

WEEKLY UPDATE

Next Generation EU

Late Monday evening, the twenty-seven member states of the European Union (EU) validated the process of issuing a common debt from their own resources to finance the economic recovery post-Covid. The representatives of member states met during a European Council and thereby gave the European Commission the green light to implement its "NextGenerationEU" recovery plan. This plan was adopted in July 2020 and backed by the multiannual financial framework 2021-2027 voted in November 2020. In all, a total of €750 billion (bn) allocated to national programs will be granted to EU countries through massive borrowing (split in grants for €390bn and in loans for €360bn).

OPEC meeting

Under their existing plan, the Organization of the Petroleum Exporting Countries (OPEC) and allies led by Russia, known as OPEC+, agreed on Tuesday to continue to gradually ease production cuts amid a rebound in demand. The cartel decided to stay on the previously designed path of raising production by 2.1 million barrels per day (b/d) from May to July. The group plans to add back 350,000 b/d in June and 440,000 b/d in July. Saudi Arabia is also gradually adding back 1 million barrels in voluntary cuts it made above and beyond its group commitment.

On the day of the announcement, crude oil prices rose 2% to \$67.72 per barrel for WTI after jumping by nearly 4%, reaching its highest level in three years. Brent, the European standard, traded 2.7% higher at \$71.17 to close at \$70.25 per barrel, its highest price in two years.

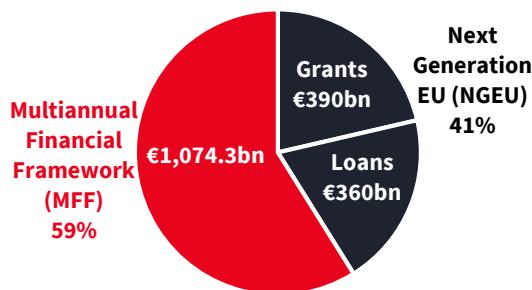
OECD economic outlook

As vaccine rollout allows businesses to resume operations, the Organisation for Economic Cooperation and Development (OECD) hiked its economic forecasts. The OECD now thinks that the global economy is set to grow by 5.8% this year and by 4.4% next year, up from 5.6% and 4.0% respectively in its last forecasts released in March. The global economy has now returned to pre-pandemic levels but remains short of the growth expected prior to the global health crisis.

The U.S. economy is now expected to grow by 6.9% this year, up from a previous forecast of 6.5%, but the 2022 forecast is cut to 3.6%, down from 4% expected earlier in March. Euro area's economic growth expectation was also revised up to 4.3% for 2021 and to 4.4% for 2022 in the report. As for the UK GDP, the OECD forecasts that it will rise by 7.2% in 2021, the fastest growth since 1941, after a 9.8% contraction last year, the worst in almost 300 years.

Huge fiscal stimulus for European Union

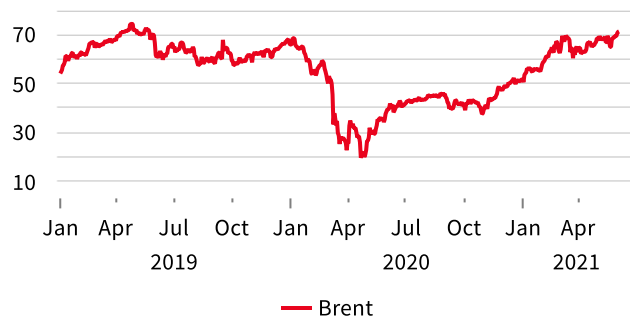
EU budget 2021-2027 and recovery plan



Sources: SGPB, Macrobond, European Commission, 04/06/2021

Brent crude oil prices hits two-year high

Evolution of Brent crude oil prices (per barrel)



Sources: SGPB, CME Group, ICE, 03/06/2021

Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg, Macrobond, (04/06/2021). In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. CA012/H1/2021

OUR MACRO COMMENTS

This week and next

EUROZONE

- The final Eurozone's manufacturing PMI increased from 62.9 to a new record high of 63.1 in May, which was up from a flash estimate at 62.8.
- The Eurozone's unemployment rate fell from 8.1% to 8.0% in April, while economists had predicted it would hold steady at 8.1%.
- The flash Eurozone's CPI rose from 1.6% to 2.0% YoY in May, slightly above a forecasted 1.9%.
- German retail sales fell by 5.5% MoM in April, partially reversing a 7.7% jump from March. Economists had forecast a more modest 2.0% decline.



