







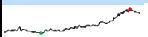






- US administration's corporate tax proposal may start affecting earnings forecasts ([link](#))
- Italian sovereign spreads edge higher following reports of EU spending deal ([link](#))
- German IFO business expectations disappoint ([link](#))
- China Huarong Asset Management delays earnings results past end-April deadline ([link](#))
- Chilean government advances bill allowing third round of pension withdrawals ([link](#))
- **Special Feature: Update On Emerging Market Asset Purchase Programs** ([attached](#))

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Markets range-bound ahead of key catalysts this week

Global markets are trading in tight ranges to open the week as investors are looking towards a heavy week of corporate earnings and key central bank meetings for confirmation of a strengthening economic recovery. US stocks closed higher on Friday (+1.1%) to end the week flat as investors digested strong economic data and a slew of earnings, many of which pointed to a recovery taking hold, and volatility around tax proposals from the Biden administration. US Treasury yields also ended last week little changed but are opening this week higher with 10-year yields approaching 1.60%, while the US dollar extended its pullback and weakened against most G-10 peers amid signs of economic revival emerging outside the US. This morning, equities closed mostly higher in the Asia Pacific region and European bourses are range-bound with the euro trading back near \$1.21. EM FX has benefitted from the US dollar weakness but also continues to be driven by idiosyncratic factors as coronavirus developments remain in the forefront across many EMs. Key central bank meetings this week include the FOMC and BoJ with expectations for no change in stance as both central banks remain cautious towards adjusting any policy parameters.

Key Global Financial Indicators

Last updated: 4/26/21 8:04 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4180	1.1	0	5	47	11
Eurostoxx 50		4015	0.0	0	4	43	13
Nikkei 225		29126	0.4	-2	0	47	6
MSCI EM		55	1.4	1	3	54	6
Yields and Spreads			bps				
US 10y Yield		1.59	3.2	-2	-9	99	68
Germany 10y Yield		-0.24	1.6	-1	11	23	33
EMBIG Sovereign Spread		338	-2	1	-14	-297	-12
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		57.0	0.1	0	2	9	-2
Dollar index, (+) = \$ appreciation		90.9	0.0	0	-2	-9	1
Brent Crude Oil (\$/barrel)		65.0	-1.6	-3	1	203	26
VIX Index (% change in pp)		18.0	0.7	1	-1	-18	-5

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

United States

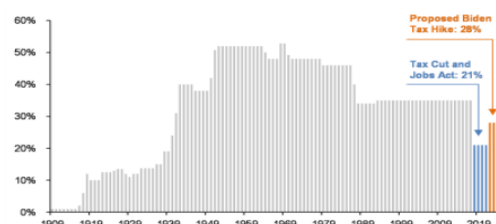
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On Friday, US equity markets regained Thursday's temporary loss from the announced tax hike plans, while the US Dollar lost 0.6% versus major currencies and continued its depreciation trend since the start of Q2. In data releases this morning, US durable goods orders for March came in lower than expected with headline orders up 0.5% (consensus: +2.5%), while orders ex-transportation came in line with expectations, rising 1.6%.

Analysts have begun assessing the impact of US President Biden's proposed tax reforms on equity valuations. The opposition to tax hikes from Republicans and some Democrats leaves many unknowns to such assessment, especially given how drastically the tax proposals differ from the secular trends in recent decades (charts below). Depending on different legislative scenarios, analysts assess that the reforms will reduce earnings-per-share (EPS) in 2022 by 2%-5%, with the positive effect of infrastructure spending partially offsetting the drag on EPS from higher tax rates.

