




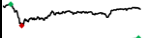

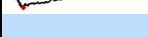

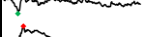
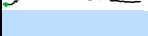
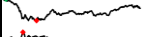
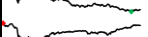
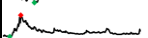
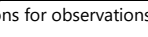
- **Markets extend global selloff** ([link](#))
- **Powell calls talk of tapering “premature”** ([link](#))
- **US corporate earnings surge ahead of expectations** ([link](#))
- **China’s central bank withdraws liquidity at fastest pace since October** ([link](#))
- **Japanese local governments tap dollar bond market** ([link](#))
- **GMM Special Feature: EM Inflation and Monetary Policy** (see attached email)

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

Global markets face a sea of red

Markets extended yesterday’s selloff as many bourses in the US, Europe and other countries erased their gains for the year and fell into negative territory. US equity futures point to further losses. Worries about overly rich market revaluations and concerns about the new mutant strains of the virus have forced a reconsideration of the optimistic view that prevailed at the start of the year. Although corporate earnings have exceeded forecasts in aggregate so far, many companies continue to face very challenging circumstances. Europe and the UK are feuding over vaccine supplies, further darkening the mood even as the UK extended lockdown measures by another five weeks to March 8. Economic data is coming in weaker than expected in countries such as the Philippines, and Thailand’s central bank downgraded its growth forecast for the year due to the impact of the virus.

Key Global Financial Indicators

Last updated: 1/28/21 8:05 AM	Level Last 12m Latest	Change from Market Close					YTD
		1 Day	7 Days	30 Days	12 M		
Equities		%					%
S&P 500	 3751	-2.6	-3	0	14		0
Eurostoxx 50	 3525	-0.3	-3	-1	-5		-1
Nikkei 225	 28197	-1.5	-2	5	21		3
MSCI EM	 54	-2.8	-3	8	25		5
Yields and Spreads		bps					
US 10y Yield	 1.01	-0.8	-10	8	-65		9
Germany 10y Yield	 -0.56	-1.2	-6	1	-22		1
EMBIG Sovereign Spread	 360	3	4	5	44		10
FX / Commodities / Volatility		%					
EM FX vs. USD, (+) = appreciation	 56.9	-0.1	-2	-2	-6		-2
Dollar index, (+) = \$ appreciation	 90.7	0.1	1	0	-7		1
Brent Crude Oil (\$/barrel)	 55.7	-0.2	-1	10	-6		8
VIX Index (% change in pp)	 32.2	-5.0	11	11	16		9

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

United States

[back to top](#)

The S&P 500 suffered its biggest one day loss since October 28 yesterday. The turbulent market conditions and heavy losses were caused by growing worries about overvaluation across a broad range of risk assets. This has been underlined by the flood of retail day trading flows into a number of novelty stocks that have posted triple digit returns in recent days despite lacking a clear investment thesis. Yesterday also saw a new record for daily call option trading volume, probably due to these retail flows. Worries about the new mutant strains of the virus also played a role in the downturn, while the slow vaccine rollout remains a major concern. Markets have also woken up to the fact that President Biden's stimulus package could face significant delays as well as cuts. After the market close, Apple announced a record holiday quarter, but Facebook issued a cautious outlook and Tesla missed the consensus profit forecast. Boeing recorded the largest annual loss in its history and announced delays in the rollout of new 777X jets. Stocks fell further in aftermarket trading last night.

The FOMC meeting brought no surprises, although Fed Chair Powell's press conference underlined his continued dovishness. He made it clear that any talk of raising rates or tapering Fed asset purchases was premature because there is the economy still has a long way to go, with 9 mn people still unemployed. "The whole focus on exit is premature," Powell said during the press conference. "It's just too early to be talking about dates." When pressed on inflation risks, he countered that the problem is disinflation rather than inflation, and that the Fed would need to see inflation moderately above 2% for a sustained period of time before making any changes to its policy mix. "When we see ourselves getting to that point, we'll communicate clearly about it to the public so nobody will be surprised. We'll do that well in advance of actually considering what will be a gradual taper."

