









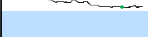

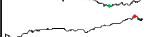

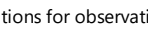
- Bank shares and Archegos-linked stocks still under pressure after fund's failure ([link](#))
- China admitted to FTSE flagship gov. bond index but with slower phase-in ([link](#))
- Turkey's currency under pressure again as central bank shake-up continues ([link](#))
- Buenos Aires extend public debt restructuring negotiations ([link](#))
- Russia's CB prepping disclosure requirements and stress tests for climate risks ([link](#))

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Bond sell-off overshadows margin mayhem

Yields are pressing higher again on reflation bets as the wider fallout for the Archegos debacle remains contained. 10-year bond yields are up roughly 6-10 bps across advanced economies and a number of emerging markets, the dollar is advancing on higher US real yields, and equities are eking out small gains. The latest driver of the reflation theme is expectations for the Biden administration's infrastructure spending plan, which is set to be unveiled on Wednesday and understood to come with a roughly \$3 tn price tag. The rapid move higher in yields has also been linked to large block sales of US and German government bonds. Meanwhile, the fallout from the Archegos fund liquidation has gotten worse for the banks involved, with rumors of \$7 bn losses for Credit Suisse and sizeable losses at a widening array of major investment banks. The impact on the broader market remains limited beyond bank shares and equities linked to the failed Archegos fund.

Key Global Financial Indicators

Last updated: 3/30/21 8:18 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		3971	-0.1	1	4	51	6
Eurostoxx 50		3899	0.4	2	7	41	10
Nikkei 225		29433	0.2	2	2	56	7
MSCI EM		53	-0.7	-2	-2	56	2
Yields and Spreads			bps				
US 10y Yield		1.75	4.3	13	35	102	84
Germany 10y Yield		-0.27	5.0	7	-1	22	30
EMBIG Sovereign Spread		350	-3	0	-7	-274	0
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		55.7	-0.2	-1	-2	4	-4
Dollar index, (+) = \$ appreciation		93.2	0.2	1	3	-6	4
Brent Crude Oil (\$/barrel)		64.1	-1.3	5	-3	182	24
VIX Index (% change in pp)		20.8	0.1	1	-7	-36	-2

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

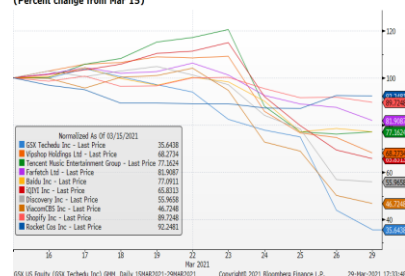
United States

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US stock markets closed mixed as investors continued to digest the potential impact of the forced liquidation of a levered investment fund. A wave of block trades continued on Monday on stocks impacted by the failed Archegos Capital Management, with share prices down between 2 to 15%. This includes \$2 bn transactions from Wells Fargo and another \$500 mn from Morgan Stanley. Financial sector dropped 0.6%, as shares of banks with major brokerage business sold off (UBS -2.4%, Wells Fargo -2.7%, Morgan Stanley -1.6%, JPMorgan -1.6%, Deutsche -2.7%, BNP Paribas -2%, Goldman -0.1%).

Most other sectors closed higher in anticipation of a further stimulus program with a tilt toward infrastructure expected to be announced later this week. The Treasury curve steepened with 10- and 30-year yields up by 4 bps to 1.71% and 2.41% respectively, primarily driven by higher real rates.

Block Trade Blitz
(Percent change from Mar 15)



Change in bank stock prices (%)

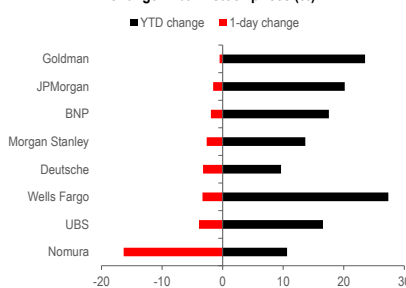
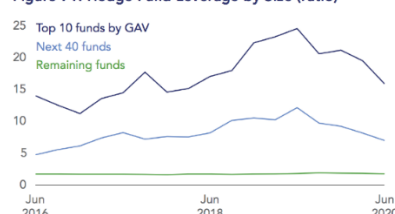


Figure 71. Hedge Fund Leverage by Size (ratio)



Note: Data as of June 30, 2020. GAV stands for gross asset value. Leverage ratio is defined as GAV divided by net asset value as reported on Form PF Questions 8 and 9. Size cohorts are based on rankings by GAV.
Sources: Securities and Exchange Commission Form PF, Office of Financial Research

Hedge fund leverage is off its recent peak. The average leverage across the 10 largest US hedge funds stood at 16x as of June 2020, down from a peak of 25x in June 2019, according to OFR data. Market commentaries suggest that Archegos was running at roughly 5 x leverage, though the positions were highly concentrated in a handful of high volatility stocks, which is much riskier than a more diversified levered portfolio.

