









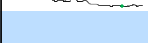



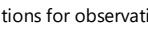
- France is considering a new national lockdown amid a third virus wave ([link](#))
- Brazil's president reshuffles cabinet amid pandemic and inflation pressures ([link](#))
- Fed's RRP usage surges on quarter-end pressures and surplus liquidity ([link](#))
- Eurozone March inflation comes in softer than expected ([link](#))
- Chinese PMI rebound, beating analyst forecasts ([link](#))
- Chile's central bank keeps monetary policy unchanged, as expected ([link](#))

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Investors await US spending plans

Markets are broadly steady as an eventful quarter closes and investors weigh the prospects for another US stimulus package. Stocks are slightly weaker this morning, led by Asian shares. Government bond yields are broadly moving sideways after rising sharply yesterday, reportedly reflecting demand from quarter-end portfolio rebalancing. The dollar is giving back some of its recent gains, but will likely close out its best quarterly performance in a year. One key focus for today's session will be the official unveiling of the Biden administration's infrastructure package, which the latest reports suggest will cost \$2.25 tn and includes significant corporate tax hikes. The hefty price tag and tax hike component point to a challenging road to passage, so investors will be watching closely to understand the bill's prospects in Congress.

Key Global Financial Indicators

Last updated: 3/31/21 8:06 AM	Level Last 12m Latest	Change from Market Close 1 Day 7 Days 30 Days 12 M YTD
Equities		%
S&P 500	 3959	-0.3 1 4 53 5
Eurostoxx 50	 3923	-0.1 2 8 41 10
Nikkei 225	 29179	-0.9 3 -2 62 6
MSCI EM	 53	0.3 0 -1 55 3
Yields and Spreads		bps
US 10y Yield	 1.73	2.3 12 32 106 81
Germany 10y Yield	 -0.29	0.0 7 -3 19 28
EMBIG Sovereign Spread	 358	8 6 1 -285 8
FX / Commodities / Volatility		%
EM FX vs. USD, (+) = appreciation	 55.9	0.4 0 -1 5 -3
Dollar index, (+) = \$ appreciation	 93.2	-0.1 1 3 -6 4
Brent Crude Oil (\$/barrel)	 63.9	-0.4 -1 -3 181 23
VIX Index (% change in pp)	 19.7	0.1 -1 -8 -34 -3

