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Global Macro Commentary | Global

February 1

Further US CRE concern prompts UST bull-flattener; Brent sinks on reports of possible ceasefire; BoE's Bailey confirms no more upside bias on rates; SEK lags after Riksbank softens tone; European rates twist flatten; CLP lags after BCCh 100bp cut; DXY at 103.07 (-0.2%); US 10y at 3.880% (-3.2bp).

- Global impact of **US CRE risks** prompts swift flight-to-quality **UST** rally, leading the curve to bull-flatten; **5y UST yields** fall below 3.78% intraday, the lowest level since June 2023.
- **Brent crude oil futures** sink 3.7%, below \$79/bbl, after media report [suggests](#) Israel agreeing to a proposed ceasefire.
- Despite two [votes](#) for a hike, the **BoE** maintains Bank Rate at 5.25% (C: 5.25%) and **Governor Bailey** confirms "we've taken away the upside bias" on rates.
- **SEK** lags G10 peers after **Riksbank** holds its policy rate at 4.00% (C: 4.00%), but the statement [notes](#) the policy rate can "probably be cut sooner than was indicated in the November forecast."
- **European duration** twist flattens after both **Euro Area HICP** for **headline** and **core** are above expectations, our economists [revise](#) up their inflation forecast path.
- **CLP** (-0.5%) lags regional peers following the BCCh 100bp rate cut and [dovish](#) statement.

Please refer to our recent publications and collaborations (US Economics & Global Macro Strategy: [FOMC Reaction](#); UK BoE Reaction: [On the 'Core' Questions](#); Riksbank: [The February Alignment](#); Brazil: Economics and Strategy: [Central Bank Review](#); Colombia Economics & Fixed Income Strategy: [Central Bank Review](#); G10 FX Strategy: [Warping the Pace-Time Continuum](#); India Economics and Strategy: [F2025 Interim Budget](#); EM Sovereign Credit Strategy: [Rich & Cheap Watch - New Features](#)).

Developed Markets

United States:

Concerns from the final trading session of January carried over into February as the [impact](#) of US CRE risks were now felt in Japan and the US insurance sector, in addition to the regional US bank sector.

The pace of the KRX (-2.28%) sell-off intensified in the NY morning and prompted a flight-to-quality in USTs. Yields dropped sharply, led by the long end of the curve.

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Although, short-term interest rates markets kept pricing of near-term Fed policy relatively stable, reds/greens rallied by ~12bp and priced in about half a rate cut. The total amount of rate cuts priced increased as SFRZ3Z5 (-223bp) continued to flatten. As the gap between market pricing of neutral and the Fed's median neutral estimate narrowed, 5y UST yields fell below 3.78% intraday, the lowest level since June 2023.

UST yields did traverse higher from session lows as the acute equity declines ultimately proved to be confined to Financials. The broader equity market (S&P 500: +1.25%) staged a notable recovery, yet it remained undetermined if this was primarily a function of squaring of short positions or a more durable recovery.

SEK matched weakness of the US dollar after Riksbank held its policy rate at 4.00% (C: 4.00%) but noted the policy rate can "probably be cut sooner than was indicated in the November forecast." EUR (+0.5%) exhibited modest strength alongside a twist flattening of European curves after both preliminary Euro Area HICP core and headline inflation came in stronger than expected. EUR/GBP (+0.1%) advanced mildly as sterling was supported by the vote composition of the February BoE meeting, where even though Bank Rate was held at 5.25% (C: 5.25%), two members voted for a hike.

Ahead of the January US employment report, initial jobless claims rose to 224k in the week ended January 27 (C: 212k; P: 215k) and continuing claims rose to 1898k in week ended January 20 (C: 1839k; P: 1828k). Following an upside surprise in the ISM Manufacturing PMI to 49.1 in January (C: 47.2; P: 47.1), stronger than expected preliminary 4Q23 nonfarm productivity at 3.2% q/q (C: 2.5%; P: 4.9%), paired with softer unit labor costs at 0.5% q/q (C: 1.2%; P: -1.1%), the Atlanta Fed's 1Q24 GDPNow [estimate](#) rose to 4.2% q/q.

Yet, given Fed Chair Powell's disposition toward stronger growth and baseline outcome for a resilient labor market, it creates an asymmetric for US duration into the January employment report – even if payrolls come in above our economists' forecast of 215k (C: 185k; P: 216k).

Powell stated stronger growth is not looked at "as a problem," in that it will not prevent the Fed from cutting rates. This reaction function may prove a headwind for a sustainable rates sell-off, based on upside growth surprises. Yet Powell did state an "unexpected weakening" in the labor market would certainly bias rate cuts sooner. Should there be a quicker than expected rebalancing of the labor market, this would increase odds for Fed policy to be made less restrictive and be the next leg of the duration rally.

The Federal Reserve's latest H.4.1 report [showed](#) loans from the Bank Term Funding Program (BTFP) facility fell by \$2.5bn w/w to \$165.2bn in the week ended January 31. This was the first week that new BTFP loans were set to be no lower than the interest rate on reserve balances (IORB). The BTFP will cease make new loans as scheduled on March 11.

Japan:

Despite another strong rally in USTs overnight on Wednesday, JGBs twist-steepened as market participants seemingly focused on risk of a weak 10y JGB auction around

noon in Tokyo. However, the auction was in line with market pricing, with a maximum accepted yield of 74.8bp. Discussion among market participants focused on the large direct bid from end users. 10y JGBs began to rally post-auction, and the belly of the JGB curve outperformed; 10y JGBs rallied by 4.0bp d/d to 0.69% on a simple yield basis. Long-end **JGBs** lagged but eventually caught up with the belly, supported by demand to buy the dip; 30y JGBs rallied by 4.0bp d/d to 1.785%. Initially, TONA OIS twist-steepened ahead of the 10y auction, but eventually bull-flattened. XCCY basis widened, led by the front-end as positive carry paid positions were squared alongside weak risk sentiment.

The combination of a resurgence in US regional bank concerns and soft pushback against a rate cut in March by Fed Chair Powell drove a broad risk market sell-off overnight on Wednesday; both USD and JPY outperformed as funding currencies. During Tokyo hours, **USD/JPY** essentially traded within a range of 146.50-147.00, but other CCY/JPY pairs continued to sell-off amid the weak risk market sentiment. Risk-sensitive currencies, such as AUD, SEK, and NZD, particularly underperformed among G10 currencies; **AUD/JPY** sold off below 96.00 into the London morning. Market participants now seemingly have begun to price in the chance of a US hard landing; if markets gain conviction for such a scenario, CCY/JPY pairs could fall further.

Europe:

In the G10, price action was largely driven by the US dollar in London hours. However, other currencies still underperformed the weaker USD, including **SEK**, which ultimately depreciated by 0.1% against USD. SEK depreciated after more-dovish-than-expected rhetoric from Riksbank after an on-hold decision at the February monetary policy meeting.

EUR outperformed and ended the London trading session 0.5% stronger against USD, despite a lack of idiosyncratic drivers, given PMIs and CPI were largely in line with consensus expectations. **NOK** (+0.6%) exhibited a high sensitivity to US rates and finished as a top performer against the US dollar, despite lack of significant local catalyst. **GBP** (+0.3%) failed to rally significantly beyond general USD weakness, despite a more hawkish lean from the MPC than expected.

European duration opened lower after the FOMC meeting overnight on Wednesday. Euro area CPI was stronger than expected for both core and headline. This spurred a bear-flattening of curves as the front-end repriced higher and priced in less cuts in whites. Focus moved to the US, after initial jobless claims rose by more than expected and duration rallied, until the US ISM Manufacturing PMI came in above consensus expectations. US regional bank stocks sold off and risk sentiment deteriorated for the second consecutive session and duration rallied; the **10y BTP-Bund spread** widened (+1.5bp d/d, +7bp w/w) and core ASW richened. **10y Bunds** closed 2bp lower at 2.15% and 2s10s twist flattened by over 5bp in Germany, while 10s30s bull-flattened by 1bp. The widening of ASW was quickly faded and the complex closed changed.

Dollar Bloc:

A step down in US yields following soft labour market data brought the DXY USD

Index 0.2% lower. **AUD** ultimately outpaced the US dollar sell-off and ended the NY session 0.1% lower. Despite a slight timing mismatch, AUD bearishness was likely driven by the significant downside surprise in building approvals, at -9.5% m/m (C: 0.5%; P: 0.3%).

Emerging Markets

Asia:

Ax) currencies were mixed after the January FOMC meeting. **CNY** was largely stable, boosted by official support despite lackluster equity performance. **KRW** outperformed as **USD/KRW** fell 0.4% to 1330 after stronger-than-expected exports to China. **THB** underperformed, as **USD/THB** rose 0.3% to 35.57. **USD/TWD** rose 0.2% to 31.36 before a close of ~31.33.

