MONTHLY MARKET COMMENTARY

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Fixed Income - US Rates

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The yield on the 10-year Treasury note currently hovers around 1.63% after falling this month, from a high of 1.75% and a low of 1.55% on March 31 and April 22. This decrease in rates is likely due to the market having previously underestimated medium-term inflation. Moreover, expectations for growth are already priced in the market. Yields remain slightly below pre-pandemic levels and the Fed remains adamant regarding its $120 billion asset purchases and near-zero rates for the foreseeable future.

U.S. initial jobless claims have seen a steady decrease from 728,000 on April 4 to 553,000 on April 29 indicating a tightening in the labour market. The recovery outlook continues to look strong as consumer sentiment, as indicated by the U.S. Consumer Sentiment Index and personal consumption has increased 4.0% and 4.2% from February to March. With a current vaccination rate of 2.7 million doses per day and a decline in the U.S. rate of infections, we are likely to see a further increase in spending and inflation. While money velocity remains low, this is likely to pick up further in the year as the economy gets closer to a full recovery. With this in mind, GMG believes the 10-year yield will likely hover around 1.7% in the very short term but reach 2% by the end of 2021.

U.S. Rates	Yield	1-Month Change (bps)
3-Month Treasury	0.015%	-0.8
6-Month Treasury	0.030%	-0.5
1-Year Treasury	0.051%	-1
2-Year Treasury	0.160%	1.2
5-Year Treasury	0.846%	-5.3
10-Year Treasury	1.625%	-9.7
30-Year Treasury	2.294%	-7.9

Credit

Corporate spreads remain tight, consistent with increasing consumer sentiment. Biden’s proposals of $2 trillion infrastructure investment are being financed through higher corporate tax. However, this is unlikely to affect the credit outlook of most major companies due to the main driver being interest rates. With a positive growth outlook, spreads will likely remain tight given the current policy backdrop.

Fixed Income - International Rates

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The UK 10-year gilt has remained relatively stagnant this month hovering near its current level of 0.85%. The PMI for Britain's services sector has increased to 60.0 in April from 56.4 in March. as easing restrictions are helping businesses capture pent-up demand. While interest rates remain at near zero, and asset purchases continue, there is speculation that the Bank of England will slightly taper their asset purchases in May to ease inflationary pressure. Despite recent growth, investors should still remain cautious about the new covid variant. GMG forecasts the 10-year gilt to reach 1% by the end of 2021.

The German 10-year moved upwards to -0.201% after inflation breached 2%. While the vaccination program has been highly successful, new lockdown restrictions have been implemented to control a third wave of covid-19 and the new variant. GMG forecasts the yield on the 10-year bund will remain near current levels, and begin to rise later this year again after lockdown restrictions ease, giving the ECB more space to tighten policy, with yields still remaining below zero.

The yield on the Japanese 10-year government bond sits at 0.095%. With a recent rise in covid-19 cases, the Bank of Japan stated that it will struggle to reach its 2% inflation target by 2023. Short-term interest rates remain targeted at -0.1% and 10-year bond target bond yield around 0%.

The 10-year Canada government bond yield has been relatively stagnant this month, currently around 1.55%. The Bank of Canada continues to keep policy rates low, at 0.25%, and has tapered its quantitative easing from $4 billion to $3 billion. Supported by a high vaccination rate and asset purchase reductions due to economic growth, GMG forecasts the Canadian 10-year government bond yield to reach 1.75% by the end of 2021.

