





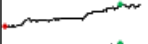

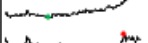

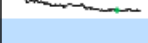
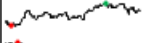


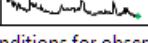
- US Treasury curve steepened led down by the 5-year sector ([link](#))
- European Commission expects sufficient vaccine supply by the end of June ([link](#))
- M&A activity approaches 2007 high ([link](#))
- India's central bank embarks on \$14 bn bond purchase program ([link](#))
- **SPECIAL FEATURE: G-SIB Monitor (Attachment)**

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

Markets in holding pattern ahead of Fed minutes

Moves in major markets this morning are generally moderate with no clear direction. European equity markets are slightly down, while the Nikkei ended its trading session in positive territory. Likewise, sovereign bond yields are little changed with most 10-yr yields in advanced economies no more than 1 bp from where they closed yesterday. Investors will look at today's release of the most recent Fed minutes for any further insights into the path of Fed policy and member views around the risk of inflation. After Friday's strong job report sent market pricing for the 2-year ahead policy rate sharply higher, markets have since returned to pre-NFP levels. Emerging market currencies are mixed so far today, with the Indian rupee lagging after the RBI's announcement of a QE program.

Key Global Financial Indicators

Last updated: 4/7/21 8:17 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		4074	-0.1	3	6	53	8
Eurostoxx 50		3957	-0.3	2	8	38	11
Nikkei 225		29731	0.1	2	3	54	8
MSCI EM		54	0.6	3	1	55	5
Yields and Spreads			bps				
US 10y Yield		1.66	0.4	-8	9	95	75
Germany 10y Yield		-0.33	-1.0	-3	-2	-2	24
EMBIG Sovereign Spread		352	2	-6	-9	-287	1
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		56.3	-0.3	1	0	6	-3
Dollar index, (+) = \$ appreciation		92.3	0.0	-1	0	-8	3
Brent Crude Oil (\$/barrel)		63.4	1.0	-1	-9	99	22
VIX Index (% change in pp)		17.9	-0.2	-2	-7	-29	-5

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

United States

[back to top](#)

The overnight session was relatively quiet, with market participants focused on the Fed March minutes on Wednesday. To recap, the FOMC left the funds rate target range unchanged at 0–0.25%, at the March meeting, with the median participant projecting a 3.5% unemployment rate and 2.1% core PCE inflation for the end of 2023. Contacts also remained focused on the steepening of the US Treasury curve, with the 5s30s having steepened ~3bps to ~145bps yesterday. Some dealers noted that they saw interest in the belly of the Treasury curve (3-7 year sector) from Asian, primary Japanese accounts. In addition to the Fed minutes this week, contacts are focused on the CPI release next week and the start of the Q1 earnings reporting season. The outlook for earnings appears strong, which should support equities, plus the buyback blackout period ends on April 23.

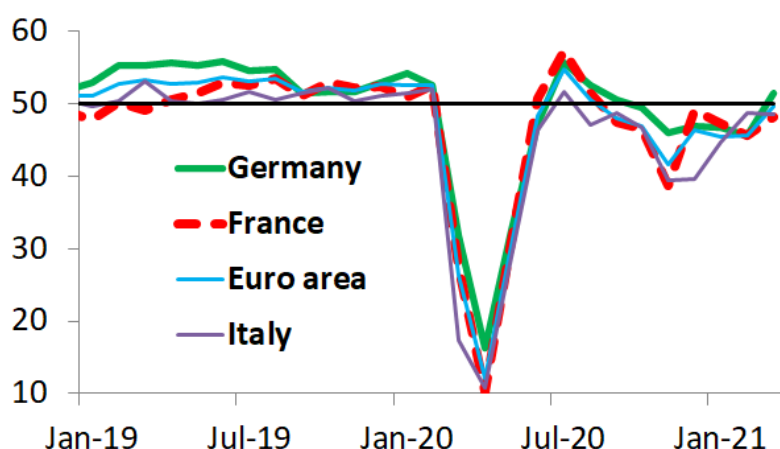
Europe

[back to top](#)

Europe

Euro area equities and the euro (+ 0.1% at \$1.18) are little changed after the final euro area composite PMI was revised 0.7 points higher (reaching 53.2). The services PMI was revised higher but continues to point to a mild contraction (at 49.6) compared to gains in the euro area's manufacturing PMI. Germany's services PMI rose to 51.5 in March compared to 48.6 in Italy, 48.2 in France and 48.1 in Spain. Analysts point out that services in Italy have held up despite 70% of Italy being classified as a "red" zone since 15 March—with schools, bars, restaurants, and non-essential shops all closed.

