






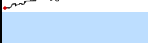







- North American equities renew record highs despite weak job reports ([link](#))
- April is the first month without a US high yield default in two years ([link](#))
- RMB strengthens to strongest level since 2018 as dollar weakens ([link](#))
- British pound rises following mid-term elections ([link](#))
- S&P expects India's sovereign ratings to remain stable over next two years ([link](#))

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Markets steady after cyberattack on US pipeline

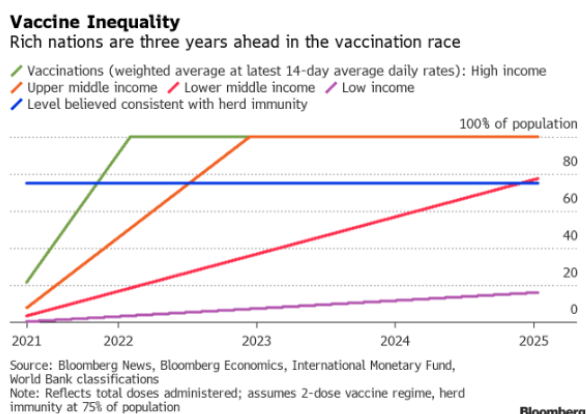
After Friday's huge US jobs data disappointment, investor focus turns back to commodities as a US pipeline cyberattack threatens fuel supply disruption and metals prices heat up. Advanced economy equity and bonds markets are little changed this morning after a positive session in Asia, with stocks in North America and Europe near record highs. On Friday, risk assets around the globe followed US markets higher and the dollar tumbled after one of the largest US jobs number misses in history, as investor concerns about an early exit to monetary stimulus eased. This morning, the shutdown of an important US fuel pipeline due to a cyberattack is raising concerns of potential gas shortages across the eastern US. So far, oil and fuel price gains have been relatively modest but traders see potential for increasing price disruption if the shutdown continues. Elsewhere in commodities, industrial metals continue to surge on expected green demand, looming environmental production restrictions, and supply limitations, stoking investor concerns over global price pressures. Copper futures have hit a new record and are +20% month-to-date, while iron ore jumped almost 9% this morning in Singapore.

Key Global Financial Indicators

Last updated: 5/10/21 8:06 AM	Level Last 12m Latest	Change from Market Close				YTD
		1 Day	7 Days	30 Days	12 M	
Equities		%				%
S&P 500	 4233	0.7	1	3	44	13
Eurostoxx 50	 4020	-0.4	0	1	38	13
Nikkei 225	 29518	0.5	2	-1	45	8
MSCI EM	 55	1.0	1	2	48	6
Yields and Spreads		bps				
US 10y Yield	 1.58	0.5	-2	-8	90	67
Germany 10y Yield	 -0.21	0.4	-1	9	33	36
EMBIG Sovereign Spread	 335	-5	-3	-14	-259	-16
FX / Commodities / Volatility		%				
EM FX vs. USD, (+) = appreciation	 57.8	0.0	1	3	9	0
Dollar index, (+) = \$ appreciation	 90.1	-0.1	-1	-2	-10	0
Brent Crude Oil (\$/barrel)	 69.0	1.0	2	10	123	33
VIX Index (% change in pp)	 17.4	0.7	-1	1	-11	-5

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

The global COVID-19 case count has hit more than 156 million people, although new cases have declined in the US and most of Europe and EMs. Global vaccine inequality threatens people in lower-income economies, with those countries on track for much slower path towards mass vaccination. **In the week ahead**, US inflation reports (CPI on Wednesday; PPI on Thursday) are expected to show a sharp increase in year-on-year terms due to base effect distortions. On the monetary policy front, Mexico, Chile, and Peru are expected to leave their policy rates unchanged on Thursday.