Figure 8: First US Statutory Corporate Tax Rate Hike in Decades

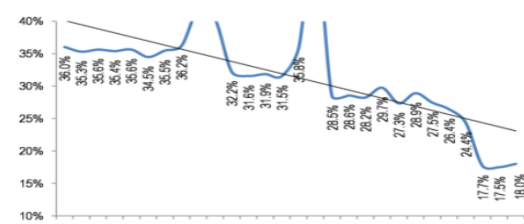
1909-Present



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research, IRS

Figure 15: S&P 500 Effective Tax Rate Has Been Falling for 20+ Yrs

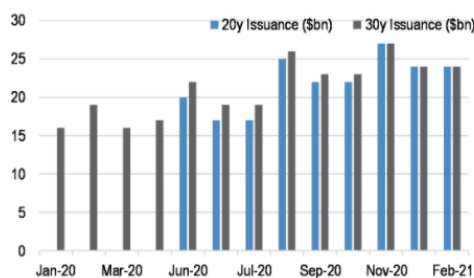
Effective Tax Rate Collapsed after Tax Act



Source: J.P. Morgan US Equity Strategy and Global Quantitative Research

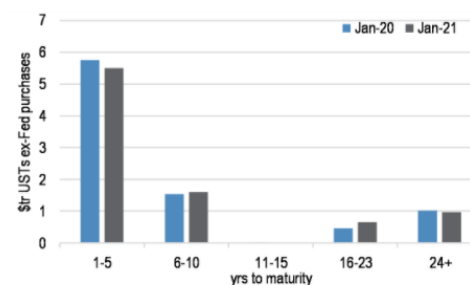
The new 20-year tenor of US Treasury bonds has seen robust demand. In 2020, the market for 20yr UST bonds had its issuance volumes comparable with 30yr benchmark tenor (left chart below) as well as comparable market size (right chart). This new tenor is expected to serve as a benchmark for other fixed income securities, including the new and legacy investment grade corporate bonds with 20 years to maturity, which were previously priced off the 30yr UST benchmark.

Figure 1: UST 20yr issuance has accelerated



Source: J.P. Morgan.

Figure 2: UST 20yr debt outstanding already at 68% of 30yr debt o/s



Source: J.P. Morgan, Bloomberg Finance L.P.

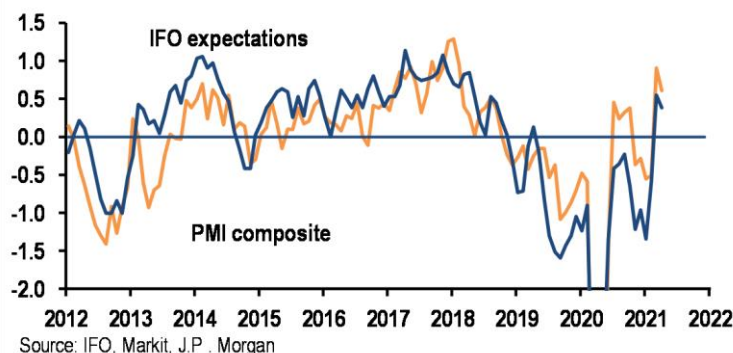
Europe

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European equities and the euro (at \$1.21) were little changed as German IFO expectations data disappointed at 99.5 (101.2 expected) in April. IFO data for manufacturing and wholesale sectors improved, while retail was mixed and there were deteriorations in construction and other services. **Analysts point out that the gap between domestic-oriented and export-oriented sectors in the German IFO data has widened to new post-2008 records.**

Germany IFO expectations and PMI

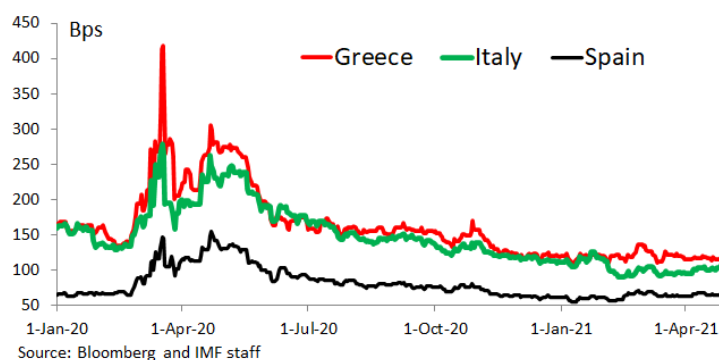
Standard deviations from average since 1999



Bank stocks (+1.8%) traded higher as focus turns to earnings.

