



- ECB affirms accommodative monetary policy stance, in line with expectations ([link](#))
- US consumer inflation tops expectations for a second straight month ([link](#))
- Australian inflation expectations rise by almost 1 ppt ([link](#))
- Japanese producer inflation increased more than expected in May ([link](#))
- PBOC Governor Yi Gang sees CPI subdued and stable monetary policy ([link](#))
- El Salvador establishes Bitcoin as legal tender ([link](#))
- **SPECIAL FEATURE: Lending Surveys Monitor (Attachment)**

[Mature Markets](#)


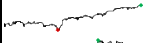






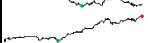

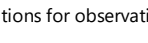
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## Investors digest ECB, US CPI

Markets are calm this morning as investors process the latest ECB meeting messaging and a raft of inflation data, including from the US. Market reactions to the ECB's anticipated dovish outcome have been muted so far, with the euro slightly stronger and 10-year bund yields up about 1 bp. In the US, this morning's CPI release for May topped expectations for a second straight month, sending US equity futures lower (-0.4%) and 10-year yields up by a couple of basis points (to 1.52%). Japanese PPI and Australian inflation expectations also rose more than expected. Going into this morning's information dump, equities were largely moving sideways, down just 0.2%, while benchmark yields continued their recent moves lower yesterday, with US Treasury yields about 4.5 bps lower. The dollar edged up modestly.

Key Global Financial Indicators

Last updated: 6/10/21 8:12 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		4220	-0.2	0	1	32	12
Eurostoxx 50		4090	-0.2	0	2	24	15
Nikkei 225		28959	0.3	0	1	29	6
MSCI EM		55	-0.3	-1	3	34	7
<b>Yields and Spreads</b>			bps				
US 10y Yield		1.50	0.8	-13	-10	77	59
Germany 10y Yield		-0.23	1.2	-5	-2	10	34
EMBIG Sovereign Spread		329	-1	1	-5	-129	-21
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		58.2	0.1	1	1	4	1
Dollar index, (+) = \$ appreciation		90.2	0.1	0	0	-6	0
Brent Crude Oil (\$/barrel)		72.4	0.2	2	6	73	40
VIX Index (% change in pp)		17.9	0.0	0	-2	-10	-5

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

## Mature Markets

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### United States

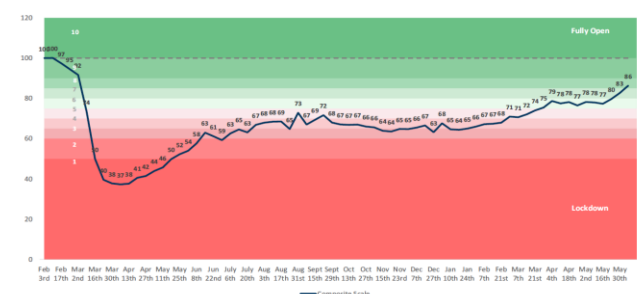
**CPI inflation came in above expectations for a second straight month.** The CPI numbers were higher than expected, sparking an immediate selloff in Treasuries and a rally in the dollar. Jobless claims reinforced on the ongoing trend of a gradual recovery.

#### Key US Economic Data 8.30 am

Indicator	Consensus Forecast	Actual Number
May CPI mom	0.5%	0.6%
CPI ex-food and energy mom	0.5%	0.7%
May CPI yoy	4.7%	5%
CPI ex-food and energy yoy	3.5%	3.8%
Initial jobless claims	370K	376K
Continuing claims	3665K	3449K
Source: Bloomberg		

**US economy approaches “fully open” status.** Goldman Sachs' Reopening Scale reached 86 last week, up from 83 and 80 the previous two weeks (with 100 being “fully open”). Stay-at-home categories continued to decelerate, even though e-commerce, food delivery, and video tools remain elevated as workplace mobility remains largely unchanged. Back-to-normal categories have improved significantly, with trends now roughly 15% below pre-COVID levels (vs. -25% just two weeks prior).