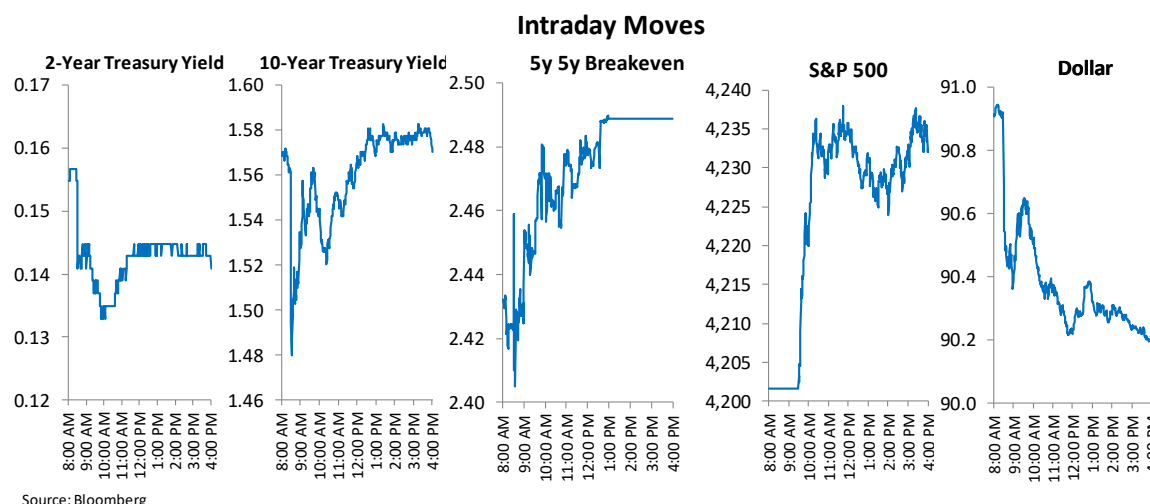


United States

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Equities closed at another record high Friday despite a much-weaker-than-expected job report. S&P 500 rose to 4233 and VIX fell to 16.7 amid a relief rally as investors saw less risk of immediate tapering. Market participants had feared ahead of the job report that inflationary numbers would have put more pressure on the Fed. The dollar weakened by -0.8% against major currencies.

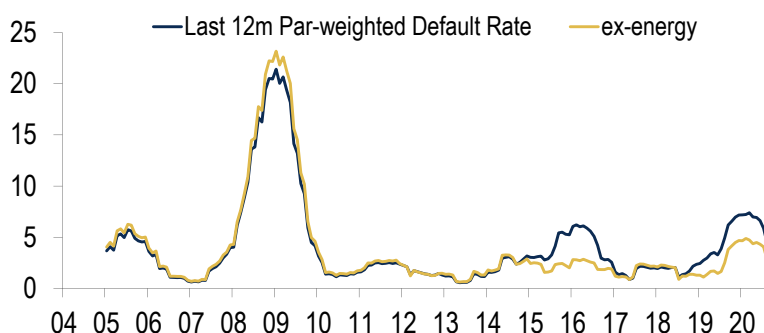
Treasury 10-year yields closed almost unchanged after a 10bps swing following the jobs headlines. While the weak job report has pushed back market expectations of a first hike, analysts continue to see a possibility that a tightening in labor markets puts Fed tapering in focus in the coming months.



April was the first month of no high yield defaults in two years. According to Bank of America, the twelve-month default rate has fallen to 4.4%. Issuers' fundamentals are improving: Analysts expect record-high earnings and see the leverage ratio dropping below the long-term average. Interest coverage is likely to reach an all-time high at 5.3 times, providing a good cushion against rising rates. High yield corporate

bond spreads were almost unchanged around the post-GFC low over the last month. High yield bond funds saw modest inflows of \$360 mn last week.

US High Yield Default Rates (percent)



Source: Bank of America

Europe

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Euro area yields were little changed after the **Finnish central bank governor Rohn argued in favor of a Fed-style overshooting target as part of the ECB's monetary policy review**. Despite a slow start to its inoculation drive, the EU passed the milestone of 150 mn vaccinations and reckons it can reach "sufficient community immunity" in two months' time.