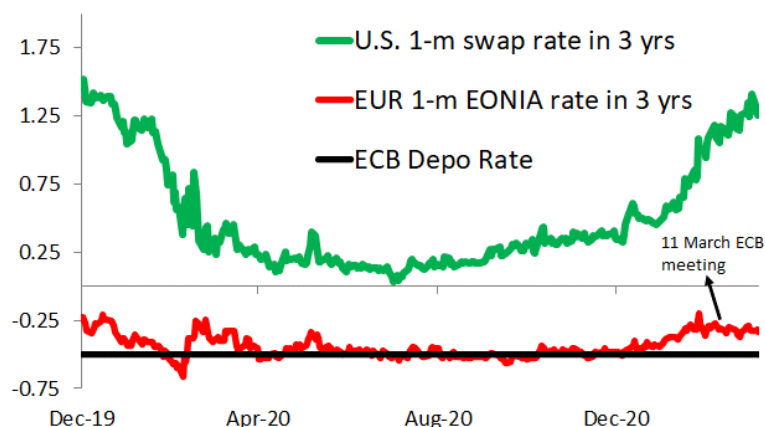
Euro Area: Services PMI (>50 is expansion)



Source: Bloomberg, Markit and IMF staff

German 10-yr rates traded 2 bps lower ahead of the release of monthly and weekly ECB QE data later today. The consensus among contacts is that large redemptions, continued ECB purchases and a slower economic recovery should support euro area bonds in April. Expectations on ECB rate changes are little changed since 11 March, when the ECB announced an expected increase in the pace of its QE purchases. Money markets are pricing in 16 bps of hikes by early 2024. In contrast, 5-yr/5-yr inflation swaps have risen 20 bps (to 1.56%) above the levels of late February.

Euro area: EONIA 1-m money market rate in 3 years (%)

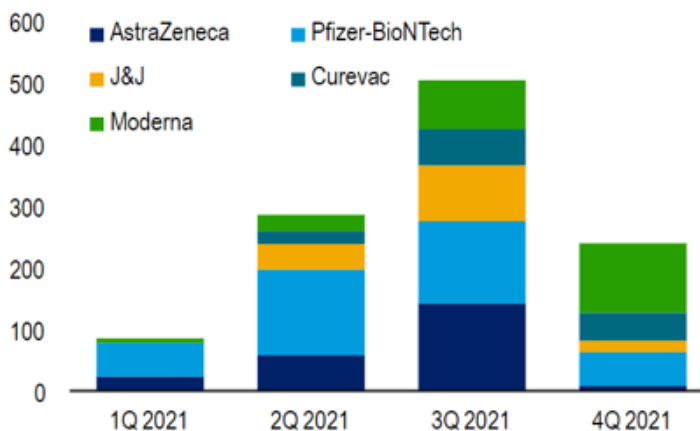


Source: Bloomberg and IMF staff

Italy 10-yr spreads (+1 to 102 bps) are little changed after closing 5 bps higher yesterday. According to contacts, Italy's decision to sell its first new 50-yr bond in five years contributed to the pick-up in spreads. Italy also issued bonds due 2028 and Portugal is selling 10-yr bonds.

Bloomberg reported that the European Commission said that most member states will have sufficient vaccine supplies to immunize most people by the end of June. The forecast assumes about 70 mn of inoculations with AstraZeneca in 2021Q2. AstraZeneca has made up about 25% of distributed vaccines in the EU, but administration has been much lower than supply. **Analysts believe that vaccinations will proceed more slowly.** Bank of America, for example, argues that a sustained pickup in the vaccination pace over the next two quarters allows the large euro area countries to vaccinate around 70% of the total population by the end of the summer.

