GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

# Global Markets Monitor

FRIDAY, MARCH 8, 2024
LEAD EDITOR: SANJAY HAZARIKA

- **US jobs report leaves outlook uncertain** (link)
- **S&P 500 sets new record** (link)
- **Company earnings in US beat European counterparts** (link)
- **Pound appreciates versus dollar to it strongest level of the year** (link)
- **Hungary expected to cut further as inflation eases** (link)

Mature Markets | Emerging Markets | Market Tables

## US jobs report delivers mixed messages

**The widely anticipated US jobs report delivered mixed messages.** The number of jobs added was much higher than expected but the unemployment rate moved up sharply and employee earnings were down. US equity index futures were down after yesterday's record close for the S&P 500, while European bourses were mixed. Government bond yields in the US and Europe were lower as the market took on a more cautious stance, with US Treasury yields at their lowest level in a month. Oil prices were also down this morning although the US benchmark WTI Crude index is up more than 9% for the year and the European benchmark Brent Crude index is up 6% so far in 2024. Gold prices moved higher again as investors sought refuge from the uncertain outlook for markets and the global economy. Most investors expect the Fed and the ECB to announce their first rate cuts in June, based on Fed Chair Powell's testimony before Congress and ECB President's press conference yesterday. However, worries persist that stubbornly high inflation and stronger than expected economic data could keep the major central banks in a hawkish mode. The Bank of Japan is an outlier, with markets expecting a rate hike this year.

**Key Global Financial Indicators**

| Last updated: | Level | | Change from Market Close | | | | |
|---|---|---|---|---|---|---|---|
| 3/8/24 8:08 AM | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | YTD |
| **Equities** | | | | % | | | % |
| S&P 500 | | 5157 | 1.0 | 1 | 3 | 29 | 8 |
| Eurostoxx 50 | | 4968 | -0.1 | 1 | 5 | 16 | 10 |
| Nikkei 225 | | 39689 | 0.2 | -1 | 8 | 41 | 19 |
| MSCI EM | | 41 | 0.6 | 2 | 4 | 5 | 2 |
| **Yields and Spreads** | | | | bps | | | |
| US 10y Yield | | 4.07 | -1.6 | -11 | -9 | 8 | 19 |
| Germany 10y Yield | | 2.27 | -3.9 | -15 | -9 | -38 | 24 |
| EMBIG Sovereign Spread | | 367 | 0 | -1 | -22 | -77 | -16 |
| **FX / Commodities / Volatility** | | | | % | | | |
| EM FX vs. USD, (+) = appreciation | | 46.9 | 0.1 | 0 | 0 | -7 | -3 |
| Dollar index, (+) = $ appreciation | | 102.8 | 0.0 | -1 | -1 | -3 | 1 |
| Brent Crude Oil ($/barrel) | | 82.4 | -0.7 | -1 | 1 | 0 | 7 |
| VIX Index (%, change in pp) | | 14.6 | 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

back to top

### United States

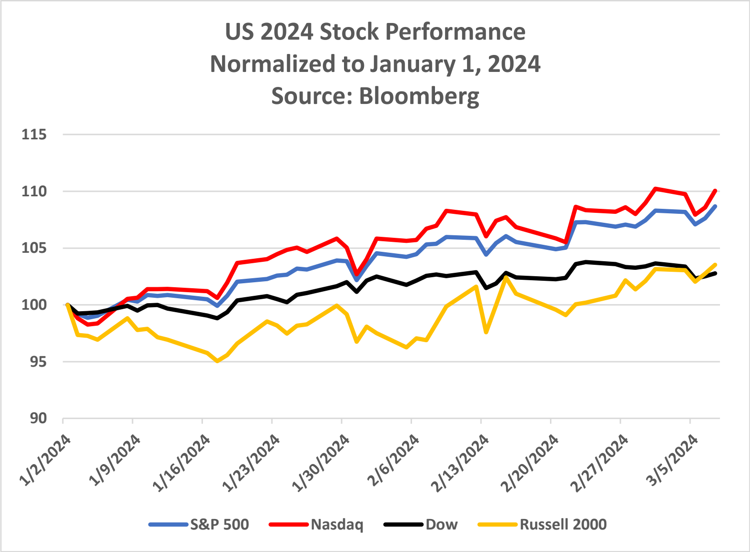
**The US jobs report left the outlook uncertain, with the payrolls number blowing past the consensus forecast but the unemployment rate coming in higher than expected and hourly earnings printing lower than forecasts.** January's report was revised sharply lower to 275K compared to the initial report of 353K. Treasury yields declined further in response to the data and the dollar weakened.

