



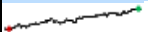

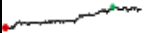

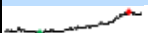


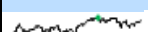



- Fed reiterates dovish stance ([link](#))
- German 10-year bund yield rises towards key level ([link](#))
- Bank of Canada governor reassures on inflation worries ([link](#))
- Moody's downgrades Chinese asset management company Huarong ([link](#))
- Chilean stocks plunge on concerns about withdrawals from pension funds ([link](#))

[US](#) | [Europe](#) | [Other Mature](#) | [Emerging Markets](#) | [Market Tables](#)

## Global markets rally on strong US prospects

**US equity futures point to another day of potential new records for a variety of indexes, while many bourses in Europe, Asia and Eastern Europe were also higher.** The Fed made it very clear that it remains very dovish, US technology giants reported very strong earnings that blew past all forecasts, and President Biden's speech to Congress proposed a wide variety of new fiscal measures that will provide a major boost to the economy even if a few of them get through the legislature. The US economy is viewed as the main driver of the widely anticipated strong rebound in the global economy. Commodity prices were up sharply in keeping with this theme, as were Treasury yields. However, the pandemic continues to fester in the background as India struggles with a devastating second wave and Japan faces its own challenges with the virus. Meanwhile, Apple was the latest company to warn about the impact of a global shortage of computer chips, which is proving to be a drag on many companies in a wide range of industries around the world.

Key Global Financial Indicators

Last updated: 4/29/21 8:01 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4183	-0.1	0	5	42	11
Eurostoxx 50		4016	0.0	0	3	34	13
Nikkei 225		29054	0.2	2	-1	47	6
MSCI EM		55	0.7	2	4	47	7
<b>Yields and Spreads</b>			bps				
US 10y Yield		1.66	5.0	12	-5	103	75
Germany 10y Yield		-0.21	2.0	4	11	28	36
EMBIG Sovereign Spread		342	3	2	-11	-299	-8
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		57.5	0.1	1	3	7	-1
Dollar index, (+) = \$ appreciation		90.6	0.0	-1	-3	-9	1
Brent Crude Oil (\$/barrel)		68.3	1.5	4	5	203	32
VIX Index (% change in pp)		17.0	-0.3	-2	-4	-14	-6

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

## United States

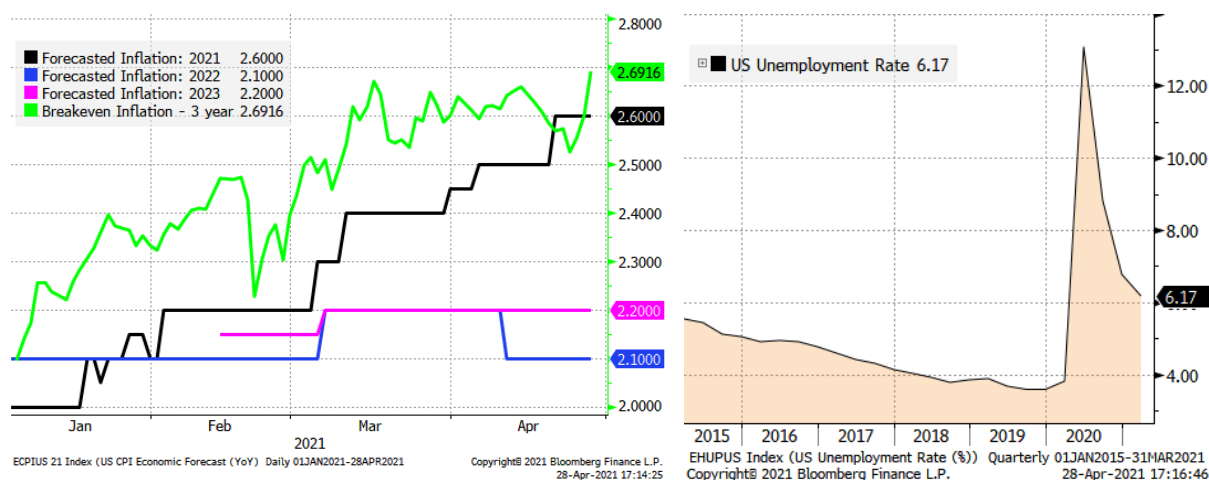
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**This morning's data were not far from estimates but a touch weaker than expected.** Jobless continuing claims rose from last week's post-pandemic low, but personal consumption was stronger than expected. The market response was limited, with equity futures, Treasuries and the dollar hovering around their pre-data levels.

