



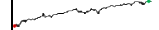
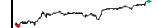
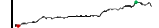
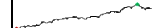


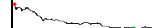

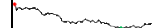


- Oil prices fall sharply amid renewed doubts over near-term global growth recovery ([link](#))
- European PMIs show signs of recovery ([link](#))
- Bank of Thailand keeps policy rate unchanged at record low ([link](#))
- Russian rates trend higher as investors focus on sanction risks ([link](#))
- South African rates decline following lower-than-expected inflation ([link](#))
- Markets price for Mexican central bank to keep policy rate unchanged on Thursday ([link](#))

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

## Markets exhibit cautious tone amid virus setbacks

Global risk assets are trading in slightly negative territory as investors have turned their attention back to the persistent threat posed by COVID-19. The risk-off sentiment that emerged yesterday has partially carried over to this morning as markets have reacted to a growing list of countries ramping up coronavirus restriction measures. US equities closed lower (-0.8%) with commodity-exposed sectors among the weakest in the S&P 500 as oil prices fell sharply (-7%) amid renewed doubts over the near-term global growth recovery. US Treasury yields continued to reverse lower alongside a broader decline in developed market government bond yields; the benchmark 10-year US Treasury yield is down 10 bps this week to 1.62% with the yield curve flattening. Overnight, Asian stocks, along with most European bourses, posted declines as investors remain cautious on the economic outlook. However, broader risk sentiment is attempting to stabilize this morning following strong European PMI data releases; oil prices have rebounded 2% and US equity futures are pointing to a moderate gain at the open. EM equity weakness was evident amid the volatility in oil prices while EM FX is mixed across regions.

Key Global Financial Indicators

Last updated: 3/24/21 8:08 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		3911	-0.8	-1	0	60	4
Eurostoxx 50		3824	-0.1	-1	3	41	8
Nikkei 225		28406	-2.0	-5	-4	57	4
MSCI EM		53	-1.9	-3	-5	61	2
Yields and Spreads			bps				
US 10y Yield		1.62	0.2	-2	25	78	71
Germany 10y Yield		-0.36	-1.8	-7	-6	-4	21
EMBIG Sovereign Spread		352	2	3	1	-370	2
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		56.5	0.3	-1	-3	6	-2
Dollar index, (+) = \$ appreciation		92.4	0.1	1	3	-9	3
Brent Crude Oil (\$/barrel)		62.0	2.0	-9	-8	128	20
VIX Index (% change in pp)		20.4	0.1	1	-1	-41	-2

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

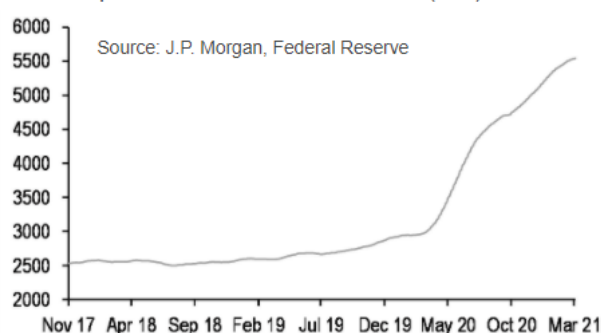
## United States

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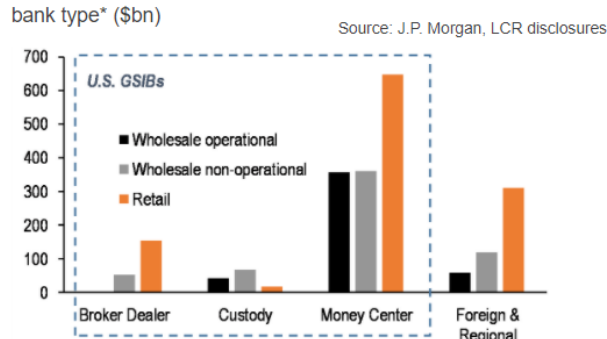
**On Tuesday, risk-off sentiment supported rotation into US Treasuries.** Equity indices modestly declined on concerns regarding new variants of virus and new lockdowns in Europe. UST 10Y yield fell 7 bps (mostly driven by the real yield). The US Dollar strengthened against most currencies. In data releases this morning, US durable goods orders for February came in lower than expected with headline orders down 1.1% (consensus: +0.5%) and orders ex-transportation declining 0.9% (consensus: +0.5%).

