



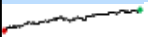
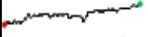
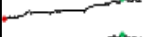

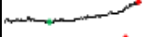

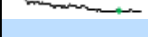

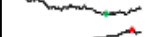

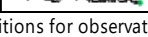
- **US has strongest jobs report in seven months** ([link](#))
- **S&P 500 crosses 4000 for the first time** ([link](#))
- **European stocks almost back to pre-pandemic levels** ([link](#))
- **OPEC surprises markets by increasing production** ([link](#))
- **China tops global government bond market in Q1** ([link](#))
- **Hawkish rhetoric from new central bank governor boosts Turkish lira** ([link](#))

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Global markets take a positive turn

Most global markets are closed for the Easter holiday, but among open markets China and Japan enjoyed strong gains and Russian stocks are also higher this morning. Global sentiment is positive after US stocks set yet another record yesterday. Rumors of a very strong US jobs report were borne out by the actual numbers as the labor market saw a very large increase in employment. The new US infrastructure package appears to have been well received by most investors, despite its associated tax hikes on corporations. OPEC's decision to increase oil production was another positive development. Meanwhile, press reports indicated that Suriname has defaulted on \$675 million of dollar bonds with maturities of 2023 and 2026. According to Bloomberg, investors have until Wednesday to agree to an agreement to defer payments until May.

Key Global Financial Indicators

Last updated: 4/2/21 8:09 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4020	1.2	3	4	59	7
Eurostoxx 50		3946	0.7	3	6	47	11
Nikkei 225		29854	1.6	2	3	68	9
MSCI EM		54	1.0	4	-1	59	4
Yields and Spreads			bps				
US 10y Yield		1.67	0.2	0	28	107	76
Germany 10y Yield		-0.33	-3.6	6	1	13	24
EMBIG Sovereign Spread		353	0	-2	2	-295	3
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		56.3	0.0	1	-1	7	-3
Dollar index, (+) = \$ appreciation		92.9	0.0	0	2	-7	3
Brent Crude Oil (\$/barrel)		64.9	3.4	5	2	162	25
VIX Index (% change in pp)		17.3	-2.1	-2	-7	-34	-5

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

United States

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This morning's jobs report was much stronger than expected, with the strongest gains in seven months. Treasury yields were higher in response, but the moves were muted as there were widespread rumors that the numbers would be well ahead of official consensus forecasts. Some analysts took additional reassurance from the fact that earnings were weaker than forecasts, indicating that wage inflation has yet to arise. US equity futures rallied on the news.

US March Jobs Report 8.30 am

Source: Bloomberg

Indicator	Consensus Forecast	Actual Outcome
Change in Non-Farm Payrolls (NFP)	660K	916K
Unemployment rate	6%	6%
Average Hourly Earnings mom	0.1%	-0.1%
Average Hourly Earnings yoy	4.5%	4.2%
February NFP Payroll Revision	N.A.	+468K (from 379K)
Labor Force Participation Rate	61.5%	61.5%

The S&P 500 broke the 4000 level for the first time in history, propelled by the best monthly manufacturing data since 1983. The ISM manufacturing report came in much stronger than expected at 64.7 versus the 61.5 consensus forecast. The rebound in manufacturing is expected to lead to more gains in employment.

Mighty Momentum

Gauge of U.S. manufacturing exceeds forecast on robust orders, production

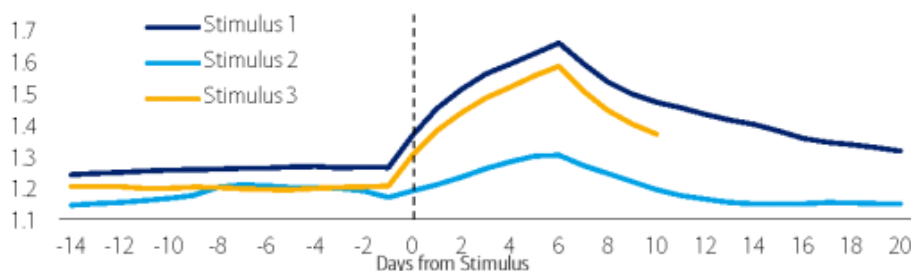


Source: Bloomberg and Institute of Supply Management

Credit card data from Bank of America show that the third stimulus had a much stronger impact on consumer spending than the second stimulus and only slightly less than the first. In keeping with policy goals, recipients who received stimulus money spend much more than those who did not (the latter were mainly higher income individuals). Credit card spending was up 40% for stimulus recipients versus 10% for non-recipients. Spending peaks on the sixth day after payments are distributed.

