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- Strong Q1 performance and improved outlooks propel S&P 500 share buyback plans ([link](#))
- Japanese government extends state of emergency until end of May ([link](#))
- China reports stronger than expected export growth in April ([link](#))
- IFC and ABSA bank to create Africa's first certified green loan ([link](#))
- Markets price higher inflation in Chile amid pension fund withdrawals and rising wages ([link](#))

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Miss on US jobs data dampens risk sentiment

Market attention was squarely on the US payrolls report this morning that showed an unexpectedly soft jobs gain for April. The US nonfarm payroll data came in much lower than expected with headline jobs growth of just 266k, compared to consensus estimates for a gain of 1 million. The unemployment rate moved up to 6.1% from 6.0% and compared to estimates for a decline to 5.8%. The immediate market response saw US Treasury yields plunge as 10-year yields initially fell 10 bps before pulling back slightly to trade around 1.50%. Risk sentiment was generally positive in the lead up to the release as most Asian indices, as well as European bourses and US equity futures, maintained the positive momentum from yesterday and are trading firmly in positive territory. The US dollar is weaker alongside the fall in US Treasury yields and commodities are stronger, led by base metals, as copper prices continue to hit new highs amid still broader signs of global growth optimism. EM currencies are also appreciating amid the US dollar weakness with the broad JPM EM FX index gaining close to 1%.

Key Global Financial Indicators

Last updated: 5/7/21 8:58 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		4202	0.8	0	3	46	12
Eurostoxx 50		4014	0.4	1	1	39	13
Nikkei 225		29358	0.1	1	-1	45	7
MSCI EM		54	1.0	-1	1	50	5
Yields and Spreads			bps				
US 10y Yield		1.53	-4.2	-10	-15	89	61
Germany 10y Yield		-0.25	-2.5	-5	7	30	32
EMBIG Sovereign Spread		340	-2	1	-12	-251	-10
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		57.8	0.6	2	2	10	0
Dollar index, (+) = \$ appreciation		90.4	-0.6	-1	-2	-9	1
Brent Crude Oil (\$/barrel)		67.6	-0.8	0	7	129	30
VIX Index (% change in pp)		18.1	-0.3	-1	1	-13	-5

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

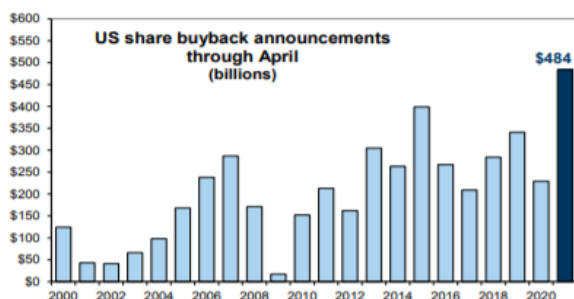
United States

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The April nonfarm payrolls report was a significant miss, with headline gain of 266k vs 1mn gain expected. March gains were also revised lower, from 916k to 770k. The unemployment rate increased to 6.1% from 6.0% and average hourly earnings rose from 0% to 0.7%. US Treasury yields declined on the release, with the 7-year down by up to 6 bps. The Eurodollar futures witnessed the most significant price actions in 2023 contracts as well as further out the curve- the December 2023 contract declined by 12 bps. Equity futures were little changed and the USD modestly weaker immediately in the wake of the release.

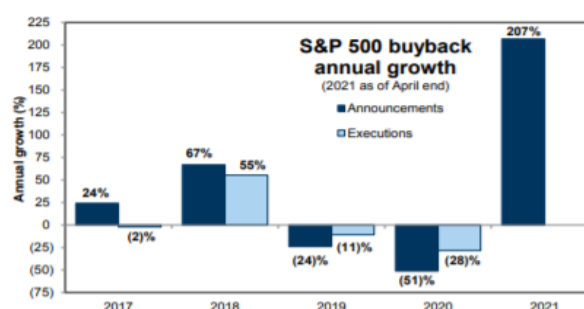
As a result of robust Q1 earnings results and the strong economic outlook, many S&P 500 companies have increased or reinstated share repurchase programs. According to Goldman Sachs, buyback authorizations have surged year-to-date, which came across as a key theme in management discussions during Q1 earnings calls. The commentary from the discussions suggests that the main drivers of this increase are excess cash on balance sheets and positive sentiment on the back of strong financial performance.