Next week's key events

		Per.	Prev.	Cons.
3 June	Euro zone GDP annualised YoY	Q1	-1.8%	-5.0%
10 June	ECB interest rate decision	2021	-	-

UNITED KINGDOM

- The Markit manufacturing PMI rose from 60.9 to 65.6 in May. While a little lower than the flash reading of 66.1, it still marked the highest level since the survey started in 1992.
- The Markit services PMI rose from 61.0 to 62.9 in May, reaching its peak since May 1997 and above an initial estimate of 61.8.
- As a result, the Markit composite PMI rose from 60.7 to 62.9 in May, which is a record high since the series began in January 1998.



Next week's key events

		Per.	Prev.	Cons.
7 June	Halifax house price index YoY	May	8.2%	9.4%
11 June	Industrial production	Apr	3.6%	29.1%

UNITED STATES

- According to the ADP, nonfarm payrolls increased by 978k in May, coming in ahead of a forecasted 650k increase. In April, nonfarm payrolls had risen by 654k.
- ISM's manufacturing PMI increased from 60.7 to 61.2 in May, while consensus had forecast a modest rise to 60.9. The ISM non-manufacturing PMI rose from 62.7 to 64.0, while economists had forecast a more modest increase to 63.0.
- The final services PMI climbed to a new record at 70.4 for May, up from 64.7 in April and above the flash estimate of 70.1.
- In the week ending 28th May, initial jobless claims fell from 405k to 385k, whereas economists had forecast a decline to 390k.



Next week's key events

		Per.	Prev.	Cons.
10 June	CPI headline YoY	May	3.0%	2.3%
11 June	Michigan consumer sentiment index P	Jun	82.9	90.4

ASIA & EMERGING COUNTRIES

- The official Chinese manufacturing PMI from the National Bureau of Statistics came in at 51.0 in May, slightly below the consensus and the previous month reading at 51.1. The non-manufacturing PMI rose from 54.9 to 55.2, versus an expected rise to 55.0.
- The Caixin's China manufacturing PMI came in at 52.0 in May, slightly above the consensus and the previous month both at 51.9.
- Japan's industrial production rose from 1.7% to 2.5% MoM in April, while economist had forecast a rise of 4.1%.
- Japanese household spending rose by 0.1% MoM and 13.0% YoY, well above -2.2% and 9.3% expected respectively.



Next week's key events

		Per.	Prev.	Cons.
7 June	China trade balance	May	\$42.2B	\$28.1B
9 June	China CPI YoY	May	0.9%	1.0%

Sources: DataStream, Bloomberg, 4 June 2021. Note: YoY = year-on-year; QoQ = quarter-on-quarter; MoM = month-on-month, P = preliminary figure, A = advanced figure, F = final figure, seasonally adjusted, PMI = Purchasing Managers' Index, CPI = Consumer Price Inflation.

