MONTHLY MARKET COMMENTARY

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Fixed Income

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US Rates

Mixed feelings regarding inflation have induced volatility in the bond-market with the yield on the 10-year treasury falling to a low of 1.57% on May 6, and reaching a high of 1.70% on May 12. The 10-year treasury currently sits at 1.61%, slightly below pre-pandemic levels. The Fed intends on keeping rates low and continuing it's $120 billion asset purchases.

The CPI rose 4.2% from a year earlier and 0.8% MoM. Shortages in essential supplies are increasing pessimism as businesses may have to further drive up prices to compensate for higher production costs. The COVID-19 recovery continues to improve as new cases have fallen from 57,952 to 21,756 on April 29 and May 28, respectively. GMG believes that the Fed will have to raise interest rates sooner than indicated by markets as prospects for inflation increase. With the USD weakening relative to other currencies such as the CAD and the Chinese RMB, we are likely to see a further shift towards foreign assets in the near term. GMG forecasts the 10-year treasury to rise back to 1.75% within the next few months and reach 2% by the end of 2021.

U.S. Rates	Yield	1-Month Change (bps)
3-Month Treasury	0.013%	0.3
6-Month Treasury	0.032%	-0.1
1-Year Treasury	0.043%	-1.5
2-Year Treasury	0.141%	-2.3
5-Year Treasury	0.792%	-6.2
10-Year Treasury	1.580%	-3
30-Year Treasury	2.260%	-3

US Credit

High yield corporate spreads have slightly risen this month as increased costs due to supply shortages weigh in. These risks have not had an effect on investment grade corporates as spreads hit a more than 3-year low (just below 90 bps). High-yield spreads are likely to increase in the near term while high-grade corporates should continue to outperform in line with the recovery.

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Canada

The yield on the Canadian 10-year bond fell last month from 1.55% to 1.49% from April 20th to May 27th. A resurgence of a new COVID-19 variant caused an increase in the unemployment rate from 7.5% in March to 8.1% in April. Lockdown restrictions are easing as 60% of the Canadian population has received their first shot. The Bank of Canada indicated it's concern regarding the rising Canadian dollar and its effect on exports. No rush to raise interest rates until a "complete" recovery takes place. GMG forecasts the Canada 10-year yield to hover around 1.5% in the near term and rise to 1.65% by the end of 2021.

Germany

The yield on the German 10-year government Bund retreated from -0.10% to -0.16% from on May 18th to May 27th due announcements from the European Central Bank stating that it was too early to discuss slowing its pandemic emergency bond purchases. Germany has managed to contain the virus leading to a sharp drop in the number of new cases after a recent spike in April. Concurrent with the recent fast-paced recovery of the German economy, the yield on the 10-year government bund should see moderate increases in the near term.

China

The yield on the China 10-year government bond has fallen this month from 3.20% to 3.09% from April 30 to May 27. As a major importer of commodities such as oil, iron and coal, the recent rise in commodity prices have raised concerns for inflation. The PBOC has addressed these concerns but has placed it's main priorities on issues such as low resident consumption, investment growth and the effect of the increasing Chinese Yuan on exports. GMG believes the yield on the China 10-year government bond should fall slightly this month but begin to rise as investment spending and personal consumption start to see consistent increases near the end of the year.

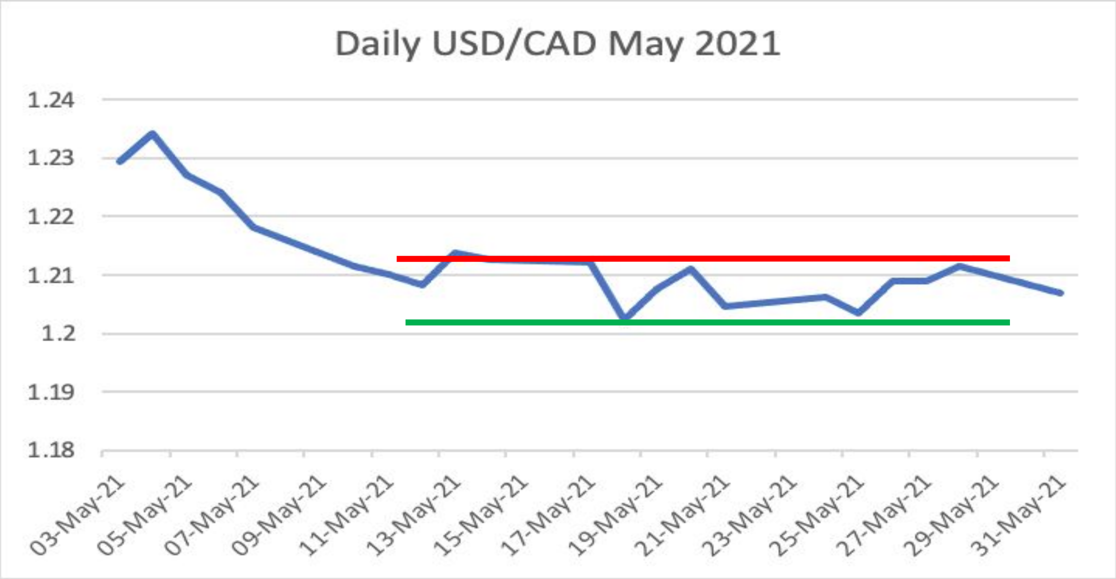
International Rates	Yield	1-Month Change (bps)
United Kingdom	0.797%	-0.4
Germany	-0.180%	4.6
Japan	0.085%	-1
Canada	1.480%	-5
France	0.178%	6.5
Singapore	1.510%	-12