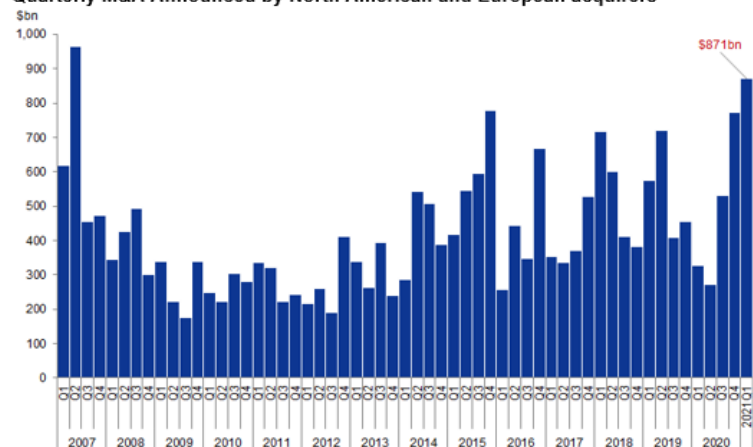
Euro area: Approximate Vaccine Delivery Schedule (mn doses, from BofA)



Source: Ministero della Salute, European Commission, BofA Global Research. Note: we used Italy's published delivery schedule, projected it for the whole EA using population shares and then corrected to account for recent news and official declarations. This schedule is just indicative and it's likely to be subject to changes in the coming weeks.

Quarterly M&A volumes in Europe and North America approached the 2007 highs in 2021Q1. North American and European acquirers announced more than \$870 bn of combined strategic and sponsor acquisition activity in the most active quarter since 2007Q2. Technology and Financials were key contributors at the sector level. **Year-to-date acquisitions involving a special purpose acquisition company (SPACs) have exceeded \$235 bn, already more than 50% above the full-year amount of 2020.**

Quarterly M&A Announced by North American and European acquirers



Note: Deals valued at \$1bn or larger
Source: Goldman Sachs

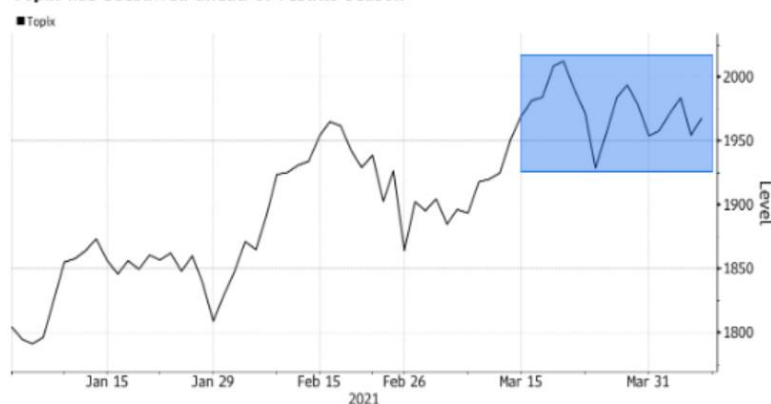
Other Mature Markets

[back to top](#)

Japan

The yen weakened 0.1%, and is the worst performing G10 currency year-to-date, depreciating 6% versus the dollar. Japan's Financial Services Agency and the Bank of Japan plan to survey banks to better understand their situation in terms of high-risk trades, according to Bloomberg citing Nikkei. Fitch stated that other Japanese financial institutions (FIs) could follow Nomura and Mitsubishi UFJ Financial Group, which have separately announced potential losses from transactions with a US client, with similar losses of varying degrees. These FIs "could face not only financial and reputational risks, but also regulatory scrutiny or redress if authorities determine there were material governance deficiencies or risk management weaknesses," it said. **Equities rose +0.7% while 10-year JGB yield fell -1.1bps.**

