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Global Perspectives **P.1**

Emerging Markets Perspectives **P.7**

Cross-Asset Markets Reflate in April, Boosted by Favorable Seasonality, Investor Positioning and Activity Resilience through Infection Uptick; Glovista Sustains Value Market Overweight Tilts

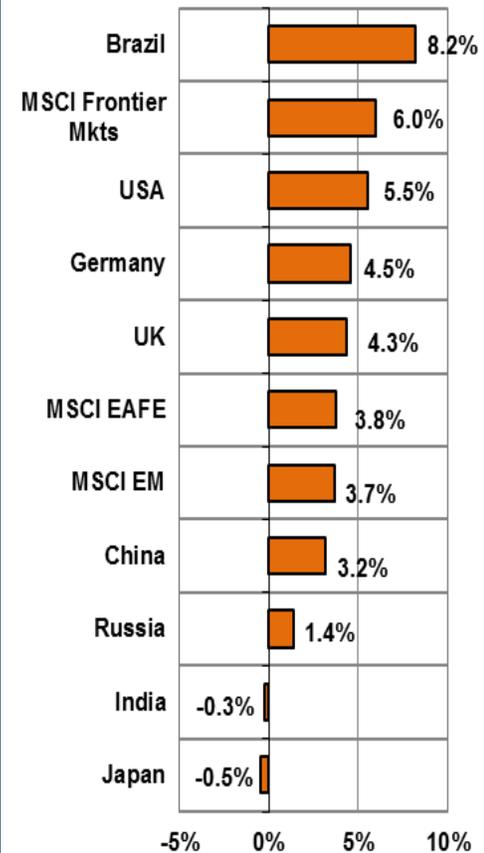
The month of April has witnessed powerful price revaluation across most of the world’s asset markets. Figure 1 summarizes April month-to-date return performance across the world’s principal equity, bond and commodity index benchmarks while Figure 2 illustrates the sharp sustained drop recorded by implied equity and bond volatility during the month.

The Glovista investment team credits the month of April’s unusually universal price gains across asset groups to several factors, some of which are unlikely to be sustained over the coming months. Specifically, we identify three principal factors: global activity resilience in the face of the latest virus infection uptick; favorable seasonality supporting higher equity prices and a weaker US Dollar, and; the unwind of stretched investor and trader positioning that prevailed at the beginning of April (particularly, stretched short bond duration and long US Dollar positions).

Figure 3 illustrates the global activity calendar’s resilience during the month of April, as captured by Citigroup’s economic surprise activity index for the global economy while Figure 4 illustrates the considerable weakening experienced by the US Dollar index in April, in line with usual seasonal patterns and reinforced by unwind of positioning dynamics mentioned above. Likewise, Figure 5 illustrates the continued increase accorded investors’ bullish sentiment levels during the month of April, reaching multi-year high levels.

In our view, the reinforcing equity investor friendly macro factor combination that obtained during the month of April – in the form of lower bond yields and a weaker US Dollar, even in the face of activity calendar resilience - owes much to bond investors’ stretched short duration positions prevailing early in April, as a result of which long-dated government bond yields managed to decline during the month despite a resilient activity calendar. Figure 6 illustrates the path of US 10-year Treasury yields during the course of the past twelve months.