**US Unemployment Report**

**Source: Bloomberg**

| Variable | Consensus Forecast | Actual Data |
|---|---|---|
| Non-Farm Payrolls | +200K | +275K |
| Unemployment Rate | 3.7% | 3.9% |
| Average Hourly Earnings mom | +0.2% | +0.1% |
| Average Hourly Earnings yoy | +4.3% | +4.3% |

**The S&P 500 reached a new all-time yesterday high amidst optimism about Fed interest rate policy.** While the large cap indexes such as the S&P 500 and Nasdaq have soared in recent months, this time the small cap Russell 2000 index is also up on the year after years of weak relative performance, although it still remains well below its 2021 high. Another significant development is that the equal weighted S&P 500 index also hit a new record yesterday, indicating that the recent gains are not just confined to "The Magnificent Seven" stocks. Markets got a lift from Fed Chair Powell's testimony before the US Senate, where he made it clear that the Fed would cut its policy rate "at some point this year." There was growing speculation in recent days that the Fed might not move at all this year, so his remarks were reassuring to investors. Bank stocks rallied after he also mentioned that the Fed was rethinking its earlier plans for new bank capital requirements, hinting that they may not be as stringent as originally feared. Markets also reacted positively to ECB President Lagarde's indication that the first ECB rate cut could come in June. A June Fed rate cut is almost fully priced into the Fed Funds futures market in the US and the overnight index swap market in the euro area.




**US companies have continued their outperformance versus their European counterparts during the Q4 earnings season.** In contrast, companies in Japan have held up well compared to Europe. A comparison of the S&P 500 versus Europe's Stoxx 600 and Euro Stoxx 50 indexes and Japan's TOPIX index shows US companies doing better across a number of metrics. However, American stocks continue to lag European stocks so far this year despite setting new records yesterday, while Japan has delivered some of the strongest equity market returns worldwide in local currency terms so far in 2024. Japan's performance in dollar terms also exceeds Europe and the US. This year's results so far represent a change in the long term trend of much better performance by US stocks compared to other advanced economy peers. Europe finally has its own group of "super star" companies such as Denmark's Novo Nordisk, whose weight loss pill has attracted a lot of investor interest, and the Dutch company ASML which has benefited from the AI frenzy.

**Figure 1: European earnings continue to disappoint vs. the US**

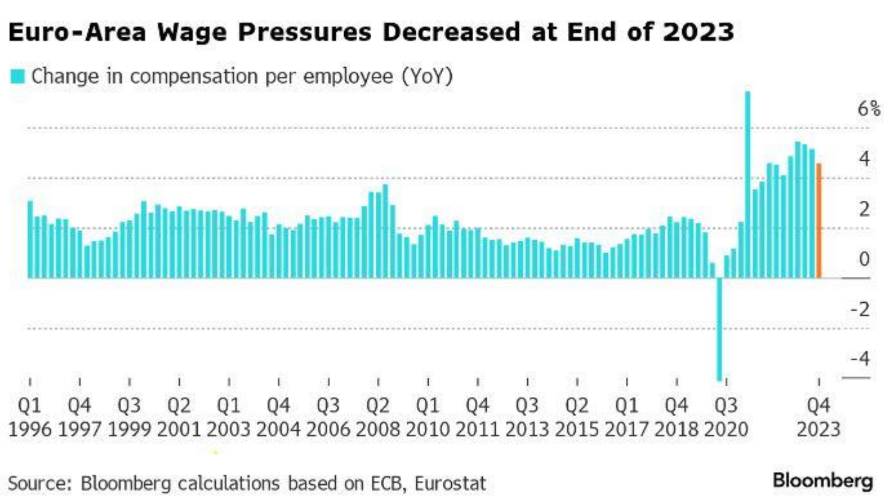
Q4 '23 Results snapshot

| | SPX | SXXP | SXXE | TPX |
|---|---|---|---|---|
| % cos reported | 93% | 69% | 60% | 94% |
| % cos beating EPS | 75% | 50% | 55% | 55% |
| EPS %y/y | 8% | −11% | −8% | 10% |
| % cos beating Sales | 56% | 39% | 37% | 50% |
| Sales %y/y | 4% | −6% | −5% | 2% |

Source: J.P. Morgan Equity Research. Q4 Earnings Season Tracker, Matejka.