Europe

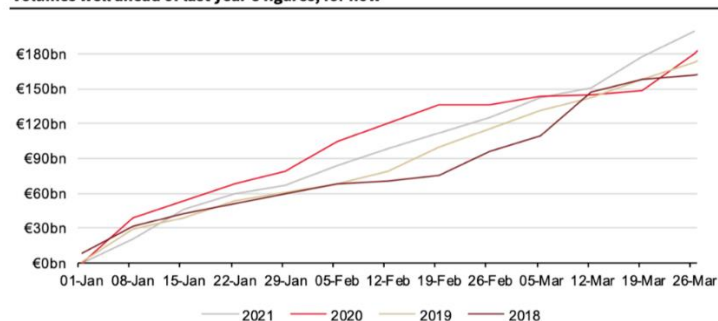
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European equities edged higher with most country indices up around 0.5%. Bank stocks are outperforming (+1.6%). **Credit Suisse was an exception** with shares falling 5% after unconfirmed media reports suggested that the losses from Archegos may reach \$7 bn, equivalent of two years profits and nearly double yesterday's estimates.

European sovereign bond yields rose 6 bps with Italian government bonds underperforming (+8 bps in the 10-year). The **weekly ECB securities purchases data** revealed a minor slowdown of bond-buying under the pandemic emergency purchase program (€19bn vs €21bn) with overall volumes remaining well above Q1 average. The 5y5y inflation forwards rose (+3 bps) to the highest level since December 2018 ahead of German March inflation data.

Despite recent bond market volatility, **investor demand in European corporate primary bond markets remains robust for both investment grade and high yield debt** with most issuers managing to place bonds inside the initial guidance. After a strong March, analysts note that investment grade issuance stands at €153bn or 5% above last year level while high yield issuers are on track of exceeding last year's €100bn mark with €44bn bond placed so far.

Volumes well ahead of last year's figures, for now



Source: Bloomberg, SG Cross Asset Research/Credit

Other Mature Markets

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Japan

Unemployment and retail sales were better than expected in February. The unemployment rate remained unchanged at 2.9%, compared with an expected rise to 3%. The shadow jobless rate (including the employed but not at work) dropped to 6.1% from 6.2% in January. **Governor Kuroda said that the Bank of Japan (BOJ) is able to continue with powerful monetary easing more firmly thanks to adjustments made in its policy review.** He also mentioned that the BOJ will not hesitate to add easing if needed and that it is important to keep the entire yield curve low and stable. **Equities were mixed** (NIKKEI: +0.2%; TOPIX: -0.8%), while Nomura's share price declined further (-0.7%). **Japanese yen depreciated** (-0.4%). **Long-end JGB yields increased** (10-year: +1.7 bps; 30-year: +1.4 bps).

Emerging Markets

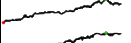


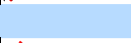
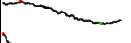

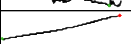

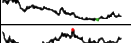

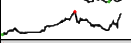

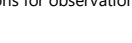

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Most Asian stock markets gained, +0.4% on net, led by Indian (+2.1%), Korean (+1.1%) and Chinese (CSI 300: +0.9%). Meanwhile, share prices dropped in Indonesia (-1.5%) and Philippines (-0.9%). **Most Asian currencies depreciated,** led by Indian rupee (-1.0%). **In India,** state-owned banks were buying dollar on behalf of the central bank. **Long-end government bond yields rose,** led by Korea (+10.1 bps) and Indonesia (+6.1 bps) for the 10-year tenor. **In Indonesia,** analysts commented that investors remain cautious on Indonesia's bonds due to supply risks as illustrated by a greater reliance on the greenshoe option to fill the funding gap. Indonesian rupiah depreciated (-0.2%). **In Malaysia,** 10-year government bond yield declined (-4.4 bps) after the FTSE Russell removed Malaysia from the watchlist for possible exclusion from the World Government Bond Index. Malaysian ringgit depreciated (-0.2%).