Exhibit 1: Ratio of total card spending for households that received stimulus over those that did not (7-day moving average of spending levels)

At the peak of the moving average, stimulus recipients spent 58% more than non-stimulus recipients in this round vs. 65% in the first stimulus and 30% in the second



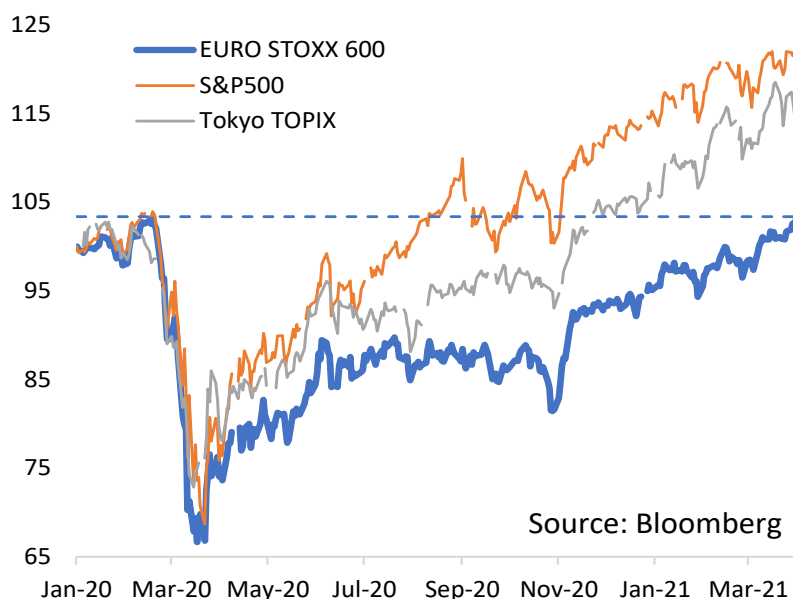
Source: BAC internal data. Note: Households who received stimulus payments include all households that received the one-time payment on through direct deposit. Some in the "Households who did not" could be receiving through checks which the BAC data does not track or receiving stimulus after Apr 15 for Stimulus 1, Jan 1 date for Stimulus 2 and Mar 17th for Stimulus 3.

BoFA GLOBAL RESEARCH

Europe

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The Euro STOXX 600 equity index almost reached its pre-COVID highs, though the price recovery in Europe is still lagging other advanced economies. European 10-year government yields fell (Germany -3.5 bps, UK -6 bps), mostly driven by drops in real yields, while breakeven inflation was moderately higher, especially, in the shorter end of the curve.

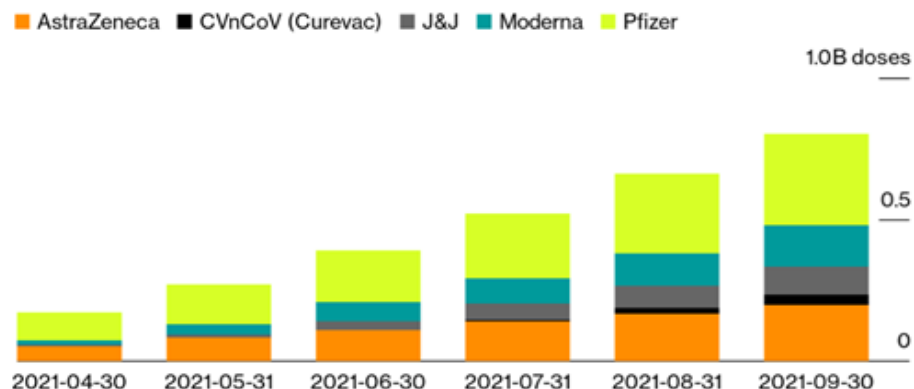


Source: Bloomberg

European countries continue adopting precautionary measures with AstraZeneca's vaccine. Germany's vaccine commission recommended that people under 60 years of age who received a first dose of AstraZeneca's shot should get an alternative product for their second dose. The U.K. authorities reported 25 new reports of rare types of blood clots linked to AstraZeneca's vaccine. However, the expected increased diversity of available vaccines in the coming months (chart below) adds optimism to the outlook.

