



- The Fed expands Main Street Lending Program and Paycheck Protection Program Liquidity Facility ([link](#))
- Issuance in US investment-grade credit set for record month after Boeing's \$25 bn bond issue ([link](#))
- Despite the rally in US equity markets, investor positioning remains cautious ([link](#))
- Banks: RBS reported in-line 1Q20 revenues and healthy CET1, elevated bad-debt provisions ([link](#))
- Mexico's oil giant Pemex posts a record \$23 bn loss in Q1 ([link](#))
- Colombia's central bank cut its policy rate by 50 bps to 3.25% ([link](#))

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Market sentiment continues to deteriorate on earnings and macro outlook

While most Asian and European markets were closed for the May 1 holiday, market sentiment deteriorated for the second consecutive trading day with US equity futures 2% lower. The release of weak US jobs data and a dramatic drop in euro-area GDP yesterday as well as disappointing earnings contributed to darken market sentiment. Amazon (-5% in pre-market trading) announced it expects a negative operating income in Q2 and Apple (-2.5% in pre-market trading) decided to withhold guidance for Q2. Corporate results from Exxon and Chevron (this morning) and Twitter, Kraft and Shell (yesterday) also underwhelmed, raising concerns over the corporate impact of Covid-19. Elsewhere, UK and Japanese equities also suffered losses exceeding 2% and the VIX rose 4 percentage points. US Treasury yields dropped and the yield curve flattened modestly this morning. In emerging markets, the South African rand underperformed regional peers, weakening 1.3% against the dollar as the latest S&P downgrade and South Africa's impending exit from the FTSE World Government Bond Index (WGBI) weighed on the currency.

Key Global Financial Indicators

Last updated: 5/1/20 8:10 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		2912	-0.9	4	18	0	-10
Eurostoxx 50		2928	-2.3	4	9	-17	-22
Nikkei 225		19619	-2.8	1	9	-12	-17
MSCI EM		37	-3.6	3	12	-15	-18
Yields and Spreads			bps				
US 10y Yield		0.61	1.2	1	3	-189	-130
Germany 10y Yield		-0.59	-9.1	-16	-10	-60	-40
EMBIG Sovereign Spread		608	3	-25	-37	265	315
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		52.9	-0.2	1	0	-15	-14
Dollar index, (+) = \$ appreciation		99.0	0.0	-1	-1	1	3
Brent Crude Oil (\$/barrel)		26.6	0.4	24	7	-63	-60
VIX Index (% change in pp)		38.5	4.3	3	-19	24	25

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

United States

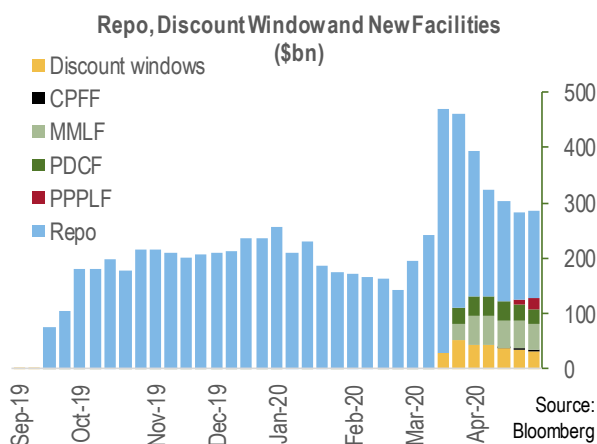
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US stocks lost ground amid weak corporate results and economic data. The S&P 500 fell 0.9% from a 7-week high, while strong results from Microsoft, Facebook and Tesla limited losses on the NASDAQ (-0.3%). On the other hand, Amazon, Twitter, Kraft and Shell underwhelmed, as Amazon expects negative operating income in Q2 (first time since 2014) on higher costs related to worker safety measures, and Shell cut dividend for the first time since WWII. Contacts reported that pension fund rebalancing flows, from equities to fixed income, also weighed on the market.

The Treasury yield curve steepened modestly as month-end index duration extension was offset by heavy primary market supply. The front-end fell marginally with the 30-year yield up 3 bps to 1.28%. The duration of the Bloomberg Barclays Treasury index will extend by 0.13 year, the most on record for April, though some of this was due to a partial delay in March's extension. Repo rates backed up to positive as overnight GC repo jumped 12 bps to 0.108%, amid month-end funding demand and Treasury settlements (\$160 bn bills and \$30 bn cash management bills sold yesterday).