A moderate risk-on mood pushed Central and Eastern European stocks slightly higher this morning. Equities in the MENA region traded mixed, with Egypt (-1.2%) posting large losses while South Africa (+2%) led the gainers. Currencies mostly weakened to the US dollar by about 0.2%, except the Turkish lira (-1.6%) which came under renewed pressure.

Latin American equities rallied yesterday for another day in Chile (+1.3%) and Argentina (+1.8%) and retreated in Peru (-0.2%). Currencies depreciated, with Peru's sol taking the lead (-0.5%). The region's yield curves for sovereign USD debt shifted up to 5 bps higher, in tandem with 5-year CDS spreads, while local currency curves remained roughly stable, except for the Brazilian one, which shifted up by 17 bps on the 10-year bond. A weaker print in Brazil's service sector confidence index, down by 5.6 points from its 77.6 February level, a slowdown of credit growth, and concerns credit delinquency weighed on government bonds.

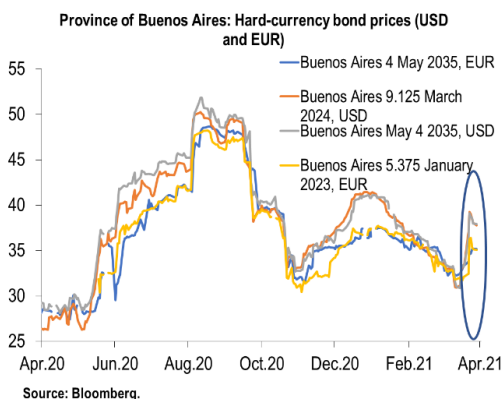
Key Emerging Market Financial Indicators

Last updated: 3/30/21 8:20 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		52.90	0.4	-2	-2	56	2
MSCI Frontier Equities		29.43	-0.2	-1	2	39	4
EMBIG Sovereign Spread (in bps)		350	-3	0	-7	-274	0
EM FX vs. USD		55.71	-0.2	-1	-2	4	-4
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.57	0.0	-1	-2	8	-1
Indonesian Rupiah		14480	-0.2	-1	-2	13	-3
Indian Rupee		73.38	-1.0	-1	0	3	0
Argentine Peso		91.92	-0.1	0	-2	-30	-8
Brazil Real		5.76	0.4	-4	-2	-10	-10
Mexican Peso		20.63	-0.1	1	0	15	-3
Russian Ruble		75.96	-0.4	1	-2	5	-3
South African Rand		14.94	-0.1	0	0	20	-2
Turkish Lira		8.33	-1.4	-5	-12	-21	-11
EM FX volatility		11.16	0.0	-0.3	0.4	-1.5	0.4

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

Argentina

Buenos Aires is once again extending negotiations over public debt restructurings, this time to April 23. The province of Buenos Aires is aiming for a restructuring deal for its \$7 bn in foreign currency debt of 65 cents on the dollar, much closer to the terms of the deal struck last year by the federal government (around 55 cents on the dollar) than to those struck by fellow provinces. Argentina's hard currency bonds fell up to 0.4 cents on the dollar, with the September 2029 Euro bond currently pricing at 36.4 cents.



Argentina Provinces' Debt Deals

Eight provinces have closed restructuring deals with foreign creditors

Provinces	Creditor Acceptance	Debt Offer NPV*
Mendoza	95.3%	83.4
Neuquen	90.3	88.0
Rio Negro	96.2	89.7
Cordoba	96.3	88.3
Chubut	90.0	92.1
Salta	95.5	95.2
Entre Rios	97.2	96.3
Jujuy	92.5	96.3

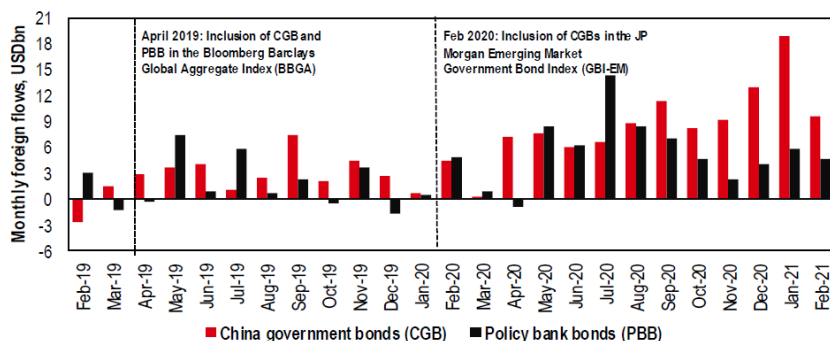
Source: 1816 Economía & Estrategia consulting firm
*Note: Net Present Value (NPV) calculated with 10% exit yield