A Growing Pipeline

EU vaccine supplies are set to become more diversified in the coming months



Source: Airfinity estimates

Note: Data represents cumulative deliveries

BloombergOpinion

Other Mature Markets

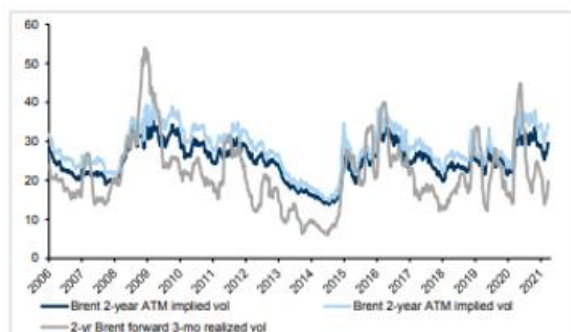
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Oil Markets

OPEC+ surprised markets by agreeing to increase oil production gradually in the coming months.

Before Thursday's meeting, the cartel had been widely expected to maintain its cautious stance by extending the current supply cuts, just as it did last month. However, the cartel decided to add more than 2 million barrels a day to world oil supplies from May to July. That will restore about a quarter of the crude they are still withholding after making deep cuts a year ago in response to the pandemic, per Goldman analysts. The Brent option market is still pricing in elevated volatility levels and a still large downside risk to prices despite the progress in rebalancing and the cautious ramp-up in production.

Brent volatility (%)



Source: ICE, Goldman Sachs Global Investment Research

Brent spot and forward curve (\$/bbl)


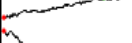



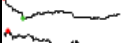
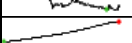

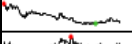



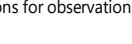



Source: ICE, Goldman Sachs Global Investment Research

Emerging Markets

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Key Emerging Market Financial Indicators

Last updated: 4/2/21 8:12 AM	Level	Change	YTD
	Last 12m index	1 Day 7 Days 30 Days 12 M	
Major EM Benchmarks		%	%
MSCI EM Equities	 53.86	0.0 4 -1 59	4
MSCI Frontier Equities	 29.73	0.8 3 2 41	5
EMBIG Sovereign Spread (in bps)	 353	0 -2 2 -295	3
EM FX vs. USD	 56.29	0.0 1 -1 7	-3
Major EM FX vs. USD		%, (+) = EM currency appreciation	
China Renminbi	 6.56	0.0 0 -1 8	-1
Indonesian Rupiah	 14525	0.0 -1 -2 13	-3
Indian Rupee	 73.33	0.2 -1 0 4	0
Argentine Peso	 91.71	0.3 0 -2 -30	-8
Brazil Real	 5.71	-1.3 -1 -1 -8	-9
Mexican Peso	 20.31	-0.1 1 1 19	-2
Russian Ruble	 76.23	-0.1 -1 -3 1	-3
South African Rand	 14.65	-0.2 2 2 26	0
Turkish Lira	 8.08	0.5 0 -9 -18	-8
EM FX volatility	 10.80	0.0 -0.3 0.5 -1.7	0.1

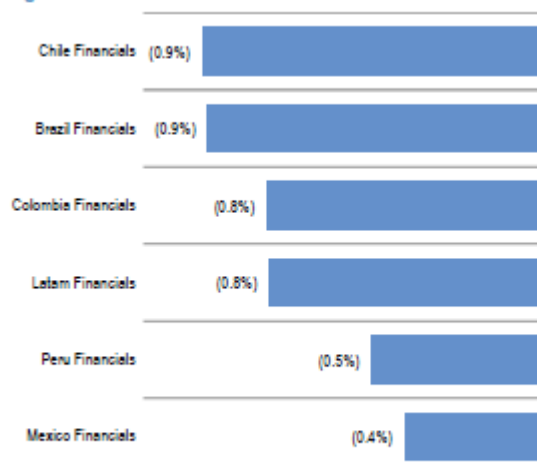
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Latin American Financials