Exhibit 8: 2021 YTD share buyback authorizations have surged compared to 2020
as of April 30, 2021



Source: GS Global Markets Division, Goldman Sachs Global Investment Research

Exhibit 9: Share buyback authorizations and executions in recent years
as of April 30, 2021; 2021 reflects YTD growth vs. comparable period in 2020



Source: Goldman Sachs Global Investment Research

Europe

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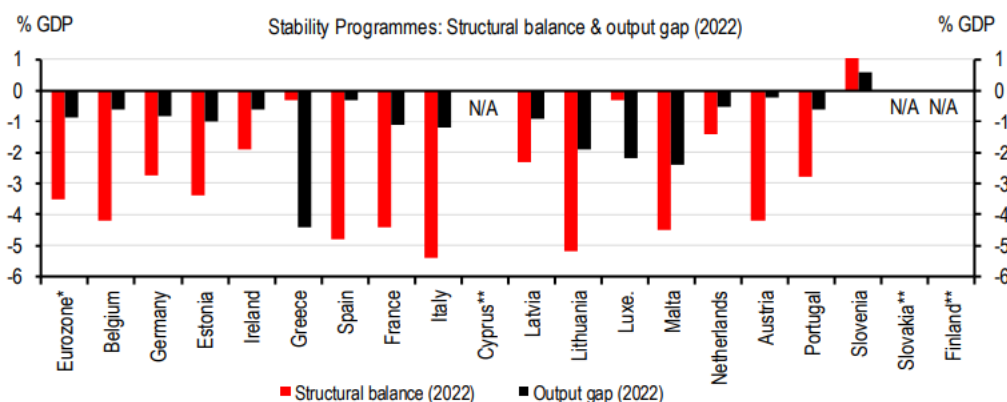
European equities were trading higher by around 0.7% with German Dax outperforming (+1.3%) as industrial conglomerate Siemens (+3.5%) delivered strong Q1 results.

European government bond yields were edging higher with 10-year bund yields up 1 bp while Southern European spreads are 1-2 bps wider with Italy underperforming. The euro (+0.2%) continued to gain ground against the dollar. Contacts noted a change in the sentiment in the fixed income space following yesterday's Bank of England meeting as well as ECB Governing Council member Kazaks comments on potential slowdown in bond-buying as early as next month.



Analysts warn that the upward revision of fiscal deficits in the euro area is a reminder that the pandemic is likely to leave scars on public balance sheets. According to analysts at HSBC, the euro area aggregate 2021 deficit has been revised from 6% to 8% of GDP with large amendments in Italy (7% to 11.8%) as well as Germany (4.2% to 9%). The deficit increase reflects the continuation of existing COVID-19 support measures and lower growth due to renewed lockdowns, but also a transfer of spending from last year. The euro area's structural deficit is expected to exceed 3% of GDP in 2022 and reach 5% in case of Italy, France and Spain. Analysts note that the deterioration of the structural deficit amid a delay in fiscal consolidation due to the upcoming election cycle could undermine market confidence at the time when the ECB is expected to reduce its pandemic purchase program.

