



- Debt capital remains available for US CRE borrowers ([link](#))
- ECB Governing Council member Kazaks favors cautious approach to rate cuts ([link](#))
- Japan's 10Y bond yield rises to highest level since 2013 ([link](#))
- Chinese banks keep 1Y and 5Y loan prime rates unchanged ([link](#))
- Naira weaker ahead of tomorrow's central bank policy decision ([link](#))

[Mature Markets](#)












| [Emerging Markets](#)

| [Market Tables](#)

Markets stable as investors watch for further signals on rate path

Global equity prices are up modestly this morning, helped by gains in commodity prices driving energy and materials sectors higher. The price of copper on the London Metal Exchange rose to an all-time high, continuing a rally that accelerated in April. The price has risen by over 30% on the year. Later today, markets will be watching for clues from various Fed speakers on the potential timing of rate cuts this year. Later this week, minutes from the May FOMC meeting will also be released. Meanwhile, markets have nearly fully unwound the yield declines following last week's CPI release. In Europe, this week's upcoming flash PMIs will help guide expectations for later in the year, with a June cut by the ECB nearly fully priced. Emerging market currencies are broadly stronger versus the dollar on the day. Over the last week, the Chilean peso has been the outperformer, gaining over 3% on the surge in copper prices.

Key Global Financial Indicators

Last updated: 5/20/24 8:12 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5303	0.1	2	7	27	11.18
Eurostoxx 50		5074	0.2	0	3	15	12
Nikkei 225		39070	0.7	2	5	27	17
MSCI EM		44	0.4	3	10	12	9
Yields and Spreads			bps				
US 10y Yield		4.41	-0.6	-7	-21	74	53
Germany 10y Yield		2.51	-0.4	0	1	8	49
EMBIG Sovereign Spread		363	0	-4	18	-124	-20
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.3	0.0	1	3	-6	-2
Dollar index, (+) = \$ appreciation		104.6	0.1	-1	-2	1	3
Brent Crude Oil (\$/barrel)		83.7	-0.3	0	-4	11	9
VIX Index (% change in pp)		12.2	0.2	-1	-7	-5	0

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

In the week ahead, May FOMC minutes (Wed) will attract the attention of investors to see policymakers' assessment of supply-side factors aiding disinflation. Any discussion on tapering QT will also be focused. On the corporate earnings front, Nvidia's report (Wed) will be crucial for the broader effect for the AI-related markets. Elsewhere, essential data releases include CPI readings in Canada (Tue), the UK (Wed), and Japan (Fri). On the monetary policy front, central bankers in Nigeria (Tue), Hungary (Tue), New Zealand (Tue), Indonesia (Wed), South Korea (Thu), Turkey (Thu), and Chile (Thu) will meet.

Mature Markets

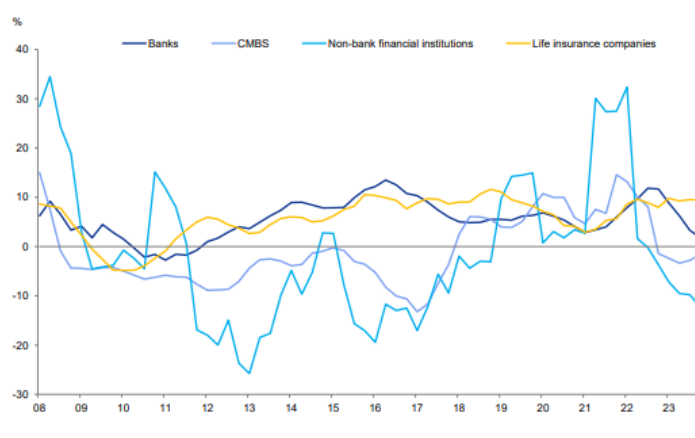
[back to top](#)

United States

Equities were little changed Friday, finishing the week 2% higher, with the VIX down to 11.99, the lowest on the year so far. Meanwhile, Treasury yields were back up to pre-CPI levels amid no significant catalyst: 10-year yields rose 4.5bp to finish the week at 4.42%. The market implied December policy rate also rose to pre-CPI levels at 4.9%

