



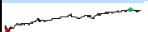
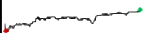


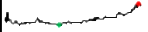
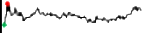

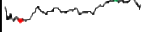
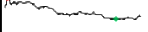

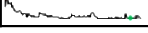
- **US breakeven inflation reaches multi-year highs** ([link](#))
- **The ECB leaves monetary policy unchanged but says it expects to increase the pace of its asset purchases** ([link](#))
- **Fiscal policy in the euro area has not boosted real disposable income growth to the same extent as in other countries, according to analysts** ([link](#))
- **India releases new rules to limit some debt investment by mutual funds** ([link](#))
- **Taiwan POC's FX intervention jumped last year, increasing the risk of being labelled a currency manipulator by the US Treasury** ([link](#))

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Market sentiment improves ahead of the ECB's press conference

Global equities advanced led by gains in the technology sector. Following yesterday's underperformance, Nasdaq futures recovered and led other US equity futures this morning while the IT sector (+2.1%) outperformed other European stocks. The passing of the US fiscal package bill by the House yesterday helped boost investor sentiment, with the VIX index down 0.4 percentage points to 22.2, its lowest level in two weeks. The ECB left monetary policy unchanged this morning but said in the statement that it will conduct bond purchases at a significant higher pace in the coming quarter. Bund yields fell following the announcement and ahead of the press conference later this morning. In emerging markets, Asian equities outperformed and most currencies appreciated to the dollar on the improved market sentiment. Elsewhere, oil prices gained, with Brent futures (+1.3%) up for a second consecutive trading day.

Key Global Financial Indicators

Last updated: 3/11/21 8:13 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		3899	0.6	2	0	42	4
Eurostoxx 50		3837	0.4	4	4	32	8
Nikkei 225		29212	0.6	1	-1	50	6
MSCI EM		53	-0.4	-2	-8	42	3
Yields and Spreads			bps				
US 10y Yield		1.49	-3.1	-8	32	62	57
Germany 10y Yield		-0.36	-4.7	-5	10	38	21
EMBIG Sovereign Spread		367	-3	14	23	-85	17
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		56.9	0.5	1	-2	1	-2
Dollar index, (+) = \$ appreciation		91.6	-0.2	0	1	-5	2
Brent Crude Oil (\$/barrel)		68.8	1.3	3	12	92	33
VIX Index (% change in pp)		22.2	-0.4	-6	1	-32	-1

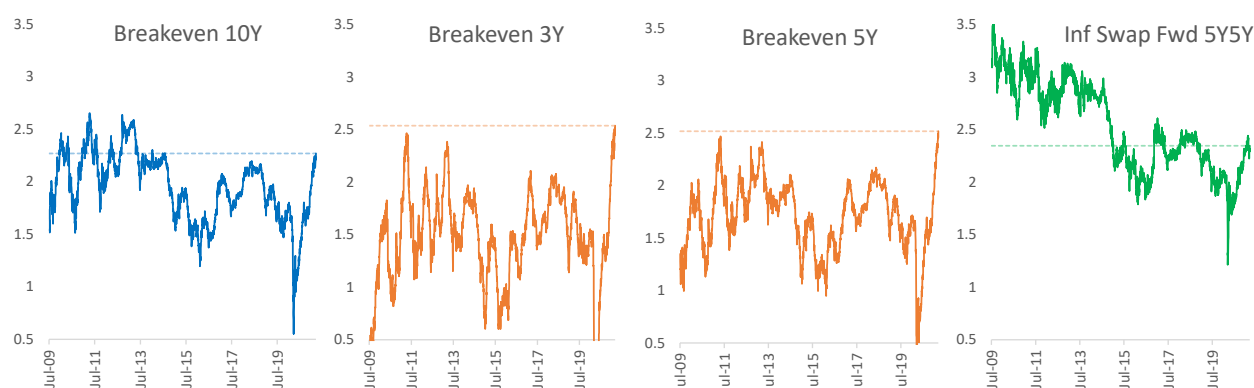
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