German bund yields (+1 bps to -0.25%) are little changed. Contacts expect euro area government bonds to see strong demand this week given large coupon payments and redemptions of bonds in France, Italy, and Spain (which should lead to reinvestments). **Looking forward, analysts warn that euro area bond yields could become more volatile later in the quarter after sources on Friday suggested that the next ECB meeting could lead to “complicated” and potentially “heated” discussions about whether to reduce bond purchases in Q3.**

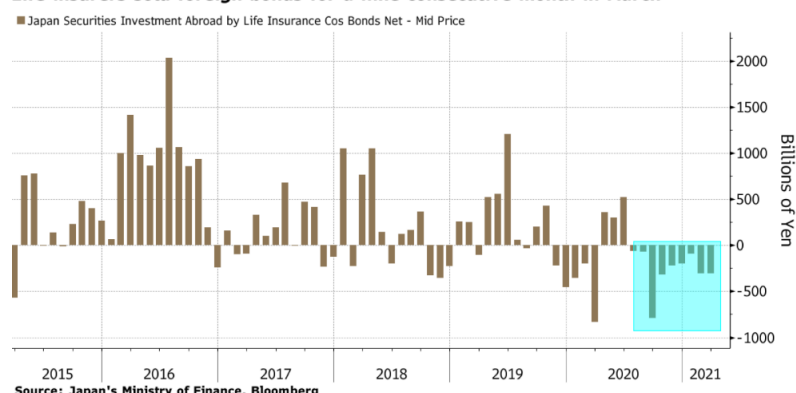
Italian 10-yr spreads (+2 bps to 106 bps) edged higher after reports that the Italian government reached a deal with the EU on an investment and reform package of €222 bn. The agreement reportedly includes EU funds of at least €191.5 bn with priorities on digital and green transformation and faster bureaucracy. PM Draghi is expected to present the plan to the Italian parliament later today. **On Friday, S&P affirmed its rating on Italy at BBB where it upgraded Greece to BB.**

Euro area: 10-year spreads over German bunds (bps)**Other Mature Markets**[back to top](#)**Japan**

Japanese life insurers are worried about another U.S. Treasury rout and greater currency volatility. Reportedly, Japanese life insurers will hold off aggressive purchases of U.S. sovereign bonds. Their investment plans reflected concerns about the recent swings fueled by reflation trades. Their opinions about the U.S. dollar were also divided. Japanese life insurers continued selling foreign bonds for a ninth consecutive month in March. **Japanese equities increased (NIKKEI: +0.4%); Japanese yen appreciated (+0.1%); long-end JGB yield edged up (10-year: +1.1 bps; 30-year: +0.8 bp)**

Dumping Overseas Debt

Life insurers sold foreign bonds for a nine consecutive month in March



Emerging Markets

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Latin American equity markets were mixed last Friday with Brazilian equities up 1.0%, while Colombian stocks saw losses (-1.1%). **Asian equities were mixed, gaining +0.7% on net.** Taiwan (+1.6%), Indian (+1.1%) and Korean (+1.0%) equities led the gain, while share prices declined in China (CSI 300: -1.1%) and Indonesia (-0.9%). Risk appetite in the region was boosted by strong U.S. data (from last week) despite the deteriorating COVID-19 situation in a number of countries (e.g., India and Thailand). **In Thailand**, the government is considering tightening containment measures to curb the COVID-19 outbreak, dampening risk sentiment. **In Philippines**, Bangko Sentral ng Pilipinas Governor Benjamin Diokno said that further cuts in banks' reserve requirement ratio are possible given the inflation outlook. **Equity markets in EMEA opened the week with a positive tone.** Stocks gained the most in Turkey (+1.6%), the Czech Republic (+0.4%), Bulgaria (+0.3%), and Qatar (+0.3%). The weakest performances were in Egypt (-0.7%) and UAE (-0.2%), while equities in Saudi Arabia and Russia traded sideways, even as oil prices dropped over 1% to \$65/barrel for Brent and \$61/barrel for WTI. Currencies were mixed within a tight $\pm 0.1\%$ corridor, except for gains in the Turkish lira (+0.9%) and the South African rand (+0.3%).

