

Watch For More Inflation Jitters

WATCH LIST

Date		Period	Consensus		Previous
U.S.					
Mon 3/29	FHFA House Price Index	Jan	1.3% M/M	▲	1.1% M/M
Tue 3/30	Conference Board Consumer Confidence	Mar	96.0	▲	91.3
Wed 3/31	ADP Employment Change	Mar	500K	▲	117K
Wed 3/31	Pending Home Sales	Feb	-2.5% M/M	▲	-2.8% M/M
Thu 4/1	ISM Manufacturing	Mar	61.0	▲	60.8
Thu 4/1	Wards Total Vehicle Sales	Mar	16.50M	▲	15.67M
Fri 4/2	Markets Closed for Good Friday Holiday		--		--
Fri 4/2	Change in Nonfarm Payrolls	Mar	580K	▲	465K
Fri 4/2	Unemployment Rate	Mar	6.0%	▼	6.2%
Europe					
Tue 3/30	EC Economic Sentiment & Business Survey	Mar	95.0	▲	93.4
Wed 3/31	EZ Consumer Price Index (Preliminary Estimate)	Mar	1.4% Y/Y	▲	0.9% Y/Y
Wed 3/31	U.K. GDP (Final Estimate)	4Q20			1.0% Q/Q
3/31-4/1	OPEC+ Meeting	Apr	--		--
Fri 4/2	European Markets Closed for Good Friday Holiday		--		--
Asia Pacific					
Tue 3/30	Japan Jobless Rate	Feb	3.0%	▲	2.9%
Tue 3/30	Japan Retail Sales	Feb	1.0% M/M	▲	-0.5% M/M
Wed 3/31	Japan Industrial Production (Preliminary Estimate)	Feb	-1.2% M/M	▼	4.3% M/M
Wed 3/31	China Non-Manufacturing PMI	Mar	52.0	▲	51.4
Wed 3/31	China Manufacturing PMI	Mar	51.0	▲	50.6
Thu 4/1	Caixin China Manufacturing PMI	Mar	51.2	▲	50.9

Arrows indicate consensus forecast compared to the previous period. Local dates of release.

U.S.

- **The March Employment Report is expected to show an acceleration in job growth** as restrictions ease and vaccine rollout increases. While this is a welcomed sign, the labor market remains far from healed.
- **Housing prices should continue to rise** given limited supply and elevated demand.

Europe

- **Inflation data for March could accelerate** but will stay well below the ECB's target. An upside surprise would reignite the debate on the fair level of yields.
- **We will watch for supply decisions at the OPEC+ meeting.** Demand is increasing in some regions, but renewed restrictions could limit any surge.

Asia Pacific

- **China PMIs for March are expected to improve** as internal demand recovers and external demand from the U.S. increases.
- **Japan activity data for February will likely be mixed** given states of emergency throughout the month. However, data should improve as restrictions ease and vaccine distribution begins.

Institute's Central Scenario

Market flash PMIs show that, in the U.S., easing of restrictions, vaccine rollout, and fiscal stimulus are aiding the rebound in manufacturing and services sectors. However, supply chain shortages are causing a rise in manufacturing input prices on both sides of the Atlantic, with a portion being passed on to consumers. In Europe, global demand is supporting manufacturing, but restrictions continue to weigh on services. Elevated COVID cases in Europe have led to renewed restrictions, which impact the immediate-term outlook. Please see our [Monthly Macro Dashboard](#).

IN REVIEW
Global Flash PMIs Stronger Than Expected

Global Markit flash PMIs largely came in better than expected, showing an acceleration in the U.S. and less damage than anticipated in the eurozone. While the near-term outlook in the U.S. and Japan is brighter, it may have weakened in Europe due to renewed restrictions. Separately, supply chain shortages are contributing to an increase in input prices for U.S. and European manufacturers, with a portion of that being passed on to consumers.

MARKIT FLASH PMIS

Region	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
U.S. Manufacturing	36.1	39.8	49.8	50.9	53.1	53.2	53.4	56.7	57.1	59.2	58.6	59
U.S. Services	26.7	37.5	47.9	50.0	55.0	54.6	56.9	58.4	54.8	58.3	59.8	60
EZ Manufacturing	33.4	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.4
EZ Services	12.0	30.5	48.3	54.7	50.5	48	46.9	41.7	46.4	45.4	45.7	48.8
UK Manufacturing	32.6	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	57.9
UK Services	13.4	29.0	47.1	56.5	58.8	56.1	51.4	47.6	49.4	39.5	49.5	56.8
Japan Manufacturing	41.9	38.4	40.1	45.2	47.2	47.7	48.7	49	50	49.8	51.4	52
Japan Services	21.5	26.5	45.0	45.4	45.0	46.9	47.7	47.8	47.7	46.1	46.3	46.5

Source: Bloomberg. As of March 25, 2021.