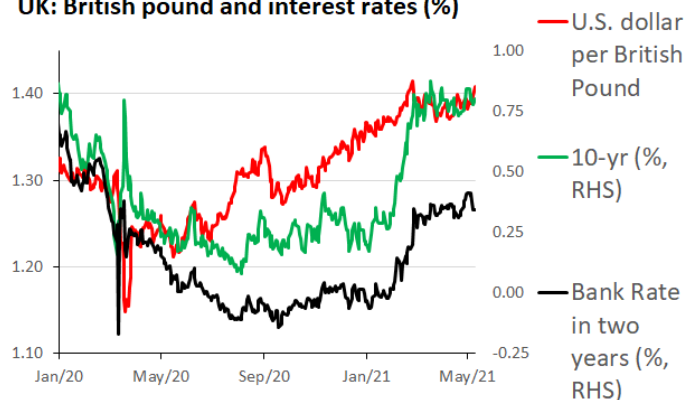
Italian spreads were little changed at 116 bps. At a meeting for EU leaders, Italian PM Draghi warned against ending fiscal support too early and argued for the EU's SURE unemployment scheme to remain in place.

Euro area equities (-0.2%) were little changed as bank stocks (+1.2%) continue to outperform.

United Kingdom

The British pound (+0.8% to \$1.41) rose and 10-yr gilt yields (+2 bps) edged higher after **the Conservative party did well in local elections and managed an historic by-election win with a further relaxation of pandemic rules expected later today**. Nevertheless, analysts warn that the risk of a Scottish independence referendum remains after Scottish pro-independence parties increased their majority.

UK: British pound and interest rates (%)

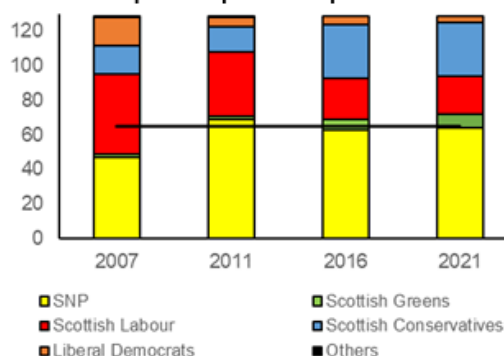


Source: Bloomberg and IMF staff

Despite concerns about the impact of potential tapering of the BoE's QE purchases, 10-yr gilt yields have continued to trade below their March high of 88 bps after the BoE announced a reduction in its rate of bond buying last week.

Scottish pro-independence parties (SNP and Greens) won 72 seats (compared to 69 in 2016), increasing their majority from 9 in 2016 to 15 in 2021 in Scottish regional elections. The Scottish National Party won 64 seats, one seat short of an outright majority (from 63 seats in 2016). The SNP secured around 48% share of the vote in the constituency seats, which was greater than the Scottish Conservatives and Scottish Labor combined. Turnout in the election was high at 63%, about ten percentage points above the average for previous Holyrood polls. **Analysts expect the SNP to legislate for a referendum once the pandemic is over, possibly in 2022.** Some argue that the lack of an outright SNP majority and the de-escalatory tone of the U.K. government suggests acute near-term risks around Scottish independence may soften.

UK: Scottish pro-independence parties increase their majority



Source : Crédit Suisse

Other Mature Markets

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Canada

Equities renewed record highs. Friday's jobs report was weaker than expected, although the lockdown-related weakness is expected to be short-lived. Household employment was down 207k (consensus: -150k), and the unemployment rate rose 0.6 ppt to 8.1%. Equities were up 0.9% for the day, and the 10-year government bond yield went lower by 1.7bps.