**Key US Economic Data 8.30 am**  
Source: Bloomberg

Data	Consensus Forecast	Actual Data
<b>Q1 GDP Annualized</b>	<b>6.6%</b>	<b>6.4%</b>
<b>Personal Consumption</b>	<b>10.5%</b>	<b>10.7%</b>
<b>Initial jobless claims</b>	<b>540K</b>	<b>553K</b>
<b>Continuing claims</b>	<b>3590K</b>	<b>3660</b>

**The Fed indicated that it needs to see “substantial further progress” in employment and inflation before it will consider tapering its bond purchases.** Fed Chair Powell repeated his statements from earlier FOMC meetings that it is too early to discuss tapering and that the Fed would let the public know well in advance of any such action. He noted that “We don't have to get all the way to our goals to taper asset purchases. We just need to make substantial further progress.” However, in his assessment, the ongoing vaccination campaign, reopening of the economy, and a strong job report in March do not “constitute substantial further progress. It's not close to substantial further progress.” For reference, both consensus forecasts and market-based inflation measures already predict a multi-year overshooting of the 2% inflation target (left chart below), while the unemployment rate is still above pre-COVID levels and is expected to decline as vaccinations continue. Chair Powell emphasized that “We're going to act on actual data, not on forecasts.”



## Europe

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**10-yr bund yields (+3 bps to -0.21%) approach the widely watched technical level of -0.20% after euro area confidence data showed a sharp improvement in April** as the rate of vaccinations has risen in several countries. The share of the population having received a first shot stands at 62% in Israel, 50% in the UK, 43% in the US, 24% in Germany, 24% in Spain, 22% in Italy, and 21% in France.

### Core rates: 10-yr German and U.S. yields

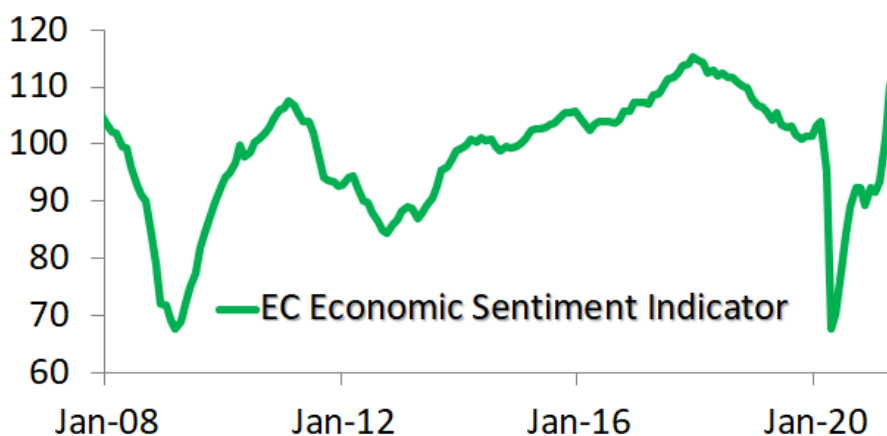


Source: Bloomberg and IMF staff

**The euro was little changed at \$1.21 per euro after ECB President Lagarde said yesterday that the ECB is very carefully watching currency moves for its impact on inflation.** The euro has gained 3% against the U.S. dollar in April.

**The European Commission's economic sentiment indicator unexpectedly surged to 110.3 points in April (102 expected, from 101 in March).** All major countries saw higher sentiment figures, with Spain gaining 9.1 points, France 8.5, Germany 5.7, and Italy 5.3.