Credit availability has been resilient in the CRE market, suggesting that the risk of a credit crunch remains remote, at least for now. Based on the Mortgage Bankers Association's data on lenders' balance sheets, loan growth has slowed down but has yet to contract. Non-bank lenders such as REITs and CMBS have seen marginally negative net loan origination year-over-year, while life insurance companies have expanded their CRE loan portfolios. According to Goldman Sachs, the picture is more nuanced for banks: Banks' total loan growth has remained positive despite regional banks' failures last year, with the growth driven by small banks. While the 25 largest banks have seen non-residential commercial and multifamily mortgage books shrink by 4% and 1% y/y, smaller banks' books have grown by 5% and 10% y/y, respectively. By contrast, the most recent Fed Senior Loan Officer Opinion Survey showed that a higher share of smaller banks are tightening lender standards than larger banks. Analysts suspect this discrepancy is explained by the pullback of very small banks with less than \$100 mn in assets, consistent with holdings data from FDIC call reports. Although overall loan growth has held up well, underwriting standards have remained tight: The average loan-to-value ratio of CMBS loans remains very low by historical standards. The increasing delinquencies, particularly office loans, are yet to translate into higher losses on loan portfolios, keeping systemic concerns in check.

Exhibit 1: In aggregate, banks have grown their CRE loan books on a year-over-year basis
Year-over-year percentage change in commercial mortgage debt outstanding by investor type



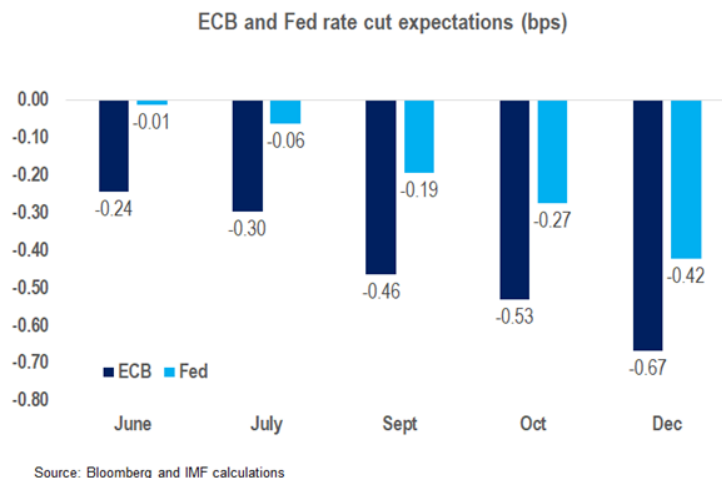
Source: Mortgage Bankers Association, Goldman Sachs Global Investment Research

growth driven by small banks. While the 25 largest banks have seen non-residential commercial and multifamily mortgage books shrink by 4% and 1% y/y, smaller banks' books have grown by 5% and 10% y/y, respectively. By contrast, the most recent Fed Senior Loan Officer Opinion Survey showed that a higher share of smaller banks are tightening lender standards than larger banks. Analysts suspect this discrepancy is explained by the pullback of very small banks with less than \$100 mn in assets, consistent with holdings data from FDIC call reports. Although overall loan growth has held up well, underwriting standards have remained tight: The average loan-to-value ratio of CMBS loans remains very low by historical standards. The increasing delinquencies, particularly office loans, are yet to translate into higher losses on loan portfolios, keeping systemic concerns in check.

Europe

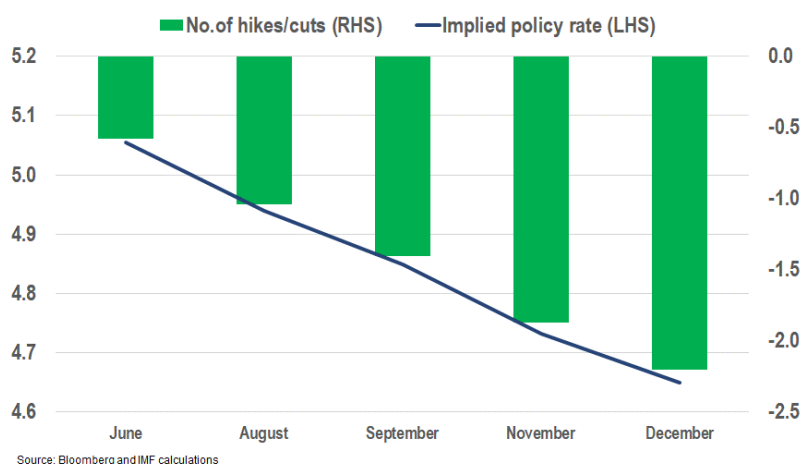
European equities opened a touch higher in holiday-thinned liquidity. The STOXX 600 index was higher (+0.1%) in early morning trading led by gains in the energy (+0.7%) and materials (+0.4%) sectors where stocks were buoyed by higher commodity prices. Elsewhere, 10y bund yields were higher for a third consecutive day (+1bp) while the euro was firmer against the dollar (+0.1%). Separately, Bloomberg reports that Fitch affirmed Spain's rating and outlook after market close on Friday at A-/stable. Elsewhere, according to Bloomberg, Greece may look to hold a GGB auction on Wednesday and Belgium is holding a sale of its retail only State Bond (Bons d'Etat) on Friday.