United States

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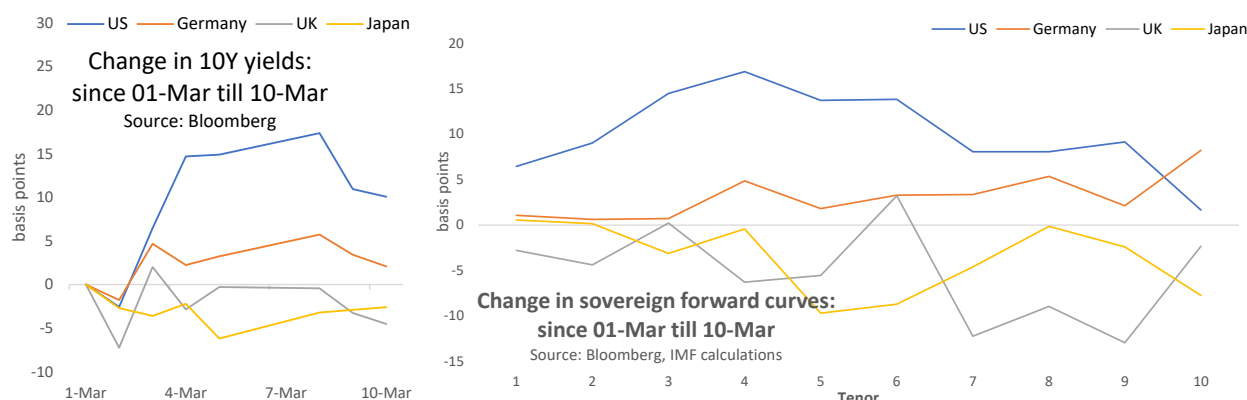
US equities gained yesterday, with energy stocks and financials outperforming and IT being the laggard. US high yield and investment grade credit spreads were virtually unchanged. Although the US Treasury 10-year yield was little changed there was a marked shift in its components. The real yield dropped -5 bps (partially due to strong demand in an auction of 10-year bonds today) but was offset by the increase in breakeven inflation. The House passed the fiscal package bill (220 voted in favor, 211 against), which is expected to be signed by the president on Friday.

US 10-year breakeven inflation reached its highest level since late 2014 (left-most chart below), attributed to record-high medium-term breakevens. The short-to-medium term breakeven inflation indices reached record highs since the Global Financial Crisis (orange charts in the middle). This is consistent with Fed's promise to tolerate some degree of inflation overshooting. In contrast, priced-in inflation for the medium-to-long term horizon is still significantly below the levels recorded a decade ago (right-most chart with Inflation Swap Forward 5Y5Y).



Source: Bloomberg.

The increase in US Treasury 10-year yields this month (+11 bps) has been driven mostly by the short-to-medium term part of the forward curve. Since March 1, the US 10-year sovereign yield increased more than in other core advanced economies (left chart below). The forward curves – i.e., the implied short-term rates priced into sovereign yield curves for a given number of years ahead – show the rise in US Treasury yields was mostly attributed to a sizable increase in the US forward curve between 3-year and 6-year tenors (right chart). In contrast, the longer end of forward curves appears to be the main driver for other advanced economies. This evidence is consistent with expectations of a faster recovery in US growth and inflation relative to other core developed economies.