This morning's US economic data saw initial and continuing jobless claims coming in better than expected, although the latest Q4 GDP estimate came in below forecasts.

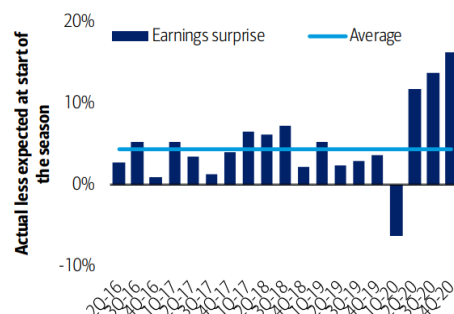
Key US Economic Data 8.30 am NY time

Data Release	Consensus Forecast	Actual Data
Initial Jobless Claims	875K	847K
Continuing Claims	5088K	4771K
Q4 GDP	+4.2% annualized qoq	4%
Source: Bloomberg		

US corporate earnings for Q4 are coming in much stronger than expectations, as happened in both Q2 and Q3 of last year. On average, investment grade companies are beating forecasts by 16%, which is well ahead of the 4.3% average beat since 2016. Revenues and sales are also much higher than forecasts. The best results so far have come from banks, technology firms and utilities. However, markets are looking past these positive trends and are looking ahead to the next set of challenges. Stocks have done poorly in recent days as the Biden administration's \$1.9 tn fiscal package is facing increasing opposition and worries are growing about new virus mutations and their potential impact on the economy. Treasuries have rallied strongly on safe haven buying and the benchmark 10-year yield is once again testing the 1% threshold.

Figure 1: The actual results for 4Q so far were much stronger ...

4Q-20 earnings growth reported so far was 16% higher than expected, above +14% and +12% positive surprises in 3Q and 2Q-20 and +4.3% average.



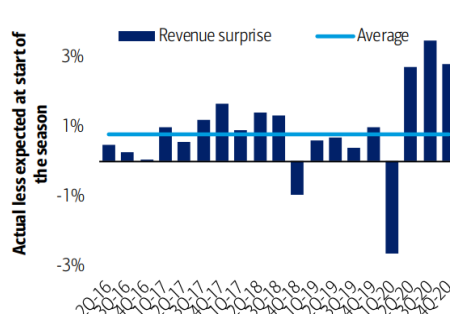
Note: 4Q-20 surprise is based on 94 US IG issuers that have released 4Q results, out of a total of 540.

Source: BofA Global Research, FactSet

BofA GLOBAL RESEARCH

Figure 2: ... than expected for both earnings and revenues

Q-20 sales growth so far was 2.8% higher than expected, similar to +3.5% and +2.7% positive surprises in 3Q and 2Q-20, and above +0.8% average.



Note: 4Q-20 surprise is based on 94 US IG issuers that have released 4Q results, out of a total of 540.

Source: BofA Global Research, FactSet

BofA GLOBAL RESEARCH

Europe

[back to top](#)

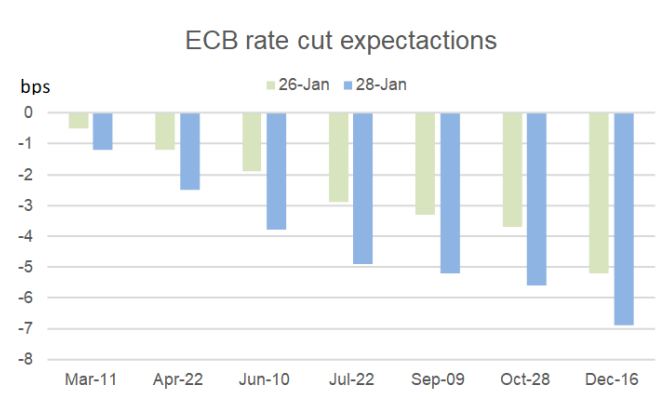
European equities erased their gains for 2021 as most stock markets declined for a second day. A few dozen local stocks are exhibiting the same movements as selected US equities favored by retail investors. Like the US, most of these are names heavily shorted by professional investors, although some larger firms like Nokia, without a large short interest, are also affected. Sovereign bond yields were little changed, but corporate spreads were wider. **On a positive note, Germany's EU harmonized annualized CPI came in at 1.6% versus the 0.5% consensus forecast.**