Key Emerging Market Financial Indicators

Last updated: 4/26/21 8:10 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		54.63	-0.4	1	3	54	6
MSCI Frontier Equities		30.96	0.7	1	5	42	9
EMBIG Sovereign Spread (in bps)		338	-2	1	-14	-297	-12
EM FX vs. USD		57.03	0.2	0	2	9	-2
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.49	0.2	0	1	9	1
Indonesian Rupiah		14485	0.3	0	0	6	-3
Indian Rupee		74.73	0.4	0	-3	2	-2
Argentina Peso		93.12	-0.1	0	-2	-29	-10
Brazil Real		5.45	0.5	2	6	4	-5
Mexican Peso		19.85	-0.1	0	4	24	0
Russian Ruble		74.95	0.0	2	1	-1	-1
South African Rand		14.27	0.0	0	5	32	3
Turkish Lira		8.30	1.1	-2	-2	-16	-10
EM FX volatility		9.89	0.3	0.0	-1.2	-2.3	-0.9

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

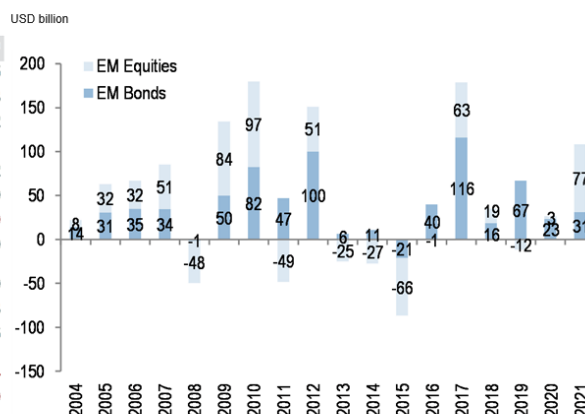
EM Fund Flows

Both EM bond funds and equity funds saw inflows at a slower pace last week, coming in at +\$462 mn and +\$1.2 bn, respectively. Within EM bond funds, inflows to hard currency bond funds slowed to +\$160 mn (from +\$1.1 bn the week before), while inflows to local currency bond funds increased to +\$302 mn (from +\$220 mn). From a regional perspective, inflows to Asia ex-Japan equity funds decreased to +\$210 mn (from +\$1.7 bn). Latin America equity funds saw inflows (+\$101 mn), offset by outflows from EMEA equity funds (-\$69 mn). Year-to-date flows to EM bonds and equities were +\$31.3 bn and +\$77.2 bn, respectively.

Exhibit 1: Weekly Cross-Asset Flows

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		1.6	108.5
EM Bonds		0.5	31.3
Hard Ccy		0.2	15.2
Local Ccy		0.3	16.1
EM Equities		1.2	77.2
US HG		3.4	100.9
US HY		-1.6	-5.9
Global Equities		6.8	191.0
EM Bond and Equity ETFs		1.4	39.0
EM Bond ETFs		0.8	5.3
EM Equity ETFs		0.6	33.6
Non-resident EM flows*		-1.7	-29.4
EM Local Bonds		-0.5	-9.9
EM Equities		-1.2	-19.5

Exhibit 2: Annual EM bond and equity fund flows



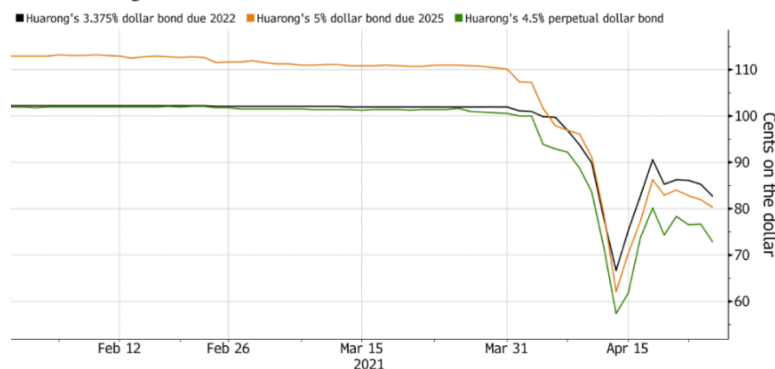
*Using high frequency non-resident EM portfolio flow data where available. Source – All charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

