







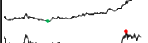

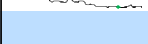

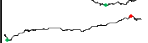

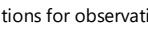
- Foreign flows into Chinese bonds turn negative for first time in two years ([link](#))
- Euro area real yields trend lower on higher inflation expectations ([link](#))
- ECB's weekly pandemic-related asset purchases lower than expected ([link](#))
- FOMC minutes reinforce Chair Powell's message of a patient Fed ([link](#))
- Tokyo to enact stronger virus curbs ([link](#))

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Markets extend wait and see mode

Risk appetite in markets remains well-supported as the Fed reiterates its dovish stance. Equity markets are edging slightly higher this morning, holding on to recent gains with equities at record levels in the US, while government bond yields are a touch lower. Investors yesterday scrutinized the latest Fed meeting minutes yesterday for hints that the FOMC may be not as dovish as recently projected, but largely came up short. Analysts noted apparent unanimity among FOMC members on the current forward guidance, even as they recognized signs of a strengthening outlook for consumption. In emerging markets, local currency bond yields have begun to pare back some of their rapid increases from late February and March, in a sign that re-pricing pressures have eased somewhat. While this has followed some softening of market-implied rate hike expectations in the US, investors are not uniformly re-pricing the outlook for EM rate hikes. Market-implied hike expectations are partially retracing recent increases in Mexico and Chile, but they have yet to meaningfully soften in Russia and Brazil.

Key Global Financial Indicators

Last updated: 4/8/21 8:30 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4080	0.1	3	7	48	9
Eurostoxx 50		3970	0.3	1	5	39	12
Nikkei 225		29709	-0.1	1	2	54	8
MSCI EM		54	-1.5	1	2	51	4
Yields and Spreads			bps				
US 10y Yield		1.65	-1.9	-2	6	88	74
Germany 10y Yield		-0.33	-0.5	0	-5	-2	24
EMBIG Sovereign Spread		348	-3	-5	-13	-274	-2
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		56.5	0.1	1	2	6	-3
Dollar index, (+) = \$ appreciation		92.3	-0.2	-1	0	-8	3
Brent Crude Oil (\$/barrel)		63.1	-0.1	-1	-8	92	22
VIX Index (% change in pp)		16.9	-0.2	-2	-9	-26	-6

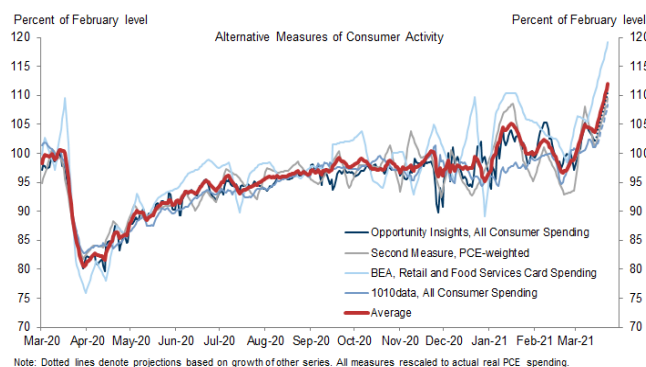
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

United States

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The US trading session was uneventful as Fed minutes supported risk sentiment. The US Treasury curve steepened on the day, led higher by the 30-year sector, which rose by 3.3 bps. Equities eked out another record with a small gain, while the USD strengthened modestly in the latter half of the session. Price action in credit was similarly muted. Dealer commentary noted that the most recent DTCC data indicated a large increase in non-dealer positioning in investment grade indices. Nondealer positions in the high yield and financial indices were mostly unchanged.

The minutes from last month's Fed meeting reinforced the message of a patient Fed. The March FOMC minutes elicited little immediate market reaction, with contacts taking note that it will take some time before substantial further progress toward Committee's goals is achieved and that Fed officials will communicate well in advance before they begin to taper the balance sheet. The minutes also noted recent consumer strength and expectations for strong consumer spending on reopening. This view is consistent with market expectations for the reopening as well. Separately, Chair Powell acknowledged the Fed could adjust administered rates if there was any undue pressure on overnight funding rates.