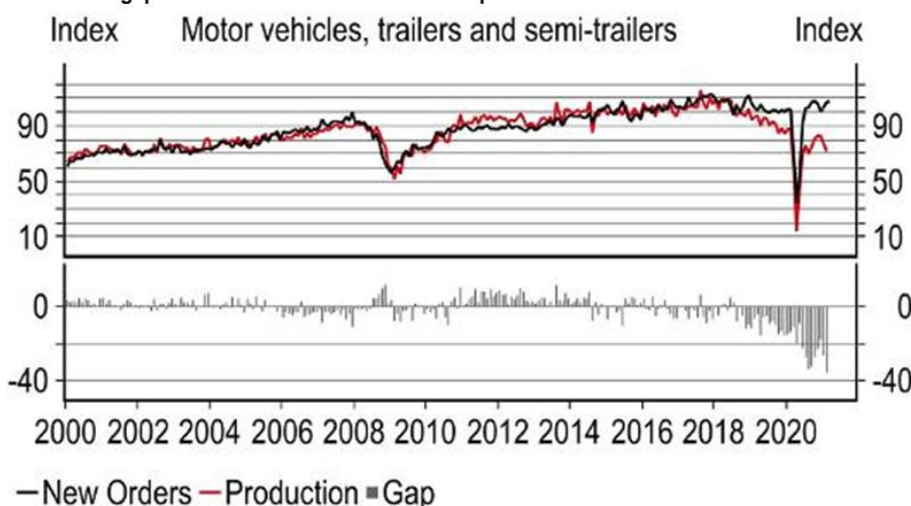
7. The pandemic could leave many countries with a significant degree of fiscal scarring



Source: HSBC calculations based on multi-annual budgetary plans submitted to the European Commission. Notes: * HSBC calculations based on aggregating the individual countries' projections. ** At the time of writing, Finland, Cyprus and Slovakia had not submitted their plans yet so we have used their 2021 draft budget submitted last autumn.

German industrial production expanded by 2.5% m/m in March (+2.2% consensus) through a large recovery in construction output (+10.8% m/m). Analysts note that the manufacturing output growth (+0.7% m/m) was less impressive, especially when compared to PMI surveys. **Supply chain issues remain a major drag**, in particular for the automotive sector where the gap between orders and production made a fresh record.

Chart 4: The gap between automotive orders and production has widened to a record



Source: Macrobond, HSBC

Other Mature Markets

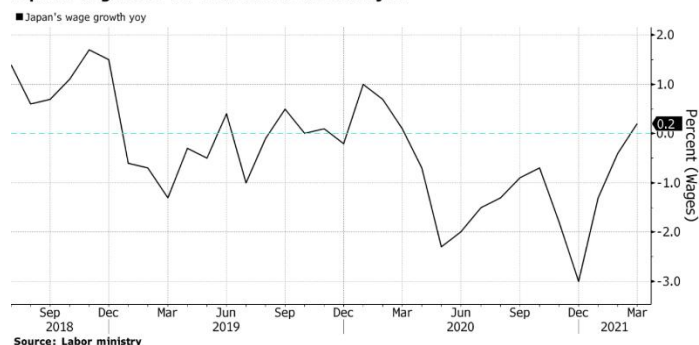
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Japan

Japanese PM Suga extended a state of emergency that covers Tokyo and expanded it to two more regions hit by rising virus cases. It is estimated the expanded measure would cover about 40% of the economy and most major urban areas. **Labor cash earnings unexpectedly increased in March.** Labor cash earnings rose 0.2% y/y, gaining the first time since March 2020, against an expected 0.2% decline. A drop in the number of lower paid part-time workers contributed to the gain according to the labor ministry. **Services PMI improved to 49.5 in April** from 48.3 in March, driving up composite PMI to 51.0. **Japanese yen was little changed; equities gained (NIKKEI: +0.1%); 10-year JGB yield edged down (-0.4 bp).**