Topix has seesawed ahead of results season

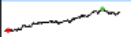

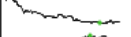








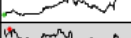
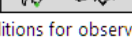



Source: Bloomberg

Emerging Markets [back to top](#)

Asian equities fell 0.3%, dragged by Hong Kong SAR (-0.9%), China (Shanghai -0.1%; Shenzhen -0.4%) and Thailand (-0.9%). Thailand continued to underperform as retail and hotel-related stocks dropped on concerns that potential tougher virus restriction measures would hurt sales. **Regional currencies were mixed.** The Indian rupee (-1.1%) underperformed significantly following the central bank's announcement to formally launch a bond purchase program. The Korean won appreciated 0.3%. The US meanwhile said that it will work with Vietnam on the differences over the latter's currency and timber practices, according to Bloomberg. **EMEA equities are mostly lower** with stocks down in South Africa (-1.1%), Turkey (-0.9%) and Poland (-0.5%). EMEA currency markets are trading mixed with the Czech koruna, the Hungarian forint and the Polish zloty all 0.5% stronger against the dollar while the Russian ruble (-0.5%) and the Turkish lira (-0.3%) depreciated. **Latin American equity markets** were mixed on Tuesday. Argentina outperformed as the equity index rallied 3.6%, while Mexico saw losses (-0.5%). Local currencies were mostly stronger. The Brazilian real appreciated 1.3% against the dollar, followed by the Mexican peso (+0.9%).

Key Emerging Market Financial Indicators

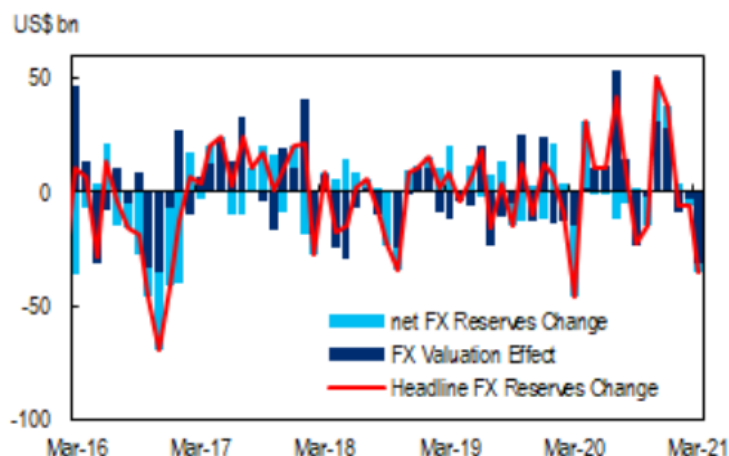
Last updated: 4/7/21 8:18 AM	Level		Change				
	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks			%				%
MSCI EM Equities		54.37	-1.5	3	1	55	5
MSCI Frontier Equities		30.25	0.6	3	3	43	7
EMBIG Sovereign Spread (in bps)		352	2	-6	-9	-287	1
EM FX vs. USD		56.34	-0.3	1	0	6	-3
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.54	-0.1	0	0	8	0
Indonesian Rupiah		14495	0.1	0	-1	12	-3
Indian Rupee		74.56	-1.5	-2	-2	1	-2
Argentine Peso		92.28	-0.1	0	-2	-30	-9
Brazil Real		5.60	-0.2	1	4	-7	-7
Mexican Peso		20.21	-0.2	1	6	20	-1
Russian Ruble		77.73	-0.5	-3	-4	-3	-5
South African Rand		14.55	-0.2	2	7	26	1
Turkish Lira		8.19	-0.5	1	-5	-17	-9
EM FX volatility		10.68	0.0	-0.3	0.3	-1.4	-0.1