The Fed is expanding the scope and eligibility of the Main Street Lending Program (MSLP), but the start date of the program is yet to be announced. Businesses with up to 15K employees or up to \$5 bn in annual revenue will now be able to access loans through the program, doubling the revenue limit and raising the employee limit by 50%. In addition to new loans and priority loans, a third loan option is created for leveraged companies. Unlike the Paycheck Protection Program (PPP), MSLP loans need to be paid back, are full-recourse, and have restrictions on firm leverage. Consequently, the participation might be lower than the PPP. The Fed has announced 9 emergency loan programs in response to the pandemic, of which four are now operational.

The Fed is also expanding access to its Paycheck Protection Program Liquidity Facility (PPPLF) to additional lenders and expanding collaterals that can be pledged. Non-depository institution lenders are now eligible to participate. Eligible borrowers will be able to pledge whole PPP loans as collateral. The latest Fed balance sheet data shows participation in PPPLF has picked up while demand for other facilities continues to grind lower.

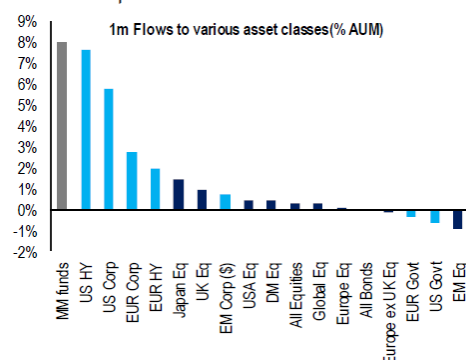


Boeing is offering a 7-tranche \$25 bn bond issue in the largest single deal this year. The company has -reportedly- already fully drawn on a nearly \$14 bn term loan. The yields offered are in line with junk-rated firms. Fitch rates the new bonds at BBB. S&P cut Boeing's rating to one level above junk with stable outlook, while Moody's and Fitch are one step higher with negative outlooks. With Boeing's deal, April is set to be another record month of investment-grade (IG) issuance with a total of \$275 bn, surpassing the

previous record in March at \$260 bn. Looking ahead to May, most syndicate desk are anticipating another busy month in the range of \$200 bn.

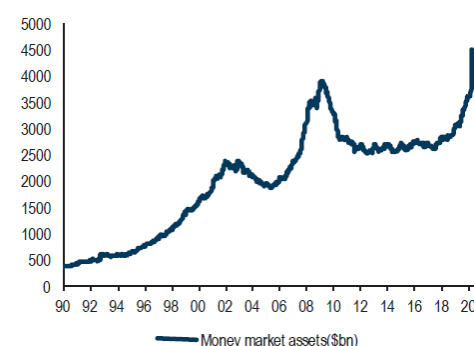
Despite a 30% rally in US equity markets from the March lows, investor positioning is still very cautious. Equities saw only modest inflows, but mutual funds continued to rotate to cash at an unprecedented pace, as the assets under management (AUM) of money market funds (MMFs) increased by another 8% over the past month, bringing a YTD gain in AUM of 18.5%. Systematic-trading investors, risk-parity funds and hedge funds did not raise their equity exposure, according to Barclays analysts. Retail inflows were also light and the corporate bid was small, with share buybacks stalling in recent weeks.

Flows into MM funds and credit surged last month; minor inflows into equities while Treasuries see outflows



Source: EPFR, Barclays Research

Mutual funds' cash holdings are now above GFC levels



Source: ICI, Barclays Research

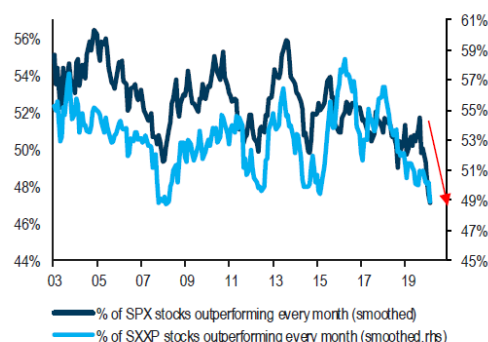
Chart 3: 2020 YTD weekly corporate buybacks vs. average weekly buyback since 2009



Source: BofA Securities

Concentration has increased in US stock markets, as only a small number of stocks outperformed the overall index. The proportion of stocks beating the index has fallen to the lowest level since 2008.

Narrowing market breadth seen during the latest rally...