Pandemic Pay

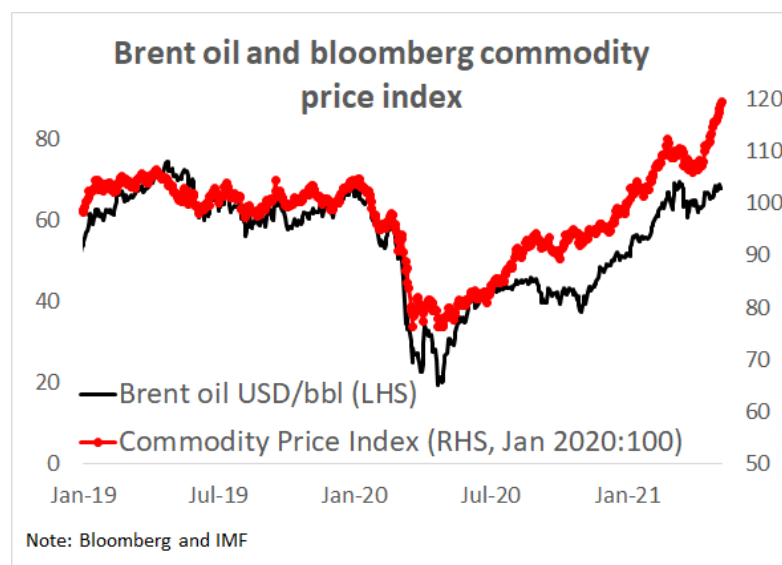
Japan's wages rise for first time in almost a year










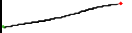






Emerging Markets

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Equities were mixed in Latin America yesterday, while currencies saw a day of appreciation. Equities rallied in Colombia (2.1%) and Mexico (1.1%) but slumped in Chile (-1.6%). Currencies appreciated, gaining 1.5% in Brazil, 0.8% in Chile, 0.7% in Mexico and 0.6% in Colombia. **Asian equities were mixed, gaining +0.3% on net.** Taiwan (+1.7%) and Thai (+1.0%) equities led the gain, while share prices dropped in China (CSI 300: -1.3%). **Asian currencies appreciated,** led by Korean won (+0.4%). **In EMEA, markets were quiet ahead of U.S. payroll data.** The Turkish lira is little changed on the week but bank stocks (+2.4%) gained today after the central bank left its policy rate unchanged at 19% yesterday. The Russian ruble and South African rand gained around 1.6% against the U.S. dollar this week on the back of further increases in commodity prices.



Key Emerging Market Financial Indicators

Last updated: 5/7/21 8:08 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		54.13	0.1	-1	1	50	5
MSCI Frontier Equities		31.39	0.3	1	4	38	11
EMBIG Sovereign Spread (in bps)		340	-2	1	-12	-251	-10
EM FX vs. USD		57.51	0.1	1	2	9	-1
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.45	0.2	0	1	10	1
Indonesian Rupiah		14285	0.2	1	1	5	-2
Indian Rupee		73.51	0.3	1	1	3	-1
Argentine Peso		93.79	0.0	0	-2	-28	-10
Brazil Real		5.28	0.0	3	6	11	-2
Mexican Peso		20.07	0.2	1	1	20	-1
Russian Ruble		74.16	0.1	1	4	0	0
South African Rand		14.25	-0.3	2	2	30	3
Turkish Lira		8.30	-0.2	0	-2	-14	-10
EM FX volatility		9.36	0.0	-0.2	-1.3	-2.7	-1.4

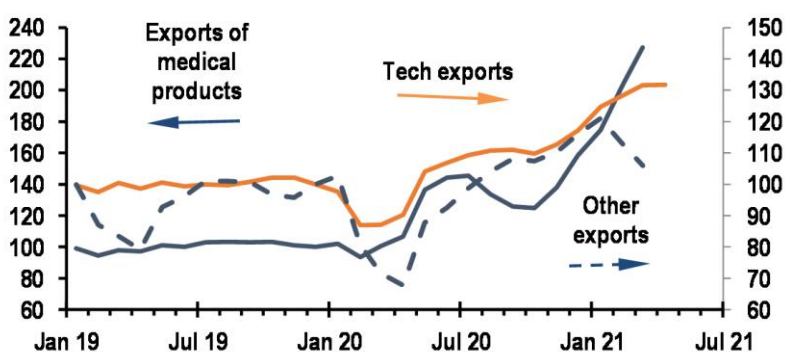
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

China

Exports growth was stronger than expected in April, boosted by exports to ASEAN and India. Exports grew 32.3% y/y, stronger than an expected 24.1% increase. The COVID-19 outbreak in many emerging Asian economies may have disrupted their production and triggered strong demand for medical supplies. Meanwhile, exports to the EU and the United States moderated. Imports grew in line with expectations, with higher oil and metal prices supporting commodity imports in value terms. **Caixin services PMI improved in April** to 56.3 from 54.3 in March. **China Huarong Asset Management transferred funds to pay offshore bond coupons due today**. The company's dollar bond prices have been stable in the past week. **Equities declined (CSI 300: -1.3%)**, with a selloff set off by the news that President Biden is considering retaining an investment ban on Chinese stocks. **RMB appreciated (+0.1%)**.