Exhibit 2: Our Composite Score continues to improve sequentially; it stands at 86 in the most recent week  
Date on x-axis represents first day of week measured



This exhibit summarizes data from sources listed in Exhibits 4 and 6. Modest historical revisions as we refine included data sets and account for minor data revisions. Index calculation uses 2-yr stacked metrics Feb 1st, 2021 onwards as we begin to lag Covid-driven strength from 2020.

Source: Goldman Sachs Global Investment Research

### Euro area

**Equities and the euro (at \$1.22) are little changed after the ECB confirmed its accommodative monetary policy stance, in line with consensus expectations.** The ECB expects net purchases under the PEPP over the coming quarter to continue to be conducted at a significantly higher pace than during the first months of the year.

**German 10-yr bund yields (+1 bps to -0.23%) and spreads were little changed after the ECB kept policy unchanged.**

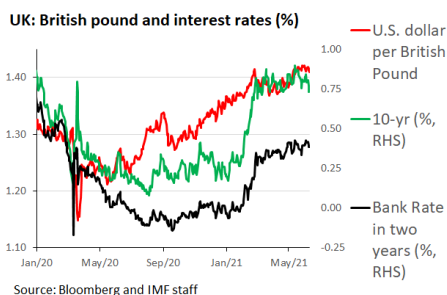
In line with German data earlier this week, **French industrial production unexpectedly contracted 0.1% mom in April** (compared to gain of +0.6% mom expected). In contrast, **Italian industrial production surprised to the upside expanding 1.8% mom** (0.3% expected).

Yesterday, 10-yr Greek bonds fell 3 bps to 0.83% as **Greece saw record demand of €30 bn for a bond sale** of €2.5 bn due in 2031.

**Greek bank Piraeus also sold €600 mn of AT1 Notes carrying a coupon of 8.75%, the highest coupon for any euro bank note sold in 2021.** Total demand for the notes reached €2.2 bn. Piraeus has the right to cancel all or part of any payment of interest in its sole discretion at any time and the nominal amount of the AT1 Notes may be written down or cancelled if Piraeus or its supervisor determines that the bank's Common Equity Tier 1 Ratio has fallen below 5.125%.

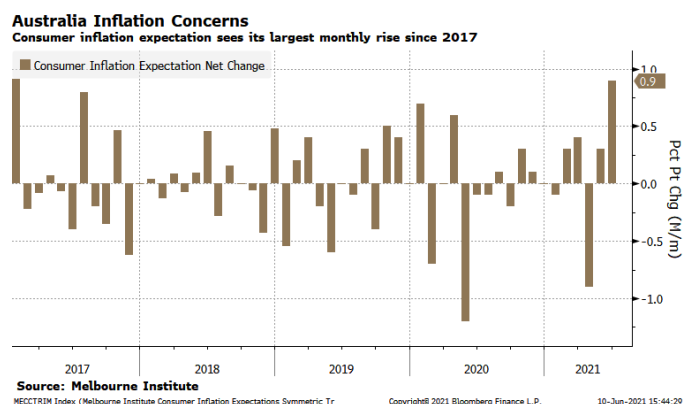
## United Kingdom

**The British pound (-0.2% to 1.41) was little changed as officials are expected to discuss post-Brexit trading arrangements at the G-7 summit.** EU rules will ban the imports of British sausages and other chilled meats into Northern Ireland next month unless exemptions are extended. U.S. officials reiterated that the Good Friday Agreement is the foundation for peaceful coexistence in Northern Ireland.