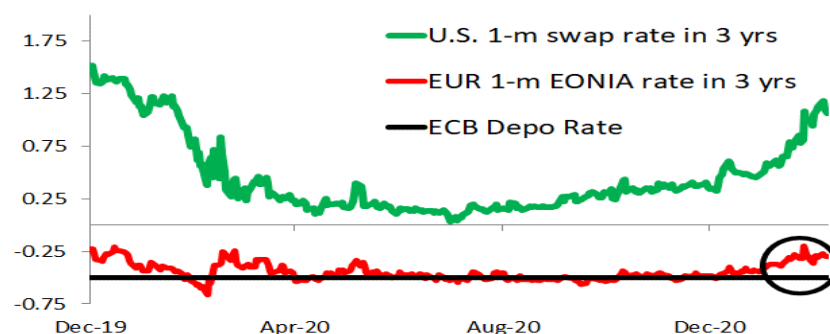


Europe

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Euro area rates traded sharply lower after the ECB said that it expects to increase the pace of its QE purchases next quarter given an assessment of financing conditions and the inflation outlook. The ECB left the size of its pandemic emergency purchase program (PEPP) unchanged at €1.85 tn but expects PEPP purchases over the next quarter to be conducted at a significantly higher pace than during the first months of 2020. German 10-year bund yields fell 4 bps to -0.35% and Italian 10-year yields fell 6 bps. The euro (+0.2%) and equities (+0.2%) edged lower following the announcement but held on to gains. Euro area yields were little changed before the announcement as press reports signaled that any pick-up of inflation in the ECB's outlook update should be "fleeting." Contacts expect the ECB to provide guidance at today's press conference on its reference point for favorable financing conditions. The ECB Governing Council determined that financing conditions were favorable at December's outlook update. Earlier in March, ECB Board member Panetta argued that December's constellation of financing conditions should be the reference point for ECB policy, but so far in 2021 markets have priced in 18 bps of hikes by early 2024.

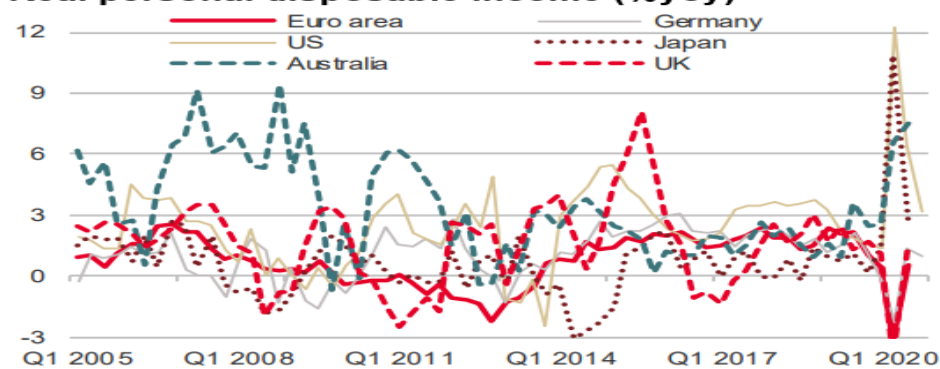
Euro area: EONIA 1-m money market rate in 3 years (%)



Source: Bloomberg and IMF staff

Analysts argue that the euro area's recovery could disappoint given that fiscal policy in the euro area has not boosted real disposable income growth to the same extent as in other countries. Real disposable income surged in the U.S., Japan, and Australia, reaching double-digit annual gains. In contrast, real disposable income growth in the euro area was just +0.6% yoy in 2020Q3, with SocGen expecting a modest decline in 2020.

Real personal disposable income (%yoy)



Source: National sources, SocGen

Business leaders and professors have filed a lawsuit against the ECB's Pandemic Emergency Purchase Program (PEPP) before the German Federal Constitutional Court, describing PEPP as a "blatant case of government financing."

Other Mature Markets

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Japan

The 10-year JGB yield was little changed. Bank of Japan (BOJ) officials are reportedly seeking for more bond yield fluctuations as they aim to improve the functioning of the bond market, according to Bloomberg. The bank is set to announce the results of the policy review on March 19. Some officials are aiming for more yield fluctuation while sticking with the current movement range of around 20 bps either side of the central bank's zero-target on the 10-year bond. The yen weakened -0.3% while equities rose for a third straight day by +0.3%.

Japanese bond traders seek more volatility to work with



Emerging Markets

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Asian equities rose for a third straight day, increasing +1.8%. Most markets rose except for the Philippines (-1.3%) and Malaysia (-0.7%). China (both Shanghai, Shenzhen +2.4%) and Korea (+1.9%) outperformed. **Regional currencies appreciated, led by the Korean won (+0.6%).** The Bank of Korea's quarterly bank lending survey showed that banks tightened lending standards for all types of loans in Q1 2021 for the second consecutive quarter. **EMEA equities mostly gained** in a relatively quiet day. By country, the largest advances took place in UAE (+1.0%), Romania (+1.0%), Bulgaria (+0.7%), and Turkey (+0.7%). Poland (-0.7%), Saudi Arabia (-0.2%), and Qatar (-0.5%) posted losses. In FX, currencies appreciated to the US dollar, led by gains in the South African rand (+0.8%) and the Turkish lira (+0.6%). **In Latam,** equities continued to climb on Wednesday, with Brazil up by 1.3%, and Argentina gaining 1.9%. Most currencies appreciated to the dollar, with the Brazilian real outperforming (+2.3%).

