



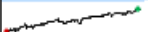


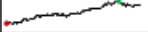
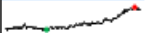

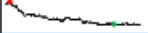

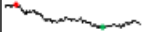
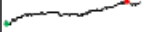
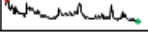
- Fiscal support and excess saving continue to bolster consumer spending ([link](#))
- US jobless claims and retail sales reported much better than expectations ([link](#))
- Vaccine pause to hit US, Canada, and EU the hardest, but overall impact modest ([link](#))
- Bank of Korea kept its policy rate at 0.5% as expected ([link](#))
- Russian assets sell off as U.S. imposes additional sanctions ([link](#))
- Turkey leaves rates unchanged but removes pledge to tighten policy rates ([link](#))

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## Strong economic data and corporate earnings send markets higher

More positive results from financial firms, along with better than expected economic releases, are sending US stock futures higher this morning. Bank of America reported stronger than expected trading revenue, following strong results from JP Morgan and Goldman Sachs yesterday. Separately, Blackrock announced its assets under management surpassed \$9 trillion, a new record. Investor's economic outlook continues to be positive despite some negative news on vaccinations, notably the US pausing use of the Johnson & Johnson vaccine. Emerging market currencies are mixed this morning with the Russian ruble weakening the most on news of US sanctions.

Key Global Financial Indicators

Last updated: 4/15/21 8:07 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4125	-0.4	1	4	48	10
Eurostoxx 50		3989	0.3	0	4	42	12
Nikkei 225		29643	0.1	0	-1	54	8
MSCI EM		54	0.5	0	-1	52	4
<b>Yields and Spreads</b>			bps				
US 10y Yield		1.61	-2.3	-1	0	98	70
Germany 10y Yield		-0.28	-2.1	6	6	19	29
EMBIG Sovereign Spread		342	-5	-7	-13	-246	-9
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		56.7	0.1	0	0	7	-2
Dollar index, (+) = \$ appreciation		91.7	0.0	0	0	-8	2
Brent Crude Oil (\$/barrel)		66.5	-0.1	5	-3	140	28
VIX Index (% change in pp)		16.7	-0.3	0	-3	-24	-6

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

## United States

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**Markets edged lower on Wednesday, with the S&P 500 down 0.4% and the Nasdaq losing 1.0%.** Treasury yields moved higher by 1-2 bps, with the 10-year trading in a tight range over the last week between 1.61%-1.66%. Coinbase debuted as a direct listing on the Nasdaq in a landmark moment for the crypto space, reaching a market cap of over \$100 bn before settling back down to \$85 bn by closing.

**Jobless claims and retail sales crush expectations.** Initial jobless claims fell to 576k (vs 700k expected), down from 744k last week. Continuing claims held steady at 3.7 mn, in line with expectations. Retail sales jumped 9.8% m/m (vs 5.8%) for March. Treasuries rallied before and after the release, with the 10-year yield down 3-4 bps from yesterday to 1.597%.

**Bank of America and Citi report strong 1Q21 results.** Bank of America (BAC) posted earnings of \$8.05bn, double from last year and 30% above consensus. This reflected a \$2.7bn release of loan-loss reserves and strong markets revenues, though margin pressures persist. Citi's net income came in 39% above expectations, powered by markets and consumer banking. These results are consistent with yesterdays from JPMorgan, Goldman Sachs and Wells Fargo. **Citi also announced it will exit consumer banking in 13 countries across Asia and Europe.** BAC and C shares are up +1.2% in pre-market trading.

**Fiscal support and excess savings continue to bolster consumer spending.** Consumer spending surged to almost 10% above February 2020 levels in March (based on Goldman Sachs estimates) following the second disbursement of stimulus checks under the \$1.9 trillion American Rescue Plan in March. However, excess savings should continue to accumulate through Q2, equivalent to 14% of 2021 consumption (or \$2.3 tn). By the second half of 2021, Goldman estimates that 11% of excess savings will have been used to pay down debt, 25% towards more illiquid assets (including financial assets), and 64% into liquid bank deposits available for future spending. As such, Goldman expects about 22% of excess savings to be spent within one year of the economy normalizing, contributing 2 percentage points to GDP growth in that period.