ECB Governing Council member Kazaks favors a gradual and cautious approach to rate cuts. In line with comments from other ECB officials, Kazaks acknowledged that a June rate cut remains likely but cautioned that “after June, let’s see the data again... given still high uncertainty, very clear forward guidance is not a good policy solution at the moment.” This morning, market pricing for ECB policy in 2024 suggests around 67bp of rate cuts expected this year, with the first 25bp rate cut almost fully priced for June.



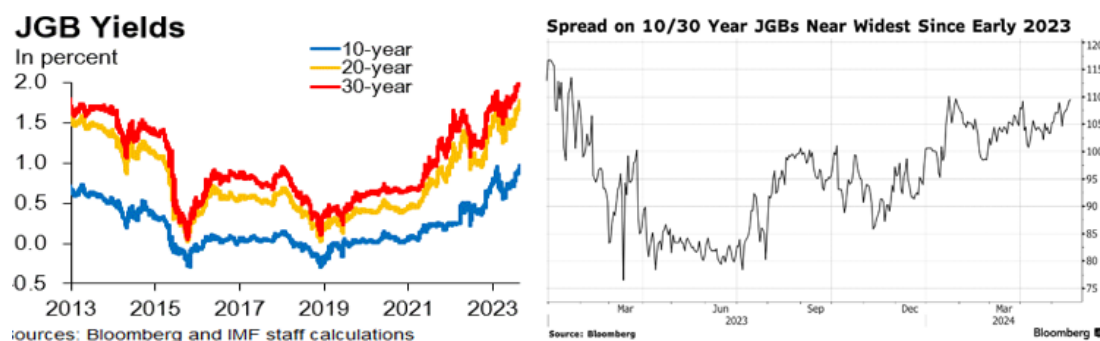
United Kingdom

Morgan Stanley analysts expect three BoE rate cuts this year should services inflation print in line with BoE forecasts. The analysts expect the first rate cut from the BoE in June with a second in August before policymakers pause to “assess the impact of its actions on the economy”. They expect a final rate cut in November 2024. Looking ahead to next year, “as policymakers gain confidence that 2% y/y core inflation can be attained sustainably”, the analysts expect officials to cut rates towards 3.25% starting in February next year, with cuts expected at successive meetings. In addition, the analysts expect active bond sales as part of the Bank’s quantitative tightening process to be paused from next September. That said, they note that should global growth surprise on the upside, that might cause the BoE to stop with its policy easing after the first 50bp of rate cuts this year. Current market pricing assigns a 58% probability to a June rate cut with a total of around 55bp of easing priced in for 2024. **This morning 10Y gilts were trading higher (+2bp) while the pound was broadly flat to trade at 1.27 against the dollar.**



Japan

Japan's 10Y bond yields touched 0.975%, the highest level since 2013 (up 2.9bp). The yields edged closer to the 1% reference level set by the Bank of Japan (BOJ) as market participant bet on higher policy rates sooner rather than later, or even a cut of government bond purchases due to the weak yen. Goldman Sachs sees 10Y bond yield rising to 2% by end 2026 on expectations that Japan will deliver a prolonged tightening cycle. The spread between 10Y and 30Y bonds widened to around 110bp, Bloomberg reported. Japan's equities rose 0.8%, led by energy and materials sectors bolstered by optimism over the global economic outlook. The yen was little changed.



Emerging Markets

[back to top](#)

Asian equities mostly gained, up 0.3% on net. Indonesia underperformed (-0.7%), driven by financials and industrial. Asian currencies were mixed. The Philippine peso weakened 0.5%, the Thai baht strengthened 0.6%. Thailand's 1Q GDP beat expectations (+1.5%/y vs. consensus: +0.8%, previous: +1.7%) driven by private consumption, hence dialing down rate cut pressures on Bank of Thailand. 10Y bond yields were little changed. **EMEA equities and currencies were mixed today.** In CEE, equities gained in Poland (+0.8%) but lost in Hungary (-1.1%) where the forint appreciated (+0.3%) against the euro. In Türkiye, equities outperformed (+0.8%) while the lira marginally appreciated (+0.1%) against the dollar. The stock market gained (+0.8%) in South Africa, while the rand weakened (-0.2%) today. **LatAm markets were mixed on Friday.** While equities in Colombia (+0.8%) and Mexico (+0.3%) gained, other major equity indices were little changed. In FX markets, most currencies gained on stronger commodities, with the Chilean peso seeing the largest gains (+1%) closing the week 4.9% stronger. With this, the currency has breached the 200-day moving average, which, market analysts believe is a key technical point and could drive it higher. However, the Peruvian sol fell another 0.2% on the political turmoil in the country. In the week ahead, the central bank of Chile is expected to cut its policy rate by 50bp to 6%.