Bloomberg

China

China will be included into the FTSE Russell's World Government Bond Index (WGBI). The inclusion, affirmed today, will be phased in over a 36-month period from October 29, 2021, surprising investor expectations of a shorter phase-in. Given the estimated weight of China in the WGBI at about 5.25%, the inclusion would trigger around \$130 bn of passive inflows to Chinese government bonds (CGBs) over the 3-year period and increase foreign ownership to about 11-12% later this year from 9.1% at end-2020. **CGB yields rose (10-year: +1.5 bps); the RMB was little changed; equities gained (CSI 300: +0.9%).**

Figure 1. Foreign inflows into China's bond market accelerated in 2020



Source: CEIC, HSBC

The Chinese government approved the Hong Kong SAR's electoral reform. The National People's Congress Standing Committee adopted annexes to Hong Kong's Basic Law that outline how to select the Chief Executive and form the Legislative Council. Analysts noted that the changes would make it harder for pro-democracy politicians to win seats in the Legislative Council. The postponed Legislative Council election will be held in December this year. **Hong Kong dollar was little changed.**

Turkey

The lira came under renewed pressure this morning, weakening 1.7% to the US dollar at 8.36/dollar. Despite analysts' warnings that further drops could be forthcoming, Bloomberg research shows that retail flows from Japan has helped sustain the value of the lira. Investors continue to be attracted to the relatively high yields offered by some Turkish assets, despite policy uncertainties. President Erdogan dismissed the central bank's deputy governor Mr. Cetinkaya yesterday, and renewed his call to citizens to "bring gold and foreign currency they keep at home into the economy."

Japanese retail demand for Turkish lira remains robust

Net lira-yen longs



Sources: Bloomberg, Tokyo Financial Exchange

Bloomberg

Russia

The Central Bank of Russia is preparing guidelines on banks' disclosures of climate-related risks. The CBT has also started work on the design of climate stress-tests, according to the Bank's First Deputy Governor. Under the proposal being considered, banks with better scoring regarding ESG goals could be granted more favorable reserve requirement ratios.

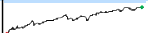

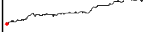


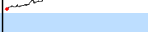




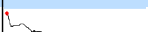


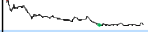
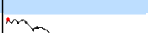
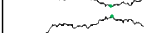


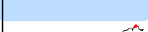


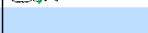
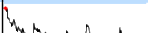



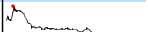

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Global Financial Indicators




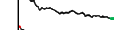
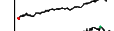
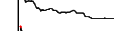









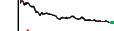
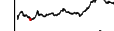