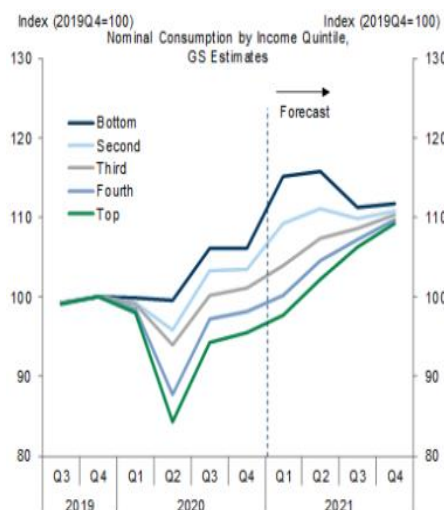
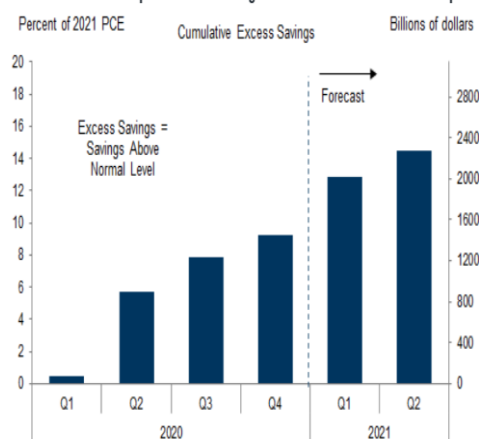


Exhibit 2: We Now Expect Excess Savings to Total 14% of Annual Consumption



Source: Bureau of Economic Analysis, Goldman Sachs Global Investment Research

**Vaccine pause to hit US, Canada, and EU the hardest, but overall impact modest.** The FDA and CDC recommended a pause in the use of Johnson & Johnson's one shot vaccine on Tuesday, with a review period expected to be a matter of days or weeks. The US had expected to rely on J&J to supply about 25% of the target population in Q2, with the EU and Canada at around 10%. The US will feel the impact first—dropping the vaccinated population by about 3.5 percentage points for April—while the EU/Canada's reliance is reportedly more backloaded and will play out into Q3. Analysts expect the US to run into demand

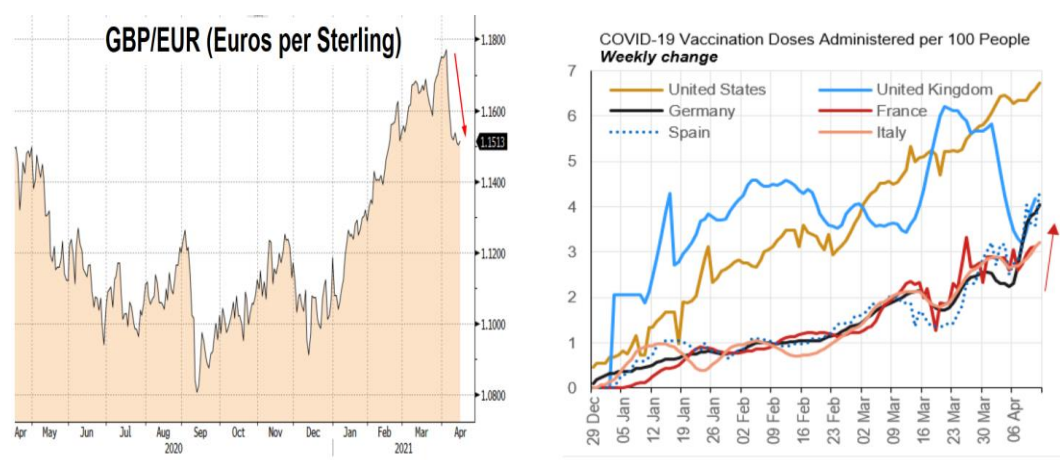
constraints instead of supply sooner than later, especially with Pfizer and Moderna set to boost production, limiting the longer term impact.

## Europe

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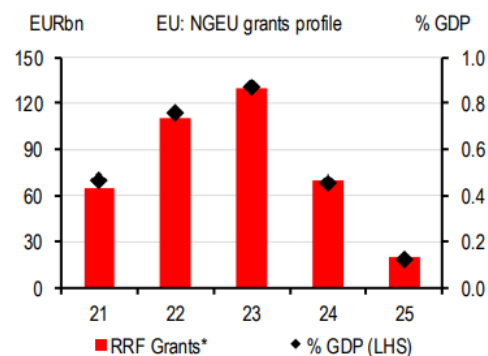
**European equity markets were trading up around 0.3%** while STOXX 600 reached new all-time high this morning. French CAC 40 has taken over German DAX in terms of year to date performance (12.1% vs 11.1%) amid strong corporate earnings results although the German benchmark remains about 10% ahead in post-pandemic recovery. The biggest upside surprises so far came from luxury goods producer LVMH amid strong growth in China as well as advertising giant Publicis.