**SLR-induced rotation of deposits into MMFs could drive money market rates lower.** US commercial banks doubled excess deposits since the onset of the pandemic (left chart below). Most of the increase came from retail deposits (right chart). To reduce SLR, banks may try to stimulate the flow of wholesale non-operational deposits into money market funds (MMFs). However, such an influx of money with limited depth of the money markets may cause interest rates to become negative. However, the increased counterparty limits on the Fed's overnight reverse repo (ON RRP) facilities may help establish a floor for rates at zero as MMFs' excess liquidity may be parked at that facility.

Excess deposits at US commercial banks (\$bn)

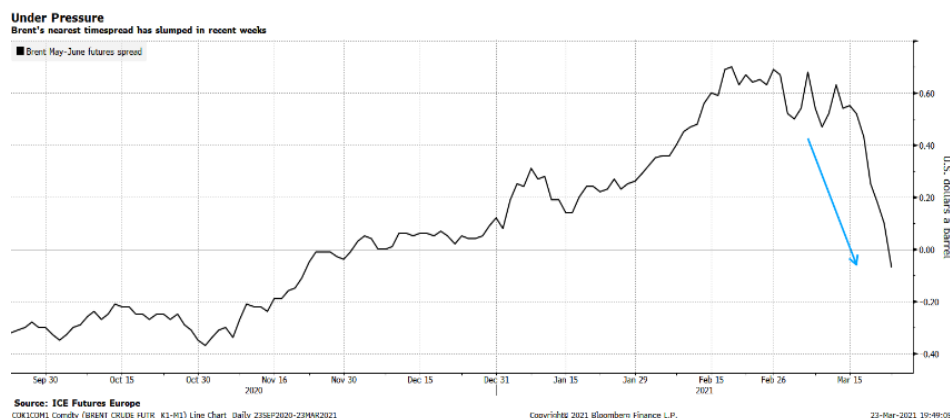


Change in operational and non-operational deposits by bank type\* (\$bn)



**Short-dated Brent futures reversed from backwardation (indicating tight supply) to contango, suggesting that the crude market has more oil than it needs at the moment.** An abrupt shift to contango – i.e., futures prices exceeding the current spot prices – was driven by multiple factors: new lockdowns in Europe, China's increasing reliance on oil from Iran, a quick rebound in US oil production causing an inventory buildup, and unwinding of previous inventories that was triggered by the recent backwardation. Front-month Brent crude oil prices fell close to 7% yesterday as many of these factors have triggered renewed fears about oversupply and doubts related to a near-term rebound in demand amid the ongoing threat from COVID-19.

**Chart: Brent oil's May futures price minus June futures price.**



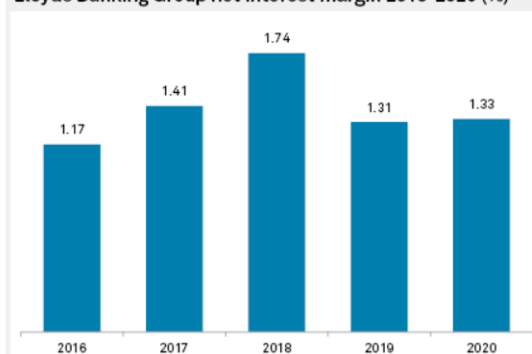
## Europe

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European equity investors maintained a risk-off mood throughout the session, pushing prices slightly lower. DAX (-0.5%), CAC 40 (-0.3%), EuroStoxx 600 (-0.2%), Italy's Titans 30 (-0.1%), and Spanish Ibex (-0.6%). Bank stocks (-1.0%) underperformed. **Sovereign yields edged lower again today:** German 10-year yields at -0.36% (-2 bps); French OATs are at -0.11% (-2 bps); Italian at 0.59% (-1 bps); and Spanish at 0.27% (-2 bps). Trading conditions in European sovereign debt markets have remained orderly even against a backdrop of a new wave of infections.