Key Emerging Market Financial Indicators

Last updated: 3/11/21 8:04 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		53.29	2.1	-2	-8	42	3
MSCI Frontier Equities		29.66	1.0	2	0	23	5
EMBIG Sovereign Spread (in bps)		367	-3	14	23	-85	17
EM FX vs. USD		56.91	0.6	1	-2	1	-2
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.49	0.3	0	0	7	1
Indonesian Rupiah		14405	0.0	-1	-3	0	-2
Indian Rupee		72.91	0.0	0	0	2	0
Argentine Peso		90.71	0.0	0	-2	-31	-7
Brazil Real		5.60	1.2	1	-4	-14	-7
Mexican Peso		20.75	0.7	2	-4	3	-4
Russian Ruble		73.57	0.1	1	0	0	1
South African Rand		14.87	1.3	3	-2	9	-1
Turkish Lira		7.45	0.7	1	-6	-17	0
EM FX volatility		10.53	0.0	0.3	0.9	0.3	-0.2

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

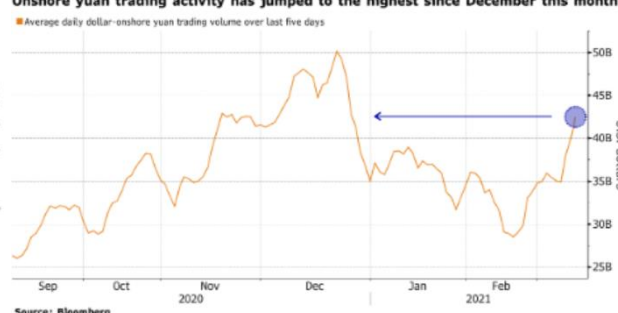
China/ Hong Kong SAR

Equities (both Shanghai, Shenzhen +2.4%) rose, jumping the most in around two months. Gains were broad-based, led by consumer staples and materials. On economic data, yesterday's credit data for February came in stronger than expected, with aggregate financing registering at RMB5.2 tn (\$796 bn) versus expectations of RMB4.6 tn and RMB1.6 tn in January. **Premier Li Keqiang said during the closing of the National People's Congress (NPC) that Beijing still views the growth target as crucial and will prioritize job growth, according to Bloomberg.** He cited the target of creating 11 million new urban jobs this year, having exceeded the target of 9 million last year. Chinese lawmakers also approved a proposal that is expected to change the size and composition of the body that picks Hong Kong SAR's chief executive and have it nominate local legislators, according to Bloomberg. **The onshore RMB appreciated +0.2% with trading activity rising to the highest level since December, while the offshore counter was little changed.**

China bulls looking for CSI 300 to hold the key 5000 technical level



Onshore yuan trading activity has jumped to the highest since December this month



India

India's regulator released new rules that will limit investments by mutual funds in some debt instruments. The debt would include some securities sold by banks which have features that allow losses to be imposed on creditors before equity holders, according to the Securities & Exchange Board of India (SEBI). Additional Tier 1 or Tier 2 notes sold by banks to boost their capital buffers may have subordination features that would also come under the rules. The restrictions would allow a mutual fund to own at most 10% of such debt sold by an issuer. A debt portfolio can invest at most 10% of its net assets in such debt by all issuers and at most 5% of net assets in such debt sold by a single issuer. The regulations will take effect from April 1. Indian markets were closed for a holiday.