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

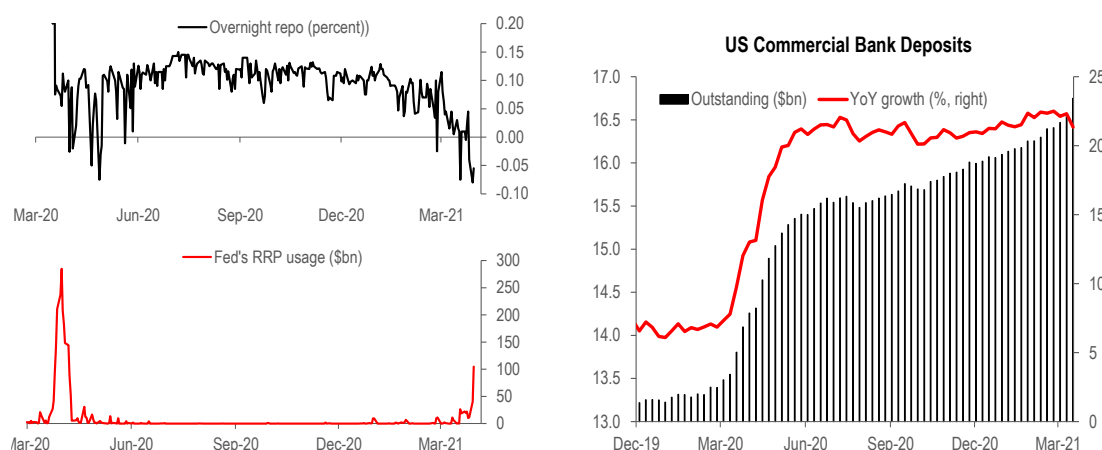
United States

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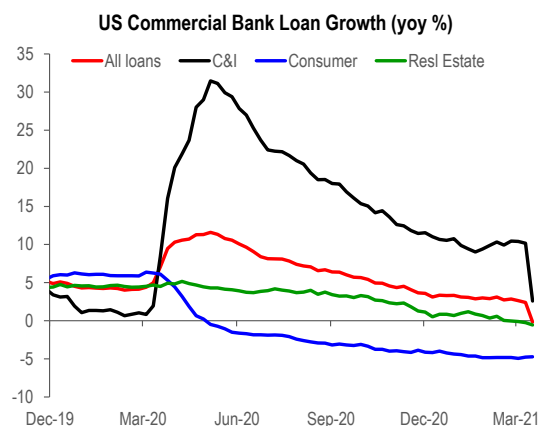
The advance jobs report showed rising job growth, coming in close to expectations. The ADP employment report showed the US added most new jobs since September, rising 517K in March. This is slightly below the consensus of 550K, but the February's reading was revised up by 59K. Treasuries little changed.

Treasury yields rose to a 14-month high ahead of today's anticipated announcement of an infrastructure spending plan. The 5-year yield reached 0.89%, the highest since last March, on the back of a 5 bps increase in real rates. The 10-year yield rose as much as 7 bps to 1.77% overnight but retraced back to 1.71% in the US session. Similarly, the 30-year yield touched an intraday high of 2.46% but closed the day 4 bps lower to 2.37%. Contacts reported that the overnight selloff caught many by surprise, but long-end buyers emerged in anticipation that quarter-end re-balancing flows would support Treasuries in the short term. The implied rate volatility (MOVE index) is on the move again, up 8 pts from last Friday to 67.5. In stock market, **bank shares (+0.8%) rebounded from yesterday's selloff, as the risks from the Archegos fallout seem to be contained so far**, while most of the individual stocks involved in the block trades have started to recover. Technology share performance continue to be anemic as rates push higher, down 1% on the day. On the data front, the Conference Board consumer confidence index rose 19.3 pts to 109.7 in March, in one of the largest monthly increase on record.

Markets struggle to digest the influx of stimulus deposits ahead of quarter-end. Overnight repo remains negative for a 3rd straight day, while usage at the Fed's overnight reverse repo facility surged to the most since last April at \$104 bn as dealers pull back their balance sheet around quarter-end. Bank deposits increased \$182 bn last week, the largest weekly increase since last April, as the first batch of stimulus check were distributed. This brings QTD deposit growth to over \$650 bn or 19% annualized, on track to be the second largest quarterly growth on record.



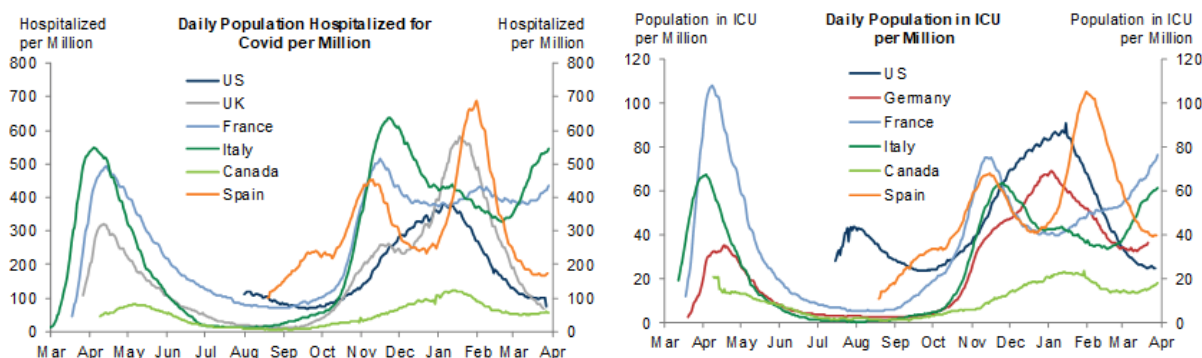
US bank loan growth slowed down sharply in recent weeks, in part reflecting base effects. Total loan growth came in at -0.17% yoy last week, the first yoy contraction since 2011. The slowdown was seen across loan categories, with C&I loans falling dramatically. The pullback concentrates in large banks, with 4.5% yoy decline in total loans, while loans from small banks continue to grow at 8% yoy, partly supported by the re-acceleration in Paycheck Protection Program.