Currencies

CAD

The Canadian Dollar continued its dominance throughout May on the back of strong economic data in March and heavy demand for Canadian commodities such as oil (WTI trading at mid $60's range). Canada released many key economic results throughout May. The most surprising one out of the bunch was the YoY GDP miss (Exp. 7.1%, Actual 5.6%). The BoC's statement only meeting on June 9 - expectations remain that BoC will acknowledge weak economic data such as GDP recently but keep backing the transitory inflation and recovery narrative.

On the technical side, the 50-day moving average of 1.2268 was not far off the heavy support lines of $1.205. RSI hovered between 0.6 and 0 .8 for the majority of May with heavy volume demanded for CAD - indicating CAD is heading towards a positive direction. We believe USD/CAD can break through the resistance level of $1.211. A key psychological barrier of 1.20 still remains as investors wait for BoC's June release to make its move (Asset purchase expectations remain in place for now but expected to taper by september to C$ 2 billion/week)

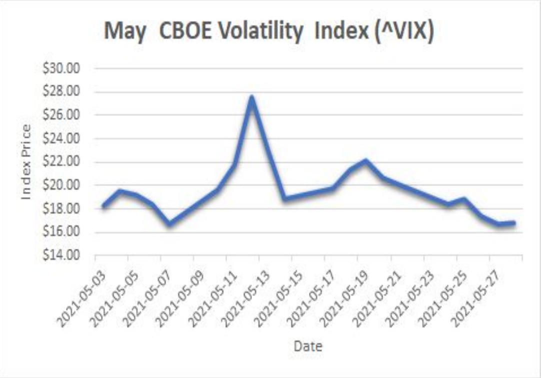


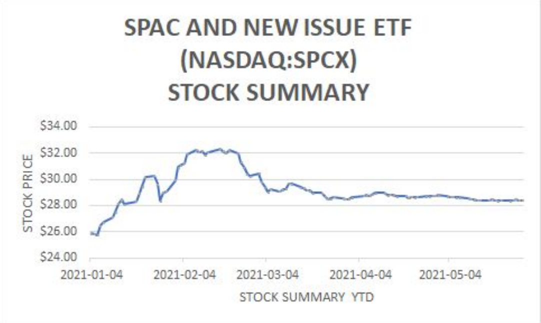
Economic Calendar June - Canada	Previous	April Forecast	Actual	May Forecast
GDP Growth Rate- Annualized	9.60%	7.10%	5.6%	6.5%
Monthly Unemployment Rate	8.10%	7.80%	8.2%	8.2%
BoC Interest Rate Decision	0.25%	0.25%	0.25%	0.25%
CPI YoY	3.40%	3.2%	June 16	3.4%

Equities

Equity prices based off of consumer staples and the relaunching of tourism may have contributed to the roaring global market returns in May. Prices also usually accelerate at this time of year which may be contributing to the rise in equities. In the short run, inflation overshoots and at this rate of inflation is comparable to rates back in 2011 following the Financial Crisis. However, instead of price-stickiness on the production side contributing to the factor of prices going up, it is a huge demand side shock on sectors like consumer staples, tourism, and other cyclical sectors. GMG believes with lots of market liquidity and investor inexperience there will be further volatile swings in US equities especially.

In early May, we saw the declination in popularity in SPACs – public shell companies that merge with unknown private companies. With over $230 Billion raised in SPACs total, retail investors are starting to move away from these equities. In May, S&P 500's top 10 stocks were trading at 21x FWD P/E ratio and this era of inflating market returns have been on par with the Dotcom crash. Towards the end of May market volatility settled on inflation concerns earlier in the month and the return of the meme stocks made a comeback into the long weekend.





Oil & Gas

Throughout May, several key events have influenced oil and gas markets in downstream segments and have consequently influenced both Brent and WTI crude oil prices in upstream segments:

In early May, a cyberattack on Colonial Pipeline Company's 'Colonial Pipeline', the largest pipeline system for refined oil products in the US, caused fuel shortages along the East Coast.