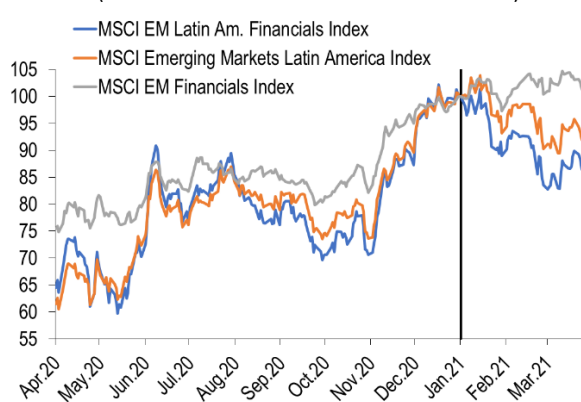
Debt issued by the region's financial institutions had a dismal Q1, and their equities also suffered. Brazil and Chile performed did worst, while Peru and Mexico did not do as badly. The weak performance of the sector's debt also spilled over to stock markets where financials underperformed relative to other industries in the region as well as relative to their EM peers. Increases in US treasury yields presumably acted as one of the drivers, hurting local debt markets, adding to depreciation trends, and squeezing the interest rate margin available to financial companies.

Returns of financial companies in Latin America (YTD, percent)

Figure 8: Returns YTD



Source: J.P. Morgan.

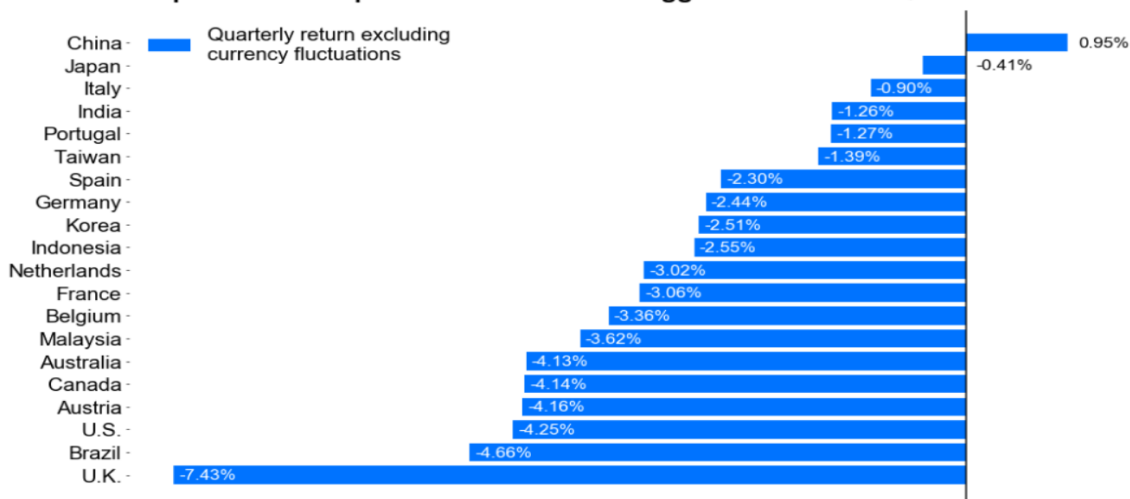
Latin American financial stocks underperformed in Q1 2021
(MSCI EM stock indexes normalised to 1/1/2021=100)

Source: Bloomberg.

China

Chinese government bonds outperformed in Q1, the only investment grade issuer with positive returns. Chinese bonds gained 0.95% on a total return basis in Q1, the only major investment grade issuer to rally amid a global bond sell off in most of the world. Japanese bonds were second best at -0.41%. Both China and Japan's bond markets have been much less volatile than other markets, in part because of relatively low foreign ownership, though China has seen rising foreign inflows ahead of index inclusion, with foreigners owning about 10% of the outstanding stock (according to Bloomberg).