Europe

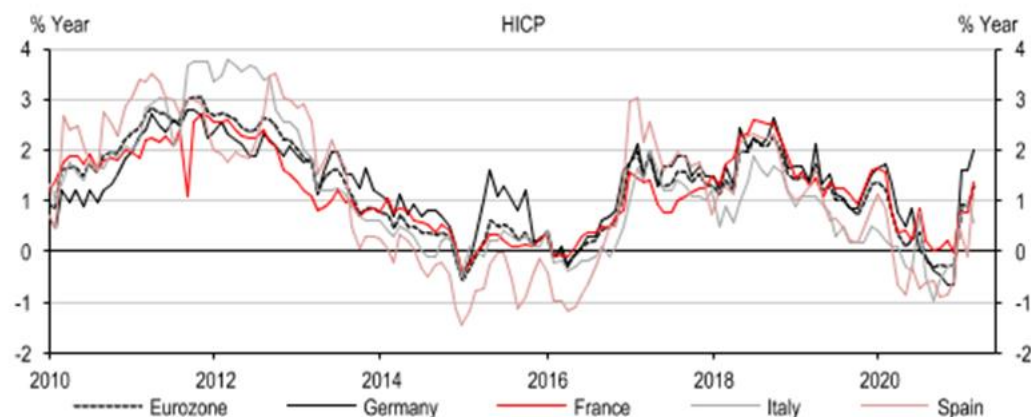
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European equities are trading mixed today with indices up in Italy (+0.5%) and Spain (+0.5%) but down in France (-0.4%). **French President Macron is expected to announce new restrictions tonight** as the country is seeing a rapid rise in hospitalization and intensive care unit cases amid a third Covid-19 wave. Vaccination rates remain slow due to supply bottlenecks with just 11% of the population receiving the first dose as compared to 45% in the UK and 29% in the U.S.



European sovereign bond yields were little changed except for Italy and Greece where spreads tightened by 2 bps. Contacts note that the selling pressure seen yesterday was most likely amplified by month end rebalancing. Separately, ECB's President Lagarde said that the ECB is ready to use all tools if investors want to test its resolve and push the bond yields higher.

Eurozone March preliminary inflation estimates came softer than expected. The headline increased to 1.3% yoy (1.4% expected and 0.9% in February) while core inflation eased to 0.9% yoy against expectations 1.1%. At a country level, German inflation was in line with economist estimates with headline reaching 2% yoy, mostly through energy price growth. Inflation came somewhat softer than expected in France and Italy but surprised to the upside in Spain. Contacts expect Euro area inflation to rise above 2% in the coming months, mostly on base effects, but see limited implication for ECB policy.



Source: Refinitiv Datastream, HSBC

Other Mature Markets

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Japan

Industrial production declined 2.6% m/m, larger than expected, in February. Analysts viewed that the decline as driven by a supply-side crunch rather than by weak demand. A large earthquake earlier halted car and chip factories in the northeastern Japan. **Equities declined (NIKKEI: -0.9%). Japanese yen depreciated (-0.2%)** to 110.6 per USD as holders of short positions in the dollar (reportedly, at the level above 110 per USD) were squeezed. **The Bank of Japan (BOJ) plans to slow its bond purchases in all maturities in April.** This was the first time for the BOJ to release a planned bond purchase after the March policy review. Long-end JGB yields rose (10-year: +0.4 bp; 30-year: +1.2 bps).