For perspective, the Colonial Pipeline transports 3 million b/d of fuel between Texas and New York. The cyberattack lasted 5 days and consequently halted consumption of approximately 15 million barrels of fuel and cost Colonial Pipeline a ransom payment of $4.4 million to the hackers in order to resume operations.

Hence, the effect on petrol was felt by the US consumer as the halted transportation of fuel affected the downstream segment of the industry and thus the petrol prices at the pump. As a result, the national average for a gallon of gasoline surpassed $3 for the first time since 2014.

Oil & Gas

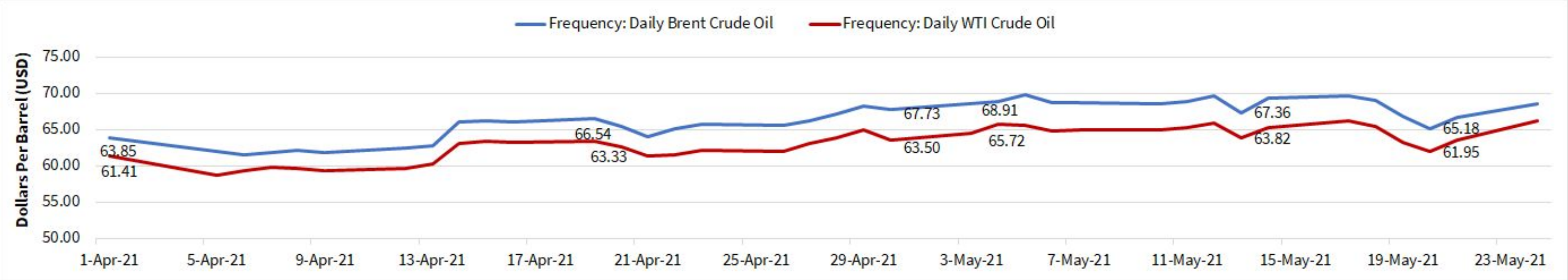
In other news, San Francisco based hedge fund ‘Engine No. 1’, has won two board seats at ExxonMobil, winning a proxy battle against ExxonMobil’s current board.

Engine No. 1’s goal, according to their website, is to ‘Reenergize Exxon’ and help guide the firm toward a more profitable future as its business segments in upstream and downstream operations failed to turn a profit in 2020. Its only profitable segment was in chemicals, responsible for 100% of the firm's’ earnings in 2020, netting the firm $2 billion.

Their secondary goal is to help position ExxonMobil as a firm focused on a greener future. Engine No. 1 believes that the oil and gas industry may likely be eclipsed by clean energy in the future, hence their motivation to increase Exxon’s profitability. Currently, ExxonMobil produces 4 million b/d of oil, or roughly 4% of the world’s supply. Engine No. 1 plans on making the firm cut production levels in a bid to prop up short-term oil prices.

This form of brute shareholder activism is a first for the oil and gas industry and may become a catalyst for future giants that start to show cracks in their business segments. GMG expects to see similar trends of activism in this space in the future, and is interested to see how ExxonMobil will perform under a change of management.

Oil & Gas



May has seen a steady increase in both Brent and WTI Crude price levels, breaking past $67/bbl and $63/bbl respectively. Both grades however hit a monthly low of $65.18/bbl and $61.95/bbl on May 20, respectively, while recent performance has seen oil continue its ascent.

A pattern worth noting is the spread, and thus the premium, that Brent is trading at over WTI. A wider spread is a possible indicator of geopolitical activity. OPEC countries in the Middle East and Europe have overall been more reluctant to increase oil supply in a bid to prop up prices (alongside pandemic-reduced economic activity) compared to their American counterparts who have experienced a faster climb to pre-pandemic economic activity.

Oil & Gas

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However, OPEC has been slowly easing production cuts these past few months, in line with demand forecasts. Thus, a higher demand for crude oil amid increasing vaccination rates and an increase in economic activity has slowly inched both Brent and WTI prices further upward as supply has yet to catch up with overall demand.

It is also worth mentioning that this lagging phenomenon had been spurred since the start of the pandemic, with Russia estimating that the global oil market is currently at a deficit of 1 million bpd as a result.

As OPEC is expected to confirm next week in its May-July plan to ease production cuts by the agreed 840,000 bpd, increasing overall oil supply into the market by 350,000 bpd in May and June and by more than 400,000 bpd in July;

GMG thus remains bullish and expects a new price equilibrium to be set around $70/bbl for both Brent and WTI towards August 2021 as this supply deficit narrows, setting this benchmark as a result of both crude oil performances this past month. In relation to increased inflation worries, this benchmark is also supported as oil is well known as an inflation-hedged asset in global markets.