**European bond markets were reversing some of yesterday's losses** with yields down 2 bps after widening 4 bps yesterday. Italian bonds were outperforming with 10-year spread tightening by 2 bps. The euro was hovering just below the 1.20 mark against the dollar. **Contacts note that clients have recently lost confidence in the long sterling against the euro trade** that has been driven by relative vaccination and economic reopening pace. While major European economies remain in lockdown, the vaccination pace started to pick-up in Europe while facing headwinds in the UK. Some contacts also noted that departure of Bank of England's Haldane could make the central bank less hawkish in terms of post-Covid policy normalization.



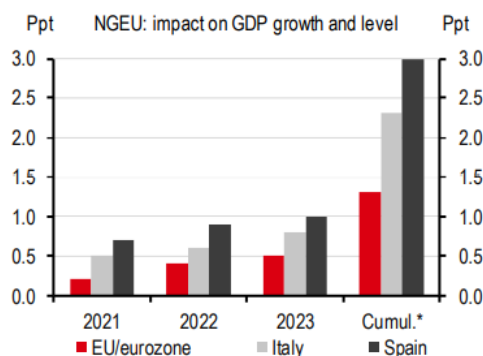
**Analysts remain skeptical around Recovery Fund implementation timelines following yesterday's European Commission update on the Next Generation EU program (NGEU).** Despite recent headwinds around EU joint borrowing approvals by national parliaments, the EC expects the program to be finalized in June with EU common borrowing under NGEU starting from July. However, under currently projected monthly borrowing volumes of €15-20 bn it could take until September to raise the necessary funding for the €45 bn of grant advance payments. There would be further delays if countries wished to get access to the €50 bn of advanced loan allocation. In the meantime, analysts argue that countries will need to use their own resources to bridge the gap if they wish to go ahead with front-loaded fiscal spending or alternatively reassess their growth dynamics for this year.

## 2. NGEU grants should rise over time...



Source: HSBC calculations based on European Commission, Countries' 2021 budget plans. Note: \*Includes React-EU, Just Transition Fund, Rural Development.

## 3. ...contributing to the recovery



Source: HSBC calculations based on European Commission. Note: Cumulative by 2025.

## Other Mature Markets

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## Japan

**The Bank of Japan (BOJ) reportedly considers upgrading its economic outlook.** BOJ officials see a strong recovery in the United States and China as a driving force for Japan's export-reliant economy. Some analysts noted that the scope for an upward revision to the BOJ's growth projections is likely limited due to the government's continued implementation of targeted containment measures to curb the spread of COVID-19 infection. **Tokyo and Osaka local governments consider asking the central government to declare a state of emergency** if the current measures fail to slow the contagion. The Japanese yen appreciated (+0.2%); equities gained (NIKKEI: +0.1%); government bond yields were little changed.

## Korea

**The Bank of Korea (BOK) kept its key rate, 7-day repo rate, at 0.5% as expected.** BOK Governor Lee Ju-yeol said that the economy will expand faster than previously. Growth is expected to reach 3.5% this year, partly benefiting from strong exports performance. The baseline outlook assumes that the local COVID-19 situation will not worsen sharply and that the vaccination program proceeds as planned. Governor Lee Ju-yeol also said that it is too early for the BOK to adjust its policy stance, including its bond purchase plans, as the recovery has not yet solidified. The **Korean won depreciated (-0.1%). Equities gained (+0.4%). Long-end government bond yields were mixed** (10-year: +1.9bps; 30-year: -2.7bps).

## Sugar

Raw sugar extended gains to a four-week high driven by concerns over dryness in Brazil and a rebounding Ethanol price which may erode production of sweeteners. Raw sugar for July delivery rose 2.9% to 15.95 cents a pound. A weak U.S. dollar also boosted the appeal of commodities priced in the greenback. According to Bloomberg, parts of Sao Paulo's production areas got half the average moisture in the past three months and cane tonnage will be reduced. Crude oil jumped the most since late March, helping lend support to the sugar market, as higher energy prices could prompt Brazilian mills to divert more cane to make biofuel instead of sweetener. Prices of hydrous ethanol in Sao Paulo have also climbed recently.