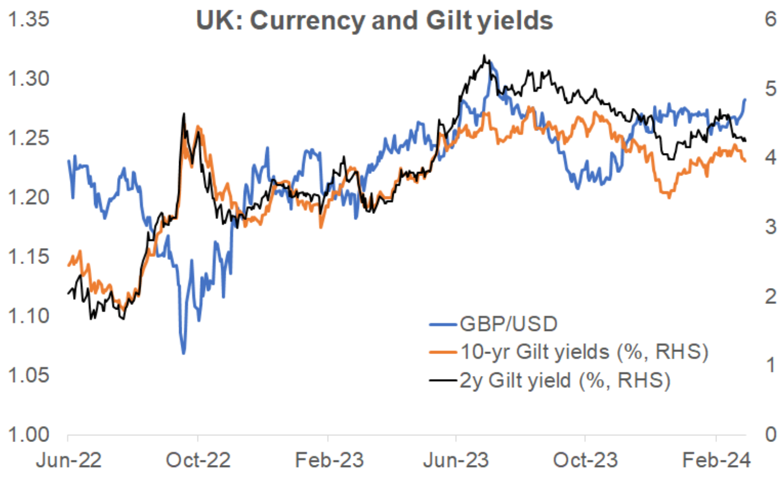
**Euro Area**

**European equities opened higher with the STOXX 600 index up 0.2% this morning,** led by gains in the energy (+0.6%) and financial (+0.4%) sectors. Euro area sovereign bond yields were lower (-4bps) with the 10y bund yield trading at around 2.26%. Elsewhere, Italian BTPs continue to rally, with spreads over 10Y bunds tightening to 133bps. Analysts at Citi expect further tightening from here, albeit at a slower pace. **Yesterday's ECB press conference was well received, with President Lagarde indicating that the first rate cut would come in June.** This morning **markets are pricing in around 100bps of easing for 2024 with the first full rate cut almost fully priced in for June**. Elsewhere, on the data front, euro area compensation per employee rose by 4.6% y/y in Q4, down from 5.1% in Q3. The ECB had expected the indicator to ease in the fourth quarter.



**United Kingdom**

**The pound has rallied to the year's high against the dollar.** According to Bloomberg, sterling is on track to gain 1.3% against the greenback this week, marking its best performance since mid-November. In early morning trading, the pound rose to as high as 1.2825 against the dollar, a level last seen in December last year. Some contacts point to dovish comments from Chair Powell yesterday which have added to expectations that the Bank of England will start cutting rates later than the Fed as the main driver for the outperformance of sterling, whereas others note the risk that the BOE may bring forward the first rate cut, particularly if inflation continues to slow. **Markets are currently pricing in around 66bps of rate cuts by the BOE in 2024, with the first rate cut fully priced in for August.**