MUFG warned of a potential \$300 million loss linked to a U.S. client, which is understood to be Archegos Capital Management. Its share price declined (-3.7%). **Nomura's share price further dropped (-1.4%).** Nomura's earnings reached a 19-year high in the first nine months of the current financial year (which runs through March), driven by a boom in trading and investment banking business. Its U.S. operation was the main contributor to the strong earnings.

Australia

Equities gained (+0.8%), outperforming regional peers. The gain was driven by industrial and real estate firms, with the latter benefiting from a surge in building approvals. Australian dollar appreciated (+0.3%)

Emerging Markets

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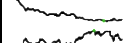

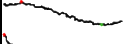

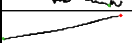

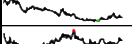



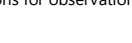

Asian stock markets declined, -0.4% on net, led by Malaysian (-2.4%), Philippine (-1.6%) and Indonesian (-1.4%) equities. **Most Asian currencies appreciated,** led by Chinese yuan (+0.3%) and Singaporean dollar (+0.3%). **In Indonesia,** Bank Indonesia's holdings of government bonds reached 23.1% of the total amount outstanding, surpassing that of foreign investors (close to 40% pre-pandemic). The rupiah depreciated (-0.3%). **In Thailand,** the current account deficit was larger than expected in February, putting downward pressures on the currency. Thai baht depreciated (today: -0.2%; past month: -3.3%).

EMEA bourses are mixed today but are trading within contained ranges, except notable gains in Saudi Arabia (+1.9%) and losses in Egypt (-1.3%) and South Africa (-1.0%). Turkish equities were flat, as was the lira. Other currencies in the region also traded sideways within a +0.0 to +0.2% range.

Latin American equities printed mixed, posting gains in Argentina (+1.8%), Brazil (+1.2%), and Colombia (+0.5%). Argentina had better than expected data in the current account for the fourth quarter of 2020 (\$-1.4bn instead of the \$-1.7bn anticipated) and in January's growth in monthly economic activity by (-2% y/y,

0.5 ppt higher than expected). Currencies retreated in Colombia (-1.1%) and Peru (-0.6%), while Brazil's real appreciated (+0.4%). Sovereign hard currency yield curves remained broadly stable. Sovereign local currency yields for the ten-year maturity moved down 11 bps in Brazil and up 16 bps in Peru.

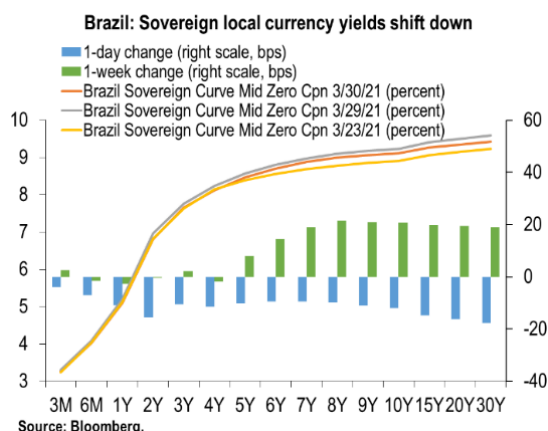
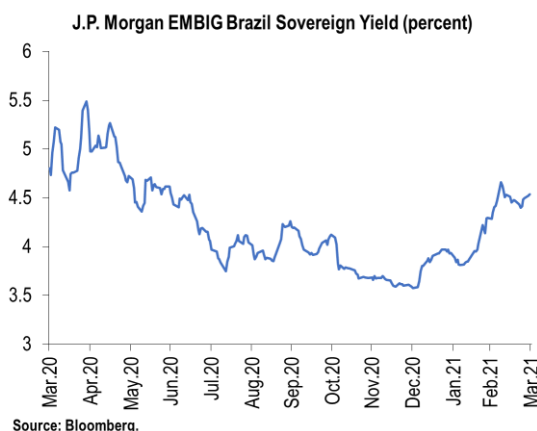
Key Emerging Market Financial Indicators