China: Exports by product group

Index, 4Q19=100, sa, 3mma



Source: China Customs, J.P. Morgan

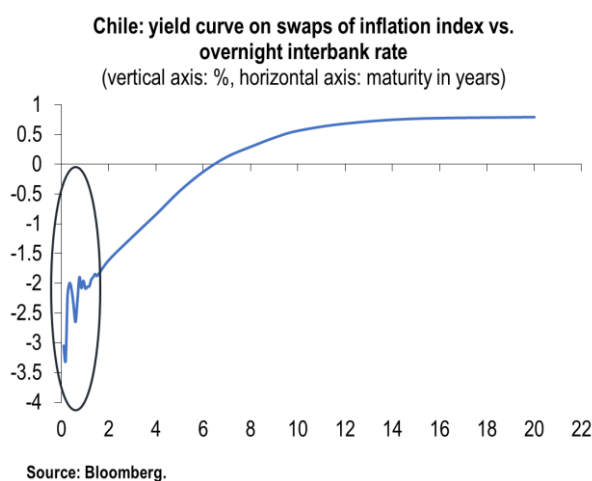
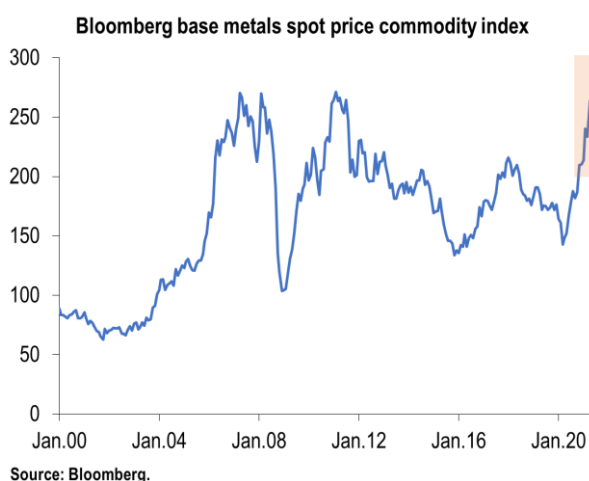
South Africa

The World Bank's International Finance Corp. (IFC) will provide Absa Bank a loan of up to \$150 mn to expand Absa's climate finance business and help South Africa meet its greenhouse gas reduction targets. The funds will be used to lend to South Africa's renewable energy sector. The loan is the first certified loan in Africa that complies with the green-loan principles. Beyond the financing,

IFC will provide technical assistance and share its expertise on green bonds and loans. Absa wants to increase its financing in projects targeting biomass and renewable energy. **The IFC estimates that there is an investment opportunity of \$588 bn in climate mitigation across selected sectors in South Africa between now and 2030.** South Africa generates 90% of its electricity from coal but has set targets to reduce greenhouse-gas emissions by 42% by 2025 and its reliance on coal by 2050.

Chile

Pension fund withdrawals and wage growth may push up Chile's inflation in the short term. March's wage growth printed yesterday with 4.3% y/y, or 1.3% m/m, markedly higher than in the previous month (4.1 y/y and 0.3% m/m). The increases were mainly driven by the mining, trade, and entertainment sectors, which were supported by prices for copper and other base metals close to their last 20-year highs. A third wave of withdrawals, eligible of up to 10%, from savings accumulated in mutual pension fund accounts could add further to inflationary pressure, as it is expected to fuel consumption over the coming months. A deeply negative front end of Chile's yield curve for swaps of the inflation index vs. the O/N interest rate indicates indeed substantial short run inflation potential. Meanwhile a new bill for a tax on copper sales – progressive in the metal's price (current prices would imply an effective tax rate of 21.5%) – passed the lower house of Chile's parliament. The bill meets stern opposition by Chile's government and the mining industry who see new investments and Chile's long-term copper production capacity threatened. Chile's stock markets declined on the day.