Source: Datastream, Barclays Research

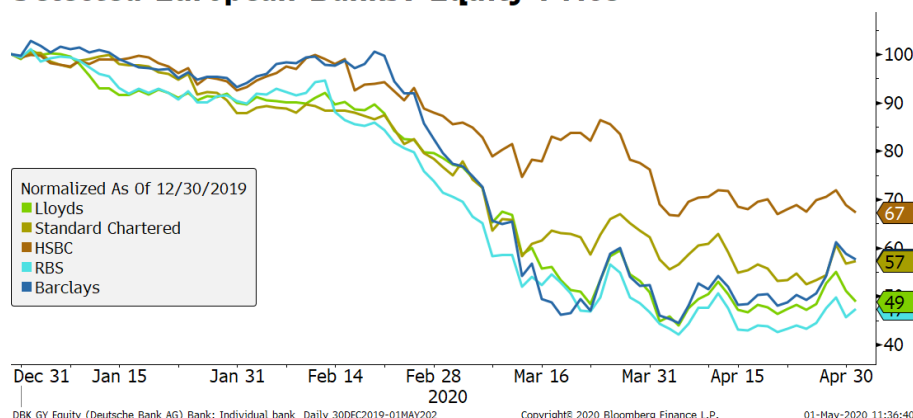
Europe

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Most major European bourses were closed today for May 1 -international workers' day- holiday. Despite the closure, trading in the UK indices were signaling a clear risk-off sentiment to close the week. **The FTSE 100 and FTSE 250 fell 2.3% and 1.6%, respectively.**

The UK's FTSE 350 Bank index was down 2%. RBS (+3.5%) bucked the trend, with Q1 earnings below consensus due entirely to high provisions as pre-provision earnings were healthy. Revenues were in-line with consensus despite a net interest income shortfall, due to high loan growth, net interest margin (NIM) down 'only' 10bps qoq (market is concerned about peers' very weak Q1 NIM results and Q2 guidance) and strong capital markets volumes. Impairment charges of £802mn, including a £628mn COVID-19 'overlay', were £287mn (56%) higher than expected. Loan-loss reserves build was based on more benign assumptions than most peers, including peak-to-trough GDP decline of -4.3%. Management is guiding for higher provisions and RWAs through the rest of 2020 but will pare back restructuring (and related charges). CET1 came in at 16.6%, 20bps above expectation despite 3.3% RWA growth, due to the £296mn add-back of 'transitional relief' on impairments. According to analysts, the rally in RBS shares is based on the relief that NIMs and other "core" drivers appear largely intact.

Selected European Banks: Equity Price



Gilt yields were flat at 0.23% for the 10-year bond and at 0.03% (+2 bps) for the 2-year note.

In macro data releases, **Irish manufacturing PMI plummeted to 36.0 in April**, from 45.1 a month prior. The **Danish PMI Survey** came in at 38.6 from 46.8 in March. In the **UK, consumer credit** in March grew at a 3.7% clip (yoy), compared to 5.7% yoy in February.

Low-cost airline **Ryanair will cut 3,000 jobs** (15% of its workforce) as it forecast travel demand not to recover for 2 years.

Other Mature Markets






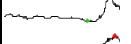

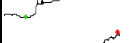

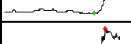



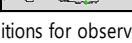
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Japanese equities slumped over 2% -Nikkei -2.8%, Topix -2.2%. The yield on 10-year JGBs gained 1 bp to -0.02%. Japanese markets will be close on May 4-6 for Golden Week.

Emerging Markets [back to top](#)

Most Asian markets were closed today for the May 1 holiday. In **EMEA markets**, the **South African rand** underperformed regional peers, weakening 1.3% against the dollar as the latest S&P downgrade and South Africa's impending exit from the FTSE World Government Bond Index (WGBI) have weighed on the currency. **Russian** PM Mishustin tested positive for coronavirus and is stepping down temporarily. Russia has a total of 106,498 COVID-19 cases, with 1,073 dead while Moscow Mayor Sergei Sobyanin noted that the capital is only roughly a quarter of the way through with the virus. The ruble depreciated 1.1% to the dollar this morning. The **Turkish** lira (-0.4%) also weakened. **Latin American markets weakened Thursday** after 3 consecutive days of solid gains, as global market sentiment soured, and domestic reports started to reveal staggering effects of COVID-19 on the regional economy. **In Mexico, state-owned oil giant Pemex posted a massive \$23 bn loss in the first quarter—the largest one on record since 2004.** Pemex bonds have lost 30% in value this year on plummeting oil prices and credit rating downgrades. The Mexican economy contracted 1.6% yoy in Q1—a little better than the consensus of -2.0%—but analysts took little comfort from the positive surprise with stocks selling off in the first hour of the session and closing 1% lower. Equity markets declined in other countries as well, with Brazil plunging 3.2%. Currencies mostly depreciated, notably in Brazil (-2.7%) and Mexico (-1.8%), but strengthened modestly in Chile. Long-term government bond yields continued to decline in Brazil and Mexico, by 4 bps and 9 bps, respectively. In Colombia, despite a 50 bp policy rate cut, long-term yields edged higher.