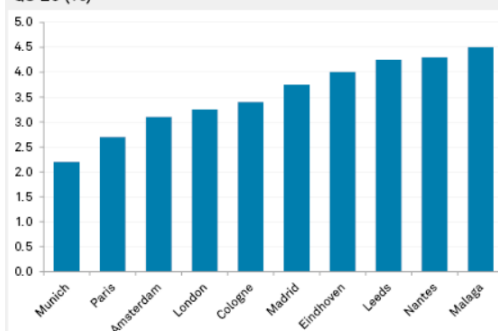
**Lloyd's Banking Group (+0.6%)—the UK's largest mortgage provider—is planning to enter the “buy-to-let” market in an effort to boost revenues.** The “buy to let” market has typically been a retail market where private investors acquire residential properties to let. On the back of very thin interest rate margins, Lloyd's will launch its “Project Generation” to become a large private residential landlord, which could boost the bank's yield on assets. Industry analysts note that other lenders could follow suit.

Lloyds Banking Group net interest margin 2016-2020 (%)



Data as of Dec. 31, 2020.  
Source: S&P Global Market Intelligence

Average residential rental yields in select European cities Q3'20 (%)

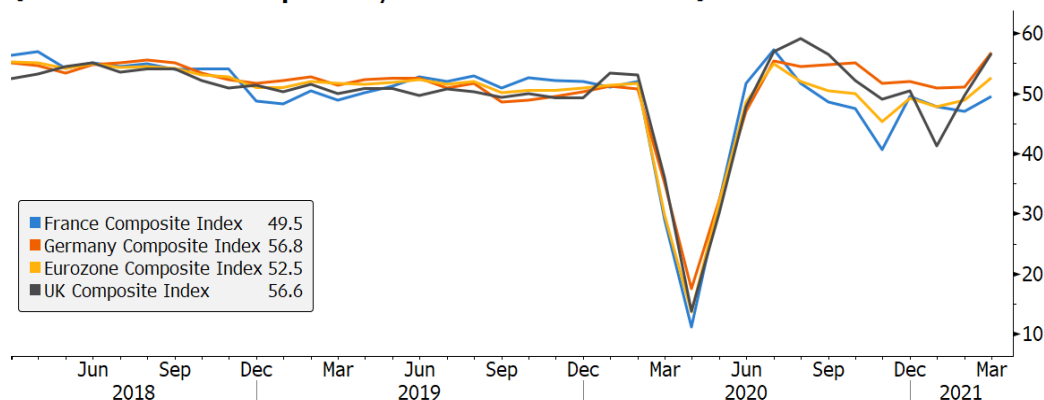


Data as of Nov. 26, 2020.  
Source: Catella Group

**PMI indicators for the UK, Germany, and France show improving economic activity.** The UK's Composite PMI printed at 56.6 for March from 49.6. Germany's was at 56.8 from 51.1. France's at 49.5 from 47.0, and the Eurozone's wide gauge came in at 52.5 from 48.8.

## European Production Indices

(PMI: Above 50 = Expansion; Below 50 = Contraction)



Source: Bloomberg

HPHIFRCA Index (Markit France Composite PMI SA) Macro: EZ PMI Monthly 31MAR2018

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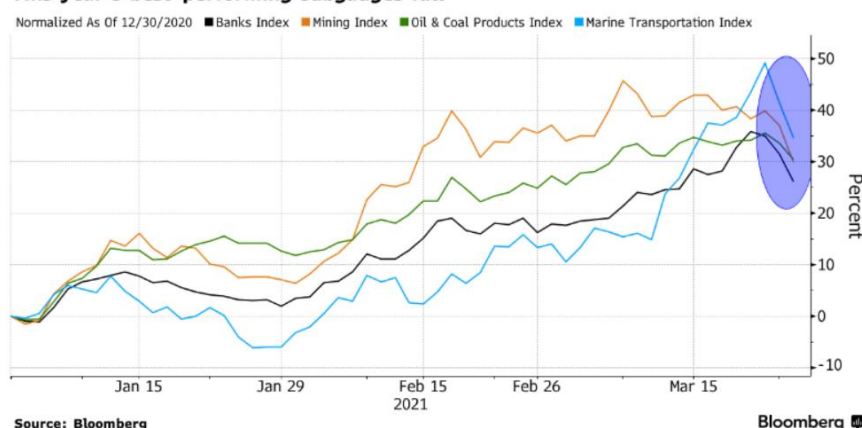
## Other Mature Markets