Japan

Equities rose 1%, with transportation outperforming. Support for Prime Minister Suga dropped to its lowest level since he took office about eight months ago. According to Bloomberg, the survey by broadcaster JNN found 40% of respondents saying that they support Suga, down 4.4 percentage points (pp) from a month earlier. 63% said that they did not approve his government's handling of the pandemic, a 13 ppt increase. Another poll over the weekend by Yomiuri newspaper showed that nearly 60% of respondents said that the Tokyo Olympics games should be canceled. Separately, the Japanese authorities have published guidelines on climate transition finance, which will apply to both bonds and loans. **The yen weakened -0.2% while 10-year JGB was down by 2 bps.**

Topix closes above 20- and 50-day moving averages



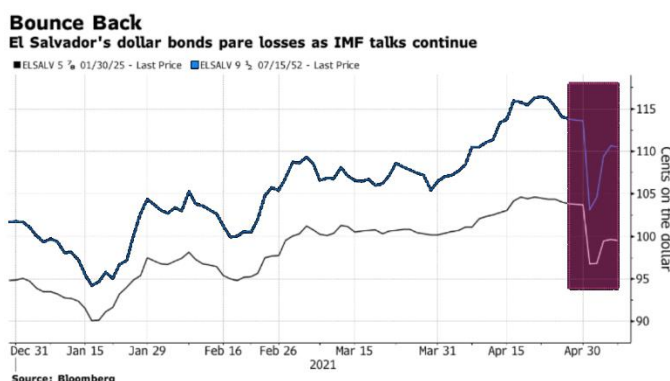
Source: Tokyo Stock Exchange, Bloomberg

Emerging Markets [back to top](#)

Asian equities started the week on a positive note, rising +0.5%. Korea (+1.6%) and Philippines (+0.9%) outperformed while Singapore (-0.6%) and Malaysia (-0.3%) lagged. **Regional currencies were mainly stronger, led by the Korean won (+0.7%) and Indonesian rupiah (+0.6%).**

Most EMEA bourses opened the week posting gains in the 0.5% to 1.4% range. By country, the largest gains were in Poland (+1.4%), Turkey (+1.1%), the Czech Republic (+0.6%), Saudi Arabia (+0.6%), and Romania (+0.6%). Only Kuwait (-0.3%) and UAE (-0.2%) were posting losses mid-session. Currencies in the region were stable against the dollar, with moves contained within a $\pm 0.1\%$ band.

Latin American equity indices rose last Friday, supported by the positive risk asset performance in US markets, and finished the week 2.5-3.0% higher. Brazilian stocks (+1.7% Friday) were also boosted by stronger-than-expected retail sales. Regional currencies gained 0.8%, on average, on a weaker dollar. Long-term interest rates fell 5-13 bps in the region, as concerns about US interest rates abated somewhat. However, **domestic inflation pressures persist, posing challenges to regional central banks,** with inflation accelerating to 6.1% yoy in April in Mexico on food prices, as well as in Chile and Colombia. **The political situation remains volatile in El Salvador,** and investors in the country's dollar bonds are concerned, based on Bloomberg reporting and data (figure).



Key Emerging Market Financial Indicators

Last updated: 8/12/19 10:35 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		39.39	-0.1	1	-8	-9	1
MSCI Frontier Equities		28.94	-1.5	-1	-5	0	11
EMBIG Sovereign Spread (in bps)		350	11	-9	15	-5	-64
EM FX vs. USD		60.92	-0.6	0	-4	-2	-2
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		7.06	0.1	0	-3	-2	-3
Indonesian Rupiah		14250	-0.4	0	-2	2	1
Indian Rupee		70.79	-0.1	-2	-3	-3	-1
Argentina Peso		58.50	-22.5	-22	-29	-49	-36
Brazil Real		4.00	-1.5	-1	-7	-3	-3
Mexican Peso		19.64	-1.2	0	-3	-3	0
Russian Ruble		65.62	-0.5	0	-4	3	6
South African Rand		15.37	-0.8	-3	-9	-6	-7
Turkish Lira		5.56	-1.1	0	3	24	-5
EM FX volatility		8.43	0.6	-0.9	1.3	-3.7	-1.3