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

China

People's Bank of China (PBOC) will cooperate with the European Union to converge green investment taxonomies across the two markets. According to the Financial Times quoting Governor Yi Gang, the adoption and incorporation of a globally recognized green taxonomy would be discussed at the upcoming G20 summit, which is set to be held in Rome in October. During the summit, the PBOC plans to set up a sustainable finance study group, with the US Treasury as a co-chair, to establish co-ordination on building a road map for advancing sustainable finance. Separately, **China's total FX reserves declined by US\$35bn to US\$3170bn in March**, as compared to market expectations of US\$3178bn. Citi estimates the decline was mainly driven by valuation effects, including due to US dollar appreciation. **Equities (Shanghai -0.1%; Shenzhen -0.4%) fell.** Consumer staples underperformed driven by a significant reduction in liquor stocks by a mutual fund, according to Bloomberg. **The RMB was little changed.**

Reserves decline on valuation effect

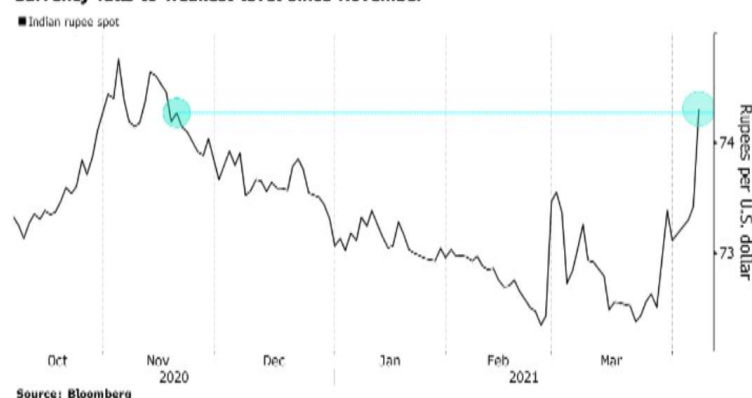


Source: CEIC Data Company Limited, Haver Analytics, Citi Research Estimates

India

The Reserve Bank of India (RBI) announced a quantitative easing (QE) program despite holding its policy rate at 4%, as expected. The central bank pledged that it would buy up to INR1 tn (\$14 bn) of bonds this quarter to 'enable a stable and orderly evolution of the yield curve' and support the economy. Bond purchases in the secondary market will begin from April 15. The governor said in his statement that uncertainty regarding the growth outlook has increased given the recent surge in virus infections as localized and regional lockdowns would dampen the recent improvement in demand conditions. The RBI also added that it will continue with an accommodative stance for as long as necessary to sustain economic growth but also ensuring inflation remains within its target. On inflation, the RBI said that supply side pressures could persist while demand-pull pressures remain moderate. Separately, India's services purchasing managers index remained in expansion in March but fell to 54.6 from 55.3 in February. **The Indian rupee depreciated -1.1%, 10-year bond yield fell -2.4bps, and equities rose +0.9%.**

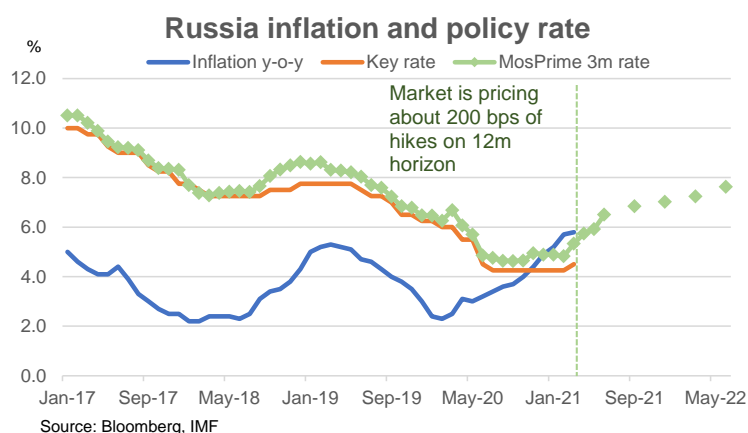
Currency falls to weakest level since November



Russia

Interest rate markets remain under pressure as inflation accelerated to 5.8% yoy in March, the fastest pace since 2016. Market participants also noted stronger than expected increase in core inflation to 5.4% yoy (5.1% consensus) as central bank officials pointed to cost-side pressures from global commodity prices amid a weaker exchange rate. Interest rate swap markets are now pricing about 200 bps of further policy tightening on a 1-year horizon with a **50 bps hike becoming contacts' base case scenario for the upcoming central bank meeting on the 23rd April.** The local bond market continues to see better support

from domestic banks both in primary and secondary markets even as contacts note increased outflows from non-resident investors amid rising geopolitical tension around Ukraine. The Russian ruble (-0.5%) traded at 78 rubles per dollar this morning, the weakest level since November 2020.

