

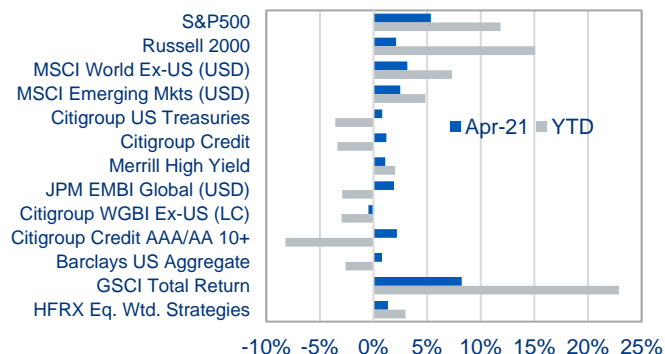
Global Market Review

Macro Summary

Global equities surged in April with many markets touching new highs. Promising leading economic indicators, loosening lockdowns, prospects for continued massive fiscal and monetary stimulus, and strong corporate earnings propelled equity markets higher. Bonds across the maturity and credit spectrums also enjoyed gains in April as a dovish Fed coaxed U.S. Treasury yields lower and improving profitability helped corporate credit spreads remain narrow. Resurgent demand sent commodities sharply higher in April, with gains widely spread across agricultural goods, industrial metals, and energy products. The heady mix of easy money and rapid growth spurred record levels of M&A and IPO activity, and speculative bond and loan issuance. The accelerating recovery triggered growing supply chain disruptions and pushed input and transport costs higher.

Performance of Major Market Indices

Sources: S&P, MSCI, FTSE Russell, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, HFR, Bloomberg.



Markets fire on all cylinders in April.

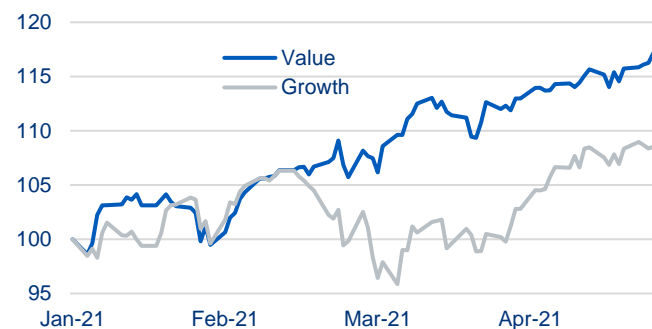
Markets Soar on Growth, Easy Money, and Profits

The April data release on U.S. GDP growth in Q1 portrayed an economy rapidly gathering momentum. The 6.4% annualized growth during the quarter was driven primarily by household consumption largely on durable goods. Disposable personal income, fueled in part by government support, rose even faster than consumer spending, resulting in a large jump in personal savings for the second quarter in a row. The build-up in savings and the prospect for more stimulus to come leaves consumers well placed to continue their buying spree as lockdowns ease further. Leading economic indicators released at month end confirmed the view that the U.S. economy was enjoying a broad-based rebound. Both the manufacturing and service sectors surged, sending the composite PMI output index to its highest level ever. However, firms reported unprecedented supply chain bottlenecks and rising input and transport prices, pointing to potential problems ahead. Global chip shortages in particular are having a widespread impact.

Prospects for a strong and sustained rebound in economic growth, continued fiscal and monetary stimulus, and rising corporate profits sent stocks sharply higher in April. The S&P 500 jumped 5.3%, bringing its rise so far this year to 11.8%. Gains were widely spread across sectors and styles. Stocks in the energy and financial sectors enjoyed the strongest increases reflecting rising energy prices and improving bank profitability. Small cap stocks lagged large in April, but remained ahead for the year. Both growth and value stocks rose strongly in April, with growth stocks leading, reversing recent trends. For the year as a whole, however, value stocks continue to outpace growth by a wide margin (Exhibit 1).

Exhibit 1. Value Continues to Outpace Growth in 2021

Source: Bloomberg. Index December 31, 2020 = 100.

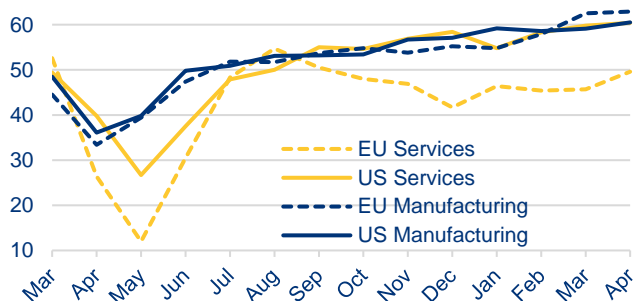


Non-U.S. Equity Market Gains Solid, But Lag U.S.

European economies slipped into a double-dip recession in Q1, as governments extended lockdowns to quell contagion. Leading indicators were far more auspicious, however, with manufacturing expanding briskly and services on an improving trend (Exhibit 2). Against this backdrop and signs that the vaccination rollout was belatedly gathering momentum, European bourses rose 4.5% in April. More broadly, the MSCI World ex-U.S. index of developed market stocks rose 3.2%.

