiye		8976	2.7	-2	2	67	20		341	30	-13	-115	27		
Ukraine		507	0.0	0	0	0	0		3805	-161	-376	-897	-199		
EM total		41	0.0	2	2	5	1		319	-8	-35	-61	-26		

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

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