International Rates	Yield	1-Month Change (bps)
United Kingdom	0.758%	0.846%
Germany	-0.105%	-0.201%
Japan	3.217%	0.095%
Canada	0.613%	1.546%
France	0.081%	0.160%
Singapore	-0.344%	1.620%

Global Currencies

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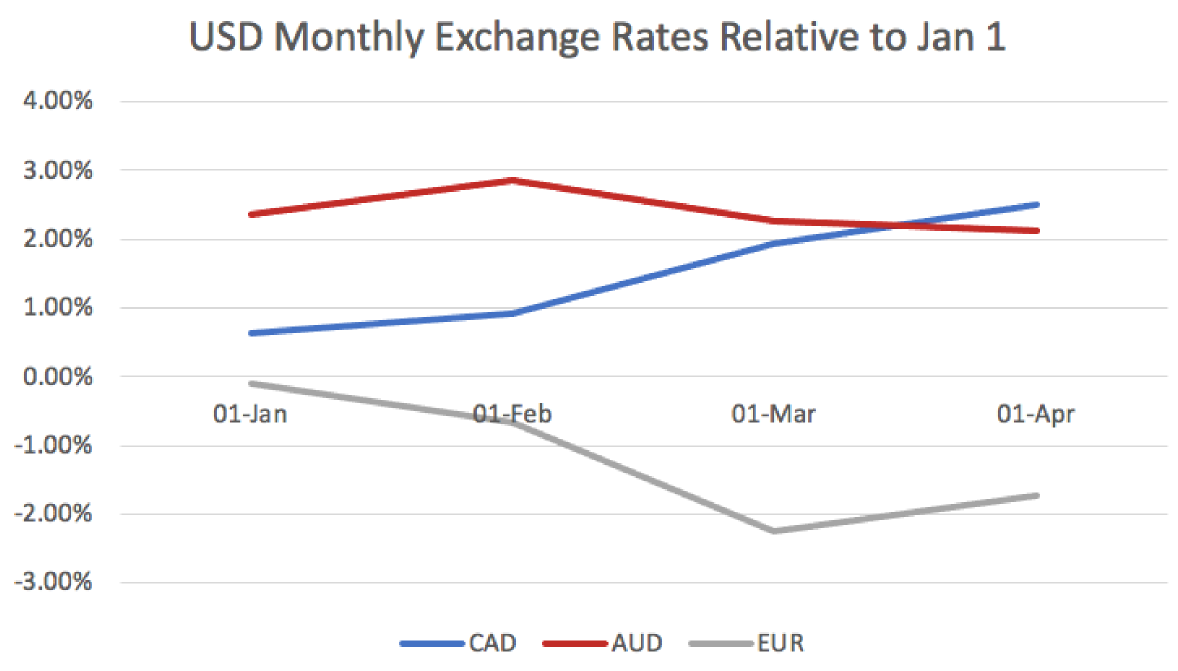
Though the U.S. has shown significant economic improvement recently, the USD index continues to extend their recent losses. Strong Q1 GDP growth and high vaccination rates should translate to a stronger USD; however, Jerome Powell reiterated the FED's stance on maintaining low interest rates until substantial further economic progress is made. With real rates remaining negative and an overall dovish outlook from the FED, foreign investment may continue to fall – which may cause a continuation on the recent USD losses.

Canada's budget release on April 19 highlighted promising factors for the future of the Canadian economy. The budget emphasized the importance of a strong labour market. Canada's unemployment rate hovers just 1% higher than pre-Covid levels compared to the U.S.'s 4% fall off which contributed to the CAD's recent strong performance. The Canadian Dollar continued to gain throughout Q1 2021, reaching $1.23/USD for the first time since 2017. With The Bank of Canada reducing weekly quantitative easing purchases to $3 billion from $4 billion previously accompanied by optimistic economic forecasts and promising fiscal policy enacted by the Bank of Canada could propel the CAD's recent gains well into Q2 2021.



The Euro gained throughout April on the back of optimistic vaccination results and continuous economic growth even as cases rise throughout Europe. As more European regions ease the harsh restrictions in place, we project the Euro to continue its recent gains seen in April. These lower restrictions will open travel opportunity across Europe which will aid in the Euro's gain.