## Emerging Markets

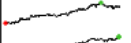




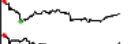



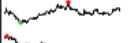
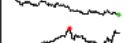

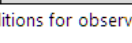

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**Asian stock markets were mixed, gaining 0.4% on net.** Chinese (CSI 300: -0.6%) and Hong Kong (-0.4%) equities declined, while share prices rose in Taiwan POC (+1.2%). **Most Asian currencies were little changed**, with the exception of Taiwan dollar which appreciated (+0.4%) and Sri Lankan rupee which depreciated (-0.7%). **In Taiwan POC**, markets outperformed regional peers as sentiment was buoyed by TSMC's strong spending and sales targets for its semiconductor business. **In India**, wholesale prices rose 7.4% y/y in March, higher than expected, from a 4.2% increase in February. Reportedly, the Reserve Bank



of India intervened in the forward FX market to support the rupee. Indian rupee appreciated (+0.1%); 10-year government bond yield increased (+10.3 bps) after the RBI's first bond purchase under the new government securities acquisition program (G-SAP). **LatAm stock markets were mixed on Wednesday.** Mexico outperformed as the equity index rose 1.7%, while Argentina saw losses of 0.8%. Local currencies were generally stronger, with the Brazilian real and Mexico peso appreciating 1.1% and 0.5%, respectively, against the US dollar. Mexico's 10-year government bond yield fell by 11bps.

Key Emerging Market Financial Indicators

Last updated: 4/15/21 8:11 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
<b>Major EM Benchmarks</b>			%				%
MSCI EM Equities		53.72	0.5	0	-1	52	4
MSCI Frontier Equities		30.68	0.0	2	3	40	8
EMBIG Sovereign Spread (in bps)		342	-5	-7	-13	-246	-9
EM FX vs. USD		56.66	0.1	0	0	7	-2
<b>Major EM FX vs. USD</b>			%, (+) = EM currency appreciation				
China Renminbi		6.53	0.0	0	0	8	0
Indonesian Rupiah		14615	-0.1	-1	-1	7	-4
Indian Rupee		74.93	0.3	0	-3	2	-2
Argentine Peso		92.68	-0.1	0	-2	-29	-9
Brazil Real		5.66	-0.1	-2	-1	-7	-8
Mexican Peso		20.01	0.3	0	3	20	0
Russian Ruble		77.09	-1.7	0	-6	-3	-4
South African Rand		14.25	1.0	2	4	31	3
Turkish Lira		8.12	-0.4	0	-7	-15	-8
EM FX volatility		10.05	0.0	-0.5	-0.5	-1.2	-0.7

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

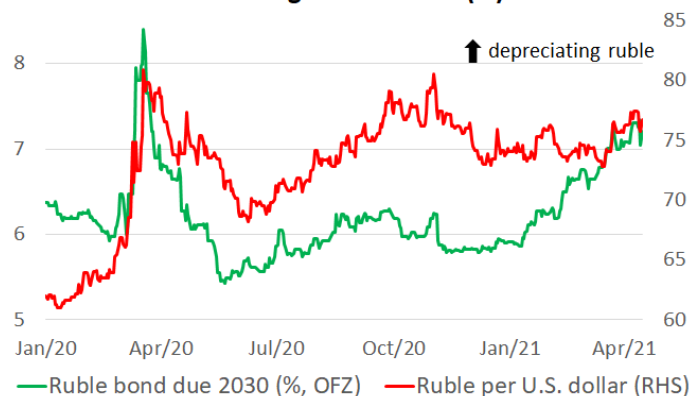
## China

**The People's Bank of China (PBC) injected 150 bn yuan of liquidity into the banking system, signaling its intention to contain leverage.** The PBC provided 150 bn yuan (\$23 bn) via the medium-term lending facility (MLF) at the 2.95% interest rate (unchanged). The amount of liquidity injection roughly covered 100 bn yuan of MLF funds expiring today and 56.1 bn yuan of targeted loans maturing on April 25. Money markets barely reacted, with interbank repo rates remaining broadly unchanged. However, equity traders were disappointed with the PBC's continued policy normalization. Equities declined (CSI 300: -0.6%). Analysts noted that uncertainty around Huarong, a major AMC, continues to weigh on market sentiment. Furthermore, liquidity conditions will likely tighten in the near term on the back of tax payments. RMB appreciated (+0.1%).