China

China Huarong Assessment Management's saga continued. On Sunday, the company announced that it would not publish its 2020 earnings by end-April—the deadline required by Hong Kong's stock exchange—without provide any indication of when results would become available. Reaction in the offshore bond market was negative. **The State Administration for Market Regulation will investigate alleged monopolistic practices by Meituan**, a food delivery giant. The investigation signals that the regulatory crackdown on large tech firms is moving beyond Alibaba and Ant. Meituan's share price dropped (-0.5%). **Equities declined (CSI 300: -1.1%)**, with market participants waiting to see signals on liquidity policies from top policymakers' meeting this week; **RMB appreciated (+0.2%)**.

Under Pressure

China Huarong's dollar bonds resume selloff



Source: Bloomberg

Chile

The Lower House approved the third pension withdrawal in the final vote last Friday, allowing workers to withdraw as much as 10% from their pension funds to fight the pandemic. While the legislation is ready

to be signed into law, Chile's president submitted a legal challenge of the bill to the Constitutional Court last Tuesday. The government argued that the withdrawal could negatively affect the stability of both local capital markets and the pension system. The Court is expected to decide on the admissibility of the request sometime next week. The Chilean equity market was little changed last Friday, while the peso depreciated 0.8% against the dollar.




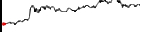




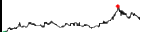

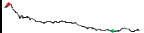



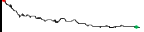
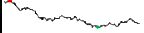





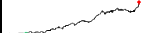



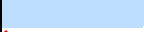



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Global Financial Indicators

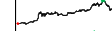







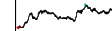
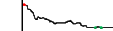


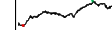


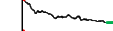
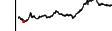

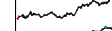

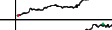

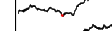


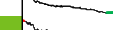











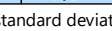
Last updated: 4/26/21 8:08 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4179	1.1	0	5	47	11
Europe		4015	0.0	0	4	43	13
Japan		29126	0.4	-2	0	47	6
China		3441	-0.9	-1	1	22	-1
Asia Ex Japan		95	1.5	1	2	51	6
Emerging Markets		55	1.4	1	3	54	6
Interest Rates			basis points				
US 10y Yield		1.59	3.2	-2	-9	99	68
Germany 10y Yield		-0.24	1.6	-1	11	23	33
Japan 10y Yield		0.08	1.1	-1	0	10	6
UK 10y Yield		0.77	2.4	1	1	48	57
Credit Spreads			basis points				
US Investment Grade		93	-1.4	-1	-6	-102	-2
US High Yield		333	-2.5	-1	-17	-438	-46
Europe IG		50	0.1	1	-3	-30	3
Europe HY		250	1.0	2	-13	-243	7
EMBIG Sovereign Spread		338	-1.7	1	-14	-297	-12
Exchange Rates			%				
USD/Majors		90.89	0.0	0	-2	-9	1
EUR/USD		1.21	-0.1	0	2	12	-1
USD/JPY		108.0	0.1	0	-1	1	5
EM/USD		57.0	0.1	0	2	9	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		65	-1.6	-3	1	203	26
Industrials Metals (index)		153	1.3	3	5	61	15
Agriculture (index)		57	1.1	8	13	66	20
Implied Volatility			%				
VIX Index (%, change in pp)		18.0	0.7	0.7	-0.9	-17.9	-4.8
US 10y Swaption Volatility		75.0	0.4	-2.6	-2.1	6.0	14.9
Global FX Volatility		7.2	0.0	-0.1	-0.7	-2.6	-0.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		117	0.5	2	-4	-164	-3
Italy		106	1.8	3	9	-126	-6
Portugal		66	0.7	2	14	-89	6
Spain		66	0.7	1	3	-76	5