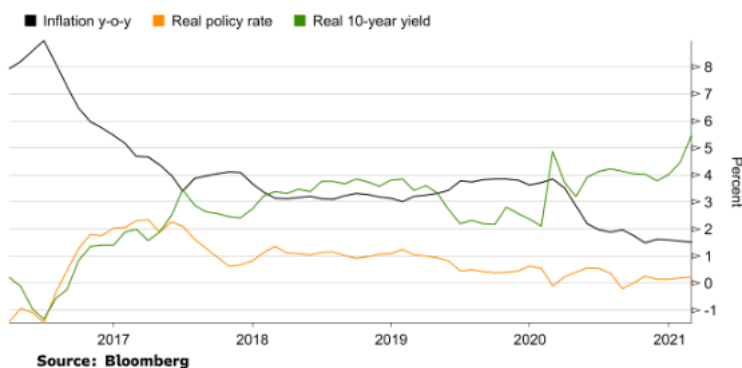


Colombia

Colombia's consumer prices moderated in March (+0.51% m/m), above consensus forecasts at +0.41%. In annual terms, consumer prices were little changed at +1.5% y/y, well below the central bank's 3.0% target. The 10-year real yield rose for the 3rd consecutive month this year to around 5.5%, while the real policy rate (adjusted for inflation) remained unchanged at 0.2%. Analysts expected that the central bank to keep providing a significant monetary stimulus to support economic recovery, as the deterioration in the economy has kept inflationary pressures limited. Markets didn't react much to the data release, as the Colombian peso was 0.4% stronger and the equity index was slightly higher.

Inflation vs Real Rates

Colombia's inflation, 10-year real yields and real policy rate



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Global Financial Indicators

Last updated: 4/7/21 8:17 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		4075	-0.1	3	6	53	8
Europe		3957	-0.3	2	8	38	11
Japan		29731	0.1	2	3	54	8
China		3480	-0.1	1	2	24	0
Asia Ex Japan		95	0.6	3	0	54	6
Emerging Markets		54	0.6	3	1	55	5
Interest Rates							
			basis points				
US 10y Yield		1.66	0.4	-8	9	95	75
Germany 10y Yield		-0.33	-1.0	-3	-2	-2	24
Japan 10y Yield		0.10	-1.4	0	0	8	8
UK 10y Yield		0.78	-1.6	-6	3	37	58
Credit Spreads							
			basis points				
US Investment Grade		89	0.0	-1	-8	-154	-6
US High Yield		328	-0.1	-11	-25	-513	-52
Europe IG		51	0.3	-1	1	-45	3
Europe HY		246	0.6	-6	-11	-294	4
Exchange Rates							
			%				
USD/Majors		92.30	0.0	-1	0	-8	3
EUR/USD		1.19	0.0	1	0	9	-3
USD/JPY		109.9	0.1	-1	1	1	6
EM/USD		56.3	-0.3	1	0	6	-3
Commodities							
			%				
Brent Crude Oil (\$/barrel)		63	1.0	-1	-9	99	22
Industrials Metals (index)		145	-0.7	2	1	56	9
Agriculture (index)		51	0.2	3	-2	41	6
Implied Volatility							
			%				
VIX Index (% change in pp)		17.9	-0.2	-1.7	-6.8	-28.8	-4.8
US 10y Swaption Volatility		75.6	2.4	-13.4	-14.7	-1.8	15.5
Global FX Volatility		7.7	0.0	-0.1	-0.2	-2.2	-0.3
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		118	0.6	1	-9	-100	-2
Italy		102	0.6	5	-4	-91	-10
Portugal		55	-0.4	3	-4	-70	-5
Spain		66	0.0	3	-3	-47	5