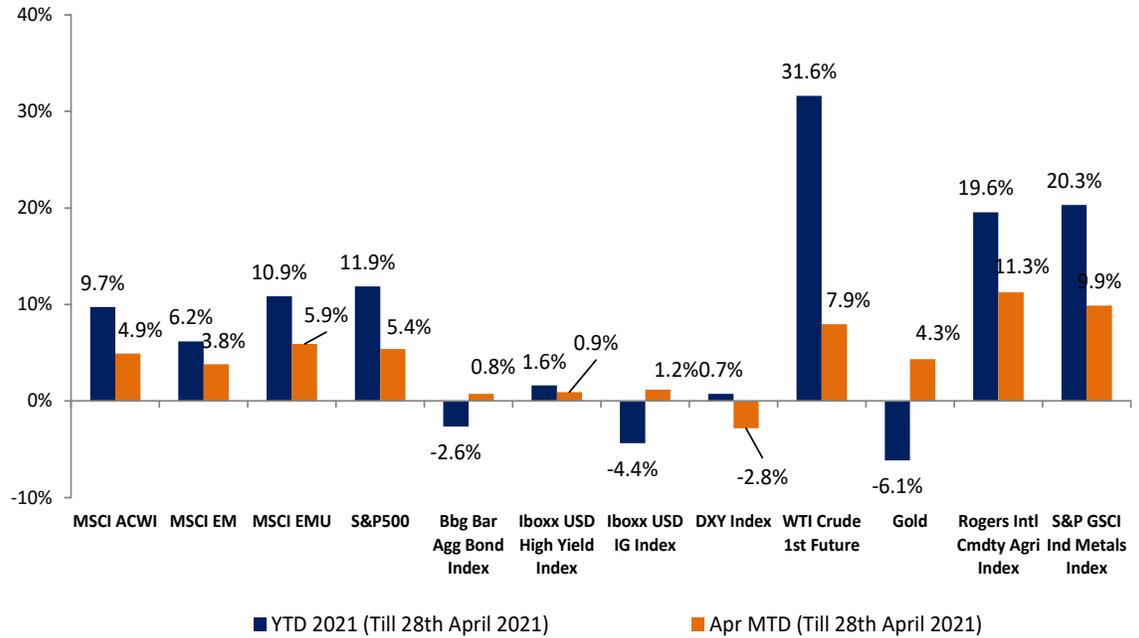
Country-wise Monthly Performance in USD terms (April 2021)*



Source: MSCI & Bloomberg

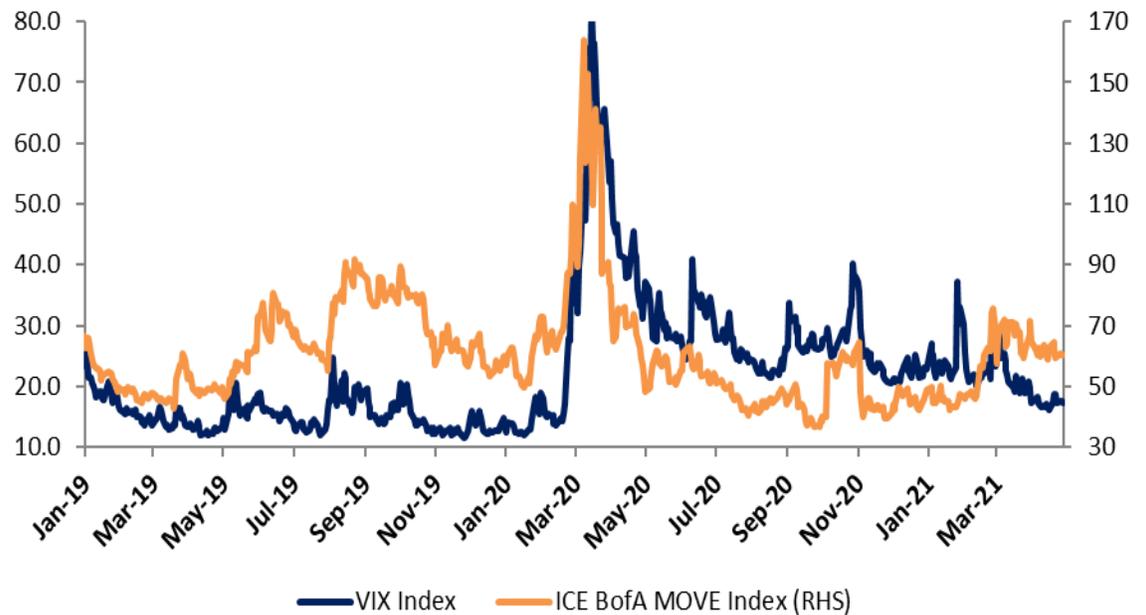
**As of April 28th, 2021*

Figure 1. Month of April Witnesses Universal Price Gains across World's Principal Asset Market Index Benchmarks: Equities, Bonds, Commodities



Source: Bloomberg and Glovista Calculations

Figure 2. Implied Equity Index Volatility, VIX, and Implied Bond Index Volatility, MOVE, Decline Sharply in April



Source: Bloomberg

An additional supportive dynamic to risk markets' sustained April monthly rise stemmed from the robust start to first quarter earnings season out of the USA and Europe. For example, as of the 28th of April 2021, out of close to 40% of companies reporting earnings, 86% percent have beat consensus estimates versus 71% for the whole season a year ago. In addition, 66% of companies that have reported have topped revenue estimates compared with 44% a year ago.