Heavily shorted European stocks get squeezed this week



Source: Goldman Sachs, Bloomberg

According to Bloomberg, ECB officials think markets are underestimating the odds of further rate cuts. Multiple Governing Council members have expressed their concern around euro appreciation and its impact on the inflation outlook. However, analysts think the ECB's communications have been confusing, with the press conference appearing mildly hawkish but subsequent communications more dovish. Market implied rate cut forecasts were up a few basis points around Q2-Q3 2021 today.



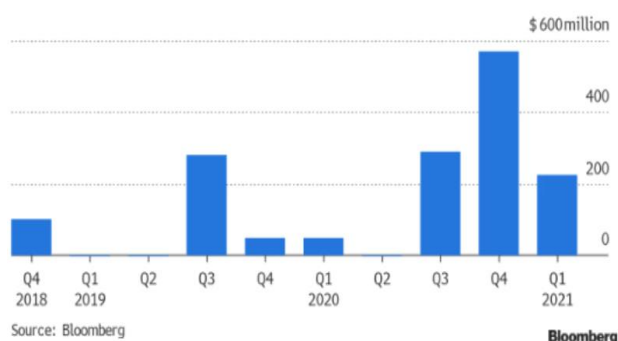
Other Mature Markets

[back to top](#)

Japan

Japan's prefectures are issuing dollar bonds to diversify their funding at attractive costs. Saga prefecture in southern Japan sold its first US dollar-denominated bond (\$24 mn 5-year bond at 0.857%) today while Fukuoka prefecture also sold its first dollar bonds (two 10-year bonds of \$100 mn each at 1.474%) last week. These issues followed a record \$570 mn sold by Japanese local governments in 2020Q4.

Sales of USD notes for domestic investors by Japan's municipalities soar



Emerging Markets

[back to top](#)

Most market followed the US and European bourses lower, with sharp declines in many countries and Asian stocks recording three consecutive days of losses. Vietnam plunged -6.7% to reach the lowest level since December 11 after the health ministry discovered two new local COVID-19 cases, the first domestic infections since December. Armenia (B+) sold \$750 mn of 10-yr bonds at a yield of 3.875%, noticeably lower than the initial yield guidance of 4.375%-4.5% in a sign of strong demand.

Armenia: Yield on U.S. dollar bond



Source: Bloomberg and IMF

The US Treasury has extended its deadline for US investors to comply with Chinese stock bans to May 27 from January 11. The Turkish lira gained after central bank governor Agbal said that the central bank will maintain a tight monetary policy stance until the inflation target of 5% is met in 2023. Chile stayed on hold at 0.5% as expected.