Last updated: 3/31/21 8:04 AM	Level	Change	YTD
	Last 12m index	1 Day 7 Days 30 Days 12 M	
Major EM Benchmarks		%	%
MSCI EM Equities	 53.07	-0.3 0 -1 55	3
MSCI Frontier Equities	 29.25	-0.6 -1 1 37	3
EMBIG Sovereign Spread (in bps)	 358	8 6 1 -285	8
EM FX vs. USD	 55.94	0.4 0 -1 5	-3
Major EM FX vs. USD		%, (+) = EM currency appreciation	
China Renminbi	 6.55	0.3 0 -1 8	0
Indonesian Rupiah	 14525	-0.3 -1 -2 12	-3
Indian Rupee	 73.11	0.4 -1 1 3	0
Argentine Peso	 91.96	0.0 0 -2 -30	-8
Brazil Real	 5.77	0.1 -3 -2 -10	-10
Mexican Peso	 20.51	0.4 2 1 15	-3
Russian Ruble	 75.32	0.7 2 -1 4	-2
South African Rand	 14.79	0.8 1 1 21	-1
Turkish Lira	 8.30	0.4 -4 -12 -20	-10
EM FX volatility	 11.30	0.0 0.0 0.6 -1.0	0.6

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

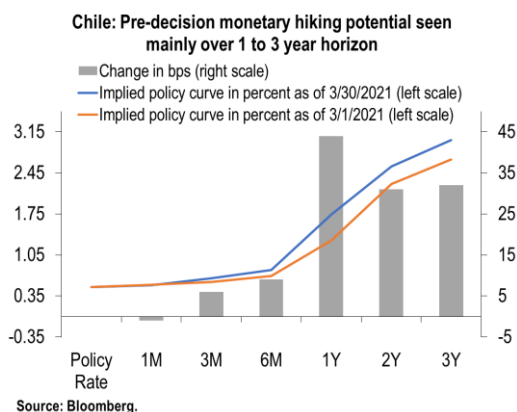
Brazil

Brazil reshuffled its cabinet amidst inflationary and COVID-19 related pressures. Inflationary pressures remain elevated, with the March print for the FGV IGPM, a producer prices dominated inflation index, coming in yesterday at 2.9% m/m (31.1% y/y), higher than February's 2.5% and well above pre-pandemic levels. President Bolsonaro on Monday also fired six cabinet members, including the positions of the foreign and defense ministers, and then on Tuesday the heads of the army, navy, and air force were also dismissed. The reshuffling was understood by local observers as an attempt to shore up political capital among his allies in the legislature as the pandemic intensifies. Investors appeared to welcome the political news, as the stock markets gained, the real reacted appreciated and the sovereign local currency yield curve shifted down. Still local and foreign observers have interpreted the reshuffle as indicating elevated potential for political instability in the context of the 2022 presidential race.