### Euro area: Economic Sentiment



Source: Bloomberg and IMF staff

**Spanish 10-yr spreads were little changed at 66 bps after Spanish headline inflation was higher than expected at 2.2% yoy (1.9% expected).** Spanish core inflation was just 0.3% yoy in March and analysts expect headline inflation to fall again later in 2021 when sharp yoy increases in energy prices will have been digested. **Spanish unemployment unexpectedly fell to 16%** (at 15.98% compared to 16.50% expected).

**Italian 10-yr spreads were little changed at 110 bps** as contacts expect bonds to trade well in coming days as large coupons and redemptions can be re-invested as of today.

**Euro area bank shares (+1.3%) gained as analysts point out that bank earnings have consistently been above market estimates** so far in this earnings season.

## Other Mature Markets

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**Japanese markets were closed for a holiday.**

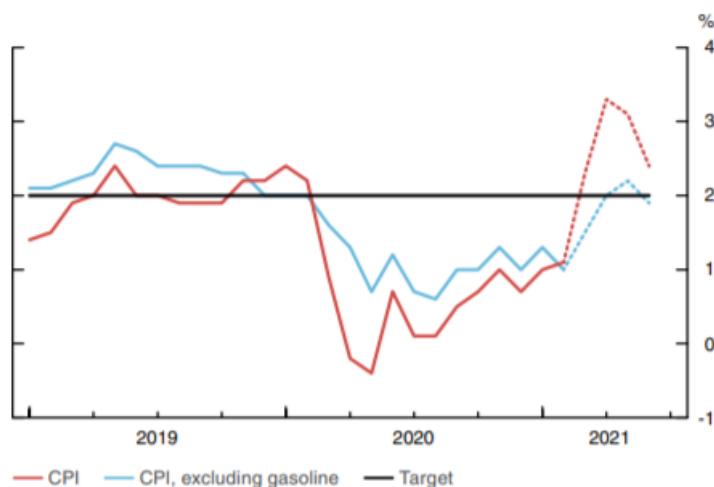
## Canada

**Bank of Canada Governor Tiff Macklem reiterated his commitment to the 2% inflation target during his parliamentary testimony, despite rising inflation that is expected exceed 3% in the near future.**

To alleviate concerns that inflation may become unanchored, the Governor emphasized the Bank's focus on both upside and downside risks to the inflation outlook and referred to its previous track record in the successful controlling of inflation. Last week, the bank began tapering its bond purchases, becoming the first major central bank to dial back its stimulative policies.

**Chart 9: Gasoline prices are expected to boost CPI inflation**

Year-over-year percentage change, monthly data



Sources: Statistics Canada and Bank of Canada calculations and estimates

Last data plotted: June 2021

## Emerging Markets

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**Most bourses in Asia and Eastern Europe posted decisive gains today, while those in Africa and the Middle East lost ground.** Latin America was mixed. Turkey's new central bank governor, Mr. Kavcioglu, presented the CBT's higher inflation forecasts for 2021 and noted that monetary policy will remain tight. According to the new forecasts, CPI inflation will be around 12.2% by end-2021, compared to 9.4% previously. **In Thailand**, the finance ministry lowered its growth forecast for this year to 2.3% (from 2.8%) following the latest COVID-19 outbreak. **In Hong Kong SAR**, a tax concession bill was passed to bolster its competitiveness as an investment management hub. The bill granted tax concessions to private equity and venture capital funds.