EM fund flows

Fund flows turn positive for EMs for the first time since mid-April. Overall EM funds saw \$399 mn of inflows compared to \$598 bn outflows the week before. The reversal was driven by flows into hard-currency bond funds turning positive (\$115 mn.), with equity funds continuing to witness inflows (\$309 mn.). In addition, outflows from local currency bond funds decelerated significantly to \$25 mn, down from \$554 mn the week before. In regional trends among equity funds, inflows into Asia ex-Japan intensified to \$899 mn, and largely unchanged for EMEA at \$71 mn. In LATAM, however, equity funds witnessed a net outflow of \$130 mn.

Figure 1: Weekly cross-asset flows

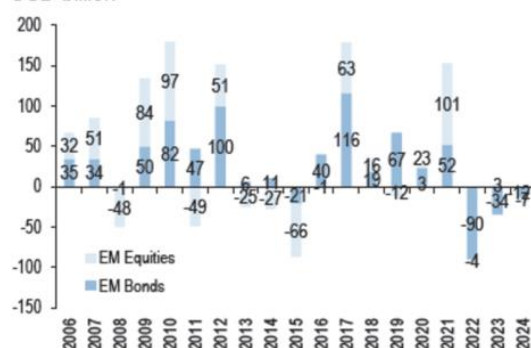
USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		0.4	-19.5
EM Bonds		0.1	-12.5
Hard Ccy		0.1	-6.5
Local Ccy ^A		0.0	-6.0
o.w. EM ex-China		-0.1	-5.0
o.w. China		0.1	-0.9
EM Equities		0.3	-7.0
US HG		0.8	147.3
US HY		1.9	5.8
Global Equities		12.4	50.5
EM Bond and Equity ETFs		1.7	9.6
EM Bond ETFs		0.6	-2.5
EM Equity ETFs		1.1	12.1
Non-resident EM flows*		-1.6	11.5

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

Figure 2: EM bond and equity fund flows

USD billion



China

Chinese banks kept 1Y and 5Y loan prime rates unchanged as expected, following People's Bank of China (PBC)'s 1Y MLF rate pause last week. Separately, analysts deemed China's property measures announced last week as too small to end the property crisis. PBC estimated that 300bn yuan (\$41.5bn) of liquidity provided at a rate of 1.75% for state-owned companies to buy unsold homes will translate into 500bn yuan (\$69.1bn) of credit overall. Barclays said the latter accounts for less than 2% of unsold inventory; the analysts also highlighted difficulties for the government-led housing inventory destocking, including potential moral hazard associated with choosing developers and the acquisition prices that would encourage developers to partake in the government purchase schemes. Separately, **capital outflows worsened in April based on banking statistics**, Bloomberg reported. Chinese banks sold a net \$36.7 bn of foreign exchange to their clients in April. Local firms purchased the largest amount of FX from banks since 2016, while exporters held back dollar conversion and residents snapped up foreign currencies for overseas travel. In addition, Chinese banks wired a record high net \$29.5 bn overseas on behalf of clients for direct investment, as FDI inflows declined. Separately, the pace of initial public offerings slowed notably in 2024, local media reported, as more companies terminated IPOs amid tighter regulatory scrutiny. **Chinese equities rose 0.4%. The renminbi depreciated (-0.1%), 10Y bond yields were little changed.**

Chinese Banks Hold Benchmark Lending Rates

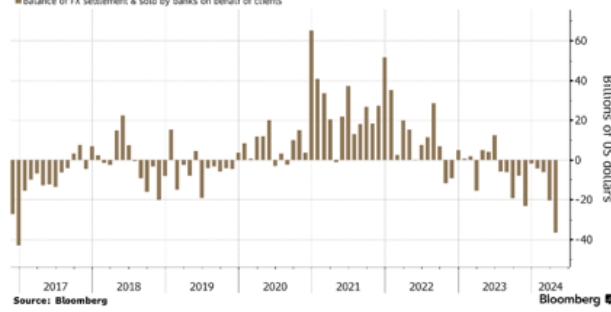
Inaction comes after central bank refrains from cutting a policy rate earlier