Key Emerging Market Financial Indicators

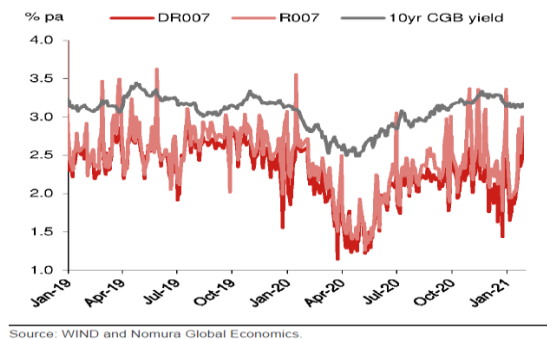
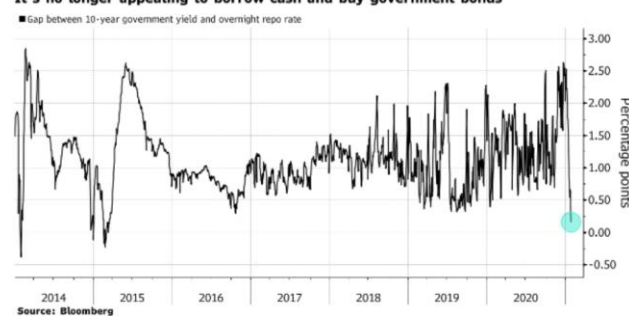
Last updated: 1/28/21 7:57 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		54.29	-1.3	-3	8	25	5
MSCI Frontier Equities		28.97	-2.0	-2	3	-6	2
EMBIG Sovereign Spread (in bps)		360	3	4	5	44	10
EM FX vs. USD		56.88	-0.1	-2	-2	-6	-2
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.47	0.2	0	1	7	1
Indonesian Rupiah		14078	-0.2	-1	1	-3	0
Indian Rupee		73.04	-0.2	0	1	-2	0
Argentina Peso		87.11	-0.1	-1	-4	-31	-3
Brazil Real		5.44	-0.5	-1	-3	-23	-4
Mexican Peso		20.41	-0.6	-3	-2	-8	-2
Russian Ruble		76.36	-0.7	-3	-3	-18	-3
South African Rand		15.24	0.2	-2	-4	-5	-4
Turkish Lira		7.38	0.2	0	1	-20	1
EM FX volatility		10.40	0.0	0.2	-0.1	3.9	-0.3

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

China

The People's Bank of China (PBOC) continue to withdraw short-term liquidity. The central bank drained a net RMB150 bn (\$23 bn) of funds via open market operations (OMO), having injected RMB100 bn via 7-day reverse repurchase agreements, according to Bloomberg. This adds to the RMB178 bn net withdrawal over the past two days. Activity in the repo market has dried up, with Bloomberg reporting a lack of quotes and unwillingness by lenders to offer large loans to each other, while non-bank financial institutions charged high rates. Some analysts (Nomura) believe three special factors have contributed to the tight interbank liquidity in the past few weeks: higher conversion of export proceeds to RMB, a surge in south-bound investment through the Stock Connect channel between the Mainland and Hong Kong, and bigger settlements for imports in RMB. **The overnight repo rate jumped to around 3%, the highest since 2015, narrowing the gap with the 10-year government bond yield.**

It's no longer appealing to borrow cash and buy government bonds



Global Vaccine Tracker

Exhibit 1: Pfizer-BioNTech and Moderna Presented Preliminary Results on Vaccine Protection Against New Strains, While AstraZeneca and Sinovac Received Their First Approvals