MARKET PERFORMANCE

Interest rates	Last	1wk	3mth	YTD	12mth
EONIA (EUR)	-0.48 %	0 bp →	0 bp	2 bp	-2 bp
3mth Euribor (EUR)	-0.54 %	0 bp →	0 bp	0 bp	-20 bp
3mth Libor (USD)	0.13 %	0 bp →	-6 bp	-11 bp	-20 bp
3mth Libor (GBP)	0.08 %	-1 bp →	0 bp	5 bp	-16 bp
10-year US Treasury bond	1.63 %	2 bp ↑	16 bp	72 bp	87 bp
10-year German bond	-0.19 %	-1 bp ↓	11 bp	39 bp	16 bp
10-year French bond	0.18 %	-1 bp →	23 bp	52 bp	17 bp
10-year UK bond	0.84 %	3 bp ↑	6 bp	65 bp	57 bp

Government bonds*	1wk	3mth	YTD	12mth
United States (3-7yr)	-0.1% ↓	0.0%	-1.4%	-0.9%
United Kingdom (3-7yr)	-0.1% →	0.0%	-1.6%	-1.2%
Germany (3-7yr)	0.1% ↑	-0.3%	-1.0%	-0.6%
Japan (3-7yr)	0.0% →	0.1%	-0.1%	-0.2%

Credit	1wk	3mth	YTD	12mth
BAML EURO Corp. IG	0.2% ↑	-0.1%	-0.7%	4.3%
BAML EURO Corp HY	0.4% ↑	1.4%	2.7%	11.6%
BAML GBP Corp IG	-0.1% →	0.2%	-3.9%	3.3%
BAML US IG	0.0% →	0.5%	-2.8%	3.7%
BAML US HY	0.3% ↑	1.5%	2.5%	13.0%
BAML Global EM Sov. External Plus	0.2% ↑	2.0%	-1.7%	10.1%

Exchange rates	Last	1wk	3mth	YTD	12mth
EUR/USD	1.21	-0.6% ↓	0.5%	-0.7%	7.9%
EUR/CHF	1.10	0.2% ↑	-1.3%	1.3%	1.5%
GBP/USD	1.41	-0.7% ↓	1.1%	3.1%	12.2%
USD/JPY	110.3	0.4% ↑	3.1%	6.8%	1.3%
USD/BRL	5.08	-3.1% ↓	-9.6%	-2.2%	0.3%
USD/CNY	6.40	0.3% ↑	-1.0%	-1.9%	-10.0%
USD/RUB	73.2	-0.3% ↓	-1.1%	-1.1%	6.7%

Equities*	Last	1wk	3mth	YTD	12mth
MSCI AC World	711	0.4% ↑	8.1%	11.1%	37.3%
Eurostoxx 50	4079	1.0% ↑	11.5%	16.9%	28.5%
DAX	15 633	1.5% ↑	11.0%	14.0%	25.2%
CAC 40	6 508	1.2% ↑	13.4%	19.2%	33.2%
S&P 500	4 193	-0.2% ↓	10.2%	12.4%	36.4%
FTSE 100	7 064	0.7% ↑	7.2%	11.2%	14.5%
SMI	11 511	1.5% ↑	9.8%	10.5%	16.4%
Topix	1 959	2.6% ↑	3.8%	9.6%	25.1%
IBOV Brazil	129 601	4.2% ↑	16.6%	8.9%	39.4%
MICEX Russia *	3 805	1.8% ↑	11.4%	15.7%	34.4%
MSCI EM	1 384	2.2% ↑	1.0%	8.0%	43.4%
SENSEX 30 India	52 232	2.4% ↑	1.8%	9.8%	55.0%
Hang Seng (H-K)	28 966	-0.4% ↓	-2.0%	7.5%	23.0%
Shanghai Composite	3 584	-0.7% ↓	0.2%	3.2%	22.6%

Commodities	Last	1wk	3mth	YTD	12mth
Brent	\$71.4	2.7% ↑	11.1%	37.6%	79.1%
Gold	\$1 872	-1.0% ↓	8.7%	-1.4%	10.3%
Copper	\$9 770	-4.3% ↓	7.0%	26.1%	77.7%

Source: DataStream, on 3 June 2021.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets. * Price return for MICEX equity index. Equities; total return in local currency. Government bonds = 3-7-year returns. Figures are rounded.

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