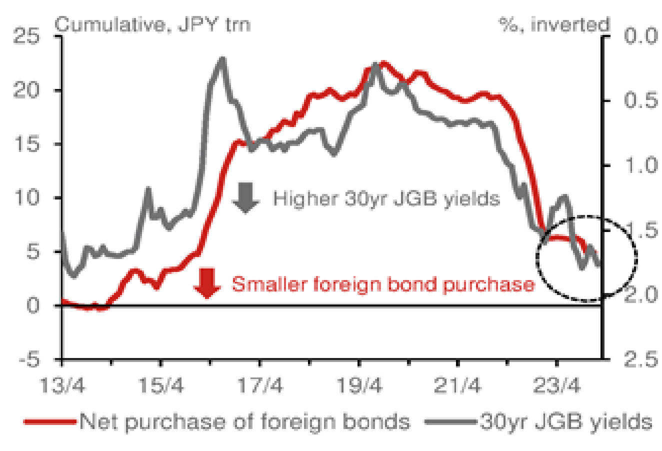


Source: Bloomberg and IMF calculations

**Japan**

**Japanese stocks gained +0.3%, not far from the all-time high set on Wednesday.** In January, household spending contracted by -6.3% y/y (consensus: -4.1%, previous: -2.5%), the biggest decline in three years. Spending on cars slumped, with some market participant attributing the decline to domestic car production halts. Japan's current account surplus narrowed to ¥438bn ($3bn) (previous: ¥744bn). Separately, in February 2023, Japanese investors net purchased JPY1.2trn ($8.1bn) of foreign securities. While investment trusts continued net purchasing foreign equities in significant quantities, this was almost offset by net selling of foreign equities by pension funds. Pension funds purchased a large amount of foreign bonds. Meanwhile, a potential rise in long-term JGB yields after the end of negative interest rate policy could encourage lifers to repatriate more of their funds from foreign bonds to domestic bonds.

**Net purchase of foreign bonds by Japanese lifers and 30yr JGB yields**



Source: Macrobond, Nomura

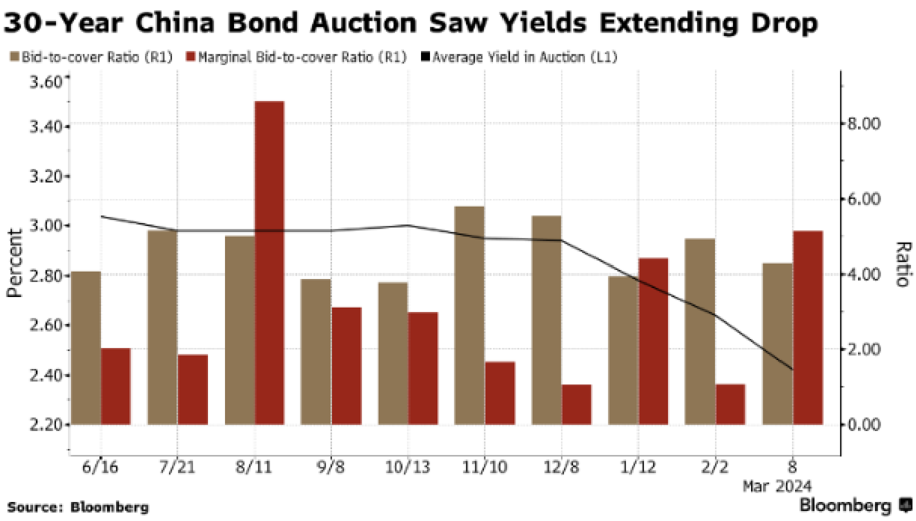
## Emerging Markets

back to top

**EMEA markets were mixed.** The Turkish lira continues to weaken (-0.2% to 31.95/$) despite additional tightening measures announced by the central bank, heading for its worst weekly performance (-1.9% WTD) since late July, according to Bloomberg. Elsewhere on the central bank front **Serbia left its key policy rate unchanged at 6.5% for the eighth consecutive month, as expected, against a backdrop of still-elevated geopolitical risk.** Raiffeisen analysts still expect gradual cuts in Q2. **Asian equities rallied +1.1% bolstered by dovish comments by the Fed Chair.** Asian currencies appreciated. Separately, **India** announced cuts to cooking gas prices ahead of upcoming national elections. Indonesia and India signed an agreement to use their local currencies use in bilateral trade transactions. **Currencies in Latin America were generally stronger versus the dollar, but equity markets were mixed.** The central bank of Peru surprised markets by staying on hold at 6.25% despite high inflation while analysts expected a 25 bps cut.