China and Japan bonds outperformed the world's biggest markets in 1Q



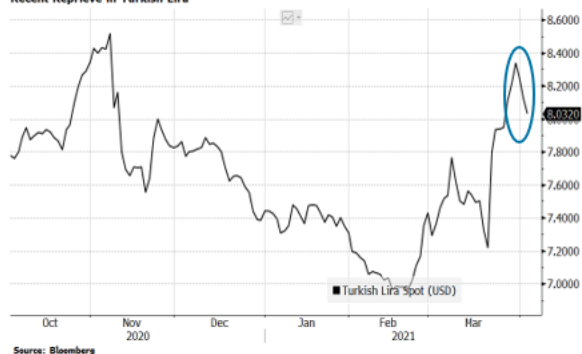
Sources: Bloomberg

Bloomberg

Turkey

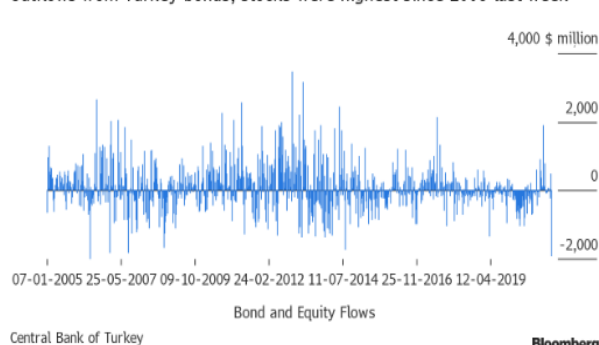
The Turkish lira appreciated by 1.2% against the dollar after the country's new central bank governor Kavcioglu signaled a continuation of his predecessor's hawkish policies. He also emphasized a commitment to the 5% inflation target, while adding that the bank is determined to reinstate the credibility of the Turkish lira, which has now appreciated by almost 4% in the last three days to 8.03, although it remains sharply weaker than the 7.2 level before the replacement of the last governor. The latest data also show that foreign investors sold \$1.9 billion of Turkish assets last week, the biggest outflow in 15 years.

Recent Reprieve in Turkish Lira



Leaving Turkey

Outflows from Turkey bonds, stocks were highest since 2006 last week



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Global Financial Indicators

Last updated: 4/2/21 8:11 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4020	1.2	3	4	59	7
Europe		3946	0.7	3	6	47	11
Japan		29854	1.6	2	3	68	9
China		3484	0.5	2	-1	26	0
Asia Ex Japan		94	1.1	4	-2	59	5
Emerging Markets		54	1.0	4	-1	59	4
Interest Rates			basis points				
US 10y Yield		1.67	0.2	0	28	107	76
Germany 10y Yield		-0.33	-3.6	6	1	13	24
Japan 10y Yield		0.13	1.3	4	0	13	11
UK 10y Yield		0.80	-5.0	7	4	48	60
Credit Spreads			basis points				
US Investment Grade		88	-1.2	-10	-1	-190	-7
US High Yield		336	-2.2	-19	-13	-571	-44
Europe IG		50	-0.1	-3	2	-57	3
Europe HY		245	-1.1	-18	-3	-367	4
Exchange Rates			%				
USD/Majors		92.92	0.0	0	2	-7	3
EUR/USD		1.18	0.0	0	-3	8	-4
USD/JPY		110.5	-0.1	1	4	2	7
EM/USD		56.3	0.0	1	-1	7	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		65	3.4	5	2	162	25
Industrials Metals (index)		143	0.0	0	-5	55	7
Agriculture (index)		50	-1.7	-1	-3	40	5
Implied Volatility			%				
VIX Index (% change in pp)		17.3	-2.1	-2.5	-6.8	-33.6	-5.4
US 10y Swaption Volatility		81.9	0.0	4.7	15.8	-0.1	21.8
Global FX Volatility		7.7	0.0	-0.2	-0.1	-3.3	-0.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		115	-0.9	-6	-20	-110	-5
Italy		96	-0.1	-1	-7	-94	-15
Portugal		54	1.7	2	-3	-76	-6
Spain		64	0.7	0	-4	-51	2