## Australia

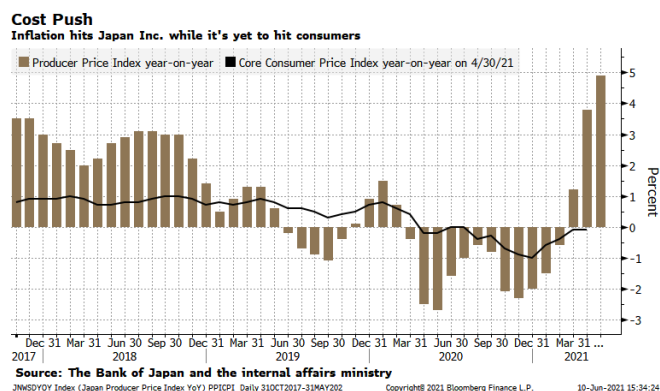
**Inflation expectations rose by the most in four years, to 4.4% in June.** The survey, conducted by the Melbourne Institute, showed that the expected inflation rate increased by almost 1 ppt. The Australian dollar appreciated (+0.1%); equities gained (+0.4%); long-end government bonds yields dropped (10-year: -8.3 bps; 30-year: -8.8 bps).



Source: Bloomberg.

## Japan

**PPI increased 0.7% m/m, more than expected, in May.** On the annual basis, PPI inflation accelerated from 3.6% in April to 4.9% in May, beating expectations (4.5%). The rise was at the fastest pace since September 2008. Analyst commentary attributed price pressures to rising commodity prices globally, but noted firms are still reluctant to pass on rising costs to consumers after years of falling prices. **The government reintroduced a reference to reaching a balanced budget by March 2026**, according to the annual plan for economic and fiscal management released by the Cabinet Office. **Japanese yen appreciated (+0.1%); equities rose (NIKKEI: +0.3%); long-end JGB yields dropped (10-year: -1.3 bps).**



Source: Bloomberg.

## Emerging Markets

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**Most Asian equities gained, +0.6% on net**, led by Taiwan (+1.1%), Indonesian (+1.0%) and Chinese (CSI 300: +0.7%) equities. **Asian currencies were mixed in a tight trading range. Long-end government bond yields edged lower**, led by Philippines (10-year: -14.4 bps) following the decline in U.S. treasury yields (10-year: -4.4 bps). **In the Philippines**, Governor Benjamin Diokno said that the central bank will maintain accommodative monetary policy for as long as necessary to support the economic recovery. He also noted that systemic Philippine banks remain solid. The Philippine peso depreciated (-0.1%). **In Thailand**, the parliament approved the government's \$16 bn borrowing plan to fund the stimulus package. Equities gained (+0.1%).

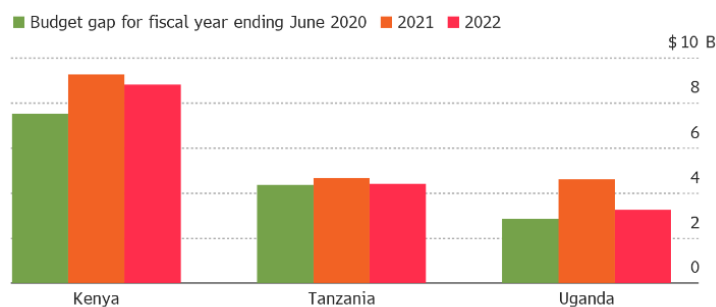
**EMEA equities traded mixed within tight ranges.** Most bourses were directionless ahead of the ECB meeting and the US CPI data release later today. Currencies were mostly flat to down vis-à-vis the US dollar. **The Polish zloty weakened 0.2% today, after the central bank left interest rates unchanged yesterday**, as expected. Also reflecting a lack of direction in markets, the price moves for oil were also small (-0.1%) for both Brent (\$72/barrel) and WTI (\$70/barrel).