Chile

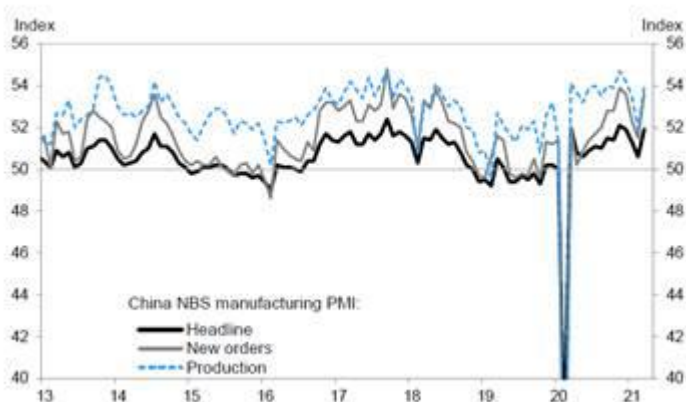
Chile's central bank left its monetary policy rate unchanged at 0.5%. The decision was expected by market consensus and was priced in by markets. While markets increasingly perceive hiking potential over the one to three year time horizons, they only price in a 30 bps move over the next 6 months. The central bank, however, indicated that it expects the rate to stay unchanged until the economic recovery reaches also slower moving expenditure components. J.P. Morgan analysts perceive this as a first signal for a quicker than previously anticipated start of a tightening cycle, which they expect to take off in the fourth quarter of 2021, contingent on the closing of the output gap.



China

Official PMI composite improved, stronger than expected, in March. PMI composite increased to 55.3 from 51.6 in February, with broad-based rebounds from both manufacturing PMI (from 50.6 to 51.9) and non-manufacturing PMI (from 51.4 to 56.3). For manufacturing PMI, price indicators suggested inflationary pressures due to high commodity prices, while employment turned expansionary for the first time in a year. RMB appreciated (+0.3%); equities declined (CSI 300: -0.9%). RMB appreciated (+0.3%); equities declined (CSI 300: -0.9%). **Developing countries' ability to renegotiate their overseas borrowing could be complicated by contracts with Chinese state lenders.** According to a new U.S. academic report, some of these contracts include confidentiality clauses and exemptions from restructuring involving the Paris Club.

Exhibit 1: NBS manufacturing PMI improved in March



Source: Goldman Sachs.











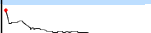



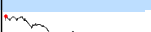



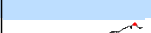






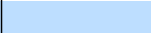
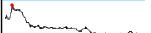

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Global Financial Indicators

Last updated: 3/31/21 8:06 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		3966	-0.3	2	4	53	6
Europe		3923	-0.1	2	8	41	10
Japan		29179	-0.9	3	-2	62	6
China		3442	-0.4	2	-3	26	-1
Asia Ex Japan		92	0.3	0	-2	55	3
Emerging Markets		53	0.3	0	-1	55	3
Interest Rates			basis points				
US 10y Yield		1.73	2.3	12	32	106	81
Germany 10y Yield		-0.29	0.0	7	-3	19	28
Japan 10y Yield		0.10	0.4	2	-7	7	7
UK 10y Yield		0.83	0.8	7	1	48	64
Credit Spreads			basis points				
US Investment Grade		93	-0.9	-6	0	-179	-3
US High Yield		345	-2.5	-12	-12	-538	-35
Europe IG		53	-0.6	-1	5	-43	5
Europe HY		258	-3.5	-11	11	-314	15
Exchange Rates			%				
USD/Majors		93.24	-0.1	1	3	-6	4
EUR/USD		1.17	0.1	-1	-3	6	-4
USD/JPY		110.8	0.4	2	4	3	7
EM/USD		55.9	0.4	0	-1	5	-3
Commodities			%				
Brent Crude Oil (\$/barrel)		64	-0.4	-1	-3	181	23
Industrials Metals (index)		143	0.6	-1	-2	54	8
Agriculture (index)		50	0.4	-4	-5	34	4
Implied Volatility			%				
VIX Index (% change in pp)		19.7	0.1	-1.5	-8.2	-33.8	-3.0
US 10y Swaption Volatility		86.6	0.6	10.2	8.5	-15.4	26.4
Global FX Volatility		8.0	0.0	0.0	-0.3	-2.9	0.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		114	-3.9	-7	-23	-101	-6
Italy		96	-0.9	1	-6	-104	-16
Portugal		52	0.0	0	-6	-82	-8
Spain		63	-0.1	0	-6	-52	1