Taiwan POC

Taiwan's intervention in the FX market jumped last year, increasing the risk of being labelled a currency manipulator by the US Treasury. Taiwan Province of China (POC) central bank governor Yang Chin-long said that the US may list it as a currency manipulator given its rising foreign exchange intervention last year. The central bank bought a net \$39.1 bn last year (about 5.8% of GDP), compared with \$5.5 bn in 2019, according to Bloomberg. According to Nomura, Taiwan has breached all three of the US Treasury's criteria for FX manipulation. Including FX forwards, 2020 total FX intervention were at 5.2% of GDP, which is higher than the US Treasury's 2% of GDP criteria. Taiwan was the US's ninth-largest bilateral trade partner (total trade \$ 90.9bn) with its bilateral goods surplus with the US at \$29.9bn (above the \$20bn threshold). Finally, Taiwan's current account surplus stood at 14.1% of GDP breaching the 2% threshold. Despite the news, **equities were up +1.7% and the Taiwanese dollar appreciated +0.4%.**

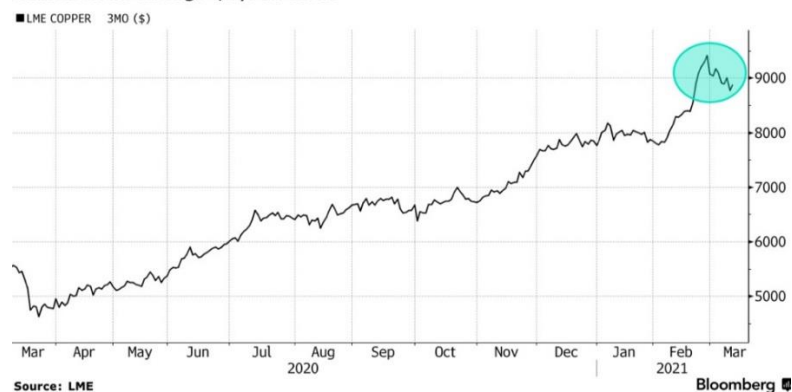
Chile/Copper

Chile's Energy and Mining Minister sees the underlying trend of rising demand in copper being intact despite the recent pullback in prices, according to Bloomberg. Copper surged to the highest in nearly a decade last month due to strong Chinese demand and investors' enthusiasm over commodities based on expectations that vaccinations and stimulus would begin a sharp global recovery. Since then,

copper futures have retreated about 6%, although they were up 1.8% this morning. When asked if there was any cooling in Chinese demand, minister Juan Carlos Jobet said that “I don’t think there is one single cause behind that little drop in the price” and “in the medium term, as renewable energy and electro-mobility agendas accelerate, the demand for copper will go up, and that is the most permanent trend”. The Chilean peso appreciated 1.2% yesterday, alongside most currencies in the region.

Copper Slumps

Futures slide through \$9,000 level



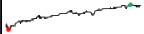

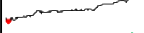





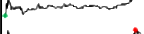


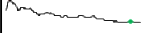
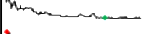




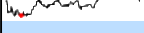






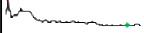


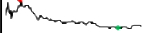
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Global Financial Indicators

Last updated: 3/11/21 8:12 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3920	0.6	4	0	43	4
Europe		3835	0.4	4	4	32	8
Japan		29212	0.6	1	-1	50	6
China		3437	2.4	-2	-6	16	-1
Asia Ex Japan		93	-0.6	-3	-8	44	4
Emerging Markets		53	-0.4	-2	-8	42	3
Interest Rates			basis points				
US 10y Yield		1.49	-2.9	-8	33	62	58
Germany 10y Yield		-0.36	-4.8	-5	10	38	21
Japan 10y Yield		0.10	-2.6	-3	2	17	8
UK 10y Yield		0.69	-2.2	-4	22	40	50
Credit Spreads			basis points				
US Investment Grade		104	0.1	12	15	-84	9
US High Yield		366	1.7	19	16	-311	-14
Europe IG		47	-1.2	-1	0	-57	-1
Europe HY		241	-5.8	-9	1	-239	-1
Exchange Rates			%				
USD/Majors		91.61	-0.2	0	1	-5	2
EUR/USD		1.20	0.2	0	-1	6	-2
USD/JPY		108.5	0.1	0	4	4	5
EM/USD		56.9	0.5	1	-2	1	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		69	1.4	3	13	92	33
Industrials Metals (index)		144	1.6	2	2	41	9
Agriculture (index)		52	0.3	0	3	38	8
Implied Volatility			%				
VIX Index (% change in pp)		22.2	-0.4	-6.4	1.0	-31.7	-0.5
US 10y Swaption Volatility		80.8	-0.3	-2.6	21.6	-60.0	20.7
Global FX Volatility		8.0	0.0	0.2	0.8	-2.1	-0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		115	-1.0	-13	-7	-116	-5
Italy		93	-5.4	-12	2	-98	-18
Portugal		53	-2.6	-6	0	-63	-7
Spain		64	-2.7	-5	6	-37	2