Vaccine Frontrunners: Progress				
Company	Trial Status	Main Results	New Strains Results	Regulatory Approval
Pfizer - BioNTech	Phase III Complete Extra Trials: Fully enrolled trial for children aged 12-15	Efficacy: 95% Endpoint: Symptomatic Cases (162 in placebo, 8 in drug) Timing: 1 week after 2nd dose Severe Cases: 9 in placebo, 1 in drug* Elderly: Efficacy 94.7% for ages 65+ Extra: Efficacy of 95.4% for at those at risk	Data suggest retained efficacy against the UK strain	Authorized In: US, EU, UK, Canada, Mexico, and other countries Japan: Decision expected in February after local trials finish India: Requiring local trials before approval
Moderna	Phase III Complete Extra Trials: Trialing whether doses may be halved and a third booster shot. Also trialing a booster shot specifically for the South African variant. Japan: Phase I/II trials began aiming to enroll 200 participants	Efficacy: 94.1% Endpoint: Symptomatic Cases (185 in placebo, 11 in drug) Timing: 2 weeks after 2nd dose Severe Cases: 30 in placebo, 0 in drug Elderly: Efficacy of 86.5% for ages 65+ Duration: Antibody levels remained elevated 90-days after second dose Asymptomatic Cases: 2/3 fewer infections in drug arm between 1st and 2nd dose	Data suggest retained efficacy for the UK and South Africa strains, despite a six-fold reduction in neutralizing antibodies for the South Africa strain.	Authorized in: US, EU, UK, Canada, Israel and other countries
AstraZeneca	Phase III Complete Extra Trials: Local trials ongoing in the US	Efficacy: 70% (90% w/ half-full dose, 62% w/ full-full dose) Endpoint: Symptomatic Cases Severe Cases: None in drug group Elderly: 76% (6 in placebo, 2 in drug) Asymptomatic Cases: 27.3% efficacy (58.9% w/ half-full dose, 3.8% w/ full-full dose) Extra: Efficacy up to 80% when 1st and 2nd dose spaced three months apart	CEO expects the vaccine to protect against the UK strain and are testing to confirm	Authorized in: UK, India, Argentina, and other countries US: Awaits results from its domestic trial due in January EU: Approval expected on January 29
Gamaleya	Phase III Complete Extra: Planning joint trial with AstraZeneca to start in early February	Efficacy: 91.4% (two doses), 73-85% (one dose) Endpoint: Cases (62 in placebo, 16 in drug) Timing: 3 weeks after 1st dose Severe Cases: 20 in placebo, 0 in drug	Russian Direct Investment Fund CEO claims protection against the new strain	Authorized In: Russia, Argentina, and other countries
Sinovac	Samples: 7k (Turkey), 1.6k (Indonesia), and 13k healthcare workers (Brazil)	Efficacy: 50.4% (Brazil full sample), 70% (Brazil w/ doses 21 days apart), 65% (Indonesia), and 91.3% (Turkey) Endpoint: Covid-19 infection (167 in placebo, 85 in drug for Brazil) Severe Cases: 78% efficacy in reducing cases that need medical assistance and 100% efficacy against severe and moderate cases (Brazil)	Data suggest retained efficacy against the UK and South African strains	Authorized In: China, Brazil, Chile, and other countries
Sinopharm	Phase III Complete	Efficacy: 79.3% (Company data), 86% (UAE) Endpoint: Covid-19 infection Severe Cases: 100% effectiveness in preventing moderate and severe cases (UAE) Extra: 99% seroconversion rate of neutralizing antibodies	No results	Authorized In: China and UAE

*The only severe case in the Pfizer-BioNTech drug arm was not hospitalized and only reached 93% blood oxygen levels, the minimum to qualify as severe

Source: Company data, Goldman Sachs Global Investment Research

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Global Financial Indicators

Last updated: 1/28/21 8:05 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3739	-2.6	-3	0	14	0
Europe		3525	-0.3	-3	-1	-5	-1
Japan		28197	-1.5	-2	5	21	3
China		3505	-1.9	-3	3	18	1
Asia Ex Japan		95	-2.9	-3	10	34	6
Emerging Markets		54	-2.8	-3	8	25	5
Interest Rates			basis points				
US 10y Yield		1.01	-0.8	-10	8	-65	9
Germany 10y Yield		-0.56	-1.2	-6	1	-22	1
Japan 10y Yield		0.04	-0.9	0	2	8	2
UK 10y Yield		0.25	-1.8	-8	-1	-30	5
Credit Spreads			basis points				
US Investment Grade		97	0.6	3	0	-8	2
US High Yield		380	1.2	15	-3	-47	1
Europe IG		53	1.7	4	4	8	5
Europe HY		274	7.8	25	30	52	33
EMBIG Sovereign Spread		360	3.0	4	5	44	10
Exchange Rates			%				
USD/Majors		90.73	0.1	1	0	-7	1
EUR/USD		1.21	-0.1	-1	-1	10	-1
USD/JPY		104.4	-0.3	-1	-1	5	-1
EM/USD		56.9	-0.1	-2	-2	-6	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		56	-0.2	-1	10	-6	8
Industrials Metals (index)		133	-0.6	-3	-2	23	0
Agriculture (index)		50	0.5	1	10	26	5
Implied Volatility			%				
VIX Index (% change in pp)		32.2	-5.0	10.9	10.5	16.0	9.5
US 10y Swaption Volatility		58.0	0.6	2.8	0.0	-11.8	-2.1
Global FX Volatility		7.6	0.0	0.1	-0.3	2.1	-0.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		125	2.5	9	3	-28	5
Italy		121	0.8	3	11	-16	10
Portugal		57	0.4	0	-3	-11	-3
Spain		63	0.6	0	1	-3	1