Ax) bonds rallied after the Fed meeting. **India** outperformed as the 10y G-Sec yield rallied 10bp after the FY25 interim budget deficit for India was 5.1%, below the planned 5.2%. **Indonesia** 10y yield fell 3bp as manufacturing activity improved but inflation beat estimates. **Korea** 10y yield fell 5bp to 3.30% before a close of ~3.33%. **Singapore** 10y yield fell 2bp. The **China** NDIRS curve was little changed.

Latin America:

LatAm currencies generally strengthened, driven by broad risk-on sentiment. **BRL** (+0.8%) and **MXN** (+0.7%) led, with few local developments. **CLP** (-0.5%) lagged as markets reacted to the 100bp cut by the BCCh and dovish statement (for more, read [here](#)). Although the currency did recover after an initial sell-off of 1.3%. The cut allowed the front end of the **CAM** curve to outperform US rates (1y: -13bp). As Colombian markets opened after BanRep's 25bp cut, the **IBR** curve bull-flattened (1s10s: -5bp). **TIEs** also flattened as the 10y rallied 9bp. **DIs** rallied largely in line with core rates as the BCB [meeting](#) on Wednesday brought no surprises.

Exhibit 1: G4 Rates Closes (5pm NY)

Tenor	US			Germany			UK			Japan		
	1-Feb	1d Δ (bp)	2wk	1-Feb	1d Δ (bp)	2wk	1-Feb	1d Δ (bp)	2wk	1-Feb	1d Δ (bp)	2wk
2y	4.202	(0.4)		2.447	3.2		4.216	(2.3)		0.081	0.5	
3y	3.977	(0.6)		2.162	1.5		3.831	(4.6)		0.069	(0.7)	
5y	3.813	(2.3)		2.050	0.1		3.694	(4.6)		0.283	(1.9)	
7y	3.846	(2.8)		2.055	(0.4)		3.579	(5.2)		0.418	(2.5)	
10y	3.880	(3.2)		2.146	(1.9)		3.743	(4.8)		0.695	(3.1)	
20y	4.216	(5.0)		2.397	(3.0)		4.312	(4.7)		1.490	(4.5)	
30y	4.118	(4.8)		2.369	(3.3)		4.413	(4.2)		1.788	(3.4)	

Source: Morgan Stanley Research, Bloomberg

Exhibit 2: Inflation Closes (5pm NY)

Tenor	US TIPS			10y Real Yields, BEI							
	1-Feb	1d Δ (bp)	2wk	10y	1-Feb	1d Δ (bp)	2wk	10y	1-Feb	1d Δ (bp)	2wk
5y	1.626	3.9		DBRi	0.141	(2.5)		BTPi	1.746	(2.9)	
BEI	2.204	(5.6)		BEI	1.934	0.6		BEI	1.862	2.5	
10y	1.684	1.9		UKTi	0.233	(4.7)					
BEI	2.194	(5.2)		BEI	3.510	(0.2)					
30y	1.927	(0.8)		JGBi	-0.623	(0.1)					
BEI	2.222	(4.2)		BEI	1.232	(3.9)					

Source: Morgan Stanley Research, Bloomberg

Exhibit 3: Macro Closes (5pm NY)

Majors				EM				Equities / Commodities			
Spot	1-Feb	1d Δ (%)	2wk	Spot	1-Feb	1d Δ (%)	2wk	Index	1-Feb	1d Δ (%)	2wk
DXY	103.07	(0.2)		CNH	7.19	0.0		S&P	4906.19	1.2	
EUR	1.087	0.5		INR	82.98	(0.1)		Stoxx	4638.60	(0.2)	
GBP	1.274	0.4		THB	35.46	(0.0)		FTSE	7622.16	(0.1)	
JPY	146.43	(0.3)		KRW	1331.85	(0.2)		Nikkei	36011.46	(0.8)	
CHF	0.858	(0.4)		ZAR	18.60	(0.5)		VIX	13.88	(3.3)	
AUD	0.657	0.1		MXN	17.08	(0.8)		Gold (S)	2054.99	0.8	
CAD	1.339	(0.4)		BRL	4.91	(0.9)		WTI (Fut)	73.82	(2.7)	

Source: Morgan Stanley Research, Bloomberg

Please refer to our [Market Data](#) section for a more comprehensive snapshot.**The Day Ahead***Developed Markets*

- On Thursday, at 7:30pm ET, **Australian PPI for 4Q23** will be released (P: 1.8%)
- At 7:30pm ET, our economists expect **Australian Home Loan Approvals** fell by 0.5% m/m in **December** (C: 1.0%; P: 1.0%)
- On Friday, at 7:45am GMT, our economists expect **French Industrial Production** fell by 0.2% m/m in **December** (C: 0.2%; P: 0.5%)
- At 8:30am GMT, **ECB Governing Council Member Centeno** will speak at a roundtable organized by Omfif in London about monetary policy and the European labor market
- At 9:00am GMT, our economists expect the **Norwegian Unemployment Rate** remained at 1.9% in **January** (C: 2.1%)
- At 12:15pm GMT, **BoE Chief Economist Pill** will speak to regional agents about the Monetary policy report
- At 8:30am ET, our economists forecast **US Nonfarm Payrolls** rose by 215k in **January** (C: 185k; P: 216k) and **Private Payrolls** rose by 165k in **January** (C: 168k; P: 164k). Our economists forecast **Average Hourly Earnings** rose by 0.3% m/m in **January** (C: 0.3%; P: 0.4%). Our economists forecast the **Unemployment Rate** was unchanged at 3.7% in **January** (C: 3.8%; P: 3.7%). Importantly, this report includes the benchmark revision, which our economist estimates cut ~25k jobs per month on average to payrolls over the year through March 2023. Some downward revision likely spilled into later in the year, which adds to the pattern of downward revision
- At 10:00am ET, the **final January University of Michigan Consumer Confidence** report will be released. Consensus expects **Overall Sentiment** to come in at 79.0 (Preliminary: 78.8), **Current Conditions** at 83.5 (Preliminary: 83.3), **Expectations** at 76.0 (Preliminary: 75.9), and **Inflation Expectations** to remain at 2.9% (**1y**) and 2.8% (**5-10y**)
- At 4:15pm ET, the **Federal Reserve** will [release](#) its **H.8 report** on Assets and Liabilities of Commercial Banks in the United States

Emerging Markets

- On Friday, at 7:00am HKT, our economists expect **South Korea Headline CPI** decelerated to 3.0% y/y in **January** (C: 2.9%; P: 3.2%)
- At 3:30pm HKT, **Thailand Foreign Reserves data** as of **January 26** will be released (January 19: US\$ 221.2bn)
- At 9:00pm HKT, the **Singapore PMI Index** for **January** will be released (P: 50.5)

Exhibit 4: G4 Central Bank Implied Pricing

Central Bank OIS															
Fed	Implied	1d Δ (bp)	Total Δ	ECB	Implied	1d Δ (bp)	Total Δ	BOE	Implied	1d Δ (bp)	Total Δ	BOJ	Implied	1d Δ (bp)	Total Δ
EFFR (1/31)	5.330	0.0	--	EO尼亚 (1/31)	3.894	0.0	--	SONIA (1/31)	5.188	0.0	--	TONAR (1/31)	-0.011	0.0	--
								02/01/24	5.184	0.5	(0.4)	01/23/24	-0.013	0.0	(0.2)
03/20/24	5.222	(1.0)	(10.8)	03/07/24	3.854	1.3	(4.0)	03/21/24	5.149	1.3	(3.9)	03/19/24	0.014	(0.2)	2.5
05/01/24	4.980	(1.0)	(35.0)	04/11/24	3.662	2.2	(23.2)	05/09/24	5.031	3.6	(15.7)	04/26/24	0.065	0.3	7.6
06/12/24	4.702	(0.8)	(62.8)	06/06/24	3.383	4.6	(51.1)	06/20/24	4.876	5.5	(31.2)	06/14/24	0.090	(0.3)	10.1
12/18/24	3.860	(0.3)	(147.0)	12/12/24	2.429	13.2	(146.5)	11/07/24	4.270	8.2	(91.8)	12/19/24	0.219	0.9	23.0