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### Japan

**Equities fell -2.2%, marking the steepest drop in a month.** The year's best performing sectors declined, with marine transportation falling by -4.9%, paring its gain for 2021 to 35%. Energy and banks also experienced sharp drops. Separately, the manufacturing purchasing managers' index (PMI) rose 0.6 points to 52 in March while the services PMI increased points to 46.5. **10-year JGB yield fell -0.7bps and the yen was unchanged.**

#### This year's best-performing subgauges fall



### New Zealand

**New Zealand 10-year bond yield fell sharply amid an unwinding of rate hike expectations.** 10-year yields declined by 15.7bps to 1.51%, the lowest level since mid-February. The paring of rate hike expectations came following yesterday's measures to curb property investor speculation. Markets are now pricing around 20 bps of rate hikes by end-2022, compared with 35 bps on Monday. **The New Zealand dollar depreciated -0.2% and equities fell -0.3%.**

#### Bond yields collapse as government move on housing drives rethink on rates



## Emerging Markets

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In Latin America, the **Colombian** peso underperformed driven by the risk off sentiment in EMFX and the decline in oil prices, while the **Mexican** peso declined for a fourth day in a row largely due to its EMFX proxy status. The **Brazilian** real was little changed (-0.3%). Contacts highlight that expectations of central bank intervention have kept the currency close to the 5.5 level. **Asian equities fell -1.1 on net and regional currencies depreciated.** In Korea bond yields fell for the third straight day this week; comments by the

Governor Lee Ju-yeol today confirmed expectation of faster inflation and economic growth but dismissed the needs to tighten policy early to tackle rising financial risks. **In EMEA, sentiment remains fragile in Turkey** while the South African rand (+0.9%) gained following lower than expected inflation in February.

#### Key Emerging Market Financial Indicators

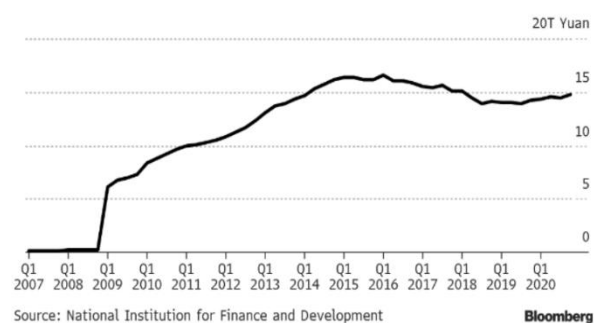
Last updated: 3/24/21 8:11 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
<b>Major EM Benchmarks</b>			%				%
MSCI EM Equities		52.89	-1.0	-3	-5	61	2
MSCI Frontier Equities		29.53	-0.5	0	1	41	4
EMBIG Sovereign Spread (in bps)		352	2	3	1	-370	2
EM FX vs. USD		56.53	0.3	-1	-3	6	-2
<b>Major EM FX vs. USD</b>			%, (+) = EM currency appreciation				
China Renminbi		6.52	-0.1	0	-1	8	0
Indonesian Rupiah		14425	-0.2	0	-2	14	-3
Indian Rupee		72.56	-0.2	0	0	5	1
Argentine Peso		91.64	-0.1	-1	-2	-30	-8
Brazil Real		5.51	0.3	1	-2	-7	-6
Mexican Peso		20.69	0.8	-1	-2	20	-4
Russian Ruble		76.12	0.4	-3	-3	3	-2
South African Rand		14.77	0.8	-1	-2	19	-1
Turkish Lira		7.93	0.0	-5	-10	-19	-6
EM FX volatility		11.43	0.0	1.1	1.5	-1.8	0.7