Key Emerging Market Financial Indicators

Last updated: 4/29/21 8:03 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
<b>Major EM Benchmarks</b>			%				%
MSCI EM Equities		55.08	0.5	2	4	47	7
MSCI Frontier Equities		31.00	0.2	0	5	34	9
EMBIG Sovereign Spread (in bps)		342	3	2	-11	-299	-8
EM FX vs. USD		57.45	0.0	1	3	7	-1
<b>Major EM FX vs. USD</b>			%, (+) = EM currency appreciation				
China Renminbi		6.47	0.2	0	2	9	1
Indonesian Rupiah		14450	0.3	0	0	6	-3
Indian Rupee		74.04	0.4	1	-2	2	-1
Argentine Peso		93.43	-0.1	0	-2	-29	-10
Brazil Real		5.36	-0.4	2	8	-1	-3
Mexican Peso		19.96	-0.3	0	3	19	0
Russian Ruble		74.26	0.2	2	2	-2	0
South African Rand		14.24	0.0	0	5	28	3
Turkish Lira		8.21	-0.1	1	0	-15	-9
EM FX volatility		9.63	0.0	-0.3	-1.5	-1.7	-1.1

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

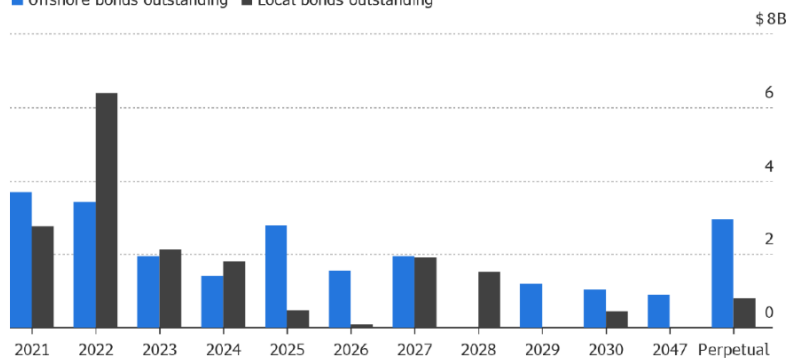
## China

**Moody's downgraded China Huarong Asset Management to Baa1 from A3.** Moody's also noted that Huarong International, the offshore investment and financing unit, is facing elevated refinancing risk due to its heavy reliance on offshore bond issuance to support its illiquid assets portfolio. The firm's dollar bonds further declined. **Tencent reportedly may face a fine of at least 10 bn yuan (\$1.55 bn) for its anti-competitive practices.** The amount of possible penalty would be less than the \$2.8 bn levied upon Alibaba earlier. Beijing has increasingly concerned about the growing influence of tech titans over every aspect of Chinese people. **Equities increased (CSI 300: +0.9%); RMB appreciated (+0.2%).**

### Coming Due

Huarong and its subsidiaries face \$6.5 billion of maturing bonds this year

■ Offshore bonds outstanding ■ Local bonds outstanding



Source: Bloomberg  
Note: Data as of April 28

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## Chile

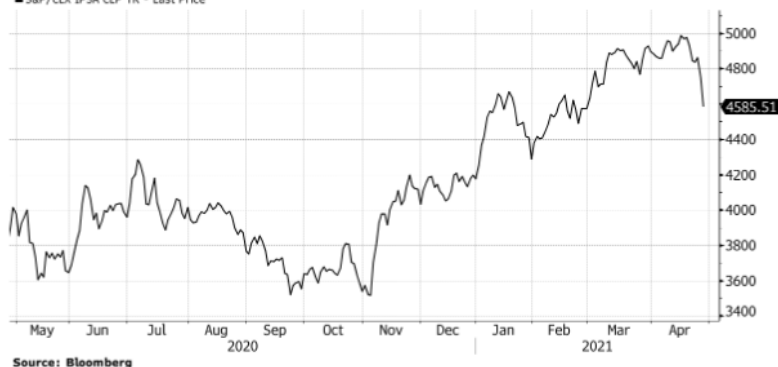
**Chile's equity market plunged on Wednesday as pension funds prepared to sell assets to meet the demand of the third pension withdrawal.** On Tuesday, the Constitutional Court rejected President Pinera's request to halt the bill that allows people to withdraw from their pension savings for the third time since the pandemic. People have taken about \$38 bn from their pension accounts in the previous two rounds of withdrawals, and JP Morgan's analysts predict another \$20 bn from the latest withdrawal. The major concern is that this bill may encourage lawmakers to propose another pension withdrawal, which

they've already started to discuss, according to press reports. The benchmark equity index fell 3.4% yesterday, the largest intraday drop since July 2020.