Source: Morgan Stanley Research, Bloomberg

Central Bank Monitor

Developed Markets

- Riksbank** remained on hold and kept its policy rate at 4.00% (C: 4.00%). The possibility of the first rate cut was brought forward to 1H24 in the forward guidance. Active QT was increased to SEK 6.5bn (P: SEK 5bn), in-line with our economists' expectation. The Riksbank announced the currency hedging program would not be extended beyond the current scope. **Riksbank Governor Thedéen** said they were equally likely to alter the policy rate at forecast or non-forecast meeting. He also said they able to cut rates before the ECB or the Fed, if inflation warrants
- The **BoE** kept its policy rate unchanged at 5.25% (C: 5.25%). The market-implied inflation forecasts were above our economists' expectation and there were two votes for a hike. However, the key question was whether the MPC would acknowledge the next move is a cut – the answer was a clear yes. Our economists still expect a May cut, but cite risks of a later move
- ECB Chief Economist Lane** said, "we think firms will absorb some of these increased labor costs and they can afford it due to the level of profits [...] so that's how you can have higher wages but inflation not growing as fast"
- BoC Governor Macklem** reiterated his stance from last week's **BoC meeting** the Bank still "need(s) to give these higher rates time to do their work," as inflation remains too high. Macklem stated the Bank needs to observe further and sustained easing in core inflation. As the discussion shifts to "How long will rates be kept at these levels?," our economists believe once the Bank is satisfied underlying inflationary pressures have slowed enough to return inflation to its 2% target, the Bank will begin easing monetary policy. Our economists maintain their call for the key benchmark rate to remain at 5.00% until the first 25bp cut in July 2024
- The **Federal Reserve's latest H.4.1** report **showed** loans from the Bank Term Funding Program (BTFP) facility fell by \$2.5bn w/w to \$165.2bn in the week ended January 31. This was the first week that the rate on new BTFP loans

were set to be no lower than the interest rate on reserve balances (IORB).
The BTFP will cease making new loans as scheduled on March 11

Emerging Markets

- **BoK Governor Rhee** said the most important task for the central bank now is inflation. He [said](#) the BoK should keep an eye on data before a potential rate cut, and he expects inflation expectations to stabilize. Rhee also said the central bank cannot ignore the impact of rates on FX, and that they also need to consider the impact of FX on inflation
- **BoT** said the Thailand economy likely grew at a slower pace than the central bank [expected](#) in 4Q23 due to weak exports and manufacturing. **Assistant Governor Chai-Anant** said the central bank will review its economic growth forecast and likely revise it down at the next policy meeting on February 7. The statement also said the Thailand economy has recovered from the pandemic, but growth still lags its neighbors' because of structural problems and changing global trends. The central bank added Thailand exports lost competitiveness in some areas like farm products and textiles. **BoT Senior Director Sakkapop** said easing monetary policy will not solve the economy's structural problems. Lower-than-expected exports and tourism along with stock rundown have put pressure on the economy even while local consumption remains strong
- **HKMA** said the HKD [remains](#) stable and HKD interbank rates may remain high for some time. The central bank will continue to closely monitor market developments and maintain monetary and financial stability. HKMA said the public should carefully assess and manage relevant risks when making property purchase, mortgage, or other borrowing decisions

Economic Release Notes

Developed Markets

- In **Japan, Weekly Ministry of Finance International Transactions in Securities data** for the **week of January 21-27** suggested Japanese market participants were [modest](#) net buyers of foreign long-term debt securities (+JPY 7.8tn). As 10y UST yields hovered ~4.1%, they may have viewed this as an opportunity to buy the dip on small size. Japanese market participants were small net sellers of foreign equities/funds (-JPY 55.2bn); this suggested NISA-related outflows, in response to the launch of the new scheme, appeared to have run its course. Overseas market participants were small net sellers of long-term Japanese bonds (-JPY 207.5bn). Overseas market participants remained large net buyers of domestic equities (+JPY 720.3bn)
- In **Australia, Building Approvals** fell by 9.5% m/m in **December** (C: 0.5%; P: 0.3%). The more volatile, apartment approvals were the largest driver of the decline, although detached approvals also fell. Approvals are now 24% below levels from a year ago and remain near decade lows. Our economists expect approvals will remain at relatively soft levels and expect greater pass-through of this weakness to completions, activity, and employment through

2024

- In the **euro area**, the **final January Manufacturing PMI** came in at 46.6 (C: 46.6; December: 44.4)
- In Italy, **preliminary January CPI** accelerated to 0.9% y/y (C: 0.8%; P: 0.5%)
- In the **euro area**, **preliminary January HICP** came in at 2.8% y/y (C: 2.7%; P: 2.9%) and **Core** came in at 3.3% y/y (C: 3.2%; P: 3.4%)
- In the **euro area**, the **Unemployment Rate** remained at 6.4% in **December** (C: 6.4%)
- In the **US**, **Initial Jobless Claims** rose to 224k in the **week ended January 27** (C: 212k; P: 215k), while **Continuing Claims** rose to 1898k in the week ended January 20 (C: 1839k; P: 1828k). It is possible the colder weather in the latter half of the month impacted the rise in claims. Both new and continuing claims are at the top of their recent range
- In the **US**, **preliminary 4Q23 Nonfarm Productivity** rose 3.2% q/q (C: 2.5%; P: 4.9%) and continued its rapid pace of growth. The pickup in productivity has helped a slowdown in **Unit Labor Costs**, which rose just 0.5% q/q (C: 1.2%; P: -1.1%)
- In the **US**, **Construction Spending** rose by 0.9% m/m in **December** (C: 0.5%; P: 0.9%). Public spending showed continued strength and residential spending was no longer as soft
- In **Canada**, the **S&P Global Manufacturing PMI** rose to 48.3 in **January** (C: 46.5; P: 45.4), the sub-50 reading still indicates weak manufacturing activity. This data highlights manufacturing activity in Canada remains soft. High interest rates continue to weigh on the sector, as firms remain cautious on economic activity this year. We expect this trend to continue before activity and aggregate demand picks up in 2H24 into 2025
- In the **US**, the **ISM Manufacturing PMI** rose to 49.1 in **January** (C: 47.2; P: 47.1), its highest level since 2022. A recovery put in new orders back into expansion territory, at 52.5 (C: 48.2; P: 47.0), while there was less weakness in production at 50.4 (P: 49.9). The employment index remained weak at 47.1 (C: 47.0; P: 47.5) and continued to indicate falling employment
- In the **US**, the **final January S&P Global Manufacturing PMI** came in at 50.7 (C: 50.3; December: 47.9), 0.4ppt above the preliminary estimate

Emerging Markets

- In **South Korea**, **Exports** came in at 18.0% y/y in **January** (C: 17.6%; P: 5.0%) amid 2.5 more working days, improved per-day momentum compared to 20-day, and base effects from a weak January 2023. Exports to China rose 16.1% y/y in January, the first increase in twenty months. The contraction in **Imports** narrowed to 7.8% y/y in **January** (C: -8.1%; P: -10.8%), as gas and coal imports were weak. The **Trade Balance** recorded a small surplus of US\$ 300mn in **January** (C: US\$ 1000mn; P: US\$ 457mn)
- In **Indonesia**, the **S&P Global Manufacturing PMI** rose to 52.9 in **January** (P: 52.2)
- In **South Korea**, the **S&P Global Manufacturing PMI** rose to 51.2 in **January** (P: 49.9)
- In **Malaysia**, the **S&P Global Manufacturing PMI** rose to 49.0 in **January** (P:

47.9)

- In the **Philippines**, the **S&P Global Manufacturing PMI** fell to 50.9 in **January** (P: 51.5)
- In **Thailand**, the **S&P Global Manufacturing PMI** rose to 46.7 in **January** (P: 45.1)
- In **Taiwan**, the **S&P Global Manufacturing PMI** rose to 48.8 in **January** (P: 47.1)
- In **China**, the **Caixin Manufacturing PMI** remained at 50.8 in **January** (C: 50.8)
- In **Indonesia**, **Headline CPI** came in at 2.57% y/y in **January** (C: 2.53%; P: 2.61%), led by food and tobacco products such as rice, clove cigarettes, garlic, and tomatoes. **Core CPI** moderated to 1.68% in **January** (C: 1.77%; P: 1.80%)
- In **India**, the **HSBC Manufacturing PMI** fell to 56.5 in **January** (P: 56.9)
- In **Hong Kong**, **Retail Sales Value** rose 7.8% in **December** (C: 12.8%; P: 15.9%) while **Retail Sales Volume** rose 4.8% y/y in **December** (C: 11.0%; P: 12.4%)
- In the **Czech Republic**, the **Budget Balance** came in at -CZK288.5bn in **January** (P: -CZK288.5bn)
- In the **Czech Republic**, the **Manufacturing PMI** came in at 43.0 in **January** (C: 43.2; P: 41.8)
- In **Hungary**, the **final November Trade Balance** came in at €1580mn (P: €1718mn)
- In **Hungary**, the **Manufacturing PMI** fell to 49.9 in **January** (P: 51.0)
- In **Poland**, the **Manufacturing PMI** fell to 47.1 in **January** (C: 48.1; P: 47.4)
- In **Turkey**, the **Manufacturing PMI** came in at 49.2 in **January** (P: 47.4)
- In **Chile**, **Economic Activity** fell by 1.1% m/m in **December** (C: -0.2%; P: 0.4%). Although foreshadowed by weak industrial production data earlier this week, the downside surprise adds additional risk the Chilean economy is slowing again, possibly furthering the need for a quicker easing cycle. This comes after the BCCCh delivered a 100bp rate cut at their January [meeting](#) and, for now, markets have priced in a continuation of this pace at the April meeting (-109bp)