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

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Emerging Market Financial Indicators

Last updated: 4/2/2021 8:35 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		6.56	0.0	-0.4	-1	8	-1		3.3	-0.6	0	-6	65	3
Indonesia		14525	0.0	-0.7	-2	13	-3		6.7	-3.3	-2	6	-134	62
India		73	0.2	-1.1	0	4	0		6.4	0.0	0	-4	-6	44
Philippines		49	0.0	0.0	0	5	-1		3.9	-0.1	2	38	-104	21
Thailand		31	-0.3	-0.6	-3	5	-4		2.0	-0.3	3	15	21	65
Malaysia		4.14	0.2	0.2	-2	5	-3		3.2	-9.1	-4	23	-6	67
Argentina		92	0.3	0.1	-2	-30	-8		46.3	0.0	54	448	-1149	-987
Brazil		5.71	-1.3	-1.1	-1	-8	-9		8.3	17.0	20	88	171	270
Chile		717	0.0	1.7	2	20	-1		3.5	-5.2	11	43	-3	71
Colombia		3660	0.1	0.1	-1	12	-6		6.5	0.0	14	98	-73	145
Mexico		20.31	-0.1	1.4	1	19	-2		6.7	0.0	-1	73	-42	116
Peru		3.7	0.8	-0.5	-2	-8	-3		4.8	0.0	20	52	-60	119
Uruguay		44	0.3	-0.1	-2	-2	-4		7.4	-0.5	-6	35	-581	12
Hungary		307	0.0	0.2	-2	9	-3		2.1	-0.4	15	11	22	59
Poland		3.91	-0.3	0.7	-4	8	-4		0.9	2.0	10	8	-40	31
Romania		4.2	0.0	-0.7	-3	7	-5		2.6	0.0	1	-11	-170	-11
Russia		76.2	-0.1	-0.8	-3	1	-3		6.8	4.1	-3	33	14	107
South Africa		14.6	-0.2	2.3	2	26	0		10.3	3.3	-4	59	-92	68
Turkey		8.08	0.5	0.3	-9	-18	-8		17.9	-46.9	-24	445	481	479
US (DXY; 5y UST)		93	0.0	0.2	2	-7	3		0.91	1.0	5	25	53	55

	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		5162	1.0	2	-2	39	-1		199	0	-2	-9	30	-9
Indonesia		6011	0.0	-2	-5	33	1		158	0	-9	-25	-5	-29
India		50030	0.0	2	-1	77	5		149	1	-4	-1	-211	-2
Philippines		6443	0.0	-1	-6	19	-10		83	0	-9	-17	13	-22
Malaysia		1585	0.2	-1	-1	19	-3		113	0	-2	-3	9	3
Argentina		47982	0.0	-1	-2	89	-6		1459	0	19	8	-570	91
Brazil		115253	0.0	1	3	60	-3		253	0	0	-16	58	3
Chile		4885	0.0	2	3	37	17		126	0	-6	-16	-14	-18
Colombia		1317	0.0	-1	-3	24	-8		207	0	-4	-15	44	2
Mexico		47246	0.0	1	5	40	7		348	0	-9	-34	55	-12
Peru		21372	0.0	1	-7	55	3		133	0	-4	-3	22	1
Hungary		44243	0.0	0	0	36	5		65	0	-6	-15	-42	-31
Poland		58513	0.0	4	0	42	3		-22	0	-4	-11	-54	-21
Romania		11305	-0.3	3	11	50	15		191	2	0	-12	-214	-12
Russia		3551	0.7	2	4	39	8		159	0	-5	-3	19	-7
South Africa		67236	0.0	4	-2	49	13		357	0	-4	-35	25	-23
Turkey		1430	0.3	3	-6	60	-3		421	0	-5	-47	34	-24
Ukraine		517	0.0	0	-1	1	4		479	0	12	-21	127	-12
EM total		54	0.0	4	-1	59	4		421	0	17	-10	97	128

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

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