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

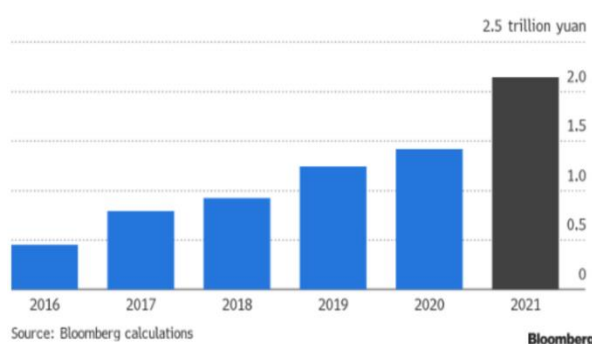
### China

**Equities (Shanghai -1.3%, Shenzhen -1.4%) declined while the RMB was little changed.** Chinese companies are pulling their planned initial public offerings (IPOs), with a total of 84 firms withdrawing their applications this year, versus nine in 2020Q1, according to Bloomberg. The technology-focused Shanghai Star and Shenzhen ChiNext markets are seeing the most cancellations. **Separately, China's local government hidden debt rose to RMB14.8 tn (\$2.3 tn) in 2020.** The National Institution for Finance and Development said that off-budget borrowing rose 6% from a recent low of RMB13.9 tn in 2019Q3, according to Bloomberg reports. Liu Lei, a researcher at the National Institution for Finance and Development said that the increase in hidden debt was driven by pressure to expand investment. There is no official account of hidden debt and Liu's calculation includes bonds issued by local government financing vehicles (LGFVs) and borrowing by government-linked trust funds, insurers and other investment firms, but does not take into account bank loans to LGFVs. Earlier this year Bloomberg estimated that about RMB 2.1tn of bonds sold by LGFVs will mature in 2021.

Chinese local governments' implicit debt rebounded in 2020



2.14 trillion yuan in LGFV debt is set to mature this year





### Thailand

**The Bank of Thailand (BOT) maintained its policy rate at 0.5%, as expected.** The decision was unanimous, and the central bank cut its GDP forecast for 2021 to 3% from 3.2% to account for the impact of the new wave of COVID-19 outbreak and the sluggish tourism sector. The BOT said in its statement that its 'monetary policy must remain accommodative' and it is 'ready to use additional appropriate monetary policy tools if necessary'. It also mentioned that fiscal measures must continue to support the economy. **10-year bond yield fell -6 bps, the Thai baht weakened -0.1% and equities gained 0.4%.**

### Russia

**Russian 10-yr swap rates have risen 60 bps this week, which contacts attribute to increased sanction risk.** Traders point to particularly noteworthy upward pressures at the short end of the Russian curve, with 1-yr swap rates rising to 6.20% (from 5.86% last week) after the central bank hiked the policy rate 25 bps last week. Yesterday, Russia canceled a bond sale citing "increased market volatility." The ruble is 2% lower against the U.S. dollar in March.

### South Africa

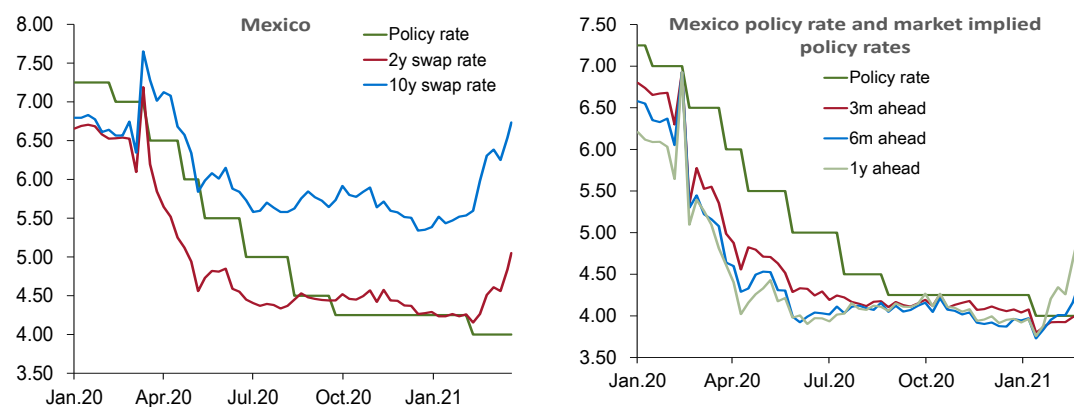
**South Africa saw disappointing demand at a local debt auction yesterday, but sentiment improved after the National Treasury announced a lower-than-expected pace of weekly auctions and inflation was lower than expected** in February (at 2.9% y/y compared to 3.1% expected). 10-yr South African swap rates traded 6 bps lower today.