GBP's strong continuous gains throughout 2021 faltered in early April largely due to lacklustre vaccination results. With lockdown restrictions projected to be lifted during May, the GBP could continue the upward trend seen throughout 2021. Though, with poor vaccination rates, the United Kingdom is more susceptible to outbreaks which could hinder the reopening schedule. We project GBP to remain volatile, though, if outbreaks can be maintained, the GBP will extend recent gains on the back of favourable economic data.

Global Equities

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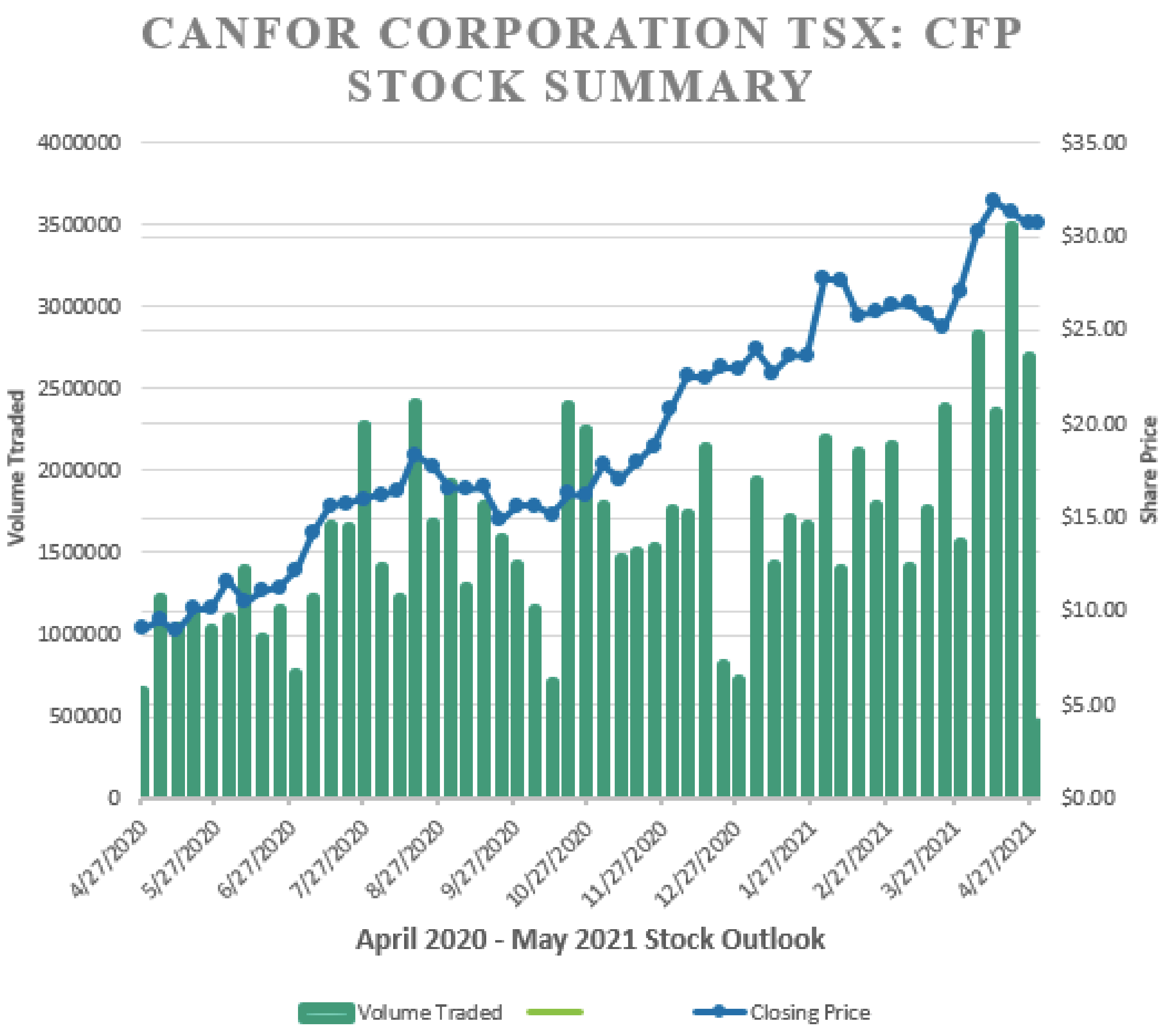
GMG May Forecast: Bullish. As inflation is expected to overshoot in the foreseeable short run, this has fuelled the raging bull market in blue-chip stocks in places like Europe and North America. May forecasts are based on returns due to increasing economic output. Vacation travel is looking like it will pick up in Europe as we see the success of the UK restrictions. Once travel picks up in other regions, consumer confidence globally will increase and tourism may see slow but promising overall growth in May. As the UK and US are slowly opening up and the Summer is looking good, SFU GMG expects May to have a positive flow of funds into equities but seeing a plateau in the growth as consumers may withdraw funds to spend on the economy in Summer.