In the **U.S.**, easing restrictions, vaccine rollout, and disbursement of fiscal stimulus drove both the manufacturing and services flash PMIs further into expansionary territory in March. While supply shortages kept a lid on manufacturing growth, new orders rose at the fastest pace since June 2014—signifying demand remains strong.

In **Europe**, PMIs came in better than expected, suggesting that the 1Q21 GDP contraction should be less severe than expected. While restrictions led to a seventh-consecutive month of contractions in the services sector, strong global demand for goods pushed the manufacturing PMI to a record high. However, the flash PMI data did not fully capture the renewed restrictions in Germany and France, which may be weighing on the immediate-term outlook.

In **Japan**, business activity remained subdued due to restrictions during the country's third wave of infections. However, businesses are optimistic of the outlook, hoping that lifting states of emergency and vaccine distribution will increase demand. In fact, despite the services sector remaining in contractionary territory, job gains accelerated there.

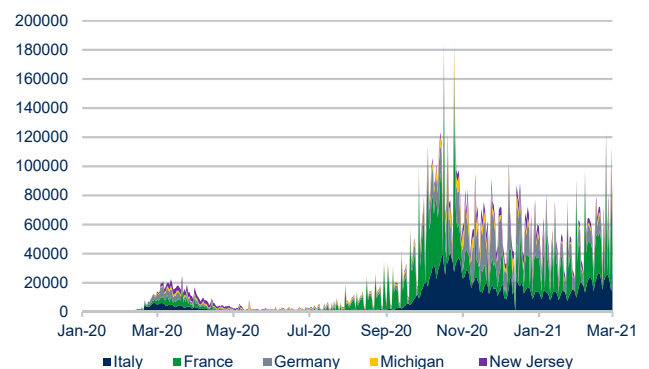
PBOC & BOJ Emphasize Quality Over Quantity

There have been no new net short-term cash injections by the PBOC since February, the longest drought in 10 months. Both the 7-day repo rate, a measure of liquidity in the banking system, and 10-year government yields moved sideways-to-

lower, however, suggesting that the tightening bias from the PBOC has not led to any meaningful stress. Elsewhere, following its policy review, the BOJ kept Yield Curve Control in place but clarified and made explicit its 10-year yields target. It also scrapped annual ETF purchase targets but kept the upper-limit pledge introduced earlier in the pandemic. The changes reinforce the BOJ's firm commitment to accommodation while also moving toward a more flexible and sustainably policy toolset, especially as its balance sheet has ballooned since 2008.

COVID Infections Rise Amid Vaccine Shortages

Resurgence of coronavirus cases around the world, coupled with a rise in new variants, is adding urgency to expedite vaccinations. Cases are accelerating in France and Germany, prompting the German government to continue the country's lockdown until April 18; France and Italy extended or reintroduced lockdown measures last week. In Asia, case counts remain relatively low, though India, the Philippines and Hong Kong have seen a continued rise. In the U.S., cases have been trending higher in states such as New Jersey and Michigan, though hospital admissions have plateaued nationally.

NET CHANGE IN CASES


Source: Bloomberg. As of March 24, 2021.

Reopening activity, relaxed behavior, and new variants are likely contributing to the rise in cases; this comes as Johnson & Johnson is falling behind on vaccine orders. The Biden administration indicated it has just 4 million doses of J&J's vaccine available for states and federal partners next week—the latest sign the company is lagging in its commitment to deliver 20 million shots to the federal government by March 31. Logistical complications and regulatory delays may be complicating production.