Source: People's Bank of China

Chinese Banks Sold More Foreign Currencies to Clients

Balance of FX settlement & sold by banks on behalf of clients

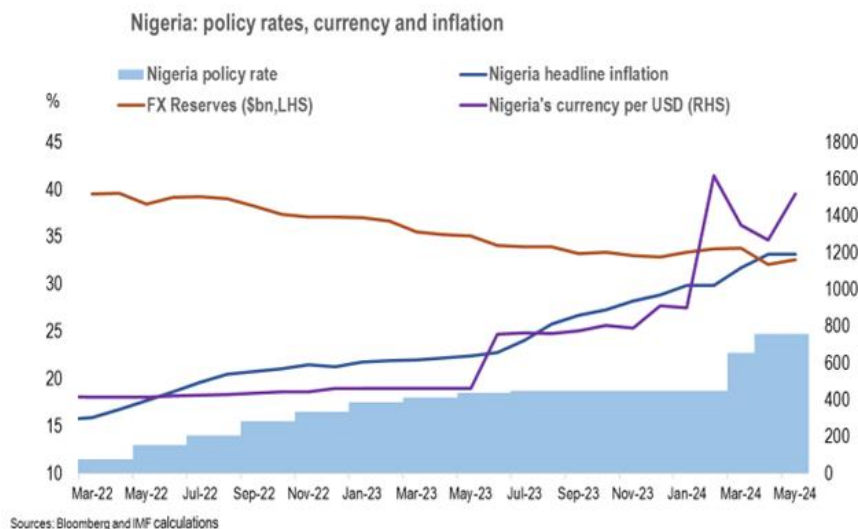


Source: Bloomberg

Nigeria

The Nigerian naira was weaker (-0.3%) against the dollar today, ahead of tomorrow's decision by the central bank. Headline inflation rose less than expected to 33.7%y/y in April (est. 34.2%, from 33.2% in March), decreasing on a quarterly basis (2.3%m/m in April from 3% in March). Analysts at JP Morgan however see the renewed pressure on the naira, which has depreciated 23% against the dollar on the month, as taking inflation up to 35%y/y in June, before it declines towards 29%y/y by year end. JP Morgan





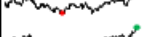
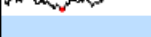


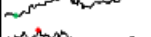
















expects the central bank of Nigeria (CBN) to keep the rate unchanged at 24.75% at its May 20/21 MPC meeting, since the central bank may prefer other measures, such as FX sales, to support the currency after having already hiked rates by 600bp this year. JP Morgan foresees sustained pressure on the naira until the end of May (maturity of CBN's FX futures), and that foreign portfolio inflows after May, along with FX inflows from the World Bank's (\$750mn loan) and from dollar denominated bond issuance, could eventually improve dollar supply in the country and support the naira. Meanwhile, analysts at Bloomberg see the recent plunging of the naira triggering another 200bp hike of the policy rate to 26.75% on May 21, expecting the CBN to take the rate to 28% in July and keep it on hold at that level until the end of 2024. Consensus estimate is a for a 100bp hike of the rate to 25.75%.



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.


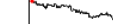
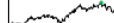
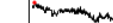

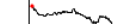









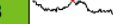

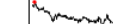









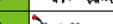




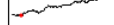



Global Financial Indicators

5/20/24 8:12 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5310	0.1	2	7	27	11
Europe		5074	0.2	0	3	15	12
Japan		39070	0.7	2	5	27	17
China		3691	0.4	1	4	-6	8
Asia Ex Japan		73	0.5	3	12	11	10
Emerging Markets		44	0.4	3	10	12	9
Interest Rates			basis points				
US 10y Yield		4.41	-0.6	-7	-21	74	53
Germany 10y Yield		2.51	-0.4	0	1	8	49
Japan 10y Yield		0.98	3.2	4	13	58	37
UK 10y Yield		4.14	1.0	-4	-9	14	60
Credit Spreads			basis points				
US Investment Grade		116	0.3	-2	-8	-53	-18
US High Yield		341	0.3	-3	-27	-155	-44
Exchange Rates			%				
USD/Majors		104.56	0.1	-1	-2	1	3
EUR/USD		1.09	-0.1	1	2	0	-2
USD/JPY		155.8	0.1	0	1	12	10
EM/USD		47.3	0.0	1	3	-6	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		83.7	-0.3	0	-3	16	10
Industrials Metals (index)		169	0.5	5	6	16	19
Agriculture (index)		61	0.7	-1	3	-6	-3
Implied Volatility			%				
VIX Index (% change in pp)		12.2	0.2	-1.4	-6.5	-4.6	-0.3
Global FX Volatility		6.8	0.1	-0.3	-0.6	-1.8	-1.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		100	-0.8	-5	-7	-59	-4
Italy		129	-0.7	-6	-14	-55	-38
Portugal		62	0.1	-2	-4	-17	-1
Spain		76	-0.1	-4	-6	-29	-21