Tactical Trading Model Signals – Currently Active Strategies

G4 10y Futures Smarter (beta) Trading Strategy – A "Smarter" (beta) Way to Trade G4 10y Futures Duration? (please see [Exhibit 15](#) found later in this publication for detailed breakdown)

l **US 10y**: Total 100%, Trade Longs Only: 0%, Fade Shorts Portfolio: 100%

l **German 10y**: Total 100%, Trade Longs Only: 0%, Fade Shorts Portfolio: 100%

l **Japan 10y**: Total 100%, Trade Longs Only: 0%, Fade Shorts Portfolio: 100%

l **UK 10y**: Total 100%, Trade Longs Only: 0%, Fade Shorts Portfolio: 100%

Notes:

Following a “Trade Longs” signal in Germany’s price indices on Thursday after a 5d MA cross above the 20d MA, Germany’s “Trade Longs” portfolio exposure will increase to 100% on Friday with an anticipated exit date of March 8. This will render Germany’s total “Trade Longs/Fade Shorts” exposures 200%.

Following a “Trade Longs” signal in the US price indices on Thursday after a 5d MA cross above the 20d MA, US “Trade Longs” portfolio exposure will increase to 100% on Friday with an anticipated exit date of March 11. This will render total US “Trade Longs/Fade Shorts” exposures 200%.

What's Inside

- [Market Data](#)
- [Risk Event Calendar](#)
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- [Cyclical and Secular Trends](#)
- [Pivot Points](#)
- [G4 Smarter \(beta\) Trading Strategy](#)
- [US Holiday Trading Strategy](#)
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Market Data

Exhibit 5: Select Closes (5pm NY)

Government Bonds										IR Swaps																																																																																																																																																																																																																																																																																							
US				Germany				UK		Japan		USD		EUR		GBP		JPY																																																																																																																																																																																																																																																																															
Tenor	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)	Tenor	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)	1-Feb	1d Δ (bp)																																																																																																																																																																																																																																																																														
2y	4.202	(0.4)	2.447	3.2	4.216	(2.3)	0.081	0.5	2y	4.058	(1.4)	2.889	2.6	4.225	0.5	0.219	(0.4)	3y	3.977	(0.6)	2.162	1.5	3.831	(4.6)	0.069	(0.7)	3y	3.769	(1.0)	2.659	1.8	3.906	(1.5)	0.313	(0.9)	5y	3.813	(2.3)	2.050	0.1	3.694	(4.6)	0.283	(1.9)	5y	3.562	(1.7)	2.523	1.3	3.622	(1.8)	0.485	(1.6)	7y	3.846	(2.8)	2.055	(0.4)	3.579	(5.2)	0.418	(2.5)	7y	3.518	(2.2)	2.513	0.2	3.534	(2.5)	0.658	(2.3)	10y	3.880	(3.2)	2.146	(1.9)	3.743	(4.8)	0.695	(3.1)	10y	3.521	(2.8)	2.550	(1.4)	3.558	(2.8)	0.880	(3.0)	20y	4.216	(5.0)	2.397	(3.0)	4.312	(4.7)	1.490	(4.5)	20y	3.561	(4.2)	2.572	(1.9)	3.713	(2.3)	1.384	(4.2)	30y	4.118	(4.8)	2.369	(3.3)	4.413	(4.2)	1.788	(3.4)	30y	3.409	(4.6)	2.374	(2.2)	3.694	(2.0)	1.524	(4.5)	Curve/Fly										Curve/Fly										2s5s	-39.0	(1.8)	-39.7	(3.1)	-52.3	(2.3)	20.2	(2.4)	2s5s	-49.6	(0.4)	-36.6	(1.3)	-60.4	(2.3)	26.6	(1.3)	2s10s	-32.2	(2.8)	-30.1	(5.1)	-47.3	(2.6)	61.4	(3.6)	2s10s	-53.7	(1.4)	-33.9	(4.0)	-66.7	(3.3)	66.1	(2.6)	5s10s	6.7	(1.0)	9.6	(2.0)	5.0	(0.2)	41.2	(1.2)	5s10s	-4.2	(1.1)	2.7	(2.7)	-6.4	(1.0)	39.5	(1.4)	5s30s	30.5	(2.5)	31.9	(3.4)	71.9	0.4	150.5	(1.5)	5s30s	-15.3	(2.9)	-15.0	(3.5)	7.2	(0.2)	103.9	(2.9)	10s30s	23.8	(1.6)	22.3	(1.4)	66.9	0.7	109.3	(0.3)	10s30s	-11.2	(1.8)	-17.7	(0.8)	13.6	0.8	64.4	(1.5)	2s5s10s	-45.7	(0.9)	-49.3	(1.1)	-57.2	(2.1)	-21.0	(1.2)	2s5s10s	-45.4	0.7	-39.3	1.4	-54.0	(1.3)	-12.9	0.1	5s10s30s	-17.1	0.6	-12.7	(0.6)	-62.0	(0.9)	-68.1	(0.9)	5s10s30s	7.0	0.7	20.4	(1.9)	-19.9	(1.8)	-24.9	0.1	10s20s30s	43.4	(1.9)	27.9	(0.8)	46.9	(0.4)	49.7	(2.5)	10s20s30s	19.3	(0.9)	22.0	(0.3)	17.5	0.2	36.4	(1.0)
Curve/Fly										Curve/Fly																																																																																																																																																																																																																																																																																							
2s5s	-39.0	(1.8)	-39.7	(3.1)	-52.3	(2.3)	20.2	(2.4)	2s5s	-49.6	(0.4)	-36.6	(1.3)	-60.4	(2.3)	26.6	(1.3)	2s10s	-32.2	(2.8)	-30.1	(5.1)	-47.3	(2.6)	61.4	(3.6)	2s10s	-53.7	(1.4)	-33.9	(4.0)	-66.7	(3.3)	66.1	(2.6)	5s10s	6.7	(1.0)	9.6	(2.0)	5.0	(0.2)	41.2	(1.2)	5s10s	-4.2	(1.1)	2.7	(2.7)	-6.4	(1.0)	39.5	(1.4)	5s30s	30.5	(2.5)	31.9	(3.4)	71.9	0.4	150.5	(1.5)	5s30s	-15.3	(2.9)	-15.0	(3.5)	7.2	(0.2)	103.9	(2.9)	10s30s	23.8	(1.6)	22.3	(1.4)	66.9	0.7	109.3	(0.3)	10s30s	-11.2	(1.8)	-17.7	(0.8)	13.6	0.8	64.4	(1.5)	2s5s10s	-45.7	(0.9)	-49.3	(1.1)	-57.2	(2.1)	-21.0	(1.2)	2s5s10s	-45.4	0.7	-39.3	1.4	-54.0	(1.3)	-12.9	0.1	5s10s30s	-17.1	0.6	-12.7	(0.6)	-62.0	(0.9)	-68.1	(0.9)	5s10s30s	7.0	0.7	20.4	(1.9)	-19.9	(1.8)	-24.9	0.1	10s20s30s	43.4	(1.9)	27.9	(0.8)	46.9	(0.4)	49.7	(2.5)	10s20s30s	19.3	(0.9)	22.0	(0.3)	17.5	0.2	36.4	(1.0)																																																																																																																																																		
2s5s10s	-45.7	(0.9)	-49.3	(1.1)	-57.2	(2.1)	-21.0	(1.2)	2s5s10s	-45.4	0.7	-39.3	1.4	-54.0	(1.3)	-12.9	0.1	5s10s30s	-17.1	0.6	-12.7	(0.6)	-62.0	(0.9)	-68.1	(0.9)	5s10s30s	7.0	0.7	20.4	(1.9)	-19.9	(1.8)	-24.9	0.1	10s20s30s	43.4	(1.9)	27.9	(0.8)	46.9	(0.4)	49.7	(2.5)	10s20s30s	19.3	(0.9)	22.0	(0.3)	17.5	0.2	36.4	(1.0)																																																																																																																																																																																																																																												