### Turkey

**The lira (-0.6%) traded near the widely watched level of 8 lira per U.S. dollar as traders focus on potential news from the ruling party's congress.** Yields edged lower but financing conditions remain very tight. The benchmark 10-yr government bond yield trades around 17.7% (from 19% yesterday). The 1-yr rate for borrowing in lira against the U.S. dollar remains elevated at 26% today (from 30% on Monday). Equities (+2%) are higher.

### Mexico

**Markets and analysts expect Banxico to stay on hold on Thursday** but shift to a more hawkish stance compared to its last meeting give the rise in US rates and the recent volatility in EM local bond and FX markets. 13 out of the 23 economists surveyed by Bloomberg expect no change and 10 expect a 25 bp cut. Despite a decline in US rates on Tuesday, Mexico's TIIE swap rates surged during the late afternoon trading session, rising by 20bps across the curve with 10y rate reaching pre-pandemic levels at 6.73%. The market is pricing no rate changes 6 months ahead and ~60 bps of hikes one year ahead. The market was pricing rate cuts up to the 1-year tenor only a few weeks ago (RHS chart).



Source: Bloomberg

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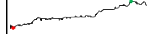
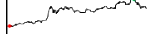
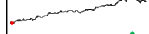





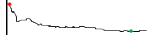




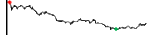
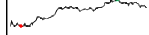


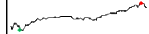



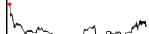





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## Global Financial Indicators

Last updated: 3/24/21 8:08 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3919	-0.8	-1	0	60	4
Europe		3824	-0.1	-1	3	41	8
Japan		28406	-2.0	-5	-4	57	4
China		3367	-1.3	-2	-6	24	-3
Asia Ex Japan		92	-1.9	-3	-5	61	3
Emerging Markets		53	-1.9	-3	-5	61	2
Interest Rates			basis points				
US 10y Yield		1.62	0.2	-2	25	78	71
Germany 10y Yield		-0.36	-1.8	-7	-6	-4	21
Japan 10y Yield		0.07	-0.9	-3	-5	3	5
UK 10y Yield		0.75	-1.4	-8	2	27	55
Credit Spreads			basis points				
US Investment Grade		99	-0.3	-1	8	-246	4
US High Yield		360	-0.2	0	13	-718	-19
Europe IG		54	0.2	7	6	-44	6
Europe HY		273	1.2	29	20	-322	30
EMBIG Sovereign Spread		352	2.2	3	1	-370	2
Exchange Rates			%				
USD/Majors		92.44	0.1	1	3	-9	3
EUR/USD		1.18	-0.1	-1	-3	10	-3
USD/JPY		108.7	0.1	0	3	-2	5
EM/USD		56.5	0.3	-1	-3	6	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		62	2.0	-9	-8	128	20
Industrials Metals (index)		145	0.6	0	-4	59	9
Agriculture (index)		52	-0.1	-1	-3	36	8
Implied Volatility			%				
VIX Index (% change in pp)		20.4	0.1	1.1	-1.0	-41.3	-2.4
US 10y Swaption Volatility		77.7	0.3	-5.5	1.0	-53.7	17.6
Global FX Volatility		8.0	0.0	0.3	0.4	-3.9	0.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		121	-0.6	-6	-12	-158	1
Italy		95	0.6	-4	-4	-94	-16
Portugal		52	0.5	-3	-7	-88	-8
Spain		64	0.1	-3	-6	-57	2