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: 1/28/2021 8:01 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	-0.1	1	7	1		3.3	1.3	2	-2	27	3
Indonesia		14078	-0.2	-0.6	1	-3	0		6.3	-2.2	-10	25	-63	22
India		73	-0.2	-0.1	1	-2	0		6.1	0.6	2	8	-77	11
Philippines		48	-0.1	-0.1	0	6	0		3.7	5.7	4	4	-57	2
Thailand		30	-0.1	-0.3	0	3	0		1.4	0.1	-3	2	-17	4
Malaysia		4.05	0.0	-0.1	0	0	-1		2.6	0.2	0	2	-56	2
Argentina		87	-0.1	-0.9	-4	-31	-3		50.4	0.9	-164	-677	-514	-573
Brazil		5.44	-0.5	-1.4	-3	-23	-4		6.5	-3.0	11	87	43	88
Chile		744	-0.6	-3.4	-4	6	-4		2.8	-1.7	-5	-4	-63	-1
Colombia		3606	0.1	-3.9	-3	-6	-5		5.2	2.7	11	6	-53	10
Mexico		20.41	-0.6	-3.3	-2	-8	-2		5.6	-0.4	0	5	-125	0
Peru		3.6	0.0	-0.8	-1	-9	-1		3.9	10.1	18	36	-45	33
Uruguay		42	-0.3	0.0	0	-11	0		7.3	2.4	0	5	-314	-1
Hungary		298	0.0	-1.5	0	3	0		1.6	1.4	-7	7	28	5
Poland		3.76	0.0	-0.8	-2	3	-1		0.6	-0.2	1	-13	-140	-7
Romania		4.0	-0.1	-0.5	-1	8	-1		2.3	-2.0	-11	-43	-154	-42
Russia		76.4	-0.7	-3.2	-3	-18	-3		6.0	2.9	12	25	-3	26
South Africa		15.2	0.2	-1.9	-4	-5	-4		9.6	-1.8	-1	2	5	-1
Turkey		7.38	0.2	-0.2	1	-20	1		13.3	7.2	-20	27	328	23
US (DXY; 5y UST)		91	0.1	0.7	0	-7	1		0.41	0.0	-3	6	-107	5

	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		5377	-2.7	-3	6	34	3		202	0	-1	-4	30	-6
Indonesia		5979	-2.1	-7	-2	-2	0		184	3	9	-2	8	-3
India		46874	-1.1	-6	-1	14	-2		154	-1	-2	1	25	3
Philippines		6852	-0.2	-4	-4	-8	-4		104	5	14	0	22	-1
Malaysia		1581	0.0	-1	-4	2	-3		117	2	6	4	12	7
Argentina		49970	1.0	-1	-1	22	-2		1447	2	18	87	-644	79
Brazil		115882	-0.5	-4	-3	-1	-3		283	1	13	30	59	33
Chile		4403	-1.8	-4	5	-4	5		148	2	8	5	-1	4
Colombia		1375	-2.0	-5	-4	-15	-4		229	2	10	25	53	24
Mexico		44262	-1.8	-2	1	-1	0		394	1	20	17	89	34
Peru		21068	-1.9	-2	1	6	1		137	2	5	1	15	5
Hungary		43261	0.4	-2	4	-1	3		85	1	8	-9	-23	-11
Poland		56824	0.7	-1	-1	-1	0		-12	0	0	-12	-38	-11
Romania		10326	0.0	0	6	2	5		204	0	2	1	6	1
Russia		3329	-0.5	-3	2	7	1		176	3	15	14	27	10
South Africa		62950	0.3	-2	7	13	6		402	3	18	19	59	22
Turkey		1467	0.0	-5	2	22	-1		465	-1	9	7	103	20
Ukraine		511	0.0	2	0	1	2		517	8	30	20	131	26
EM total		54	-1.3	-3	8	25	5		421	0	17	-10	97	128

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