Bond Futures							Inflation-Linked				USD Spreads, Basis			
Contract	Settle	Chg	Agg Vol.	Vol. 1d Δ	Vol. 60d Z	OI 1w Chg	Bond	Real Yld	1d Δ (bp)	BEI	1d Δ (bp)	Tenor	Spread	Change
TU	102-282	0-016	737,877	-789,430	-0.27	-3,021	TII 5y	1.626	3.9	2.204	(5.6)	2y	-14.50	(0.88)
FV	108-22+	0-100	1,415,739	-1,409,663	-0.18	-8,807	TII 10y	1.684	2.0	2.194	(5.2)	3y	-20.75	(0.50)
TY	112-28+	0-180	2,195,402	-1,386,538	0.03	128,180	TII 30y	1.927	(0.8)	2.222	(4.2)	5y	-25.00	0.50
UXY	117-26+	0-30+	669,701	-490,938	0.06	43,882	DBRI 10y	0.141	(2.5)	1.934	0.6	7y	-32.88	0.63
US	124-010	1-220	546,217	-265,805	0.12	-2,786	BTPI 10y	1.746	(2.9)	1.862	2.5	10y	-36.00	0.38
WN	131-220	2-150	317,775	-282,751	-0.25	-18,968	UKTI 10y	0.233	(4.7)	3.510	(0.2)	20y	-65.50	0.75
DU	106.175	-0.015	838,568	-361,126	0.33	187,782	JGBI 10y	-0.623	0.0	1.232	(3.9)	30y	-70.88	0.25
OE	118.63	0.1	907,146	-364,558	0.26	10,160								
RX	136.25	0.4	1,189,547	-387,502	0.39	-7,979								
UB	138.82	1.26	144,028	-28,220	0.29	11,690								
IK	119.14	0.16	301,325	-109,462	0.61	15,632								
G	100.5	0.53	298,463	-21,473	0.57	-5,261								
JB	146.64	0.39	45,434	12,235	0.02	-881								
CN	122.54	0.87	143,318	-49,412	-0.03	40,772								

STIR Futures						
Pack	\$ Avg.	1d Δ (bp)	€ Avg.	1d Δ (bp)	£ Avg.	1d Δ (bp)
Whites	4.816	0.75	3.084	3.00	4.866	2.13
Reds	3.446	(4.00)	2.072	(1.75)	3.609	(5.88)
Greens	3.151	(8.13)	2.079	(3.50)	3.221	(9.38)
Blues	3.238	(9.38)	2.190	(3.63)	3.206	(8.50)

Central Bank OIS												Sovereign 10y								
Fed	Implied	1d Δ (bp)	ECB	Implied	1d Δ (bp)	BOE	Implied	1d Δ (bp)	BOJ	Implied	1d Δ (bp)	TONAR (1/31)	Implied	1d Δ (bp)	Country	Last	1d Δ (bp)	Country	Last	1d Δ (bp)
EFFR (1/31)	5.330	0.0	EONIA (1/31)	3.894	0.0	SONIA (1/31)	5.188	0.0	TONAR (1/31)	-0.011	0.0	01/23/24	-0.013	0.0	Australia	3.979	(3.3)	Italy	3.720	(0.4)
01/31/24	5.319	0.0	01/25/24	3.899	0.0	02/01/24	5.184	0.5	01/23/24	0.014	(0.2)	03/19/24	0.014	(0.2)	Austria	2.705	0.2	Netherlands	2.429	(0.9)
03/20/24	5.222	(1.0)	03/07/24	3.854	1.3	03/21/24	5.149	1.3	04/26/24	0.065	0.3	06/14/24	0.090	(0.3)	Belgium	2.779	(0.6)	New Zealand	4.523	(0.2)
05/01/24	4.980	(1.0)	04/11/24	3.662	2.2	05/09/24	5.031	3.6	06/14/24	0.090	(0.3)	07/31/24	0.124	(0.2)	Canada	3.267	(5.3)	Norway	3.485	(3.6)
06/12/24	4.702	(0.8)	06/06/24	3.383	4.6	06/20/24	4.876	5.5	07/31/24	0.150	(0.2)	09/20/24	0.184	(1.3)	Denmark	2.316	(1.8)	Portugal	2.957	(0.1)
07/31/24	4.463	(0.7)	07/18/24	3.129	4.7	08/01/24	4.647	4.6	10/31/24	0.184	(1.3)	12/19/24	0.219	0.9	Finland	2.653	0.2	Spain	3.082	(0.4)
09/18/24	4.213	(0.9)	09/12/24	2.856	7.8	09/19/24	4.444	4.5						France	2.657	(0.5)	Sweden	2.232	4.0	
11/07/24	4.040	(0.7)	10/17/24	2.694	2.7	11/07/24	4.270	8.2						Ireland	2.585	(0.5)	Switzerland	0.757	(4.8)	
12/18/24	3.860	(0.3)	12/12/24	2.429	13.2															

G10 Crosses (5pm NY)										
Q / B	USD	EUR	JPY	GBP	CAD	AUD	NZD	CHF	NOK	SEK
USD	--	1.087	0.007	1.274	0.747	0.657	0.614	1.166	0.096	0.096
EUR	0.920	--	0.628	1.172	0.687	0.605	0.565	1.072	0.088	0.089
JPY	146.430	159.210	--	186.603	109.406	96.229	89.954	170.724	14.030	14.101
GBP	0.785	0.853	0.536	--	0.586	0.516	0.482	0.915	0.075	0.076
CAD	1.339	1.455	0.009	1.706	--	0.880	0.822	1.561	0.128	0.129
AUD	1.522	1.654	1.039	1.939	1.137	--	0.935	1.774	0.146	0.147
NZD	1.628	1.770	0.011	2.074	1.216	1.070	--	1.897	0.156	0.157
CHF	0.858	0.933	0.585	1.093	0.641	0.564	0.527	--	8.219	8.252
NOK	10.436	11.343	7.127	13.299	7.795	6.858	6.412	12.165	--	1.005
SEK	10.384	11.289	7.092	13.232	7.758	6.824	6.380	12.106	0.995	--

Equity Indices					
Index	Last	1d Δ (%)	Index	Last	1d Δ (%)
S&P	4906	1.25	Nikkei	36011	(0.76)
SXSE	4639	(0.21)	Hang Seng	15566	0.52
FTSE	7622	(0.11)	MSCI EM	976	(0.49)

FX (5pm NY)					
Currency	Last	1d Δ (%)	Currency	Last	1d Δ (%)
DXY	103.068	(0.20)	Gold	2054.990	0.76
EUR	1.087	0.50	CNY	7.188	0.01
JPY	146.430	(0.33)	INR	82.978	(0.08)
GBP	1.274	0.44	IDR	15765.000	(0.10)
CHF	0.858	(0.42)	KRW	1331.850	(0.21)
CAD	1.339	(0.36)	MYR	4.733	0.00
AUD	0.657	0.06	SGD	1.337	(0.31)
NZD	0.614	0.44	TWD	31.331	0.12
SEK	10.384	(0.07)	THB	35.458	(0.04)
NOK	10.436	(0.66)	CZK	22.859	(0.37)
ARS	826.880	0.07	HUF	351.970	(0.75)
BRL	4.913	(0.86)	ILS	3.650	0.02
CLP	932.550	0.37	PLN	3.970	(0.80)
COP	3888.250	(0.68)	RUB	#N/A	--
MXN	17.080	(0.77)	UAH	37.829	0.70
PEN	3.811	0.07	ZAR	18.599	(0.46)