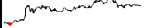


















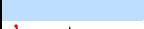


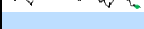
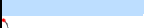


List of GMM Contributors

Global Markets Analysis Division, MCM Department

Nassira Abbas <i>Deputy Division Chief</i>	Reinout De Bock <i>Economist</i>	Natalia Novikova <i>IMF Resident Representative in Singapore</i>
Antonio Garcia-Pascual <i>Deputy Division Chief</i>	Mohamed Diaby <i>Economist (EP)</i>	Dmitri Petrov <i>Financial Sector Expert</i>
Evan Papageorgiou <i>Deputy Division Chief</i>	Dimitris Drakopoulos <i>Financial Sector Expert</i>	Thomas Piontek <i>Financial Sector Expert</i>
Jose Abad <i>Financial Sector Expert</i>	Deepali Gautam <i>Research Officer</i>	Patrick Schneider <i>Research Officer</i>
Sergei Antoshin <i>Senior Economist</i>	Rohit Goel <i>Financial Sector Expert</i>	Juan Solé <i>Senior London Representative</i>
John Caparusso <i>Senior Financial Sector Expert</i>	Sanjay Hazarika <i>Senior Financial Sector Expert</i>	Jeffrey Williams <i>Senior Financial Sector Expert</i>
Liumin Chen <i>Research Assistant</i>	Frank Hespeler <i>Senior Financial Sector Expert</i>	Dmitry Yakovlev <i>Senior Research Officer</i>
Yingyuan Chen <i>Financial Sector Expert</i>	Henry Hoyle <i>Financial Sector Expert</i>	Akihiko Yokoyama <i>Senior Financial Sector Expert</i>
Han Teng Chua <i>Economic Analyst</i>	Phakawa Jeasakul <i>Senior Economist</i>	Xingmi Zheng <i>Research Assistant</i>
Fabio Cortés <i>Senior Economist</i>	Sonia Meskin <i>Financial Sector Expert</i>	

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Global Financial Indicators

Last updated: 5/7/21 8:06 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		4204	0.8	1	3	46	12
Europe		4022	0.6	1	2	40	13
Japan		29358	0.1	1	-1	45	7
China		3419	-0.7	-1	-1	18	-2
Asia Ex Japan		93	0.8	-2	0	47	4
Emerging Markets		54	1.0	-1	1	50	5
Interest Rates			basis points				
US 10y Yield		1.57	0.0	-6	-10	93	66
Germany 10y Yield		-0.22	0.8	-2	11	33	35
Japan 10y Yield		0.09	-0.2	-1	-1	8	7
UK 10y Yield		0.79	0.1	-5	2	56	60
Credit Spreads			basis points				
US Investment Grade		91	-0.3	0	2	-110	-4
US High Yield		329	-0.3	1	4	-425	-51
Europe IG		51	0.0	1	0	-35	3
Europe HY		254	0.2	5	5	-261	12
EMBIG Sovereign Spread		340	-2.1	1	-12	-251	-10
Exchange Rates			%				
USD/Majors		90.87	-0.1	0	-2	-9	1
EUR/USD		1.21	0.0	0	2	11	-1
USD/JPY		109.3	0.1	0	-1	3	6
EM/USD		57.5	0.1	1	2	9	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		68	-0.2	1	8	131	31
Industrials Metals (index)		162	1.5	4	11	68	22
Agriculture (index)		61	0.5	4	20	76	27
Implied Volatility			%				
VIX Index (%, change in pp)		18.3	-0.1	-0.3	1.1	-13.2	-4.5
US 10y Swaption Volatility		72.0	-0.5	-1.0	-5.6	9.7	11.9
Global FX Volatility		7.2	0.0	0.1	-0.6	-2.2	-0.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		123	3.2	3	4	-153	3
Italy		119	4.8	8	17	-127	8
Portugal		72	3.1	4	16	-77	12
Spain		71	2.9	3	4	-66	10