### Sell Chile

#### S&P IPSA benchmark dives after court ruling

■ S&P/CLX IPSA CLP TR - Last Price

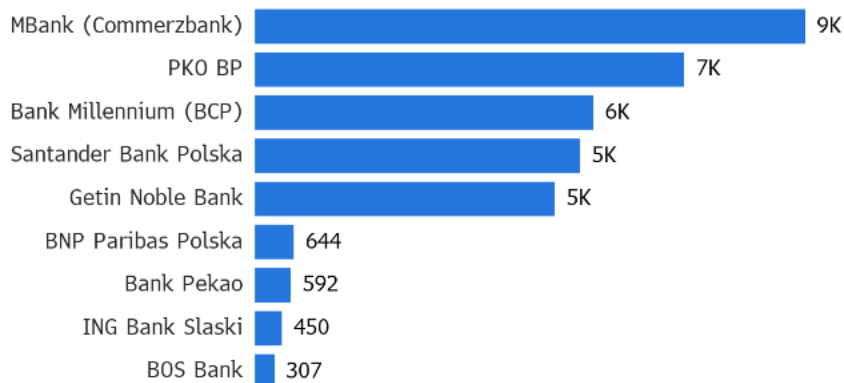


### Poland

The European Court of Justice is expected to issue a pronouncement today on whether Polish banks can counter-sue for lost interest (and other damages) after Polish courts annulled a swath of FX-linked mortgages, many linked to the Swiss franc. The Polish courts had suspended such mortgages years ago arguing that they contained problematic clauses that hurt consumers. Now banks are facing a new wave of legal challenges from holders of FX-denominated loans. The ECJ ruling is expected later today. **Stocks of Polish banks are 2.4% higher today on hopes of a positive outcome for local lenders.**

Polish banks saw another wave of court cases concerning FX-loans in 1Q

■ Total number of clients' lawsuits filed in courts



Source: Banks' reports

MBank, PKO, Santander data as of end-1Q, rest for end-2020

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## Global Financial Indicators

Last updated: 4/29/21 8:02 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4203	-0.1	2	6	43	12
Europe		4016	0.0	0	3	34	13
Japan		29054	0.2	2	-1	47	6
China		3475	0.5	0	1	21	0
Asia Ex Japan		95	0.5	2	3	46	6
Emerging Markets		55	0.7	2	4	47	7
Interest Rates			basis points				
US 10y Yield		1.66	5.0	12	-5	103	75
Germany 10y Yield		-0.21	2.0	4	11	28	36
Japan 10y Yield		0.10	0.0	3	2	14	8
UK 10y Yield		0.83	3.6	9	5	55	64
Credit Spreads			basis points				
US Investment Grade		92	-0.5	-3	-4	-106	-3
US High Yield		331	1.1	-9	-19	-442	-48
Europe IG		50	-0.7	-1	-4	-28	2
Europe HY		247	-3.7	-4	-16	-233	6
Exchange Rates			%				
USD/Majors		90.58	0.0	-1	-3	-9	1
EUR/USD		1.21	0.0	1	3	12	-1
USD/JPY		109.0	0.3	1	-1	2	6
EM/USD		57.5	0.1	1	3	7	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		68	1.5	4	5	203	32
Industrials Metals (index)		157	1.0	5	8	63	18
Agriculture (index)		58	0.5	3	15	69	21
Implied Volatility			%				
VIX Index (% change in pp)		17.0	-0.3	-1.8	-3.8	-14.3	-5.8
US 10y Swaption Volatility		75.8	0.2	1.1	-3.4	9.4	15.7
Global FX Volatility		7.1	0.0	-0.2	-0.8	-1.9	-0.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		117	-1.5	2	-2	-151	-3
Italy		110	-0.4	9	14	-115	-1
Portugal		67	-0.6	1	15	-73	7
Spain		66	-0.5	1	3	-63	4