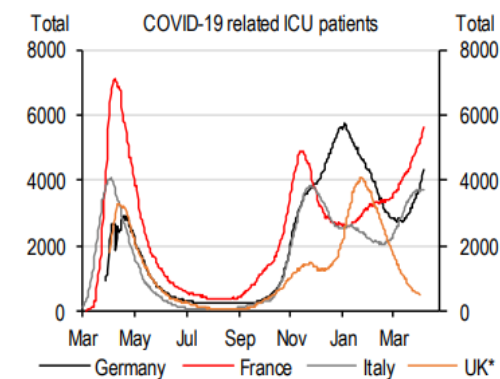
Source: Opportunity Insights, Second Measure Data Points Blog, Department of Commerce, 1010data, Goldman Sachs Global Investment Research

Europe

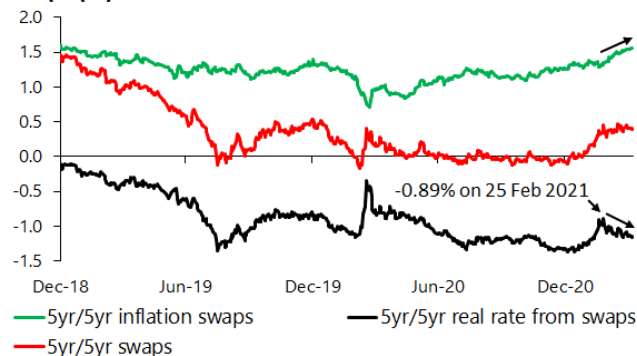
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Euro area equities and the euro (+ 0.1% at \$1.186) are little changed as analysts point out that pressures on the health care sector in several countries is increasing even as the pace of new covid-19 cases is slowing slightly. Italian government officials have said that a meaningful loosening should not happen before May. **Meanwhile, French Finance minister Le Maire said that he is deeply concerned about the slow implementation of the EU Recovery Fund.** The current target indicated by several EU officials is to start NGEU funding at the end of Q2.

Europe: ICU admissions of covid-19 patients



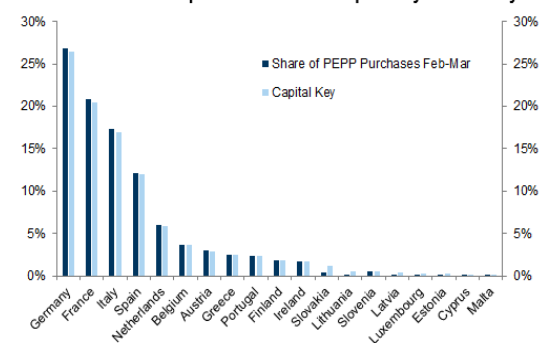
Euro area: 5yr/5yr inflation and 5yr/5yr interest rate swaps (%)



Measures of euro area real yields have been trading lower in the past month. The 5-yr/5-yr real rate currently trades at -1.15%, 26 bps below its February high. Today, **the real yield on German inflation-linked bonds due April 2030 fell to a record low of -1.77%.** Contacts believe that lower real yields on the back of higher market-based measures for inflation expectations will soften the ECB's resolve to increase QE purchases in line with comments of some GC members to start exiting PEPP in Q3 if the recovery continues. German 10-yr rates (-1 bps at -0.33) are lower today with 10-yr Italian spreads (-2 bps) at 100 bps.

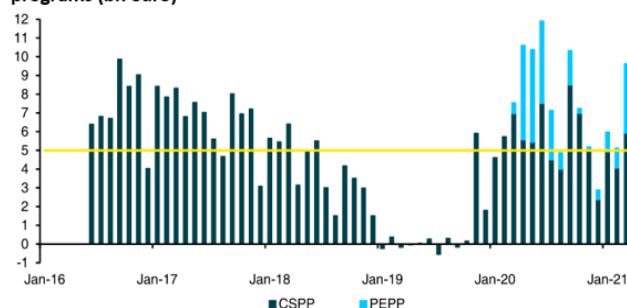
Weekly ECP PEPP QE purchases were lower than expected last week even when accounting for one day less of purchases (given Easter break) and quarter-end adjustments. Weekly ECB data showed a net change in PEPP holdings of €11 bn. Analysts argue that this pace is in line with what was observed before the March policy meeting decision to “significantly” increase the pace of PEPP purchases, and below expectations of €20 bn/week for Q2. **Bimonthly breakdown of PEPP holdings per asset class and country also released yesterday points to only minor capital key deviations in February-March.**