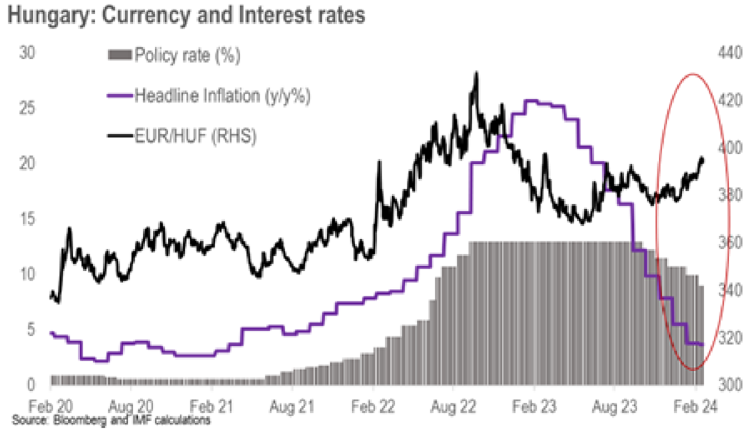
### China

**Chinese equities gained (CSI +0.4%).** Separately, the People's Bank of China (PBOC) added gold to its reserves for the 16th consecutive month in February as gold prices hit a record high. Bullion held by the PBOC rose by about 390k troy ounces last month, bringing total holdings to 72.6mn troy ounces. Some market participants noted that China's consistent gold accumulation, along with other central banks, reflected global trend of reserves diversification and reducing reliance on the USD. Separately, the auction of 28bn yuan ($3.9bn) of China's 30Y sovereign notes saw robust demand with average yield falling to 2.4%, the lowest since 2008.



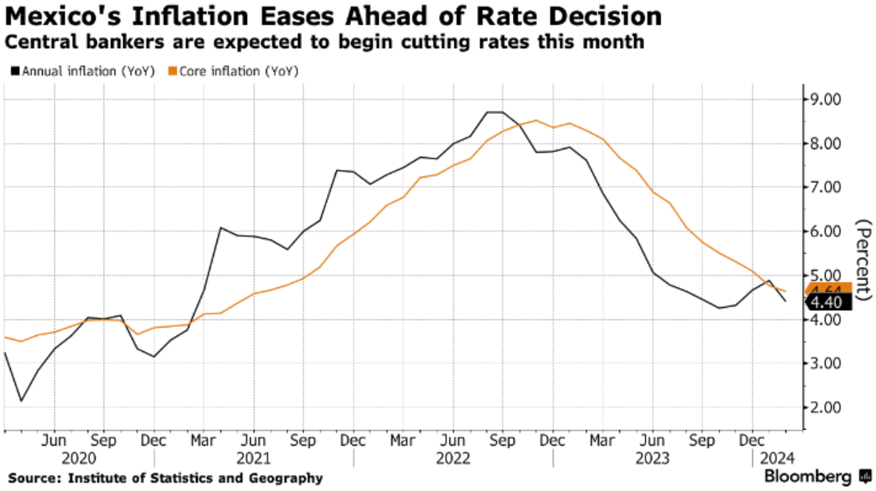

### Hungary

**Downside surprise in headline inflation reinforced analyst expectations of rate cuts.** Data released this morning showed headline inflation easing to +3.7 y/y in February, while consensus had expected a small uptick to 3.9%, from 3.8%. In the latest policy meeting the central bank had quickened the pace of monetary easing and cut rates by 100bps to 9% but said that it was a temporary move. JPMorgan analysts still expect another 100bps rate cut at the monetary policy meeting later this month, after which the pace of easing is expected to be reduced gradually with the policy rate expected to reach 5.25% by end-2024. However, analysts note that a volatile and weakening forint could see the central bank instead cut rates by 75bps later this month. The Hungarian forint outperformed regional peers this morning (+0.3% to 394.14/€), but remains roughly 2.7% weaker than at the start of the year.




**Mexico**

**Mexico's headline inflation slowed for the first time since October, increasing the chance of rate cuts later this month.** Headline inflation eased to 4.4% y/y in February, lower than the market median estimate of 4.42% and down from 4.88% in January. Core inflation also slowed to 4.64% y/y, down from 4.76% one month ago. Analysts expect the central bank will start the easing cycle at this coming March 21st monetary policy meeting with a 25 bps rate cut and expect it to gradually lower the policy rate through the rest of the year, supported by falling inflation.




*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Deputy Division Chief), Nassira Abbas (Deputy Division Chief), and Caio Ferreira (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (New York Representative), Benjamin Mosk and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (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),Kleopatra Nikolaou (Senior Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Mustafa Oguz Caylan (Research Officer), Sonal Patel (Senior Financial Sector Expert-London Representative), Silvia Ramirez (Senior Financial Sector Expert), Patrick Schneider (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.*