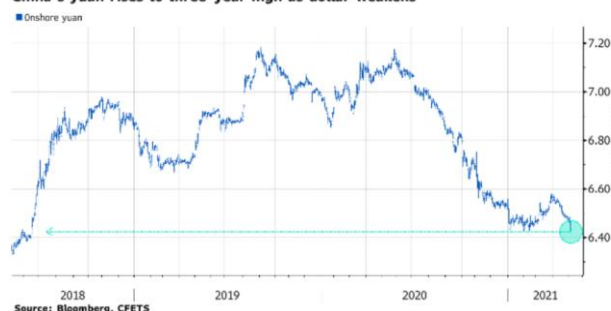
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

China

The RMB (onshore +0.2%; offshore +0.1%) strengthened to its strongest level in almost three years

despite the central bank setting the daily reference rate at a weaker-than-expected level. The People's Bank of China (PBOC) set its daily reference rate at RMB 6.4425 per US dollar, weaker than RMB6.4370 per US dollar average estimate in a Bloomberg survey. The gap between the estimated and the actual fixing was the largest since January, which analysts interpreted as a signal that the Chinese central bank is seeking to prevent sharp moves amid broad backdrop of broad dollar strength. The yuan also strengthened against a basket of its trading partners' currencies, with the CFETS RMB Index getting close to the highest level since 2018. **Equities (Shanghai +0.3%; Shenzhen +0.2%) rose.**

China's yuan rises to three-year high as dollar weakens



PBOC sets weaker-than-expected fix to slow advance in yuan



India

S&P expects India's sovereign rating to remain stable at BBB- over the next two years. This was despite risks to India's outlook from the current COVID-19 wave, which could feed into important sovereign credit metrics, as reported by Bloomberg. **New Delhi meanwhile extended its lockdown for another week until May 17.** Dining-in at restaurants will remain banned, shopping malls will continue to be shut and businesses outside of essential services will be required to work from home, according to Bloomberg. Metro service will also be stopped as a further measure. India reported 404k new cases on Sunday and deaths of more than 4k for a second straight day. **Equities rose +0.9%, while the currency and bonds were little changed.**






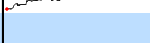


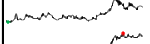
















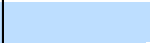


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Global Financial Indicators

Last updated: 5/10/21 8:05 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4226	0.7	1	2	44	13
Europe		4020	-0.3	1	1	38	13
Japan		29518	0.5	2	-1	45	8
China		3428	0.3	-1	-1	18	-1
Asia Ex Japan		94	0.8	0	1	46	5
Emerging Markets		55	1.0	1	2	48	6
Interest Rates			basis points				
US 10y Yield		1.58	0.4	-2	-8	90	67
Germany 10y Yield		-0.21	0.4	-1	9	33	36
Japan 10y Yield		0.09	-0.1	-1	-2	9	7
UK 10y Yield		0.79	1.9	-5	2	56	60
Credit Spreads			basis points				
US Investment Grade		92	-0.1	1	3	-113	-3
US High Yield		334	-0.2	5	4	-414	-46
Europe IG		50	0.0	0	-1	-34	2
Europe HY		251	-0.3	2	2	-256	8
Exchange Rates			%				
USD/Majors		90.14	-0.1	-1	-2	-10	0
EUR/USD		1.22	0.0	1	2	13	0
USD/JPY		108.8	0.2	0	-1	1	5
EM/USD		57.8	0.0	1	3	9	0
Commodities			%				
Brent Crude Oil (\$/barrel)		69	1.0	2	10	123	33
Industrials Metals (index)		165	1.5	6	14	71	25
Agriculture (index)		61	-0.7	5	18	74	27
Implied Volatility			%				
VIX Index (% change in pp)		17.4	0.7	-0.9	0.7	-10.6	-5.3
US 10y Swaption Volatility		71.0	2.8	-1.0	-6.5	3.1	10.9
Global FX Volatility		7.3	0.1	0.1	-0.3	-1.8	-0.8
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		121	-0.9	1	3	-152	1
Italy		116	-2.1	8	13	-122	5
Portugal		70	-1.6	4	12	-76	10
Spain		69	-1.5	3	1	-65	7