Euro area: ECB PEPP purchases versus capital key in February – March



Source: Haver, ECB and GS

Euro area: Monthly ECB purchases of corporate bonds in PEPP and CSPP QE programs (bn euro)



Source: ECB and Commerzbank

Corporate bond purchases in the ECB QE programs were relatively large in March. Market analysts estimate that the ECB bought a total of €12 bn of corporate bonds in March across both CSPP and PEPP programs (from €7 bn in February), the third-highest figure since purchases began in 2016.

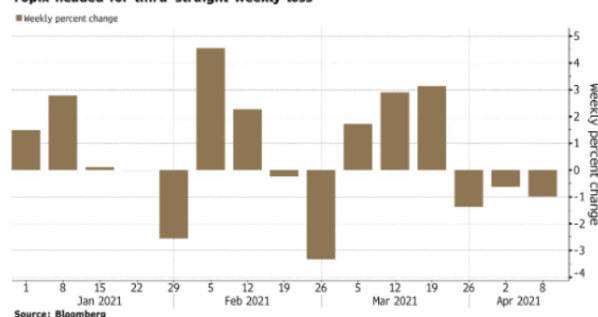
Other Mature Markets

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Japan

Equities fell -0.8% on weakness by banks and retail stocks. Tokyo is looking to return to stricter virus restrictions on rising infections. Tokyo Governor Yuriko Koike said that she will ask the central government to designate the capital as an area that requires stricter measures, according to Bloomberg. The city reported 545 new virus cases on Thursday following 555 on Wednesday, the highest daily rate since early February. **Japanese funds were net sellers of foreign bonds, amounting to ¥792 bn (\$7.2 bn) in March.** Life insurers continued to sell foreign bonds for the ninth straight month by ¥307 bn in March. Data also showed that Japanese funds offloaded US and Australian sovereign debt in February, when the global bond sell-off began to accelerate. They net sold ¥618.7 bn of US bonds and ¥643 of Australian bonds. The sale of Australian bonds was the largest since 2005. **The yen appreciated +0.3% while 10-year JGB yield was little changed.**

Topix headed for third-straight weekly loss



Japan funds sell Australian bonds by record amount in February



Emerging Markets

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Asian equities rose +0.6%, with gains largely seen in North Asia. Hong Kong SAR (+1.2%) outperformed, while Taiwan Province of China (+0.7%) and Korea (+0.2%) rose. China (Shanghai +0.08%; Shenzhen -0.01%) was however little changed. Philippines (-1.6%) underperformed amid foreign outflows for the sixth straight day, according to Bloomberg. **Regional currencies were mixed.** The Thai baht (-0.2%) and Indonesian rupiah (-0.3%) underperformed. **Separately, bond auctions in Malaysia and Thailand saw weak demand this week.** A MYR4.5 bn (\$1.1 bn) auction of Malaysia 2028 bonds attracted a bid-to-cover ratio of 1.59x, the weakest this year. A Thailand THB30 bn (\$954 mn) 2025 bond sale saw the weakest demand of bid-to-cover ratio of 1.07x, the lowest since the debt was first sold in September. Malaysia 10-year and Thailand 10-year bond yields both fell -0.6bps today.

EMEA equities were trading little changed except for the UAE (+0.9%), Turkey (+0.4%) and Poland (-0.6%). **EMEA currencies were mostly appreciating** with the Polish zloty outperforming (+0.5%) as contacts noted omission of concerns over strength of the zloty in yesterday's post-meeting monetary policy statement. **Ukraine financial market stabilized** as conflicting sides agreed on a cease-fire although contacts noted that local bond market investors remained nervous due to elevated positioning and limited market liquidity.

Latin American equity markets were mixed on Wednesday but mainly traded in narrow ranges, except for Colombia (+0.9%). Local currencies were little changed. 10-year government bond yields rose 12 bps in Brazil and dropped 15 bps in Mexico.