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: 3/31/2021 8:04 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		6.55	0.3	-0.4	-1	8	0		3.3	0.1	-1	-5	62	4
Indonesia		14525	-0.3	-0.7	-2	12	-3		6.7	4.2	-2	9	-131	67
India		73	0.4	-0.7	1	3	0		6.4	1.8	-2	-4	-12	45
Philippines		49	0.0	0.3	0	4	-1		3.8	0.8	4	36	-105	19
Thailand		31	0.1	-0.8	-3	5	-4		2.0	2.3	3	17	32	65
Malaysia		4.15	0.1	-0.3	-2	4	-3		3.2	-1.0	-5	22	-12	68
Argentina		92	0.0	-0.3	-2	-30	-8		46.6	56.2	110	501	-1363	-959
Brazil		5.77	0.1	-2.5	-2	-10	-10		8.1	-15.4	10	87	173	256
Chile		726	0.6	0.1	-1	18	-2		3.5	3.9	23	39	-22	75
Colombia		3729	-0.4	-3.1	-3	9	-8		6.6	13.2	31	101	-11	151
Mexico		20.51	0.4	2.1	1	15	-3		6.8	1.9	16	67	-52	119
Peru		3.8	-0.6	-1.4	-3	-9	-4		4.8	14.4	34	61	-24	125
Uruguay		44	0.3	-0.5	-3	-1	-5		7.5	2.0	8	44	-577	21
Hungary		310	0.1	-0.4	-3	6	-4		2.1	5.8	6	-3	36	52
Poland		3.96	0.3	-1.2	-5	4	-6		0.9	6.5	7	2	-40	30
Romania		4.2	0.1	-1.4	-4	4	-5		2.7	3.0	1	-26	-173	-9
Russia		75.3	0.7	1.7	-1	4	-2		6.8	7.4	-15	29	-1	107
South Africa		14.8	0.8	1.3	1	21	-1		10.4	6.4	16	55	-142	71
Turkey		8.30	0.4	-4.4	-12	-20	-10		18.5	3.2	-38	501	574	543
US (DXY; 5y UST)		93	-0.1	0.8	3	-6	4		0.91	1.5	10	18	53	55

	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		5048	-0.9	2	-7	37	-3		199	0	-2	-9	30	-9
Indonesia		5986	-1.4	-3	-6	34	0		158	0	-9	-25	-5	-29
India		49509	-1.3	-1	-1	75	4		153	6	2	5	-229	2
Philippines		6443	-1.6	-1	-6	19	-10		83	0	-9	-17	13	-22
Malaysia		1574	-2.2	-2	0	19	-3		113	0	-2	-3	9	3
Argentina		48091	0.0	-2	-1	97	-6		1459	0	19	8	-570	91
Brazil		116850	0.0	3	6	60	-2		253	0	0	-16	58	3
Chile		4928	0.0	2	8	41	18		126	0	-6	-16	-14	-18
Colombia		1327	0.0	0	-2	18	-8		207	0	-4	-15	44	2
Mexico		47905	0.0	3	7	39	9		348	0	-9	-34	55	-12
Peru		21479	0.0	0	-5	48	3		133	0	-4	-3	22	1
Hungary		44698	-0.1	1	2	35	6		65	0	-6	-15	-42	-31
Poland		58324	0.1	2	2	40	2		-22	0	-4	-11	-54	-21
Romania		11159	0.6	3	9	46	14		194	6	0	-16	-192	-9
Russia		3529	0.1	1	5	41	7		159	0	-5	-3	19	-7
South Africa		66681	-0.9	2	1	50	12		357	0	-4	-35	25	-23
Turkey		1397	0.1	-1	-5	56	-5		421	0	-5	-47	34	-24
Ukraine		517	0.0	0	-1	1	3		479	0	12	-21	127	-12
EM total		53	-0.3	0	-1	55	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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