**Latin American equities and currencies were mixed.** Stocks saw gains in Argentina (+2.6%) and Chile (+2.3%), and losses in Peru (-3.5%). Brazil's real depreciated by 0.6%, while Peru's sol (+2.3%) and the Colombian peso (+0.4%) appreciated. Hard-currency bond yields the flattening trend in the US yield curve. Local currency treasury yields shifted predominantly up across the region, particularly in Brazil and on the long end of Peruvian curve. Peru's local assets appeared rattled, as candidate Fujimori raised allegations of voter fraud and plans to challenge the still open result of the presidential race, in which candidate Castillo holds a 0.4% lead. Chilean stocks profited from a 1.5 ppt upward shift of the central bank's GDP growth forecast corridor for 2021 to 8.5% to 9.5%.

## Africa

**Three of the largest East African economies plan to borrow around \$16 bn in FY22.** The finance ministers of **Kenya, Tanzania, and Uganda** are expected to unveil their 2021-22 investment plans this week. according to Bloomberg analysts, the three countries will show a combined budget shortfall of about \$16.4 bn, even as the nations intend to reduce their deficits. Separately, the **Nigerian** government is reportedly in negotiations with Standard Chartered to arrange borrowing from the market in the amount of \$14.4 bn. These loans would replace funding that was earlier expected to come from Chinese banks.

East Africa's biggest economies plan to cut their fiscal deficits



Source: Finance ministries of respective countries  
Note: Chart shows government estimates for 2021 and 2022

Bloomberg

## China

**PRC Governor Yi Gang's comments on inflation reinforce expectations for stable monetary policy.**

In a speech at the Lujiazui Forum, a gathering of top financial regulators and industry leaders, Governor Yi said that CPI inflation will stay under 2% this year and will keep monetary policy stable.. Based on market commentary, his comment reinforced the view that the below-consensus CPI inflation was a sign of weak consumption. The recent trend in bond yields suggested that bond investors have become less concerned about PPI inflation, disrupting the historically strong correlation between PPI inflation and bond yields.

**Credit expansion was largely steady in May, broadly in line with expectations.** Aggregate financing was 1.92 tn yuan (\$300 bn) in May, up from 1.85 tn yuan (\$289 bn) in April. **Chinese lawmakers passed two bills to counteract foreign sanctions and to strengthen control over digital information.** The National People's Congress Standing Committee approved a bill that upgraded the legal toolkit for dealing with foreign sanctions. Another was a data security law that analysts expect that will provide a broad framework for future rules on internet services and data. **Equities gained (CSI 300: +0.7%); the RMB depreciated (-0.1%); and the 10-year CGB yield dropped (-0.5 bp).**

### What Inflation?

China's surging factory prices aren't affecting bond yields



Source: Bloomberg, National Bureau of Statistics of China

CHTB110 Index (ChinaBond Government Bond Yield Curve 10Y YTM) PPI vs 10y yield

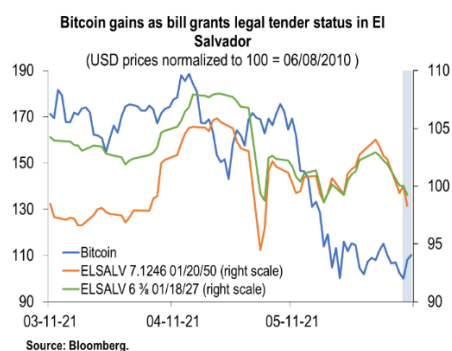
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Source: Bloomberg.

## El Salvador






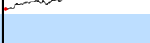












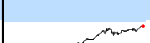
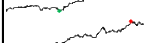
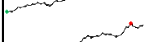
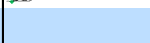



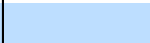


**El Salvador establishes bitcoin as legal tender.** The country's legislature passed yesterday a bill establishing bitcoin as legal tender, along the US dollar, the previously sole national currency. The decision will take effect in 90 days. With bitcoin exchanges free from capital gains taxes, the country hopes to lure Bitcoin miners, providing economic stimulus to an economy that contracted in 2020 by 8.6% in real terms. Analysts, however, see the endeavor with doubts, as initial gains may be followed by inflationary impact, upward pressure on interest rates and potential negative impacts of bitcoin's notorious volatility for the country's financial stability. Bitcoin prices increased by 10.1% since the close of the day prior to the decision, while El Salvador's treasuries remained unimpressed, with the bond maturing in 2027 (2050) down by 0.8% (1.7%).