Exhibit 2. Leading Indicators Point to European Recovery

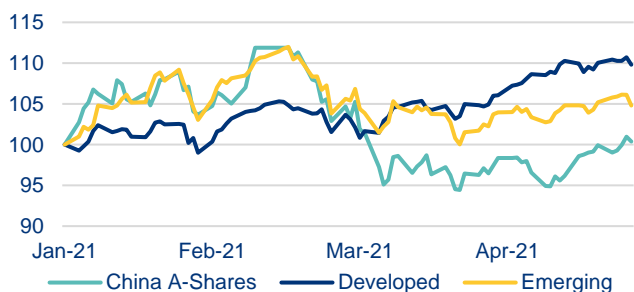
Source: IHS Markit. Dispersion index. Above 50 signals expansion.



Emerging equity markets lagged their developed counterparts in April as well as so far in 2021. Chinese markets, which enjoyed a strong rally early in the year, have given up much of those early gains, weighing down the broader index (Exhibit 3).

Exhibit 3. Chinese Equities Shed Early Strong Gains

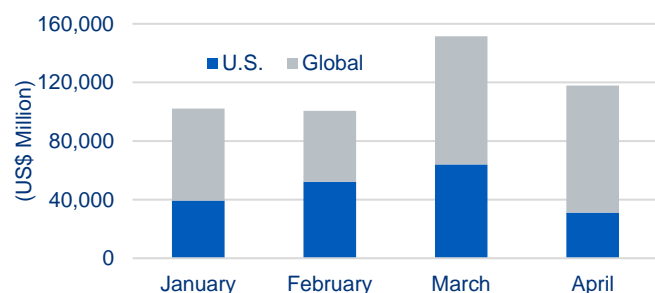
Source: Bloomberg. Index December 31, 2020 = 100.



M&A activity has surged in 2021, with global deals at their highest volumes since 2007. Low funding costs and an improving economic outlook has encouraged debt-funded deals, spurring record leveraged loan issuance. Boosted by SPACs and elevated equity market valuations, global IPO activity has also been brisk, especially in the U.S. (Exhibit 4).

Exhibit 4. Global IPOs Grow at Rapid Clip

Source: Refinitiv. Millions of U.S. dollars.



Fed Dovish Note Resonates with Treasury Market

The Fed maintained its dovish stance in April's FOMC meeting. While welcoming the strengthening recovery, the Fed noted that employment remained 8.5 million jobs below pre-pandemic levels and that a number of hard hit sectors remained weak. The Fed was also unfazed by the prospect that pent up demand colliding against supply bottlenecks would trigger inflation, arguing that price increases would be limited in scope and time. U.S. Treasuries rose in April, especially at the long end of the curve, with the 10+ year segment gaining 2.6%. For the year as a whole, however, U.S. Treasuries across all maturities have suffered losses, with the 10+ year segment down 11.6%.

Bond markets outside of the U.S. also rose in April. The WGBI ex-U.S. index of investment grade sovereign bonds gained 1.4%, but remained down so far in 2021. The real yield on 10-year German inflation-linked bonds hit a record low (-1.77%).

High yield bond issuance in Europe and the U.S. hit record levels in Q1, spurred by ample liquidity and low costs. Regulators in Europe expressed concern that corporate insolvencies could rise dramatically once government support measures are withdrawn. Despite these concerns and the record issuance, credit spreads remained narrow and yields near record lows. U.S. high yield bonds rose 1.1% in April, bringing their gain for the year to 2%.

Hedge Funds Buoyed by Strong Markets

Hedge funds rose 1.3% in April, bringing their gains for the year to 3%, with all strategies recording positive returns. Reflecting the strong gains in U.S. equities, Equity Hedge led other strategies in April, rising 3%, to bring their gains so far in 2021 to 5.7%.

Strong, Broad-Based Commodity Rally

Resurgent global economic growth combined with limited inventories and underinvestment in production capacity have spurred a broad rally across commodities so far this year. Iron ore, palladium (used to control car emissions), and timber prices all hit record levels in April, while copper and agricultural products touched multi-year highs. Oil prices are up 31% so far this year and 191% in the 12 months through April. Gold prices, in contrast, have fallen by 9% in 2021.

Performance of Major Market Indices through 04-30-2021

Sources: MSCI, FTSE, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, S&P GSCI, HFR, Bloomberg.

	1-Month	QTD	YTD	1-Year	3-Year	5-Year
S&P500	5.3%	5.3%	11.8%	46.0%	18.7%	17.4%
Russell 2000	2.1%	2.1%	15.1%	74.9%	15.2%	16.5%
MSCI World Ex-US (USD)	3.1%	3.1%	7.3%	40.6%	6.6%	8.9%
MSCI Emerging Mkts (USD)	2.5%	2.5%	4.8%	48.7%	7.5%	12.5%
Citigroup US Treasuries	0.8%	0.8%	-3.6%	-4.3%	4.6%	2.4%
Citigroup Credit	1.2%	1.2%	-3.4%	5.0%	6.9%	4.8%
Merrill High Yield	1.1%	1.1%	2.0%	20.1%	6.7%	7.3%
JPM EMBI Global (USD)	1.9%	1.9%	-2.9%	14.0%	5.0%	4.7%
Citigroup WGBI Ex-US (LC)	-0.5%	-0.5%	-3.0%	-1.2%	2.2%	1.6%
Citigroup Credit AAA/AA 10+	2.2%	2.2%	-8.2%	-1.0%	9.2%	6.0%
Barclays US Aggregate	0.8%	0.8%	-2.6%	-0.3%	5.2%	3.2%
GSCI Total Return	8.2%	8.2%	22.9%	80.0%	-4.0%	0.8%
HFRX Eq. Wtd. Strategies	1.3%	1.3%	3.0%	13.5%	3.2%	3.5%