Key Emerging Market Financial Indicators

Last updated: 5/1/20 8:15 AM	Level		Change				
	Last 12m	index	1 Day	7 Days	30 Days	12 M	YTD
Major EM Benchmarks			%				%
MSCI EM Equities		36.64	-3.6	3	12	-15	-18
MSCI Frontier Equities		22.68	-1.8	4	7	-20	-25
EMBIG Sovereign Spread (in bps)		607	2	-26	-38	264	314
EM FX vs. USD		52.92	-0.1	1	0	-15	-14
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		7.06	0.2	0	0	-5	-1
Indonesian Rupiah		14882	2.8	4	10	-4	-7
Indian Rupee		75.10	0.8	1	1	-7	-5
Argentine Peso		66.83	-0.1	-1	-4	-34	-10
Brazil Real		5.49	-2.7	1	-5	-29	-27
Mexican Peso		24.40	-0.9	2	-1	-22	-22
Russian Ruble		75.19	-1.1	-1	5	-14	-18
South African Rand		18.76	-1.3	1	-3	-23	-25
Turkish Lira		7.01	-0.4	-1	-4	-15	-15
EM FX volatility		11.01	0.0	-1.2	-1.5	3.0	4.4

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

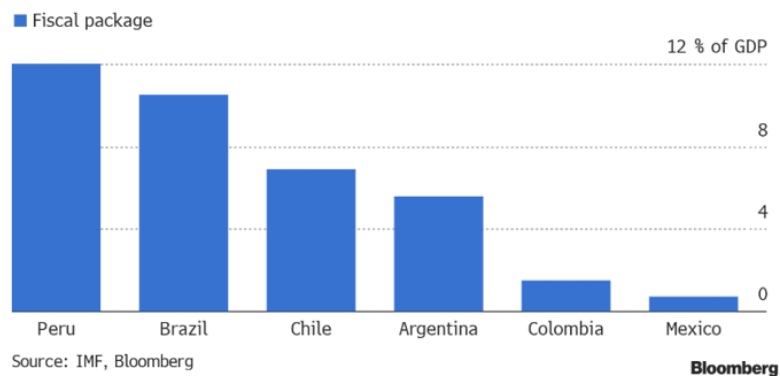
Colombia

The central bank slashed its key policy rate by 50 bps to 3.25%. The cut yesterday followed a 50 bps reduction the prior month, amid the weak incoming data on exports and business confidence. The decision was unanimous and consistent with expectations. The central bank said that the country has more limited fiscal policy space compared to other economies. Within the region, Colombia has a relatively small fiscal stimulus package (see figure below). The central bank added that it may continue to ease monetary policy

in the next few months as inflationary pressure is anticipated to subside and inflation is expected to fall below 3% by the year's end. The Colombian peso weakened 0.9% to the dollar yesterday, and is down -17% year-to-date.

Small Stimulus

Colombia fiscal package lags regional peers



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Global Financial Indicators

Last updated: 5/1/20 8:11 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		2912	-0.9	4	18	0	-10
Europe		2928	-2.3	4	9	-17	-22
Japan		19619	-2.8	1	9	-12	-17
China		2860	1.3	1	5	-7	-6
Asia Ex Japan		64	-1.9	2	12	-11	-13
Emerging Markets		37	-3.6	3	12	-15	-18
Interest Rates			basis points				
US 10y Yield		0.61	1.2	1	3	-189	-130
Germany 10y Yield		-0.59	-9.1	-16	-10	-60	-40
Japan 10y Yield		-0.02	1.1	0	-3	2	-1
UK 10y Yield		0.25	1.5	-5	-7	-90	-58
Credit Spreads			basis points				
US Investment Grade		196	1.0	0	-82	88	99
US High Yield		760	2.5	-11	-147	364	367
Europe IG		83	2.7	-1	-21	25	39
Europe HY		510	18.3	8	-96	260	303
EMBIG Sovereign Spread		608	3.0	-25	-37	265	315
Exchange Rates			%				
USD/Majors		98.97	0.0	-1	-1	1	3
EUR/USD		1.10	0.2	1	0	-2	-2
USD/JPY		106.7	0.5	1	0	4	2
EM/USD		52.9	-0.2	1	0	-15	-14
Commodities			%				
Brent Crude Oil (\$/barrel)		27	0.4	24	7	-63	-60
Industrials Metals (index)		94	-1.8	-2	3	-19	-18
Agriculture (index)		35	-0.9	0	-4	-10	-16
Implied Volatility			%				
VIX Index (% change in pp)		38.5	4.3	2.6	-18.6	23.7	24.7
10y Treasury Volatility Index		4.9	-0.3	-0.9	-2.8	1.1	0.8
Global FX Volatility		8.6	0.0	-1.2	-2.6	2.1	2.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		275	0.0	-6	51	-60	110
Italy		235	0.0	4	38	-19	75
Portugal		140	0.0	-15	5	30	78
Spain		131	0.0	-12	15	32	66