*This monitor is prepared under the guidance of Nassira Abbas (Deputy Division Chief), Antonio Garcia-Pascual (Deputy Division Chief) and Evan Papageorgiou (Deputy Division Chief). Fabio Cortes (Senior Economist), Reinout De Bock (Economist-London representative), Sanjay Hazarika (Senior Financial Sector Expert), Henry Hoyle (Financial Sector Expert), Thomas Piontek (Financial Sector Expert) and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Jose Abad (Financial Sector Expert), Sergei Antoshin (Senior Economist), John Caparusso (Senior Financial Sector Expert), Liumin Chen (Research Assistant), Yingyuan Chen (Financial Sector Expert), Han Teng Chua (Economic Analyst), Mohamed Diaby (Economist, EP), Dimitris Drakopoulos (Financial Sector Expert), Deepali Gautam (Research Officer), Frank Hespeler (Senior Financial Sector Expert), Phakawa Jeasakul (Senior Economist), Sonia Meskin (Financial Sector Expert), Natalia Novikova (IMF Resident Representative in Singapore), Dmitry Petrov (Financial Sector Expert), Patrick Schneider (Research Officer), Juan Solé (Senior London Representative), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), Xingmi Zheng (Research Assistant), Magally Bernal (Senior Administrative Assistant) and Andre Vasquez (Staff Assistant) are responsible for word processing and production of this monitor.*

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## Global Financial Indicators

Last updated: 6/10/21 8:12 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4217	-0.2	1	1	32	12
Europe		4090	-0.2	0	2	24	15
Japan		28959	0.3	0	1	29	6
China		3611	0.5	1	5	24	4
Asia Ex Japan		94	-0.4	-2	2	34	5
Emerging Markets		55	-0.3	-1	3	34	7
Interest Rates			basis points				
US 10y Yield		1.50	0.8	-13	-10	77	59
Germany 10y Yield		-0.23	1.2	-5	-2	10	34
Japan 10y Yield		0.06	-1.4	-3	-3	3	3
UK 10y Yield		0.74	1.3	-10	-5	48	55
Credit Spreads			basis points				
US Investment Grade		93	0.1	2	0	-57	-2
US High Yield		331	-1.7	-2	-2	-245	-49
Europe IG		48	-0.1	-2	-2	-19	0
Europe HY		239	-1.1	-8	-12	-138	-4
Exchange Rates			%				
USD/Majors		90.23	0.1	0	0	-6	0
EUR/USD		1.22	-0.1	0	0	7	0
USD/JPY		109.5	-0.1	-1	1	2	6
EM/USD		58.2	0.1	1	1	4	1
Commodities			%				
Brent Crude Oil (\$/barrel)		72	0.2	2	6	73	40
Industrials Metals (index)		156	-1.4	0	-3	50	18
Agriculture (index)		60	0.4	2	-1	69	25
Implied Volatility			%				
VIX Index (% change in pp)		17.9	0.0	-0.2	-1.8	-9.7	-4.9
US 10y Swaption Volatility		64.1	-1.9	-2.1	-5.9	-5.5	4.0
Global FX Volatility		6.6	0.0	-0.4	-0.6	-1.5	-1.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		107	-0.4	8	-12	-66	-12
Italy		107	-0.3	-1	-7	-81	-4
Portugal		65	0.4	0	-5	-32	5
Spain		65	0.3	0	-3	-36	3