APRIL GLOBAL MARKETS PERFORMANCE					
U.S.		EUROPE		ASIA	
DOW JONES	+2.90%	FTSE 250	+2.29%	NIKKEAI	-4.24%
S&P 500	+4.30%	FTSE 100	+2.14%	HANG SENG	-1.11%
NASDAQ	+3.08%	DAX	+0.16%	TOPIX	-4.30%
TSX	+1.17%	CAC 40	+2.88%	CSI 300	-0.33%

Global Equities

North American / US Equities: April turned out to be a rather record setting month for indexes like the S&P 500 and Nasdaq Composite. In early April, reports of strong economic output and employment growth in March were generated from growth in the services and tech sector. In mid-April, growth stocks stole the show based on the rise of ‘momentum’ stocks, where rapidly rising stocks experience rapid growth. These momentum stocks, based on their smaller-cap size and sector (financial and energy), were discounted stocks which have contributed to the blue-chip bull market. With an outstanding earnings seasons and proposed capital gains tax increases, markets were relatively unmoved US equities dipped slightly from recent highs as April came to a close.



Stocks of Interest:

Canfor (TSX.TO) Reported 427.8 million in 2021 Q1 profits as lumber prices continue to rise to new highs and US Housing sees its near 15-year rise in retail purchases. Lumber prices have increased due to building demand, lower shipping volumes, and higher logging costs. With a modest $3.47 Diluted EPS the economic fundamentals are highly in favour of this Vancouver-based company.

Global Equities

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European Markets: Initial losses from the pandemic were eradicated as Europe's benchmark indexes started April off strong. Europe has always lagged behind US Equity growth because of the tech-heavy sector in the US. However, as the UK lifted restrictions, the FTSE 250 continued to make new highs throughout April as consumers sought out to spend their pent-up demand across the economy. Europe's strongest sectors (travel, automotive, leisure, and banks) see generous forecasts as their quarterly earnings have seen positive growth for 2021. There is still some skepticism around the pandemic which have led to down days as we finished off April.