## Global Financial Indicators

| | Level | | Change | | | | |
|---|---|---|---|---|---|---|---|
| 3/8/24 8:11 AM | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | YTD |
| **Equities** | | | | | % | | % |
| United States | | 5161 | 1.0 | 0 | 3 | 29 | 8 |
| Europe | | 4968 | -0.1 | 1 | 5 | 16 | 10 |
| Japan | | 39689 | 0.2 | -1 | 8 | 41 | 19 |
| China | | 3545 | 0.4 | 0 | 5 | -11 | 3 |
| Asia Ex Japan | | 68 | 0.6 | 3 | 4 | 2 | 1 |
| Emerging Markets | | 41 | 0.6 | 2 | 4 | 5 | 2 |
| **Interest Rates** | | | | | basis points | | |
| US 10y Yield | | 4.07 | -1.6 | -11 | -9 | 8 | 19 |
| Germany 10y Yield | | 2.27 | -3.9 | -15 | -9 | -38 | 24 |
| Japan 10y Yield | | 0.74 | 0.4 | 2 | 3 | 23 | 12 |
| UK 10y Yield | | 3.98 | -2.0 | -14 | -7 | 21 | 44 |
| **Credit Spreads** | | | | | basis points | | |
| US Investment Grade | | 128 | -0.5 | -2 | 0 | -19 | -6 |
| US High Yield | | 368 | 1.8 | 1 | -9 | -54 | -17 |
| **Exchange Rates** | | | | | % | | |
| USD/Majors | | 102.78 | 0.0 | -1 | -1 | -3 | 1 |
| EUR/USD | | 1.09 | -0.1 | 1 | 1 | 4 | -1 |
| USD/JPY | | 147.3 | -0.5 | -2 | -1 | 7 | 4 |
| EM/USD | | 46.9 | 0.1 | 0 | 0 | -7 | -3 |
| **Commodities** | | | | | % | | |
| Brent Crude Oil ($/barrel) | | 82.4 | -0.7 | -1 | 2 | 6 | 7 |
| Industrials Metals (index) | | 141 | 0.2 | 2 | 6 | -11 | -1 |
| Agriculture (index) | | 59 | -0.7 | 1 | -3 | -14 | -6 |
| **Implied Volatility** | | | | | % | | |
| VIX Index (%, change in pp) | | 14.6 | 0.1 | 1.4 | 1.8 | -4.6 | 2.1 |
| Global FX Volatility | | 6.7 | 0.0 | 0.2 | -0.8 | -3.4 | -1.4 |
| **EA Sovereign Spreads** | | | | | 10-Year spread vs. Germany (bps) | | |
| Greece | | 103 | 0.3 | -5 | -13 | -78 | -1 |
| Italy | | 133 | 1.0 | -15 | -25 | -45 | -35 |
| Portugal | | 66 | 0.7 | -7 | -15 | -20 | 3 |
| Spain | | 82 | 0.5 | -8 | -11 | -20 | -15 |

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

# Emerging Market Financial Indicators

| Last updated: 3/8/2024 8:12 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 | | 7.19 | 0.0 | 0.1 | 0 | -3 | -1 | | 2.4 | 2.0 | -4 | -6 | -88 | -17 |
| Indonesia | | 15590 | 0.4 | 0.7 | 0 | -1 | -1 | | 6.6 | -1.0 | 0 | 1 | -43 | 15 |
| India | | 83 | 0.1 | 0.2 | 0 | -1 | 1 | | 7.2 | 0.0 | -5 | 1 | (72.3) | -6 |
| Philippines | | 56 | 0.5 | 0.8 | 1 | -1 | 0 | | 5.4 | -7.3 | 0 | 0 | -56 | -20 |
| Thailand | | 35 | 0.2 | 1.0 | 1 | -1 | -3 | | 2.5 | -1.3 | -6 | -3 | -17 | -19 |
| Malaysia | | 4.68 | 0.5 | 1.3 | 2 | -3 | -2 | | 3.8 | -0.3 | -2 | 3 | -20 | 10 |
| Argentina | | 847 | 0.0 | -0.4 | -2 | -76 | -5 | | 67.2 | -133.3 | -765 | -865 | -2125 | -1918 |
| Brazil | | 4.97 | -0.7 | -0.3 | 1 | 4 | -2 | | 10.8 | 5.4 | 2 | 5 | -270 | 41 |
| Chile | | 971 | 1.1 | -0.4 | -1 | -17 | -9 | | 5.0 | 4.3 | -17 | 7 | -62 | 6 |
| Colombia | | 3910 | 0.2 | 1.0 | 1 | 22 | -1 | | 7.5 | 0.0 | -8 | -1 | -204 | -14 |
| Mexico | | 16.86 | 0.1 | 0.9 | 2 | 7 | 1 | | 8.6 | -0.5 | -6 | -13 | -46 | 12 |
| Peru | | 3.7 | 0.7 | 1.9 | 4 | 2 | 0 | | 6.9 | 0.1 | 7 | 21 | -119 | 25 |
| Uruguay | | 39 | 0.4 | 0.6 | 1 | 1 | 0 | | 9.0 | -1.7 | -3 | -19 | -127 | -55 |
| Hungary | | 360 | 0.2 | 0.8 | 0 | 0 | -4 | | 6.0 | -1.0 | -8 | -4 | -236 | 19 |
| Poland | | 3.94 | -0.3 | 1.1 | 2 | 13 | 0 | | 4.9 | 2.3 | 4 | 8 | -85 | 38 |
| Romania | | 4.5 | -0.1 | 0.8 | 2 | 2 | -1 | | 6.3 | 1.5 | -1 | 11 | -108 | 15 |
| Russia | | 90.9 | -0.3 | 0.9 | 0 | -16 | -2 | | | | | | | |
| South Africa | | 18.6 | 0.2 | 2.5 | 2 | 0 | -1 | | 9.4 | -5.3 | -13 | 5 | 6 | 24 |
| Türkiye | | 31.97 | -0.2 | -1.9 | -4 | -41 | -8 | | 28.1 | 12.0 | 83 | 91 | 1624 | 134 |
| US (DXY; 5y UST) | | 103 | -0.1 | -1.1 | -1 | -3 | 1 | | 4.06 | -1.8 | -10 | -6 | -29 | 21 |