Key Emerging Market Financial Indicators

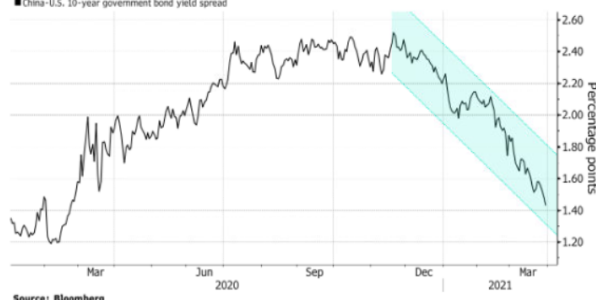
Last updated: 4/8/21 8:31 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		53.57	1.0	1	2	51	4
MSCI Frontier Equities		30.21	-0.1	3	4	39	7
EMBIG Sovereign Spread (in bps)		348	-3	-5	-13	-274	-2
EM FX vs. USD		56.45	0.1	1	2	6	-3
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.55	-0.1	0	0	8	0
Indonesian Rupiah		14535	-0.3	0	-1	12	-3
Indian Rupee		74.61	-0.1	-2	-2	2	-2
Argentine Peso		92.33	-0.1	0	-2	-30	-9
Brazil Real		5.60	0.3	2	4	-9	-7
Mexican Peso		20.15	0.3	1	7	19	-1
Russian Ruble		77.00	-0.1	-1	-3	-3	-4
South African Rand		14.53	0.3	1	7	25	1
Turkish Lira		8.15	0.1	0	-5	-17	-9
EM FX volatility		10.62	0.0	-0.2	-0.1	-1.4	-0.1

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

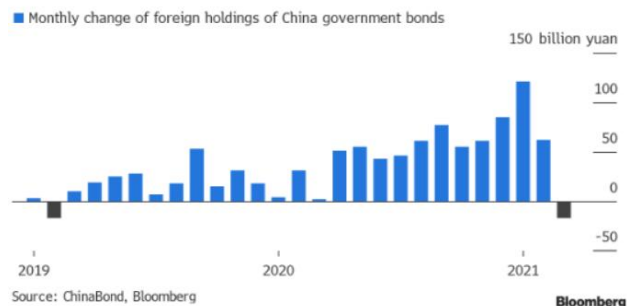
China

Global funds reduced their Chinese government bond holdings for the first time in two years in March. Foreign investors held RMB2.0 tn (\$312 bn) of Chinese government bonds at end-March, RMB16.5 bn lower than in February, according to Bloomberg. This followed a record 24-month of consecutive increases as global funds doubled their holdings amid looser ownership restrictions and inclusion in global indices. **The RMB weakened -0.1% and is down -0.4% year-to-date.** March recorded the largest monthly drop in about a year. The yield advantage over the US has continued to narrow since its peak in November, falling by around 1 percentage points to around 150 bps. **10-year bond yield was little changed while equities (Shanghai +0.08%; Shenzhen -0.01%) were little changed.**

China-U.S. yield spread has narrowed since record in November



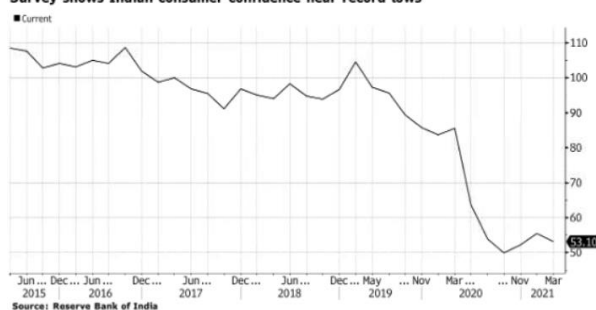
Foreigners end two-year buying spree in China government bonds



India

India's consumer confidence is falling again after recently touching record lows. The current situation index fell to 53.1 in March from 55.5 in January, where 100 divides between optimism and pessimism, according to Bloomberg. **Separately, the central bank revised its inflation forecasting model.** The adjustments incorporate fiscal-monetary dynamics, the fuel pricing regime and exchange rate movements, according to Bloomberg. **Equities rose +0.4%, the Indian rupee was unchanged, and 10-year bond yield fell -4 bps.**