Source: Morgan Stanley Research, Bloomberg

Supply Calendar

Exhibit 6: Upcoming Issuance

Day	Date	Country	Time (GMT)	Time (EST)	Event
Friday	2-Feb	Australia	12:00 AM	7:00 PM	A\$800 Million 3.75% 2034 Bonds
		Japan	3:30 AM	10:30 PM	5.6 Trillion Yen of 3-Month Bills
		U.K.	11:00 AM	6:00 AM	GBP500 Million of 28-day Bills
		U.K.	11:00 AM	6:00 AM	GBP2.5 Billion of 92-day Bills
		U.K.	11:00 AM	6:00 AM	GBP2.5 Billion of 182-day Bills
		Belgium	11:00 AM	6:00 AM	3.45% 2043 Bonds
		Belgium	11:00 AM	6:00 AM	1.25% 2033 Bonds
Monday	5-Feb	Japan	3:35 AM	10:35 PM	10-Year Linkers
		Germany	10:30 AM	5:30 AM	EU2 Billion of 196-day Bills
		Netherlands	10:30 AM	5:30 AM	EU1.5 Billion 174-day Bills
		Netherlands	10:30 AM	5:30 AM	EU1.5 Billion 113-day Bills
		France	1:50 PM	8:50 AM	Bills
		U.S.	4:30 PM	11:30 AM	USD79 Bln 13-Week Bills
		U.S.	4:30 PM	11:30 AM	USD70 Bln 26-Week Bills
Tuesday	6-Feb	Netherlands	9:00 AM	4:00 AM	2034 Bonds
		Spain	9:30 AM	4:30 AM	364-Day Bills
		Spain	9:30 AM	4:30 AM	182-Day Bills
		Austria	10:00 AM	5:00 AM	2.9% 2034 Bonds
		Switzerland	10:00 AM	5:00 AM	182-day Bills
		U.K.	10:00 AM	5:00 AM	GBP2.5 Billion of 1.5% 2053 Bonds
		Austria	10:00 AM	5:00 AM	0% 2028 Bonds
		Belgium	10:30 AM	5:30 AM	Bills
		U.S.	4:30 PM	11:30 AM	USD80 Bln 42-Day CMB
		U.S.	6:00 PM	1:00 PM	USD54 Bln 3-Year Notes
Wednesday	7-Feb	Japan	3:35 AM	10:35 PM	30-Year Bonds
		Denmark	9:15 AM	4:15 AM	2.25% 2026 Bonds
		Sweden	10:00 AM	5:00 AM	SEK17.5 Billion of 96-day Bills
		U.K.	10:00 AM	5:00 AM	GBP4 Billion of 3.75% 2027 Bonds
		Germany	10:30 AM	5:30 AM	EU3 Billion of 2.4% 2030 Bonds
		U.S.	4:30 PM	11:30 AM	17-Week Bills
		U.S.	6:00 PM	1:00 PM	USD42 Bln 10-Year Notes
Thursday	8-Feb	Japan	3:30 AM	10:30 PM	4 Trillion Yen of 6-Month Bills
		Finland	9:00 AM	4:00 AM	Ori Bonds
		Sweden	10:00 AM	5:00 AM	SEK250 Million of 0.125% 2039 Linkers
		Sweden	10:00 AM	5:00 AM	SEK250 Million of 0.125% 2030 Linkers
		U.S.	4:30 PM	11:30 AM	4-Week Bills
		U.S.	4:30 PM	11:30 AM	8-Week Bills
		Canada	5:00 PM	12:00 PM	2 Year Bonds
		U.S.	6:00 PM	1:00 PM	USD25 Bln 30-Year Bonds
Friday	9-Feb	Japan	3:30 AM	10:30 PM	3-Month Bills
		Japan	3:35 AM	10:35 PM	5-Year Bonds
		Italy	10:00 AM	5:00 AM	Bills
		U.K.	11:00 AM	6:00 AM	lls
Monday	12-Feb	Germany	10:30 AM	5:30 AM	EU2 Billion of 3-month Bills
		Germany	10:30 AM	5:30 AM	EU2 Billion of 9-month Bills
		France	1:50 PM	8:50 AM	Bills
		U.S.	4:30 PM	11:30 AM	13-Week Bills
		U.S.	4:30 PM	11:30 AM	26-Week Bills

Source: Morgan Stanley Research, Bloomberg

Cyclical and Secular Trends

Government Bonds

In [The Tactical Bull Market Is Back](#), we discussed a simple methodology based on the Ichimoku Kinko charting technique for classifying market movements as bullish, bearish, or range-bound. Then, we define whether the movement is cyclical or secular in nature.

Exhibit 7: Summary of cyclical (tactical & strategic) and secular bull, bear, and range-bound rates markets

					Cyclical	Cyclical	Secular
	Daily	Daily	Daily	200d MA	Tactical	Strategic	
	Last	Cloud Lower	Cloud Upper		Daily	Weekly	Monthly
UST 2y	4.202	4.480	4.743	4.696	Bull Market	Range bound	Bear Market
UST 5y	3.813	4.018	4.388	4.180	Bull Market	Bear Market	Bear Market
UST 10y	3.880	4.011	4.400	4.111	Bull Market	Bear Market	Bear Market
UST 30y	4.118	4.149	4.558	4.257	Bull Market	Bear Market	Bear Market
DBR 2y	2.457	2.641	2.824	2.924	Bull Market	Range bound	Bear Market
DBR 5y	2.053	2.115	2.364	2.465	Bull Market	Range bound	Bear Market
DBR 10y	2.149	2.151	2.433	2.480	Bull Market	Range bound	Bear Market
DBR 30y	2.371	2.360	2.651	2.634	Range bound	Bear Market	Bear Market
UKT 2y	4.234	4.274	4.522	4.659	Bull Market	Range bound	Bear Market
UKT 5y	3.698	3.757	4.086	4.236	Bull Market	Range bound	Bear Market
UKT 10y	3.746	3.749	4.086	4.203	Bull Market	Range bound	Bear Market
UKT 30y	4.414	4.286	4.609	4.568	Range bound	Bear Market	Bear Market
JGB 10y	0.705	0.659	0.765	0.617	Range bound	Bear Market	Bear Market
JGB 20y	1.505	1.382	1.501	1.314	Bear Market	Bear Market	Bear Market
JGB 30y	1.797	1.597	1.694	1.553	Bear Market	Bear Market	Bear Market
JGB 40y	2.039	1.813	1.925	1.755	Bear Market	Bear Market	Bear Market
ACGB 2y	3.667	3.874	4.090	3.922	Bull Market	Range bound	Bear Market
ACGB 5y	3.592	3.823	4.098	3.871	Bull Market	Range bound	Bear Market
ACGB 10y	3.978	4.132	4.445	4.140	Bull Market	Bear Market	Bear Market
ACGB 20y	4.299	4.415	4.757	4.455	Bull Market	Bear Market	Bear Market
NZGB 2y	4.580	4.761	4.839	5.195	Bull Market	Range bound	Range bound
NZGB 5y	4.334	4.375	4.497	4.695	Bull Market	Range bound	Bull Market
NZGB 10y	4.524	4.506	4.631	4.770	Range bound	Bear Market	Bear Market
CAN 2y	3.938	4.056	4.397	4.418	Bull Market	Range bound	Bear Market
CAN 5y	3.351	3.356	3.754	3.727	Bull Market	Bear Market	Bear Market
CAN 10y	3.270	3.256	3.609	3.510	Range bound	Bear Market	Bear Market
CAN 30y	3.200	3.094	3.412	3.373	Range bound	Bear Market	Bear Market

Source: Morgan Stanley Research, Bloomberg

Foreign Exchange

Exhibit 8: Summary of cyclical (tactical and strategic) and secular bull, bear, and range-bound FX markets

					Cyclical	Cyclical	Secular
	Daily	Daily	Daily	200d MA	Tactical	Strategic	
	Last	Cloud Lower	Cloud Upper		Daily	Weekly	Monthly
DXY	103.08	102.79	104.27	103.54	Range bound	Range bound	Bull Market
USDJPY	146.43	144.28	146.44	144.58	Range bound	Bull Market	Bull Market
USDCAD	1.3386	1.3384	1.3538	1.3478	Range bound	Bull Market	Bull Market
USDCHF	0.8578	0.8601	0.8761	0.8850	Bear Market	Bear Market	Bear Market
USDNOK	10.4362	10.5181	10.6992	10.6603	Bear Market	Range bound	Bull Market
USDSEK	10.3838	10.1916	10.5750	10.6589	Range bound	Bear Market	Bull Market
EURUSD	1.0872	1.0820	1.0965	1.0840	Range bound	Range bound	Bear Market
GBPUSD	1.2744	1.2436	1.2666	1.2563	Bull Market	Bull Market	Bear Market
AUDUSD	0.6572	0.6561	0.6722	0.6577	Range bound	Bear Market	Bear Market
NZDUSD	0.6144	0.6062	0.6218	0.6089	Range bound	Range bound	Bear Market
EURJPY	159.21	157.35	158.77	156.65	Bull Market	Bull Market	Bull Market
NOKSEK	0.9950	0.9704	0.9808	1.0002	Bull Market	Range bound	Bull Market
AUDNZD	1.0697	1.0780	1.0801	1.0802	Bear Market	Bear Market	Bull Market
USDBRL	4.9127	4.9120	5.0096	4.9227	Range bound	Bear Market	Range bound
USDMXN	17.08	17.21	17.70	17.33	Bear Market	Bear Market	Bear Market
USDARS	826.88	578.42	583.25	388.93	Bull Market	Bull Market	Bull Market
USDCLP	932.55	879.47	904.97	860.59	Bull Market	Bull Market	Bull Market
USDCOP	3,888.25	3,984.82	4,148.17	4,143.53	Bear Market	Bear Market	Bull Market
USDPEN	3.8110	3.7295	3.7755	3.7196	Bull Market	Bull Market	Bull Market
USDZAR	18.60	18.53	18.69	18.75	Range bound	Bull Market	Bull Market
USDTRY	30.3449	28.5866	29.0466	26.5336	Bull Market	Bull Market	Bull Market
USDILS	3.6495	3.6209	3.8097	3.7431	Range bound	Bull Market	Bull Market
USDRUB	118.69	#N/A	#N/A	#N/A	#N/A	Bull Market	Bull Market
USDPLN	3.9696	3.9661	4.1158	4.1125	Range bound	Bear Market	Bull Market
USDCZK	22.8587	22.3525	22.7437	22.3382	Bull Market	Range bound	Range bound
USDHUF	351.97	349.71	356.33	350.73	Range bound	Range bound	Bull Market
USDCNY	7.1805	7.1339	7.2090	7.1728	Range bound	Bull Market	Bull Market
USDIDR	15,765.00	15,536.50	15,661.00	15,298.93	Bull Market	Bull Market	Bull Market
USDINR	82.98	83.16	83.20	82.77	Bear Market	Bull Market	Bull Market
USDKRW	1,331.85	1,304.99	1,321.40	1,316.98	Bull Market	Bull Market	Bull Market
USDMYR	4.7330	4.6780	4.7119	4.6331	Bull Market	Bull Market	Bull Market
USDPHP	56.12	55.68	56.11	55.93	Bull Market	Bull Market	Bull Market
USDSGD	1.3366	1.3322	1.3485	1.3465	Range bound	Range bound	Bear Market
USDTWD	31.3310	31.2930	31.7690	31.4402	Range bound	Bull Market	Bull Market
USDTHB	35.4580	35.1990	35.8475	35.1456	Range bound	Bull Market	Bull Market
GOLD	2,055	2,002	2,036	1,965	Bull Market	Bull Market	Bull Market