## Russia

**The ruble (-1.6% to 76.9 per U.S. dollar) depreciated and local sovereign yields are 16 bps higher as the U.S. administration confirmed earlier reports of sanctions targeting aggressive and harmful activities by Russia.** The U.S. Treasury will also prohibit U.S. financial institutions from participating in the primary market for ruble or non-ruble denominated bonds issued after June 14, 2021 by the Russian central bank, the National Wealth Fund or the Ministry of Finance of the Russian Federation. The directive will also prohibit U.S. financial institutions from lending ruble or non-ruble denominated funds to these three entities. Ahead of the confirmation of sanctions, contacts argued that a ban on the participation of U.S. financial institutions in the primary market for OFZs will reduce foreign demand for RUB assets but that the impact would be contained as long as sanctions do not include any OFZ trading in the secondary market. Russia's current weight in the JPM EM Local Government Bond ETF is around 6%. **Equities (-0.4%) traded lower.**

### Russia: Yields on sovereign ruble bonds (%) and ruble

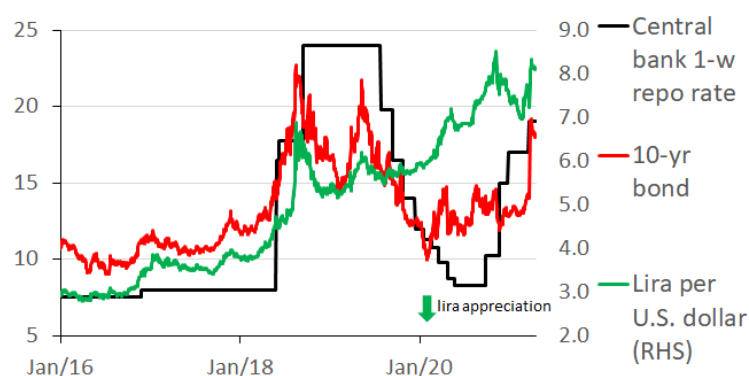


Source: Bloomberg and IMF

### Turkey

**Bank stocks (+1.2%) gave up earlier gains and the lira (-0.7%) fell after the central bank left its one-week repo rate unchanged at 19% (as expected) but unexpectedly removed the pledge to further tighten policy rates.** Most analysts and traders had expected the central bank to keep rates unchanged with contacts arguing that rates need to remain elevated to respond to an acceleration in inflation (with headline inflation at 16.2% yoy in March) and to limit further financial market volatility. Yields on the 10-yr local currency bond trade at 18.2%, compared to 14% before the leadership change at the central bank.

### Turkey: Interest rates (%) and currency



Source: Bloomberg and IMF staff

### Ukraine

**The central bank increased its policy rate 100 bps to 7.50% (7% expected).** Some analysts had been arguing that a larger-than-expected increase was possible after headline inflation rose to 8.5% yoy in March. The yield on Ukraine's dollar bond due 2022 rose 20 bps to 4.52% on fears that tensions between the Ukraine and Russia could escalate further. The hryvnia (-0.2%) is little changed against the U.S. dollar.

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## Global Financial Indicators

Last updated: 4/15/21 8:07 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		4135	-0.4	1	4	49	10
Europe		3989	0.3	0	4	42	12
Japan		29643	0.1	0	-1	54	8
China		3399	-0.5	-2	-1	21	-2
Asia Ex Japan		93	0.5	0	-1	51	4
Emerging Markets		54	0.5	0	-1	52	4
Interest Rates							
			basis points				
US 10y Yield		1.61	-2.3	-1	0	98	70
Germany 10y Yield		-0.28	-2.1	6	6	19	29
Japan 10y Yield		0.09	-0.3	-1	-2	8	7
UK 10y Yield		0.77	-3.4	2	-3	47	57
Credit Spreads							
			basis points				
US Investment Grade		92	0.9	3	-9	-97	-3
US High Yield		337	1.2	11	-20	-392	-43
Europe IG		50	-0.8	-1	2	-35	2
Europe HY		244	-3.3	-1	-1	-247	1
Exchange Rates							
			%				
USD/Majors		91.66	0.0	0	0	-8	2
EUR/USD		1.20	-0.1	0	0	10	-2
USD/JPY		108.8	-0.2	0	0	1	5
EM/USD		56.7	0.1	0	0	7	-2
Commodities							
			%				
Brent Crude Oil (\$/barrel)		67	-0.1	5	-3	140	28
Industrials Metals (index)		147	0.5	1	1	56	11
Agriculture (index)		53	0.6	2	1	48	10
Implied Volatility							
			%				
VIX Index (% change in pp)		16.7	-0.3	-0.2	-3.3	-24.1	-6.0
US 10y Swaption Volatility		75.8	0.0	0.8	-12.5	-6.9	15.6
Global FX Volatility		7.3	0.0	-0.4	-0.7	-2.1	-0.8
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		119	0.3	2	3	-136	-1
Italy		103	-2.6	3	9	-132	-9
Portugal		67	-1.2	11	16	-77	7
Spain		67	-0.6	0	4	-66	5