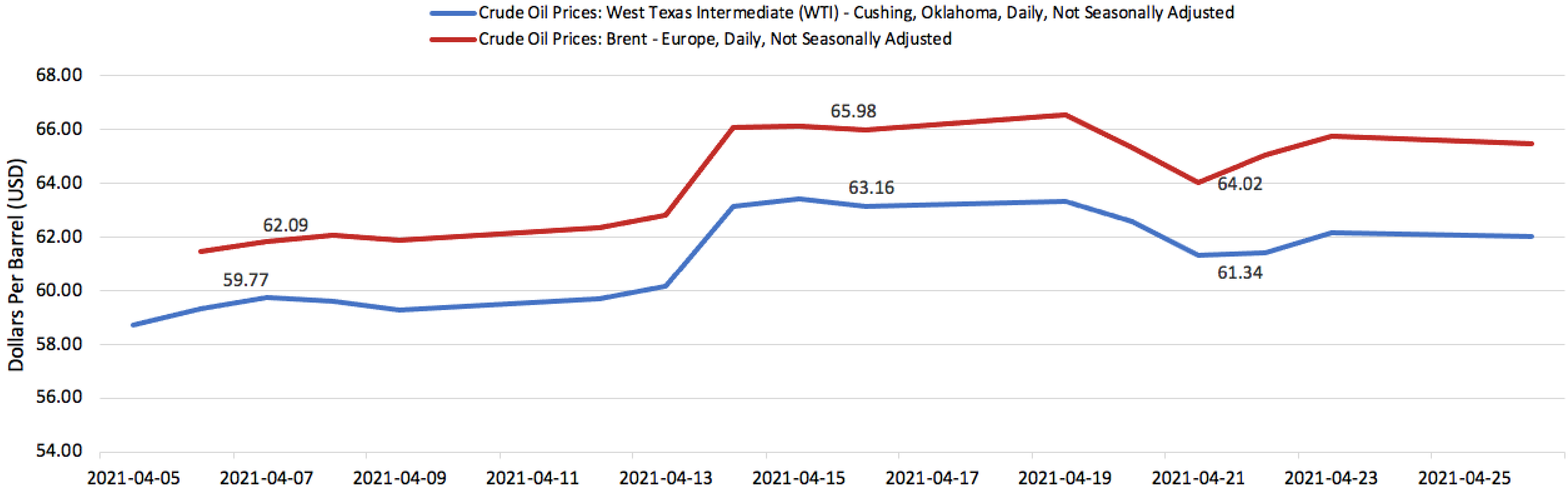
Asia-Pacific Markets: As Chinese markets continue to see a boom of big-name IPO's and their respective valuation growth, there are growing political concerns over mainland China's involvement with the Hang Sei market as Hong Kong is seen as the Asian Capital Hub. However, due to the continued fears of delisting Chinese-associated companies, companies are on the fence with leaving US markets as they become comfortable with modest growth and exposure. US regulators require regular audited inspections of Chinese companies for them to trade on US exchanges. New Chinese companies with IPOs are settling for a safe bet with the Asian markets and not touching the US markets at all. All markets like the ASX 200, CSI 300, and the Japanese Topix have seen slow overall but positive growth. Nikkei, Shanghai, and Hong Kong haven't engaged in noticeable growth in April. Asian equities had a relatively losing month.

KStreetBets: There have been growing calls from retail investors to permanently ban short-selling as regular investors demand for more regulation towards market manipulation and more public participation in IPOs. This groups advocacy has been inspired by the GME retail investor craze back in January.

Commodities - Crude Oil

Highlights

- WTI and Brent crude oil spot prices averaged $64.03 and $64.61 per barrel in April, respectively. These prices, up $1.7/b and down $0.8/b from March reflect a slightly bullish sentiment for rising oil demand going forward as COVID-19 vaccination rates and economic activity worldwide have increased since the March 2020 lows, despite an increasing number of cases in India, Brazil and Japan. Countries such as China, US and South Korea still comprise the majority of world oil importers and will lead this bullish sentiment going forward.
- Further, OPEC members have decided to cancel their scheduled June 1st meeting to continue their efforts from their April 1st meeting in decreasing production cuts, easing to cutting 5.8 million b/d in global oil markets from May to July. This figure is an increase in supply of 2.1 million b/d from their previous 8 billion b/d cut.
- GMG thus forecasts a global increase in oil demand into Summer 2021 to 94 million b/d, a 3 million b/d increase from 2020 due to increased economic activity, whilst taking the rising COVID-19 cases in India, Brazil and Japan into account. Further, we forecast a gradual increase in oil supply to 27 million b/d by the end of July in line with OPEC oil production agreements.
- Since Saudi Arabia, Kuwait and the United Arab Emirates have made further voluntary cuts of about 1.2 million barrels a day for June beyond the OPEC agreements, GMG forecasts that these countries may start overproducing in order to take advantage of higher oil prices later this year.



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