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

Emerging Market Financial Indicators

Last updated: 5/20/2024 8:15 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		7.23	-0.1	0.0	0	-3	-2		2.3	-0.6	0	-4	-52	-27
Indonesia		15978	-0.1	0.6	2	-7	-4		6.9	-4.3	-3	2	51	46
India		83	0.2	0.2	0	-1	0		7.4	0.0	-11	-16	21.5	17
Philippines		58	-0.4	0.0	-1	-4	-4		5.6	11.3	0	0	-27	0
Thailand		36	0.0	1.9	3	-5	-5		2.8	5.5	-1	-6	16	14
Malaysia		4.69	0.0	0.9	2	-3	-2		3.9	0.4	-6	-9	11	14
Argentina		887	0.0	-0.4	-2	-74	-9		36.0	-122.8	-310	-725	-6466	-5041
Brazil		5.12	-0.3	0.6	1	-3	-5		11.9	10.3	5	29	-10	148
Chile		891	0.8	4.0	10	-11	-1		5.1	-4.0	-12	-37	-16	21
Colombia		3829	0.0	1.6	2	17	1		8.0	0.0	-35	-33	-78	39
Mexico		16.61	0.0	1.2	3	8	2		9.2	0.5	-12	-26	70	70
Peru		3.7	-0.2	-0.6	0	-1	-1		7.1	-0.5	-4	-46	-29	38
Uruguay		39	0.4	-0.1	0	1	1		9.1	-4.3	-6	16	-78	-43
Hungary		355	0.3	1.0	4	-3	-2		6.5	0.0	-6	-51	-148	74
Poland		3.92	0.0	1.4	3	6	0		5.1	-1.9	-3	-23	-33	66
Romania		4.6	-0.1	0.7	2	0	-2		6.5	0.7	-2	-1	-29	34
Russia		91.0	-0.1	1.9	4	-12	-2							
South Africa		18.3	-0.5	0.6	5	5	1		9.6	-1.5	-15	-53	-50	52
Türkiye		32.20	0.1	0.3	1	-38	-8		27.7	6.0	25	-72	1783	93
US (DXY; 5y UST)		105	0.1	-0.6	-2	1	3		4.44	-0.7	-7	-23	71	59

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		3691	0.4	1	4	-6	8		140	0	-4	-59	-18	
Indonesia		7267	-0.7	2	3	8	0		92	-2	-10	-52	-4	
India		74006	0.1	2	1	20	2		93	0	-9	-68	-23	
Philippines		6683	1.0	1	4	0	4		81	-2	-9	-37	1	
Thailand		1379	-0.3	0	3	-9	-3		0	0	0	0	0	
Malaysia		1628	0.7	2	5	14	12		78	-1	-4	-23	-7	
Argentina		1473463	-0.5	5	24	335	58		1270	-6	-5	-1295	-643	
Brazil		128151	-0.1	0	2	16	-4		219	6	-1	-51	4	
Chile		6659	0.1	-1	5	18	7		114	-2	-3	-19	-11	
Colombia		1429	0.8	3	7	27	20		295	7	-7	-119	24	
Mexico		57583	0.2	0	3	6	0		294	-1	-30	-110	-40	
Peru		30130	0.5	0	9	39	16		143	2	-4	-41	-1	
Hungary		68088	0.0	-2	5	46	12		140	-5	-10	-89	-9	
Poland		89499	0.9	2	8	38	14		93	-1	0	-41	-4	
Romania		17579	1.2	2	4	43	14		172	-6	-14	-80	-29	
South Africa		80017	0.6	2	9	2	4		313	-13	-37	-156	5	
Türkiye		10693	0.5	6	10	138	43		278	4	-10	-374	-36	
EM total		44	-0.3	3	10	12	9		324	-2	32	-105	-21	

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

[back to top](#)