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



## Emerging Market Financial Indicators

Last updated: 6/10/2021 8:13 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					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		6.39	-0.1	0.2	0	10	2		3.2	0.0	5	2	35	-3
Indonesia		14248	0.0	0.3	0	-2	-1		6.3	-2.5	-4	-11	-106	27
India		73	-0.1	-0.2	0	3	0		6.3	-0.3	-3	0	19	34
Philippines		48	0.0	0.1	0	4	1		4.3	-6.0	-6	5	10	62
Thailand		31	-0.1	0.1	0	0	-4		1.8	-4.2	-2	2	40	53
Malaysia		4.12	-0.1	0.1	0	3	-2		3.3	-1.2	0	1	32	71
Argentina		95	0.0	-0.3	-1	-27	-11		45.4	4.6	-19	-96	-251	-1075
Brazil		5.05	0.2	0.5	3	-2	3		8.0	7.3	4	-13	271	246
Chile		720	-0.3	-0.4	-3	7	-1		4.2	2.9	27	61	145	142
Colombia		3589	0.2	1.8	3	2	-4		6.4	-2.1	-21	-35	104	136
Mexico		19.71	0.1	2.3	1	11	1		6.6	8.5	-8	-8	20	99
Peru		3.8	2.3	-0.5	-3	-10	-6		5.2	14.7	27	17	81	157
Uruguay		44	0.0	0.2	1	-2	-3		7.9	1.3	-18	55	-217	68
Hungary		284	0.1	0.7	4	6	4		2.3	-0.7	-6	27	52	72
Poland		3.68	-0.2	-0.2	2	6	1		1.3	-2.7	2	26	35	62
Romania		4.0	-0.1	0.4	0	5	-2		2.7	-1.0	0	12	-101	-2
Russia		72.2	0.2	1.5	3	-5	3		7.0	-0.6	14	29	159	128
South Africa		13.6	0.7	0.0	3	21	8		9.5	-2.2	-23	-39	-56	-19
Turkey		8.48	1.2	2.6	-2	-20	-12		18.1	-10.8	-11	64	734	500
US (DXY; 5y UST)		90	0.1	-0.3	0	-6	0		0.76	1.3	-8	-2	45	40

	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		Latest	1 Day	7 Days	30 Days	12 M		
								basis points						
China		5271	0.7	0	5	32	1	199	0	-2	-9	30	-9	
Indonesia		6108	1.0	0	3	26	2	158	0	-9	-25	-5	-29	
India		52300	0.7	0	6	56	10	143	-1	-8	-23	-88	-8	
Philippines		6876	-0.4	1	9	6	-4	83	0	-9	-17	13	-22	
Malaysia		1580	-0.1	-1	0	1	-3	113	0	-2	-3	9	3	
Argentina		68105	0.0	9	32	47	33	1459	0	19	8	-570	91	
Brazil		129907	0.0	1	7	37	9	253	0	0	-16	58	3	
Chile		4268	0.0	1	-7	5	2	126	0	-6	-16	-14	-18	
Colombia		1255	0.0	1	-4	7	-13	207	0	-4	-15	44	2	
Mexico		50823	0.0	0	2	33	15	348	0	-9	-34	55	-12	
Peru		19667	0.0	-7	-6	14	-6	133	0	-4	-3	22	1	
Hungary		48106	-0.2	1	8	28	14	65	0	-6	-15	-42	-31	
Poland		66305	0.3	-1	6	29	16	-22	0	-4	-11	-54	-21	
Romania		11418	0.5	-2	-2	29	16	184	2	7	2	-95	-19	
Russia		3836	-0.2	1	4	38	17	159	0	-5	-3	19	-7	
South Africa		67585	-0.1	0	-1	26	14	357	0	-4	-35	25	-23	
Turkey		1454	0.4	2	0	32	-2	421	0	-5	-47	34	-24	
Ukraine		531	0.0	0	1	6	6	479	0	12	-21	127	-12	
EM total		55	0.3	-1	3	34	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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