| | 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 | | 3545 | 0.4 | 0 | 5 | -11 | 3 | | 154 | 6 | -7 | -11 | -4 |
| Indonesia | | 7382 | 0.1 | 1 | 2 | 9 | 2 | | 116 | 9 | 5 | -23 | 20 |
| India | | 74119 | 0.0 | 1 | 4 | 23 | 3 | | 107 | 7 | -8 | -33 | -9 |
| Philippines | | 6942 | 1.5 | 0 | 1 | 5 | 8 | | 99 | 11 | 6 | -14 | 19 |
| Thailand | | 1386 | 1.0 | 1 | 0 | -13 | -2 | | 0 | 0 | 0 | 0 | 0 |
| Malaysia | | 1540 | 0.3 | 0 | 2 | 7 | 6 | | 87 | 6 | -2 | -6 | 2 |
| Argentina | | 994808 | -0.5 | -2 | -11 | 296 | 7 | | 1650 | -58 | -292 | -412 | -263 |
| Brazil | | 128340 | -0.4 | -1 | 0 | 20 | -4 | | 222 | 9 | 1 | -42 | 7 |
| Chile | | 6358 | 0.2 | -2 | 6 | 17 | 3 | | 135 | 5 | 0 | -2 | 10 |
| Colombia | | 1314 | 0.5 | 2 | 4 | 6 | 10 | | 309 | 9 | -9 | -85 | 38 |
| Mexico | | 55049 | -0.4 | -1 | -5 | 3 | -4 | | 328 | 4 | -4 | -45 | -6 |
| Peru | | 28920 | 1.0 | 2 | 6 | 31 | 11 | | 149 | 8 | -2 | -34 | 5 |
| Hungary | | 66044 | -0.2 | 0 | 2 | 53 | 9 | | 164 | 4 | -4 | -53 | 15 |
| Poland | | 79241 | -0.8 | -4 | 1 | 30 | 1 | | 104 | 10 | -3 | 46 | 7 |
| Romania | | 16262 | 0.2 | 2 | 3 | 31 | 6 | | 205 | 8 | 10 | -34 | 4 |
| South Africa | | 73497 | -0.1 | 1 | 0 | -5 | -4 | | 352 | 5 | 6 | -4 | 44 |
| Türkiye | | 9125 | 0.8 | 0 | 2 | 68 | 22 | | 335 | 26 | -8 | -108 | 21 |
| Ukraine | | 507 | 0.0 | 0 | 0 | 0 | 0 | | 3772 | -196 | -437 | -947 | -232 |
| EM total | | 41 | 0.5 | 2 | 4 | 5 | 2 | | 319 | -1 | -33 | -64 | -26 |

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

back to top