SILVER	23.18	23.78	23.85	23.47	Bear Market	Range bound	Range bound
CRUDE OIL	73.82	72.92	77.00	75.43	Range bound	Bull Market	Bull Market

Source: Morgan Stanley Research, Bloomberg

Pivot Points

Pivot points are charting levels used by day traders to determine market direction, support, and resistance levels. We calculate daily pivot points using the previous week's open, high, low, and closing levels.

Exhibit 9: US Treasury benchmark daily pivots, support, and resistance levels

	UST 2y	UST 3y	UST 5y	UST 7y	UST 10y	UST 30y
Daily resistance 3	4.321	4.099	3.951	3.986	4.025	4.264
Daily resistance 2	4.273	4.051	3.899	3.934	3.971	4.211
Daily resistance 1	4.244	4.021	3.867	3.902	3.937	4.179
Daily pivot high	4.197	3.972	3.815	3.850	3.884	4.127
Daily pivot low	4.181	3.956	3.798	3.834	3.866	4.111
Daily Support 1	4.150	3.923	3.763	3.798	3.830	4.075
Daily Support 2	4.121	3.893	3.730	3.766	3.796	4.043
Daily Support 3	4.106	3.878	3.712	3.747	3.777	4.022

Source: Morgan Stanley Research

Exhibit 10: US Treasury futures daily pivots, support, and resistance levels

	TU1	FV1	TY1	UXY1	US1	WN1
Daily resistance 3	103-037	109-080	113-22+	118-317	126-010	134-113
Daily resistance 2	103-020	109-035	113-160	118-22+	125-170	133-220
Daily resistance 1	103-010	109-007	113-113	118-156	125-051	133-05+
Daily pivot high	102-292	108-23+	112-286	117-26+	124-000	131-190
Daily pivot low	102-282	108-212	112-25+	117-217	123-240	131-083
Daily Support 1	102-263	108-167	112-190	117-12+	123-080	130-190
Daily Support 2	102-253	108-141	112-143	117-056	122-281	130-02+
Daily Support 3	102-235	108-095	112-075	116-277	122-107	129-111

Source: Morgan Stanley Research

Exhibit 11: 10y government bond yield daily pivots, support and resistance levels

	UST 10y	CAN 10y	DBR 10y	UKT 10y	JGB 20y	ACGB 10y
Daily resistance 3	4.025	3.411	2.261	3.881	1.596	3.999
Daily resistance 2	3.971	3.363	2.223	3.838	1.568	3.995
Daily resistance 1	3.937	3.333	2.200	3.812	1.550	3.990
Daily pivot high	3.884	3.286	2.162	3.770	1.521	3.979
Daily pivot low	3.866	3.272	2.151	3.759	1.514	3.977
Daily Support 1	3.830	3.238	2.124	3.727	1.493	3.973
Daily Support 2	3.796	3.208	2.101	3.701	1.475	3.968
Daily Support 3	3.777	3.188	2.085	3.681	1.461	3.963

Source: Morgan Stanley Research

Exhibit 12: Foreign exchange rates daily pivots, support, and resistance levels

	DXY	EURUSD	USDJPY	GBPUSD	AUDUSD	USDCAD
Daily resistance 3	104.10	1.0937	147.69	1.2839	0.6624	1.3502
Daily resistance 2	103.79	1.0921	147.23	1.2816	0.6611	1.3465
Daily resistance 1	103.61	1.0901	146.94	1.2789	0.6597	1.3443
Daily pivot high	103.30	1.0851	146.48	1.2720	0.6560	1.3406
Daily pivot low	103.23	1.0842	146.34	1.2708	0.6553	1.3397
Daily Support 1	103.00	1.0826	146.02	1.2685	0.6540	1.3369
Daily Support 2	102.82	1.0806	145.73	1.2658	0.6526	1.3347
Daily Support 3	102.66	1.0784	145.56	1.2627	0.6509	1.3329

Source: Morgan Stanley Research

Exhibit 13: Foreign exchange rates daily pivots, support, and resistance levels

	EURJPY	EURCHF	EURNOK	EURSEK	NOKSEK	AUDNZD
Daily resistance 3	159.96	0.9360	11.4372	11.3961	1.0045	1.0760
Daily resistance 2	159.78	0.9352	11.4034	11.3694	1.0021	1.0742
Daily resistance 1	159.53	0.9346	11.3825	11.3535	1.0002	1.0730
Daily pivot high	158.93	0.9328	11.3487	11.2979	0.9946	1.0711
Daily pivot low	158.83	0.9323	11.3384	11.2846	0.9934	1.0707
Daily Support 1	158.65	0.9315	11.3149	11.2579	0.9910	1.0693
Daily Support 2	158.40	0.9309	11.2940	11.2420	0.9891	1.0681
Daily Support 3	158.13	0.9300	11.2808	11.2157	0.9865	1.0671

Source: Morgan Stanley Research

G4 Smarter (beta) Trading Strategy

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Enhancements to a G4 10y government bond futures momentum strategy have produced higher Sharpe ratios and stronger returns, relative to total return government bond indices for the G4, US, Germany, Japan, and the UK since 2000. See [A "Smarter" \(Beta\) Way to Trade G4 10y Futures Duration?](#) for more information on these strategies.

Trading Strategy 1 – "Trade Longs/Fade Shorts"

When the 5-day moving average crosses above the 20-day moving average, buy the futures contract (long duration) and hold for a 25-business-day period. When the 5-day moving average crosses below the 20-day moving average, buy the futures contract and hold for a 25-business-day period. In short, this strategy buys futures when the Simple Moving Average Crossover (SMAX) generates both a long and a short signal, given the historical outperformance of long signals traded long and the underperformance of short signals traded short. Given that the SMAX could generate both a long and a short signal within the predefined holding period, an investor may have a 200% long position since each of the two signals would be traded in separate portfolio sleeves.

Trading Strategy 2 – Trade "Longs Only"

When the 5-day moving average crosses above the 20-day moving average, buy the futures contract (long duration) and hold for a 25-business-day period. When the 5-day moving average crosses below the 20-day moving average, do nothing. In short, an investor ONLY trades long signals initiated by the SMAX given their historical precedent to outperform.

Exhibit 14: Trading Signals for G4 Smarter (beta) Trading Strategy

Current Risk, G4 10y Futures	G4 Strategy Weight	Trade Longs Portfolio	Fade Shorts Portfolio	Total Risk Trade Longs Only	Total Risk Trade Longs/Fade Shorts (max 200%)	Trade Longs Portfolio Entry Date	Trade Longs Portfolio Exit Date	Fade Shorts Portfolio Entry Date	Fade Shorts Portfolio Exit Date
JB 10y Future	32.50%	0%	100%	0%	100%	-	-	1/25/2024	3/4/2024
GE 10y Future	29.25%	0%	100%	0%	100%	2/2/2024	3/8/2024	1/9/2024	2/13/2024
US 10y Future	30.50%	0%	100%	0%	100%	2/2/2024	3/11/2024	1/9/2024	2/14/2024
UK 10y Future	7.75%	0%	100%	0%	100%	-	-	1/9/2024	2/13/2024

Source: Morgan Stanley Research

US Holiday Trading Strategy

Combining the individual trading signals based on 10y Treasury future (TY) price patterns before and after US holidays has generated an annual strategy with no down years since 1987. See [Trading 10y Treasury Futures Around US Holidays](#) for more information.