Survey shows Indian consumer confidence near record lows

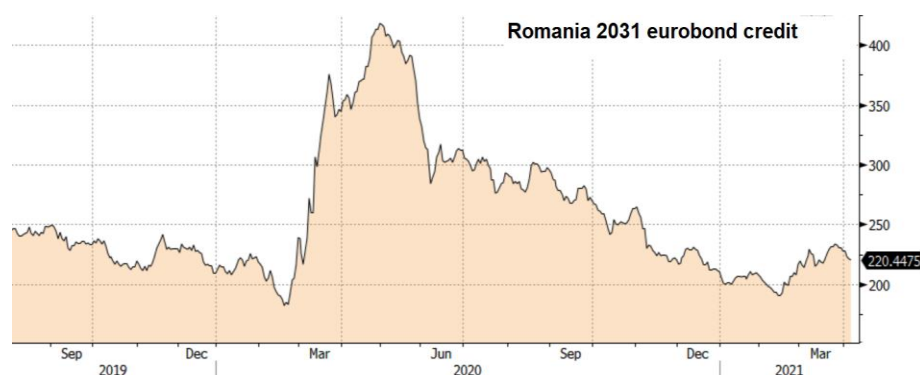


Latin America

Mexico and Argentina called for greater international debt relief for middle-income countries on Wednesday, stating that the proposal could prevent debt crises emerging from the pandemic. In a joint statement, the two Latin American economies said that middle-income nations should have more access to IMF reserves known as Special Drawing Rights (SDR). They also called for the creation of specific funds within international institutions to facilitate debt restructuring. "This will prevent the health and economic crisis from turning into a debt crisis in the medium term," said the joint statement. The statement also cited World Bank data that the number of people falling to extreme poverty increased by 94 million in middle-income countries in 2020. Equity markets were quiet in both countries yesterday, and the currency markets were little changed as well.

Romania

The Treasury placed €3.5bn of international bonds amid solid investors demand. The 12-year and 20-year euro dominated bond books reached a total of €10 bn with final pricing tightening about 10 bps as compared to initial guidance. Romania's credit spreads widened by 30 bps in March on broader emerging markets pressure but remain at pre-pandemic levels with contacts noting positive spillovers from broader Eurozone credit compression. The government aims to raise a total of €7-7.4 bn from external markets this year.







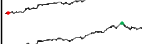
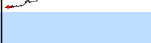