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KEY FINANCIAL INDICATORS

Rates	Yield	1 W Change	1M Change	3M Change	6M Change	12M Change	YTD Change
Fed Funds	0.25%	0 bps	0 bps	0 bps	0 bps	0 bps	0 bps
U.S. SOFR	0.01%	0 bps	-1 bps	-7 bps	-6 bps	0 bps	-6 bps
3 Month USD Libor	0.20%	1 bps	1 bps	-5 bps	-4 bps	-104 bps	-4 bps
3 Month Euribor	-0.54%	1 bps	0 bps	0 bps	-4 bps	-17 bps	1 bps
3 Month U.S. T-Bill	0.02%	1 bps	-1 bps	-7 bps	-7 bps	1 bps	-6 bps
2-Year U.S. Treasury	0.14%	2 bps	2 bps	2 bps	1 bps	-24 bps	2 bps
10-Year U.S. Treasury	1.62%	-2 bps	23 bps	69 bps	95 bps	79 bps	70 bps
10-Year German Bund	-0.35%	-6 bps	-6 bps	20 bps	16 bps	-1 bps	22 bps
10-Year U.K. Gilt	0.76%	-8 bps	0 bps	51 bps	55 bps	29 bps	56 bps
10-Year JGB	0.06%	-3 bps	-5 bps	5 bps	6 bps	2 bps	4 bps
Fixed Income	Yield	OAS	1W Return	1M Return	3M Return	12M Return	YTD Return
Barclays Capital U.S. Government-Treasury	0.93%	N/A	0.4%	-0.9%	-3.5%	-3.3%	-3.7%
Barclays Capital U.S. TIPS	1.05%	N/A	0.4%	0.3%	-0.7%	7.5%	-1.0%
Barclays Capital U.S. Aggregate	1.55%	34	0.4%	-0.8%	-2.8%	2.9%	-3.0%
Barclays Capital Global Aggregate	1.11%	34	0.2%	-1.5%	-3.3%	7.9%	-3.8%
Barclays Capital U.S. ABS	0.52%	34	0.0%	-0.1%	0.0%	6.2%	-0.1%
Barclays Capital U.S. MBS	1.75%	16	0.0%	-0.4%	-0.8%	0.1%	-0.9%
Barclays Capital U.S. Corporate Investment Grade	2.25%	97	0.6%	-1.3%	-4.1%	15.3%	-4.5%
BAML Euro Corporate Investment Grade	0.31%	91	0.2%	-0.1%	-0.4%	9.8%	-0.6%
Barclays Capital U.S. Corporate High Yield	4.34%	326	0.2%	-0.6%	1.0%	33.4%	0.5%
BAML European Currency High Yield Non-Financial	2.83%	330	-0.1%	-0.1%	1.4%	27.7%	1.3%
CS U.S. Leveraged Loans	4.85%	451	0.0%	0.1%	2.2%	30.5%	2.0%
CS Western European Leveraged Loans Non-USD	4.34%	424	-0.1%	0.1%	2.0%	28.1%	1.8%
JPM CEMBI Broad Diversified	4.43%	304	0.1%	-1.0%	-0.5%	21.7%	-0.7%
JPM EMBI Global Diversified	5.19%	356	0.2%	-2.1%	-3.6%	22.6%	-4.0%
JPM GBI-EM Global Diversified	5.03%	N/A	-1.1%	-5.1%	-5.9%	17.5%	-6.5%
Equities	Price	Div Yield	1W Return	1M Return	3M Return	12M Return	YTD Return
S&P 500	3,889.14	1.44%	-2.1%	-0.8%	5.4%	61.7%	3.9%
Euro STOXX 600 (Local)	423.39	2.20%	-0.4%	2.5%	6.9%	39.3%	6.1%
U.K. FTSE 100 (Local)	6,712.89	3.10%	-0.7%	0.8%	3.2%	23.3%	3.9%
Japan Nikkei 225 (Local)	28,405.52	1.46%	-5.0%	-4.3%	6.5%	57.0%	3.5%
China Shanghai Composite (Local)	3,367.06	2.09%	-2.3%	-5.5%	0.1%	23.7%	-3.1%
MSCI AC World (Local)	662.83	1.78%	-2.1%	-1.4%	5.5%	57.2%	4.0%
MSCI Emerging Markets (Local)	1,298.44	1.95%	-3.1%	-7.9%	4.8%	59.4%	2.4%
Commodities/Currencies	Price	1W Change	1M Change	3M Change	6M Change	12M Change	YTD Change
S&P GS Commodity Index	474.22	-2.9%	-3.1%	17.2%	36.1%	75.3%	15.8%
WTI Crude (\$/bbl)	61.18	-5.2%	-3.2%	27.0%	52.5%	190.9%	26.5%
Copper (\$/lb)	4.07	-1.4%	-5.3%	14.4%	37.1%	85.3%	15.9%
Gold (\$/oz)	1,730.50	0.0%	-3.2%	-7.7%	-7.0%	7.8%	-8.3%
U.S. Dollar Index	92.53	1.2%	2.6%	2.4%	-1.9%	-9.3%	2.9%
Euro (USD/EUR)	1.18	-0.6%	-2.4%	-2.9%	1.6%	9.6%	-3.3%
British Pound (USD/GBP)	1.37	-1.2%	-2.7%	1.4%	7.9%	16.5%	0.4%
Japanese Yen (Yen/USD)	108.82	-0.4%	2.7%	5.0%	3.2%	-2.4%	5.4%
Chinese Yuan (CNY/USD)	6.52	0.3%	1.1%	-0.1%	-4.4%	-7.8%	-0.3%

Source: FactSet and Bloomberg. As of March 24, 2021.

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*As of December 31, 2020

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