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: 4/29/2021 8:04 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
	vs. USD		(+)= EM appreciation					% p.a.						
China		6.47	0.2	0.3	2	9	1		3.3	-0.8	3	-5	89	-1
Indonesia		14450	0.3	0.5	0	6	-3		6.6	4.3	6	-14	-141	49
India		74	0.4	1.2	-2	2	-1		6.3	0.4	-5	-5	5	38
Philippines		48	0.3	0.2	0	5	-1		4.2	5.7	7	34	-73	52
Thailand		31	0.5	0.6	0	4	-4		1.9	1.2	-2	-7	46	56
Malaysia		4.10	-0.2	0.4	1	6	-2		3.3	2.8	5	1	42	71
Argentina		93	-0.1	-0.4	-2	-29	-10		46.9	5.2	32	105	317	-926
Brazil		5.36	-0.4	1.5	8	-1	-3		7.8	-2.8	-23	-29	174	227
Chile		698	0.7	-0.1	5	21	2		3.8	9.6	31	27	100	102
Colombia		3698	0.5	-1.9	0	9	-7		6.5	6.7	29	10	3	142
Mexico		19.96	-0.3	-0.2	3	19	0		6.7	4.0	8	8	-9	115
Peru		3.8	1.8	-1.6	-1	-10	-4		5.2	-13.3	22	59	45	161
Uruguay		44	0.2	0.5	1	-2	-4		7.4	2.5	2	9	-467	15
Hungary		297	0.4	1.9	4	10	0		2.0	1.2	-1	-4	30	44
Poland		3.77	0.2	0.8	5	11	-1		0.9	1.2	-3	5	-16	26
Romania		4.1	0.1	1.0	3	10	-2		2.6	1.0	0	-1	-155	-12
Russia		74.3	0.2	1.5	2	-2	0		6.7	1.8	-3	-1	89	101
South Africa		14.2	0.0	0.5	5	28	3		10.0	5.9	16	-28	-109	38
Turkey		8.21	-0.1	1.4	0	-15	-9		17.8	1.3	13	-60	698	470
US (DXY; 5y UST)		91	0.0	-0.8	-3	-9	1		0.89	3.5	10	0	52	53

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
								basis points						
China		5164	0.9	1	2	32	-1		199	0	-2	-9	30	-9
Indonesia		6013	0.6	0	0	27	1		158	0	-9	-25	-5	-29
India		49766	0.1	4	1	48	4		160	-7	-9	12	-173	9
Philippines		6488	0.3	1	1	14	-9		83	0	-9	-17	13	-22
Malaysia		1609	0.0	1	0	17	-1		113	0	-2	-3	9	3
Argentina		50044	0.0	5	6	51	-2		1459	0	19	8	-570	91
Brazil		121053	0.0	1	5	46	2		253	0	0	-16	58	3
Chile		4586	0.0	-5	-7	14	10		126	0	-6	-16	-14	-18
Colombia		1286	0.0	-1	-3	12	-11		207	0	-4	-15	44	2
Mexico		48488	0.0	-1	2	32	10		348	0	-9	-34	55	-12
Peru		19022	0.0	-3	-11	27	-9		133	0	-4	-3	22	1
Hungary		43891	0.8	2	-2	26	4		65	0	-6	-15	-42	-31
Poland		61379	1.5	3	5	33	8		-22	0	-4	-11	-54	-21
Romania		11462	0.6	3	4	39	17		186	5	-2	-7	-181	-17
Russia		3575	-0.1	-1	1	34	9		159	0	-5	-3	19	-7
South Africa		68009	0.4	1	1	34	14		357	0	-4	-35	25	-23
Turkey		1403	1.2	5	1	38	-5		421	0	-5	-47	34	-24
Ukraine		527	0.0	0	2	5	6		479	0	12	-21	127	-12
EM total		55	0.5	2	4	47	7		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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