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

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## Emerging Market Financial Indicators

Last updated: 4/15/2021 8:12 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)					YTD	Level		Change (in basis points)					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M			
	vs. USD		(+) = EM appreciation						% p.a.							
China		6.53	0.0	0.4	0	8	0		3.3	-0.3	-5	-8	75	-1		
Indonesia		14615	-0.1	-0.5	-1	7	-4		6.6	0.2	14	-19	-140	56		
India		75	0.3	-0.4	-3	2	-2		6.3	0.0	1	-17	-33	40		
Philippines		48	0.1	0.2	0	5	-1		4.0	-11.6	10	30	-108	36		
Thailand		31	0.2	0.5	-2	5	-4		1.9	0.0	-3	-9	33	59		
Malaysia		4.12	0.1	0.3	0	5	-2		3.2	-1.1	5	-4	0	67		
Argentina		93	-0.1	-0.4	-2	-29	-9		46.0	6.5	-28	131	-1187	-1014		
Brazil		5.66	-0.1	-1.5	-1	-7	-8		8.3	-10.7	-5	74	235	275		
Chile		708	0.0	0.7	2	20	0		3.6	10.5	19	37	28	80		
Colombia		3657	0.3	-0.2	-3	5	-6		6.3	-0.8	5	36	-52	118		
Mexico		20.01	0.3	0.4	3	20	0		6.6	-4.1	9	32	-34	99		
Peru		3.6	0.0	-0.7	2	-7	0		4.7	4.3	11	15	31	112		
Uruguay		44	0.1	-0.3	1	-2	-4		7.4	-3.4	-2	15	-564	12		
Hungary		300	-0.3	0.3	3	7	-1		2.0	-5.4	-9	-6	18	49		
Poland		3.81	-0.1	0.2	1	9	-2		0.9	-0.2	-6	-7	-21	23		
Romania		4.1	-0.1	0.4	0	8	-3		2.7	5.0	8	5	-158	-6		
Russia		77.1	-1.7	-0.4	-6	-3	-4		6.8	-18.2	-19	25	28	105		
South Africa		14.2	1.0	1.9	4	31	3		9.9	-14.3	-17	-20	-86	27		
Turkey		8.12	-0.4	0.3	-7	-15	-8		17.7	-12.2	-17	304	432	454		
US (DXY; 5y UST)		92	0.0	-0.4	0	-8	2		0.84	-1.5	1	1	50	48		

	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	1 Day	7 Days	30 Days	12 M	
								basis points						
China		4949	-0.6	-3	-3	30	-5		199	0	-2	-9	30	-9
Indonesia		6080	0.5	0	-4	36	2		158	0	-9	-25	-5	-29
India		48804	0.5	-2	-3	59	2		170	1	18	10	-178	19
Philippines		6540	0.3	-2	0	18	-8		83	0	-9	-17	13	-22
Malaysia		1608	0.6	0	-1	16	-1		113	0	-2	-3	9	3
Argentina		47299	0.0	-6	-6	47	-8		1459	0	19	8	-570	91
Brazil		120295	0.0	2	5	53	1		253	0	0	-16	58	3
Chile		4927	0.0	0	0	28	18		126	0	-6	-16	-14	-18
Colombia		1321	0.0	0	-3	10	-8		207	0	-4	-15	44	2
Mexico		48330	0.0	1	1	43	10		348	0	-9	-34	55	-12
Peru		21279	0.0	0	-6	47	2		133	0	-4	-3	22	1
Hungary		42565	0.1	-4	-3	30	1		65	0	-6	-15	-42	-31
Poland		60036	-0.2	1	1	34	5		-22	0	-4	-11	-54	-21
Romania		11147	0.1	-1	3	40	14		191	1	7	1	-168	-12
Russia		3558	-0.5	1	-1	42	8		159	0	-5	-3	19	-7
South Africa		67797	0.0	1	0	40	14		357	0	-4	-35	25	-23
Turkey		1408	-0.1	-1	-9	47	-5		421	0	-5	-47	34	-24
Ukraine		530	0.0	0	2	6	6		479	0	12	-21	127	-12
EM total		54	0.5	0	-1	52	4		421	0	17	-10	97	128

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

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