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

[back to top](#)

Emerging Market Financial Indicators

Last updated: 4/7/2021 8:18 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		6.54	-0.1	0.1	0	8	0		3.3	0.5	-1	-5	65	3
Indonesia		14495	0.1	0.2	-1	12	-3		6.6	-5.6	-15	-18	-171	51
India		75	-1.5	-1.9	-2	1	-2		6.4	0.0	-5	-11	-22	41
Philippines		49	-0.1	-0.1	0	4	-1		3.9	-22.4	2	38	-122	22
Thailand		31	-0.3	-0.4	-2	4	-5		2.0	0.0	-1	-3	22	64
Malaysia		4.13	0.0	0.3	-1	5	-3		3.2	-2.5	-5	5	-4	63
Argentina		92	-0.1	-0.4	-2	-30	-9		46.6	43.7	1	326	-1373	-958
Brazil		5.60	-0.2	0.6	4	-7	-7		8.3	9.1	14	118	168	270
Chile		717	0.5	1.8	2	19	-1		3.3	-6.1	-18	14	-19	58
Colombia		3642	0.8	2.4	-1	9	-6		6.3	-22.4	-31	40	-119	120
Mexico		20.21	-0.2	1.1	6	20	-1		6.6	-10.1	-14	45	-74	105
Peru		3.6	1.7	3.8	2	-7	0		4.6	-4.1	-24	-5	-101	101
Uruguay		44	0.2	0.5	0	-1	-4		7.4	0.2	-6	38	-578	15
Hungary		303	0.4	1.9	2	9	-2		2.1	0.5	7	2	17	59
Poland		3.86	0.3	2.4	1	8	-3		0.9	-2.3	-2	-2	-37	29
Romania		4.1	0.0	1.3	0	7	-4		2.6	0.0	-3	-22	-169	-12
Russia		77.7	-0.5	-2.7	-4	-3	-5		6.9	9.7	10	50	32	117
South Africa		14.6	-0.2	1.5	7	26	1		10.2	-10.6	-14	16	-131	57
Turkey		8.19	-0.5	0.8	-5	-17	-9		17.8	-13.8	-76	352	394	467
US (DXY; 5y UST)		92	0.0	-1.1	0	-8	3		0.86	-0.8	-8	7	41	50

	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		5104	-0.7	0	0	35	-2		199	0	-2	-9	30	-9	
Indonesia		6037	0.6	-1	-3	30	1		158	0	-9	-25	-5	-29	
India		49662	0.9	-1	-2	66	4		153	2	0	-6	-205	2	
Philippines		6652	0.9	1	-2	21	-7		83	0	-9	-17	13	-22	
Malaysia		1601	1.4	2	-1	18	-2		113	0	-2	-3	9	3	
Argentina		50328	0.0	8	7	89	-2		1459	0	19	8	-570	91	
Brazil		117499	0.0	2	2	54	-1		253	0	0	-16	58	3	
Chile		4861	0.0	-1	3	31	16		126	0	-6	-16	-14	-18	
Colombia		1324	0.0	0	-2	14	-8		207	0	-4	-15	44	2	
Mexico		47985	0.0	1	4	39	9		348	0	-9	-34	55	-12	
Peru		21510	0.0	0	-5	56	3		133	0	-4	-3	22	1	
Hungary		44465	0.2	0	3	36	6		65	0	-6	-15	-42	-31	
Poland		59624	-0.7	2	3	35	5		-22	0	-4	-11	-54	-21	
Romania		11248	0.0	1	7	40	15		188	0	-5	-13	-206	-14	
Russia		3506	0.3	-1	3	33	7		159	0	-5	-3	19	-7	
South Africa		67289	-1.1	0	-1	42	13		357	0	-4	-35	25	-23	
Turkey		1406	-1.0	1	-9	52	-5		421	0	-5	-47	34	-24	
Ukraine		517	0.0	0	0	3	4		479	0	12	-21	127	-12	
EM total		54	-1.5	3	1	55	5		421	0	17	-10	97	128	

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

[back to top](#)