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: 3/11/2021 8:05 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		6.49	0.3	-0.2	0	7	1		3.4	0.4	0	2	65	8
Indonesia		14405	0.0	-1.1	-3	0	-2		6.8	-7.7	27	59	-19	77
India		73	0.0	-0.3	0	2	0		6.5	0.1	7	24	19	57
Philippines		49	0.2	0.2	-1	4	-1		4.0	32.9	53	55	-11	37
Thailand		31	0.4	-0.4	-2	3	-2		2.0	-4.1	14	59	97	71
Malaysia		4.11	0.5	-1.2	-2	3	-2		3.3	-2.3	30	58	45	74
Argentina		91	0.0	-0.5	-2	-31	-7		43.5	10.9	69	-498	-567	-1260
Brazil		5.60	1.2	1.2	-4	-14	-7		7.5	4.9	-24	112	156	195
Chile		719	1.0	0.9	1	16	-1		3.2	0.5	7	44	13	43
Colombia		3544	0.2	2.9	-1	10	-3		5.8	-10.4	-1	73	-40	77
Mexico		20.75	0.7	1.8	-4	3	-4		6.2	2.0	15	49	-56	59
Peru		3.7	0.1	-0.6	-2	-5	-2		4.6	-14.3	5	75	23	96
Uruguay		44	0.1	-1.2	-4	-2	-5		7.2	10.0	20	11	-313	-4
Hungary		306	0.5	-0.4	-4	-2	-3		2.1	-1.1	9	49	79	58
Poland		3.83	0.1	-0.4	-3	0	-2		0.9	-2.2	-4	22	-47	26
Romania		4.1	0.3	-0.2	-2	5	-3		2.7	-1.0	-6	37	-99	-8
Russia		73.6	0.1	1.4	0	0	1		6.4	6.2	11	46	-33	73
South Africa		14.9	1.3	2.9	-2	9	-1		10.2	-9.0	30	70	44	52
Turkey		7.45	0.7	0.9	-6	-17	0		14.5	0.0	82	122	318	138
US (DXY; 5y UST)		92	-0.2	0.0	1	-5	2		0.75	-4.4	-4	28	4	38

	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	
								basis points						
China		5128	2.5	-3	-12	27	-2		199	0	-2	-9	30	-9
Indonesia		6265	0.0	-2	1	22	5		158	0	-9	-25	-5	-29
India		51280	0.0	0	0	44	7		165	-4	9	8	-43	14
Philippines		6719	-1.3	-2	-4	6	-6		83	0	-9	-17	13	-22
Malaysia		1629	-0.6	3	2	13	0		113	0	-2	-3	9	3
Argentina		47339	1.9	0	-8	51	-8		1459	0	19	8	-570	91
Brazil		112777	1.3	0	-5	32	-5		253	0	0	-16	58	3
Chile		4906	1.0	4	8	23	17		126	0	-6	-16	-14	-18
Colombia		1347	0.4	1	-1	4	-6		207	0	-4	-15	44	2
Mexico		47550	0.9	3	8	23	8		348	0	-9	-34	55	-12
Peru		22703	0.6	-1	2	33	9		133	0	-4	-3	22	1
Hungary		43886	0.7	2	0	20	4		65	0	-6	-15	-42	-31
Poland		58975	-0.5	2	2	39	3		-22	0	-4	-11	-54	-21
Romania		10715	1.1	4	2	28	9		204	1	5	12	-53	1
Russia		3485	0.6	2	2	40	6		159	0	-5	-3	19	-7
South Africa		68697	0.3	1	4	40	16		357	0	-4	-35	25	-23
Turkey		1560	-0.3	1	1	55	6		421	0	-5	-47	34	-24
Ukraine		517	0.0	-1	-1	-3	3		479	0	12	-21	127	-12
EM total		53	2.1	-2	-8	42	3		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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