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: 5/7/2021 8:08 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		6.45	0.2	0.3	1	10	1		3.2	-1.4	-2	-8	81	-5
Indonesia		14285	0.2	1.1	1	5	-2		6.5	-3.2	-6	-12	-166	39
India		74	0.3	0.8	1	3	-1		6.3	-1.7	-4	-7	13	34
Philippines		48	0.2	0.5	2	6	0		4.2	0.5	11	38	-56	59
Thailand		31	0.2	-0.1	1	4	-4		1.8	-1.2	-6	-14	47	50
Malaysia		4.11	0.2	-0.6	0	5	-2		3.2	0.6	-2	5	49	69
Argentina		94	0.0	-0.3	-2	-28	-10		46.6	40.4	-26	7	527	-951
Brazil		5.28	0.0	3.0	6	11	-2		8.2	6.1	32	-12	226	258
Chile		699	0.8	0.9	3	20	2		3.6	-2.2	-22	25	85	83
Colombia		3821	0.6	-2.9	-5	4	-10		6.7	-20.5	19	42	70	161
Mexico		20.07	0.2	0.9	1	20	-1		6.7	-7.9	-7	7	33	112
Peru		3.8	0.2	-0.8	-5	-11	-5		5.1	-11.9	-13	46	38	147
Uruguay		44	0.3	-0.3	0	-1	-4		7.4	-1.2	2	-1	-434	14
Hungary		297	0.1	0.9	2	9	0		2.0	0.6	-1	-14	25	46
Poland		3.79	-0.1	0.0	2	11	-2		1.0	1.4	0	8	-10	36
Romania		4.1	0.0	0.3	1	9	-3		2.6	0.0	0	-1	-149	-13
Russia		74.2	0.1	1.4	4	0	0		6.7	-1.3	-1	-18	87	99
South Africa		14.3	-0.3	1.7	2	30	3		9.9	-6.4	-17	-34	-47	24
Turkey		8.30	-0.2	0.0	-2	-14	-10		17.6	-9.1	-20	-21	616	446
US (DXY; 5y UST)		91	-0.1	-0.4	-2	-9	1		0.80	0.0	-4	-6	50	44

	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		4996	-1.3	-2	-1	26	-4		199	0	-2	-9	30	-9
Indonesia		5928	-0.7	-1	-2	29	-1		158	0	-9	-25	-5	-29
India		49206	0.5	1	-1	56	3		164	2	6	11	-166	13
Philippines		6259	-0.4	-2	-4	11	-12		83	0	-9	-17	13	-22
Malaysia		1587	0.6	-1	-2	15	-2		113	0	-2	-3	9	3
Argentina		49389	0.5	-1	-1	38	-4		1459	0	19	8	-570	91
Brazil		119921	0.3	0	2	54	1		253	0	0	-16	58	3
Chile		4631	-1.6	4	-5	16	11		126	0	-6	-16	-14	-18
Colombia		1267	2.1	1	-5	14	-12		207	0	-4	-15	44	2
Mexico		48935	1.1	0	2	33	11		348	0	-9	-34	55	-12
Peru		19521	-0.4	1	-9	31	-6		133	0	-4	-3	22	1
Hungary		44430	-0.1	3	0	28	6		65	0	-6	-15	-42	-31
Poland		61714	1.3	1	3	38	8		-22	0	-4	-11	-54	-21
Romania		11578	0.6	2	3	41	18		187	0	3	-1	-160	-16
Russia		3680	0.6	3	5	40	12		159	0	-5	-3	19	-7
South Africa		68335	1.1	2	2	37	15		357	0	-4	-35	25	-23
Turkey		1428	0.0	2	1	45	-3		421	0	-5	-47	34	-24
Ukraine		527	0.0	0	2	5	6		479	0	12	-21	127	-12
EM total		54	0.1	-1	1	50	5		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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