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: 4/26/2021 8:10 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		6.49	0.2	0.4	1	9	1		3.2	0.4	-2	-9	84	-4
Indonesia		14485	0.3	0.4	0	6	-3		6.5	2.1	-5	-24	-128	45
India		75	0.4	0.2	-3	2	-2		6.4	-0.1	-4	-6	15	41
Philippines		48	0.0	-0.1	0	5	-1		4.1	-16.2	5	29	-80	44
Thailand		31	-0.1	-0.7	-1	3	-5		1.8	-0.2	-6	-9	41	53
Malaysia		4.10	0.3	0.6	1	6	-2		3.2	1.0	0	-8	33	66
Argentina		93	-0.1	-0.3	-2	-29	-10		46.5	-18.6	27	110	-326	-960
Brazil		5.45	0.5	1.8	6	4	-5		7.8	-2.4	-22	-19	211	226
Chile		712	-0.8	-1.1	2	21	0		3.5	0.0	11	22	63	74
Colombia		3640	-0.1	-0.8	-2	11	-6		6.2	-0.6	6	-5	-19	115
Mexico		19.85	-0.1	-0.2	4	24	0		6.7	-5.5	16	4	-8	107
Peru		3.8	-0.8	-4.1	-2	-11	-5		5.2	0.2	43	66	59	157
Uruguay		44	0.1	0.5	0	-2	-4		7.4	0.5	3	2	-481	15
Hungary		301	-0.1	-0.2	2	9	-1		2.0	-0.4	0	-3	15	43
Poland		3.77	-0.1	0.3	4	11	-1		0.9	-1.4	5	3	-10	27
Romania		4.1	-0.2	0.4	2	10	-2		2.6	-1.0	-8	-3	-161	-13
Russia		75.0	0.0	1.9	1	-1	-1		6.7	0.4	0	-24	78	98
South Africa		14.3	0.0	-0.3	5	32	3		10.0	8.1	16	-20	-117	35
Turkey		8.30	1.1	-2.5	-2	-16	-10		17.8	0.0	38	-109	669	472
US (DXY; 5y UST)		91	0.0	-0.2	-2	-9	1		0.84	2.0	1	-3	46	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		5077	-1.1	0	1	33	-3		199	0	-2	-9	30	-9		
Indonesia		5965	-0.9	-1	-4	32	0		158	0	-9	-25	-5	-29		
India		48387	1.1	-1	-1	52	1		168	-1	5	17	-158	17		
Philippines		6389	0.2	-1	-2	17	-11		83	0	-9	-17	13	-22		
Malaysia		1623	0.9	1	1	18	0		113	0	-2	-3	9	3		
Argentina		47374	0.5	-1	2	62	-8		1459	0	19	8	-570	91		
Brazil		120530	1.0	0	5	60	1		253	0	0	-16	58	3		
Chile		4839	-0.1	-3	0	32	16		126	0	-6	-16	-14	-18		
Colombia		1282	-1.1	-2	-2	14	-11		207	0	-4	-15	44	2		
Mexico		49091	0.0	1	4	42	11		348	0	-9	-34	55	-12		
Peru		19043	-0.1	-10	-11	34	-9		133	0	-4	-3	22	1		
Hungary		43097	0.8	2	-2	31	2		65	0	-6	-15	-42	-31		
Poland		59392	0.1	-1	3	32	4		-22	0	-4	-11	-54	-21		
Romania		11252	0.3	1	3	42	15		186	-2	-8	-8	-173	-17		
Russia		3602	0.1	1	3	41	10		159	0	-5	-3	19	-7		
South Africa		67436	0.2	-1	1	36	14		357	0	-4	-35	25	-23		
Turkey		1364	1.4	-3	-1	39	-8		421	0	-5	-47	34	-24		
Ukraine		527	0.0	0	2	5	6		479	0	12	-21	127	-12		
EM total		55	-0.4	1	3	54	6		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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