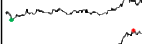












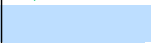



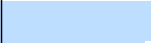


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Global Financial Indicators

Last updated: 4/8/21 8:30 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4091	0.1	3	7	49	9
Europe		3970	0.3	1	5	39	12
Japan		29709	-0.1	1	2	54	8
China		3483	0.1	1	4	23	0
Asia Ex Japan		93	-1.7	1	1	51	4
Emerging Markets		54	-1.5	1	2	51	4
Interest Rates			basis points				
US 10y Yield		1.65	-1.9	-2	6	88	74
Germany 10y Yield		-0.33	-0.5	0	-5	-2	24
Japan 10y Yield		0.10	-0.1	-2	-3	7	8
UK 10y Yield		0.77	-0.2	-2	2	39	57
Credit Spreads			basis points				
US Investment Grade		89	0.4	1	-12	-142	-6
US High Yield		325	0.0	-11	-33	-499	-55
Europe IG		51	-0.6	0	1	-44	3
Europe HY		245	-3.8	0	-12	-287	2
Exchange Rates			%				
USD/Majors		92.28	-0.2	-1	0	-8	3
EUR/USD		1.19	0.1	1	0	9	-3
USD/JPY		109.2	-0.6	-1	0	0	6
EM/USD		56.5	0.1	1	2	6	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		63	-0.1	-1	-8	92	22
Industrials Metals (index)		146	0.9	3	2	58	10
Agriculture (index)		51	0.7	0	-2	42	7
Implied Volatility			%				
VIX Index (% change in pp)		16.9	-0.2	-2.5	-8.5	-26.4	-5.8
US 10y Swaption Volatility		77.9	0.4	-4.0	-12.4	-8.4	17.8
Global FX Volatility		7.8	0.0	0.1	-0.3	-2.0	-0.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		116	-2.3	1	-7	-99	-4
Italy		100	-2.1	4	-4	-96	-12
Portugal		56	0.1	3	-2	-72	-4
Spain		67	0.1	3	-1	-48	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: 4/8/2021 8:31 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		6.55	-0.1	0.3	0	8	0		3.3	0.8	1	-4	80	4	
Indonesia		14535	-0.3	-0.1	-1	12	-3		6.5	-8.9	-23	-27	-173	43	
India		75	-0.1	-1.6	-2	2	-2		6.3	-1.3	-5	-12	-31	39	
Philippines		49	0.1	0.0	0	4	-1		3.9	4.6	5	43	-117	26	
Thailand		31	-0.2	-0.7	-2	4	-5		1.9	-1.8	-3	-5	29	62	
Malaysia		4.14	-0.1	0.3	-1	5	-3		3.2	-0.7	-14	4	-7	63	
Argentina		92	-0.1	-0.4	-2	-30	-9		46.3	-28.6	0	297	-1318	-987	
Brazil		5.60	0.3	2.0	4	-9	-7		8.4	10.3	27	128	188	280	
Chile		710	0.4	1.0	3	19	0		3.4	3.1	-15	17	-17	61	
Colombia		3651	-0.3	0.3	-1	7	-6		6.2	-7.0	-32	33	-100	113	
Mexico		20.15	0.3	0.7	7	19	-1		6.5	-14.6	-26	30	-72	90	
Peru		3.6	0.7	3.8	3	-7	0		4.6	0.6	-18	-4	-56	102	
Uruguay		44	0.3	0.4	1	-2	-4		7.4	-1.1	1	37	-569	14	
Hungary		302	0.2	1.6	3	9	-2		2.1	-1.4	-1	0	21	58	
Poland		3.83	0.6	1.7	1	9	-3		0.9	0.0	0	-2	-36	29	
Romania		4.1	0.1	0.7	0	8	-4		2.6	-2.0	-3	-24	-170	-14	
Russia		77.0	-0.1	-1.1	-3	-3	-4		7.0	7.4	21	57	41	124	
South Africa		14.5	0.3	0.7	7	25	1		10.1	-13.0	-20	3	-116	44	
Turkey		8.15	0.1	-0.4	-5	-17	-9		17.8	4.4	-55	356	423	471	
US (DXY; 5y UST)		92	-0.2	-1.0	0	-8	3		0.84	-2.4	-6	-1	37	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		5112	0.2	1	3	35	-2		199	0	-2	-9	30	-9
Indonesia		6072	0.6	1	-2	31	2		158	0	-9	-25	-5	-29
India		49746	0.2	0	-3	60	4		152	-1	4	-7	-203	1
Philippines		6545	-1.6	0	-3	19	-8		83	0	-9	-17	13	-22
Malaysia		1602	0.1	1	-1	17	-2		113	0	-2	-3	9	3
Argentina		50128	0.0	6	8	79	-2		1459	0	19	8	-570	91
Brazil		117624	0.0	1	6	50	-1		253	0	0	-16	58	3
Chile		4859	0.0	-1	3	29	16		126	0	-6	-16	-14	-18
Colombia		1336	0.0	1	0	13	-7		207	0	-4	-15	44	2
Mexico		47898	0.0	0	2	39	9		348	0	-9	-34	55	-12
Peru		21335	0.0	0	-5	53	2		133	0	-4	-3	22	1
Hungary		44276	-0.2	-1	2	35	5		65	0	-6	-15	-42	-31
Poland		59467	-0.4	2	2	36	4		-22	0	-4	-11	-54	-21
Romania		11221	-0.2	-1	6	40	14		184	-5	-6	-17	-200	-19
Russia		3508	0.2	-1	3	31	7		159	0	-5	-3	19	-7
South Africa		67293	0.2	0	-2	44	13		357	0	-4	-35	25	-23
Turkey		1427	0.6	0	-7	53	-3		421	0	-5	-47	34	-24
Ukraine		517	0.0	0	0	3	4		479	0	12	-21	127	-12
EM total		54	1.0	1	2	51	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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