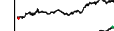






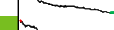








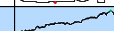


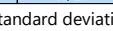
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	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3964	-0.1	1	4	51	6
Europe		3899	0.4	2	7	41	10
Japan		29433	0.2	2	2	56	7
China		3457	0.6	1	-1	26	0
Asia Ex Japan		92	-0.5	-2	-3	55	3
Emerging Markets		53	-0.7	-2	-2	56	2
Interest Rates			basis points				
US 10y Yield		1.75	4.3	13	35	102	84
Germany 10y Yield		-0.27	5.0	7	-1	22	30
Japan 10y Yield		0.09	1.6	1	-7	7	7
UK 10y Yield		0.84	5.1	8	2	50	64
Credit Spreads			basis points				
US Investment Grade		95	0.5	-4	3	-185	0
US High Yield		346	-0.5	-14	-11	-551	-34
Europe IG		54	0.4	0	6	-43	7
Europe HY		265	1.4	-6	18	-317	23
Exchange Rates			%				
USD/Majors		93.15	0.2	1	3	-6	4
EUR/USD		1.17	-0.2	-1	-3	6	-4
USD/JPY		110.3	0.4	2	3	2	7
EM/USD		55.7	-0.2	-1	-2	4	-4
Commodities			%				
Brent Crude Oil (\$/barrel)		64	-1.3	5	-3	182	24
Industrials Metals (index)		144	-0.5	0	-2	57	8
Agriculture (index)		50	-0.4	-3	-4	35	5
Implied Volatility			%				
VIX Index (% change in pp)		20.8	0.1	0.5	-7.1	-36.3	-1.9
US 10y Swaption Volatility		79.4	0.2	1.9	1.3	-26.8	19.2
Global FX Volatility		7.9	0.0	-0.1	-0.4	-3.7	-0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		118	-1.3	-3	-19	-95	-2
Italy		98	1.9	3	-5	-99	-14
Portugal		53	1.0	1	-5	-70	-7
Spain		63	0.3	0	-5	-46	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: 3/30/2021 8:19 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		6.57	0.0	-0.8	-2	8	-1		3.3	0.3	-2	-5	63	4
Indonesia		14480	-0.2	-0.6	-2	13	-3		6.7	-0.9	-12	5	-122	63
India		73	-1.0	-1.3	0	3	0		6.4	0.0	-7	-6	-11	43
Philippines		49	-0.2	0.2	0	5	-1		3.8	1.2	-20	36	-105	19
Thailand		31	-0.2	-0.9	-3	4	-4		1.9	-0.8	-5	15	31	62
Malaysia		4.15	-0.2	-0.7	-2	4	-3		3.2	-1.0	-5	23	-5	69
Argentina		92	-0.1	-0.4	-2	-30	-8		46.0	15.9	82	445	-1633	-1015
Brazil		5.76	0.4	-4.2	-2	-10	-10		8.3	15.7	43	102	167	271
Chile		734	-0.4	-1.5	-2	16	-3		3.5	-3.5	21	36	-21	71
Colombia		3716	-0.7	-4.2	-3	9	-8		6.5	5.7	27	88	-32	138
Mexico		20.63	-0.1	1.0	0	15	-3		6.8	9.7	27	65	-45	117
Peru		3.8	-0.5	-1.0	-3	-8	-4		4.7	8.7	21	46	-11	110
Uruguay		44	0.0	-0.7	-3	-2	-5		7.4	13.2	1	42	-602	19
Hungary		309	-0.4	-0.1	-2	5	-4		2.0	-1.1	-2	-9	41	46
Poland		3.97	-0.1	-1.8	-5	4	-6		0.9	3.2	3	-4	-53	24
Romania		4.2	-0.4	-1.6	-3	4	-5		2.6	-1.0	-3	-29	-147	-12
Russia		76.0	-0.4	0.6	-2	5	-3		6.7	-2.5	-9	22	-11	100
South Africa		14.9	-0.1	-0.3	0	20	-2		10.3	-1.9	11	49	-156	65
Turkey		8.33	-1.4	-4.7	-12	-21	-11		18.5	10.3	-15	498	602	540
US (DXY; 5y UST)		93	0.2	0.9	3	-6	4		0.92	3.5	11	19	51	56

	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		5095	0.9	2	-5	38	-2		199	0	-2	-9	30	-9
Indonesia		6071	-1.5	-3	-3	34	2		158	0	-9	-25	-5	-29
India		50137	2.3	1	2	70	5		147	-1	-7	-1	-232	-4
Philippines		6546	-0.9	2	-4	23	-8		83	0	-9	-17	13	-22
Malaysia		1609	-0.1	1	2	19	-1		113	0	-2	-3	9	3
Argentina		47241	0.0	-4	-2	94	-8		1459	0	19	8	-570	91
Brazil		115419	0.0	0	5	55	-3		253	0	0	-16	58	3
Chile		4917	0.0	2	8	48	18		126	0	-6	-16	-14	-18
Colombia		1321	0.0	0	-3	17	-8		207	0	-4	-15	44	2
Mexico		47747	0.0	1	7	40	8		348	0	-9	-34	55	-12
Peru		21405	0.0	-3	-5	54	3		133	0	-4	-3	22	1
Hungary		44711	0.2	3	2	40	6		65	0	-6	-15	-42	-31
Poland		58191	-0.4	1	2	43	2		-22	0	-4	-11	-54	-21
Romania		11060	0.8	2	8	48	13		188	-5	-4	-22	-192	-15
Russia		3520	-0.2	2	5	45	7		159	0	-5	-3	19	-7
South Africa		66800	-0.4	2	1	54	12		357	0	-4	-35	25	-23
Turkey		1383	-0.7	0	-6	57	-6		421	0	-5	-47	34	-24
Ukraine		517	0.0	0	-1	1	3		479	0	12	-21	127	-12
EM total		53	0.4	-2	-2	56	2		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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