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: 5/1/2020 8:16 AM	Exchange Rates						Local Currency Bond Yields (GBI EM)							
	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	
	vs. USD		(+)= EM appreciation					% p.a.						
China		7.06	0.2	0.1	0	-5	-1		2.4	3.3	0	-30	-100	-74
Indonesia		14882	2.8	3.6	10	-4	-7		7.9	-8.9	7	-19	-7	72
India		75	0.8	1.3	1	-7	-5		6.3	0.1	8	-24	-125	-59
Philippines		51	-0.4	0.4	1	2	0		4.9	-0.4	-1	0	-31	59
Thailand		33	-0.1	-0.2	2	-2	-9		1.4	-2.1	-6	-26	-123	-23
Malaysia		4.30	1.0	1.3	0	-4	-5		2.8	-2.0	-7	-55	-102	-54
Argentina		67	-0.1	-0.8	-4	-34	-10		38.9	14.1	-1086	-2123	1236	-2365
Brazil		5.49	-2.7	0.9	-5	-29	-27		6.0	-2.3	23	-44	-226	-29
Chile		836	-0.1	2.8	2	-19	-10		2.7	-1.1	-13	-98	-135	-55
Colombia		3964	-0.9	1.5	3	-18	-17		6.4	-2.9	-4	-32	2	42
Mexico		24.40	-0.9	2.3	-1	-22	-22		6.6	-4.7	-10	-65	-155	-30
Peru		3.4	-0.2	0.0	2	-2	-2		4.7	6.3	13	-37	-59	20
Uruguay		43	-0.5	1.0	2	-18	-12		12.0	-4.0	-20	-121	114	115
Hungary		322	0.2	2.4	3	-10	-8		1.7	13.3	-8	5	-37	55
Poland		4.15	0.0	0.9	1	-8	-9		1.0	-2.9	2	-31	-139	-86
Romania		4.4	0.2	1.4	0	-4	-3		4.2	-1.0	-5	-21	-6	17
Russia		75.2	-1.1	-0.9	5	-14	-18		5.9	1.1	-6	-94	-207	-27
South Africa		18.8	-1.3	1.5	-3	-23	-25		10.7	-14.2	-44	-105	134	122
Turkey		7.01	-0.4	-0.6	-4	-15	-15		10.8	-6.7	-36	-202	-1039	-92
US (DXY; 5y UST)		99	-0.1	-1.4	-1	1	3		0.34	-2.4	-3	-1	-196	-135

	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		2860	0.0	1	5	-7	-6		256	0	9	9	83	80
Indonesia		4716	0.0	3	6	-27	-25		344	1	-12	-26	163	188
India		33718	0.0	6	19	-14	-18		331	-2	5	-51	177	206
Philippines		5701	0.0	2	5	-28	-27		188	1	-4	-42	110	122
Malaysia		1408	0.0	2	6	-14	-11		284	-2	2	-12	160	172
Argentina		32743	-1.3	8	29	11	-21		3523	30	-544	-428	2561	1754
Brazil		80506	-3.2	1	13	-16	-30		420	3	-51	-6	174	205
Chile		3978	-0.9	6	16	-23	-15		280	1	-25	-48	154	147
Colombia		1142	-0.3	-1	7	-27	-31		391	1	-26	-17	215	228
Mexico		36470	-1.1	7	8	-18	-16		662	5	-62	-53	364	370
Peru		14779	-1.0	3	6	-29	-28		252	1	-30	-38	124	145
Hungary		35181	0.0	7	9	-17	-24		212	1	-3	-6	113	126
Poland		46117	0.0	1	12	-23	-20		140	1	11	3	99	122
Romania		7979	0.0	1	7	-5	-20		362	-3	4	-23	172	189
Russia		2651	0.0	2	7	4	-13		274	3	-7	-42	76	143
South Africa		50337	0.0	5	15	-14	-12		682	14	13	-94	378	362
Turkey		101110	0.0	3	13	6	-12		678	0	-28	-87	183	277
Ukraine		500	0.0	0	-2	-11	-2		881	-10	-8	-37	253	461
EM total		37	-3.6	3	12	-15	-18		607	2	-26	-38	264	314

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

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