Using historical data since 1983, we created a trading strategy using 10y Treasury futures (TY) that trades 11 times per year, either long or short, before or after the following US holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Thanksgiving, and Christmas. [Exhibit 15](#) displays the trading rules:

Exhibit 15: Trading rules for US holiday trading model using US 10y futures contracts (TY)

Holiday	Day of Week	Direction	Before/After Holiday	Trading Rule (business days, 3pm NY unless specified)	Trade Entry (business days)	Trade Exit (business days)
New Year's Day	Rotates	Long TY	After	Buy TY New Years +1, Sell TY New Years +4	New Year + 1	New Year + 4
Martin Luther King Day 1	Monday	Long TY	Before	Buy TY Tuesday before MLK, Sell Friday before MLK	MLK - 4	MLK - 1
Martin Luther King Day 2	Monday	Short TY	After	Sell TY Tuesday after MLK, Buy Friday after MLK	MLK + 1	MLK + 4
President's Day	Monday	Long TY	After	Buy TY Tuesday after Pres. Day, Sell TY Friday after Pres. Day	Pres. Day + 1	Pres. Day + 4
Good Friday	Friday	Long TY	After	Buy TY Monday after Good Friday, Sell TY Friday after Good Friday	Good Friday + 1	Good Friday + 5
Memorial Day	Monday	Long TY	After	Buy TY Tuesday after Mem. Day, Sell TY Friday after Mem. Day	Mem. Day + 1	Mem. Day + 4
Independence Day (July 4th)	Rotates	Long TY	After	Buy TY Independence Day + 2, Sell TY Independence Day + 4	Ind. Day + 2	Ind. Day + 4
Labor Day	Monday	Long TY	Before	Buy TY Monday before Labor Day, Sell TY Thursday before Labor Day	Labor Day - 4	Labor Day - 2
Columbus Day	Monday	Short TY	Before	Sell TY Monday before Col. Day, Buy TY Thursday before Col. Day	Colum. Day - 5	Colum. Day - 2
Thanksgiving	Thursday	Long TY	Before	Buy TY Friday before Thanksgiving, Sell TY Tuesday before Thanksgiving	Thanksgiving - 4	Thanksgiving - 2
Christmas	Rotates	Short TY	Before	Sell TY Christmas Day - 4, Buy TY Christmas Day - 1	Christmas - 4	Christmas - 1

Source: Morgan Stanley Research. Note: Past performance is no guarantee of future results.

In Case You Missed It

Global Macro

[US Economics & Global Macro Strategy: Correction: FOMC Reaction: March Is Out, B/S Discussions to Begin](#)

1 Feb 2024

According to Chair Powell, it isn't likely the Committee would be confident to cut by March. The Fed will be cutting rates this year, but is in no hurry. We continue to call for a June start. Our strategists stay long duration via 5y UST, and neutral agency MBS.

[UK BoE Reaction: On the 'Core' Questions](#)

1 Feb 2024

The market-implied inflation forecasts were more hawkish than we expected, and there were two votes for a hike. However, the key question today was whether the MPC would acknowledge the next move is a cut. And the answer was a clear yes. We still expect a May cut, but see risks of a later move.

[G10 FX Strategy: Warping the Pace-Time Continuum](#)

1 Feb 2024

'When is the first rate cut?' For FX, 'how fast', 'how low', and 'why are they cutting' matter more. European currencies are vulnerable if markets begin pricing in a cutting cycle for 'bad reasons.' Short EUR/JPY remains our top trade to benefit from local and global factors.

[Nordic Macro Watch | Riksbank: The February Alignment](#)

1 Feb 2024

The Riksbank remained on hold in line with expectations. The possibility of a first rate cut was brought forward to 1H24 in the forward guidance. Active QT was increased from SEK 5 billion to SEK 6.5 billion, in line with our call.

[Global Macro Strategy: Positions and Flows Report](#)

30 Jan 2024

We provide the latest information on CFTC Non-Commercial Futures Positions, Traders in Financial Futures, Primary Dealer Positions, Large Commercial Bank Positions, Foreign Central Bank Positions and TIC Foreign Flows.

[Global Macro Strategy: Global FX Positioning: Investors Add Short EUR and CAD Positions Post ECB and BoC](#)

29 Jan 2024

In the week ending Friday, January 26, options pricing data indicate that investors added long NOK (vs EUR) and SEK (vs EUR) positions, and increased short CAD and EUR positions. In the futures market, most USD shorts were added against GBP, while investors bought USD against AUD and CAD in the week ending Tuesday, January 23.

[Global Macro Strategist: Don't Call It a Comeback](#)

27 Jan 2024

We continue to see lower bond yields ahead. The impact of winter weather and fewer fiscal cash flows raise downside risks to activity data for January. The bond market rally to

end 2023 wasn't a comeback. It was the start of another bull market – which has been here for years.

[Government Bond Auction Pipeline: The Month Ahead](#)

26 Jan 2024

We review the supply, coupon and redemption picture for the US, UK, Euro, JPY, AUS, NZ, CAN, and CNY government bond markets over the next month. This week, G7 net DVO1 to be \$47.7m/bp, compared to an average* \$70.1m/bp. Euro \$36.1m/bp; JPN \$10.5m/bp; CAN \$3.7m/bp.

[Podcast | Global: The Global Macro Guide: January 26](#)

26 Jan 2024

In this podcast series, co-hosts Martin Tobias and Andrew Watrous discuss the most important highlights of the week just past, and talk about the most important events of the week to come.

[Podcast | Thoughts on the Market: Will the U.S. Presidential Election Change Fed Policy?](#)

25 Jan 2024

Investors are concerned that the upcoming election might interfere with policy decisions. Here's why our view is different.

Global EM

[India Economics and Strategy: F2025 Interim Budget: Positive Fiscal Surprise](#)

1 Feb 2024

The interim budget focused on fiscal prudence, surprising positively on fiscal deficit target and market borrowing. Expenditure mix remains tilted in favour of capex; infra capex growth moderates.

[Brazil Economics and Strategy: Central Bank Review: Sticking to the Forward Guidance](#)

1 Feb 2024

Central bank decision: In line with our call and market expectations, the BCB decided to cut rates by 50bp, bringing rates to 11.25%. Market reading (EM Strategy): As the BCB statement was very much in line with market expectations and brought minimal changes compared to the December one, we do not expect to see any significant impact on local assets.

[Colombia Economics & Fixed Income Strategy: Central Bank Review: Remaining Cautious](#)

1 Feb 2024

Central bank decision: In line with our expectations, Colombian policymakers delivered a 25bp cut, bringing the policy rate to 12.75%. Market Reading (Fixed Income Strategy): We think that markets will likely read the January statement and subsequent press conference as broadly cautious, with some dovish undertones (including very vague forward guidance).

[EM Sovereign Credit Strategy: Rich & Cheap Watch – New Features](#)

1 Feb 2024

10Y sovereign bond spreads widened by 2bp in the past week (1W) and EMBIG-D widened by 2bp. Spreads widened the most in BB and tightened the most in BBB. Region-wise,

spreads widened the most in SSA and tightened the most in Central & North America.

[LatAm HY Sovereign Credit Strategy: Challenges and Catalysts](#)

30 Jan 2024

Amid high volatility, we review upcoming catalysts. We also reiterate our preferences for Venezuela, Argentina and El Salvador within EM HY sovereigns but more cautious outlook on Ecuador.

[Argentina: Quantifying the Fiscal Setback](#)

30 Jan 2024

The withdrawal of the tax package in the Omnibus Bill means some 1pp of GDP in fiscal costs. Calling back the bill on income tax reform adds another 0.4pp of GDP to fiscal losses. Yet, we think commitment to fiscal consolidation remains firm and a primary surplus remains our base case for this year.

[EM Fixed Income Flows Update: Where Supply Meets Demand](#)

26 Jan 2024

EM flows: EMDD outflows were at US\$890m this week versus outflows of US\$848m in the previous week.

[Turkey Economics and Strategy: CBT Review: Reaching the Peak](#)

25 Jan 2024

The CBT delivered a 250bp hike to 45% and signalled the end of the tightening cycle as widely expected. The CBT has left the door open for further rate hikes, but our reading is a preference to keep rates higher for longer, supported with macroprudential tightening, as first lines of defence against inflationary risks. In sovereign credit, we prefer 10s30s flatteners as this is now steep relative to history. Issuance remains a risk.

[EM Sovereign Credit Strategy: EM Technical Watch: Seasonality Rules](#)

25 Jan 2024

Supply rush: EM sovereign supply has had a very strong start to the year, as expected, reaching US\$46.6bn YTD, 27.8% of our total issuance expectation for this year. We are at record YTD EM sovereign issuance and only US\$0.3bn behind January 2023's record full-month issuance levels.

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Global Stock Ratings Distribution

(as of January 31, 2024)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1423	38%	284	42%	20%	621	39%
Equal-weight/Hold	1692	45%	322	48%	19%	720	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	630	17%	70	10%	11%	236	15%
Total	3,748		676			1578	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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