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: 5/10/2021 8:07 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		6.41	0.3	1.0	2	11	2		3.2	-0.6	-2	-9	75	-5
Indonesia		14198	0.6	1.8	3	5	-1		6.4	-1.3	-7	-5	-168	38
India		73	0.2	0.8	2	3	0		6.3	0.4	-4	-5	13	34
Philippines		48	0.0	0.4	1	5	0		4.2	-2.3	4	31	-58	57
Thailand		31	0.2	0.2	1	4	-4		1.8	1.3	-4	-11	49	51
Malaysia		4.11	0.2	0.0	1	6	-2		3.3	0.6	-1	7	50	69
Argentina		94	0.0	-0.3	-2	-28	-10		46.4	-27.5	-12	8	366	-978
Brazil		5.24	0.0	3.9	9	11	-1		8.2	1.6	25	-21	225	259
Chile		695	0.6	2.2	3	20	2		3.6	-2.2	-16	20	82	81
Colombia		3762	1.3	-0.5	-3	4	-9		6.8	10.0	30	59	96	171
Mexico		19.92	0.0	1.2	1	20	0		6.7	-5.0	-16	17	46	107
Peru		3.8	0.2	-0.6	-5	-11	-5		5.0	-6.8	-22	39	39	140
Uruguay		44	0.2	-0.1	0	-1	-4		7.4	-0.9	-2	-1	-424	13
Hungary		294	0.4	1.5	2	10	1		2.0	0.0	-1	-12	24	46
Poland		3.76	-0.3	0.3	1	12	-1		1.0	0.0	-2	8	-11	36
Romania		4.0	0.0	0.9	2	10	-2		2.6	-1.0	-1	0	-149	-14
Russia		74.0	-0.3	1.4	5	0	0		6.7	0.6	-6	-25	87	99
South Africa		14.0	0.1	2.6	4	31	5		9.8	-3.7	-28	-24	-26	20
Turkey		8.26	-0.2	-0.1	-1	-14	-10		17.5	-9.5	-26	-35	567	437
US (DXY; 5y UST)		90	-0.1	-0.9	-2	-10	0		0.76	-1.3	-6	-10	43	40

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
								basis points							
China		5089	-0.1	3	2	33	-2		199	0	-2	-9	30	-9	
Indonesia		5994	0.8	-1	-4	30	0		158	0	-9	-25	-5	-29	
India		48081	0.6	-1	-4	51	1		169	1	-1	15	-154	18	
Philippines		6416	0.9	-2	0	15	-10		83	0	-9	-17	13	-22	
Malaysia		1608	-0.2	0	1	16	-1		113	0	-2	-3	9	3	
Argentina		47194	0.0	0	-4	54	-8		1459	0	19	8	-570	91	
Brazil		119261	0.0	-1	3	51	0		253	0	0	-16	58	3	
Chile		4827	0.0	-2	0	31	16		126	0	-6	-16	-14	-18	
Colombia		1298	0.0	-2	-2	15	-10		207	0	-4	-15	44	2	
Mexico		49054	0.0	1	4	43	11		348	0	-9	-34	55	-12	
Peru		19194	0.0	-10	-13	33	-8		133	0	-4	-3	22	1	
Hungary		42906	0.4	1	-2	33	2		65	0	-6	-15	-42	-31	
Poland		59376	1.6	-1	3	33	4		-22	0	-4	-11	-54	-21	
Romania		11130	0.7	0	2	42	14		188	-1	-3	-2	-173	-15	
Russia		3600	0.8	1	3	40	9		159	0	-5	-3	19	-7	
South Africa		66972	0.7	-1	2	39	13		357	0	-4	-35	25	-23	
Turkey		1345	1.3	-4	-2	37	-9		421	0	-5	-47	34	-24	
Ukraine		527	0.0	0	2	5	6		479	0	12	-21	127	-12	
EM total		54	-0.7	-1	0	51	4		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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