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

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## Emerging Market Financial Indicators

Last updated: 3/24/2021 8:12 AM	Exchange Rates						YTD	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		6.52	-0.1	-0.3	-1	8	0		3.3	-0.2	-3	-4	56	5
Indonesia		14425	-0.2	0.0	-2	14	-3		6.8	-6.2	-4	18	-167	69
India		73	-0.2	0.0	0	5	1		6.4	-3.4	-10	2	-31	47
Philippines		49	-0.1	0.1	0	5	-1		3.8	-22.6	10	35	-135	16
Thailand		31	-0.1	-0.7	-3	6	-3		1.9	-5.5	-9	24	29	62
Malaysia		4.13	-0.2	-0.3	-2	7	-3		3.3	-0.8	-1	37	-40	73
Argentina		92	-0.1	-0.5	-2	-30	-8		45.4	27.7	3	325	-2374	-1070
Brazil		5.51	0.3	1.4	-2	-7	-6		8.0	17.3	50	122	-17	246
Chile		719	0.5	1.4	-2	17	-1		3.3	1.4	9	28	-45	52
Colombia		3579	-0.8	-0.6	0	14	-4		6.3	9.2	36	88	-214	120
Mexico		20.69	0.8	-1.4	-2	20	-4		6.6	12.8	22	75	-117	103
Peru		3.7	-0.2	-0.5	-2	-5	-3		4.5	2.1	-8	38	-134	91
Uruguay		44	0.2	0.8	-3	2	-4		7.4	-5.3	9	33	-538	13
Hungary		308	0.3	-0.6	-4	7	-4		2.0	-2.2	-7	8	3	47
Poland		3.91	-0.3	-1.8	-5	9	-4		0.9	2.2	-2	12	-53	24
Romania		4.1	-0.1	-1.2	-3	9	-4		2.6	-1.0	-1	-2	-188	-10
Russia		76.1	0.4	-3.3	-3	3	-2		6.9	13.5	39	59	-42	122
South Africa		14.8	0.8	-0.8	-2	19	-1		10.2	1.1	15	50	-246	55
Turkey		7.93	0.0	-5.4	-10	-19	-6		18.9	26.9	432	558	602	581
US (DXY; 5y UST)		92	0.1	1.1	3	-9	3		0.82	0.3	2	22	30	46

	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		4929	-1.6	-3	-9	36	-5		199	0	-2	-9	30	-9
Indonesia		6156	-1.5	-2	-2	56	3		158	0	-9	-25	-5	-29
India		49180	-1.7	-1	-3	84	3		151	-3	-11	0	-278	0
Philippines		6497	0.8	-1	-4	36	-9		83	0	-9	-17	13	-22
Malaysia		1602	0.4	-1	3	24	-2		113	0	-2	-3	9	3
Argentina		48615	-1.2	-2	-2	103	-5		1459	0	19	8	-570	91
Brazil		113262	-1.5	-1	-2	62	-5		253	0	0	-16	58	3
Chile		4803	-0.6	-2	5	66	15		126	0	-6	-16	-14	-18
Colombia		1320	-0.4	-2	-4	43	-8		207	0	-4	-15	44	2
Mexico		46659	-1.2	-3	3	35	6		348	0	-9	-34	55	-12
Peru		21529	-2.0	-4	-7	51	3		133	0	-4	-3	22	1
Hungary		44084	1.1	1	2	35	5		65	0	-6	-15	-42	-31
Poland		56909	-1.4	-2	-1	41	0		-22	0	-4	-11	-54	-21
Romania		10842	-0.2	0	6	45	11		193	2	5	-7	-221	-9
Russia		3466	0.0	-1	2	43	5		159	0	-5	-3	19	-7
South Africa		65095	-0.3	-3	-2	58	10		357	0	-4	-35	25	-23
Turkey		1405	2.0	-10	-5	57	-5		421	0	-5	-47	34	-24
Ukraine		517	0.0	0	-1	1	3		479	0	12	-21	127	-12
EM total		53	-1.0	-3	-5	61	2		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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