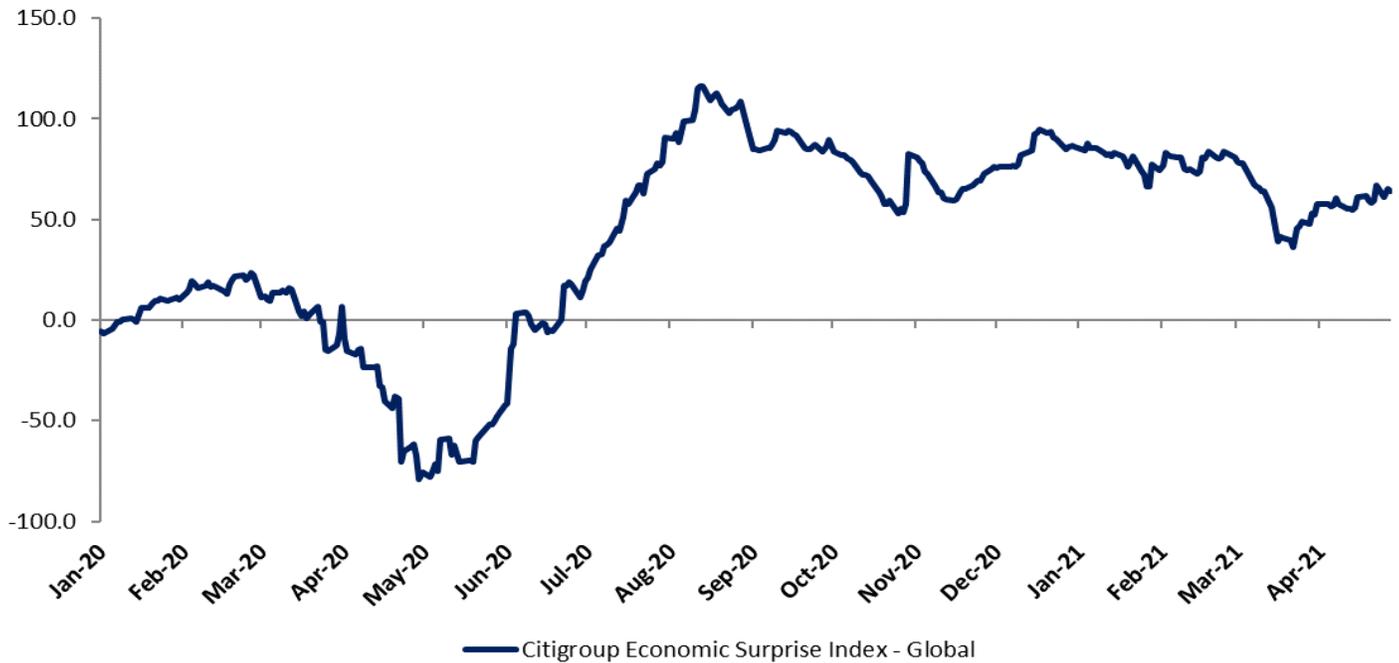
S&P500 Monthly Sector Performance – April MTD 2021*

Sectors	% Change	FY1 PE Ratio
Energy	2.14%	21.2
Materials	5.81%	20.0
Industrials	3.53%	28.6
Cons Disc	6.64%	38.5
Cons Stap	0.92%	21.3
Technology	6.76%	28.8
Healthcare	4.61%	17.2
Financials	5.52%	14.5
Utilities	2.51%	18.9
Telecom	5.70%	23.3
Real Estate	6.73%	55.4
S&P500	5.29%	23.3

*As of April 28th, 2021

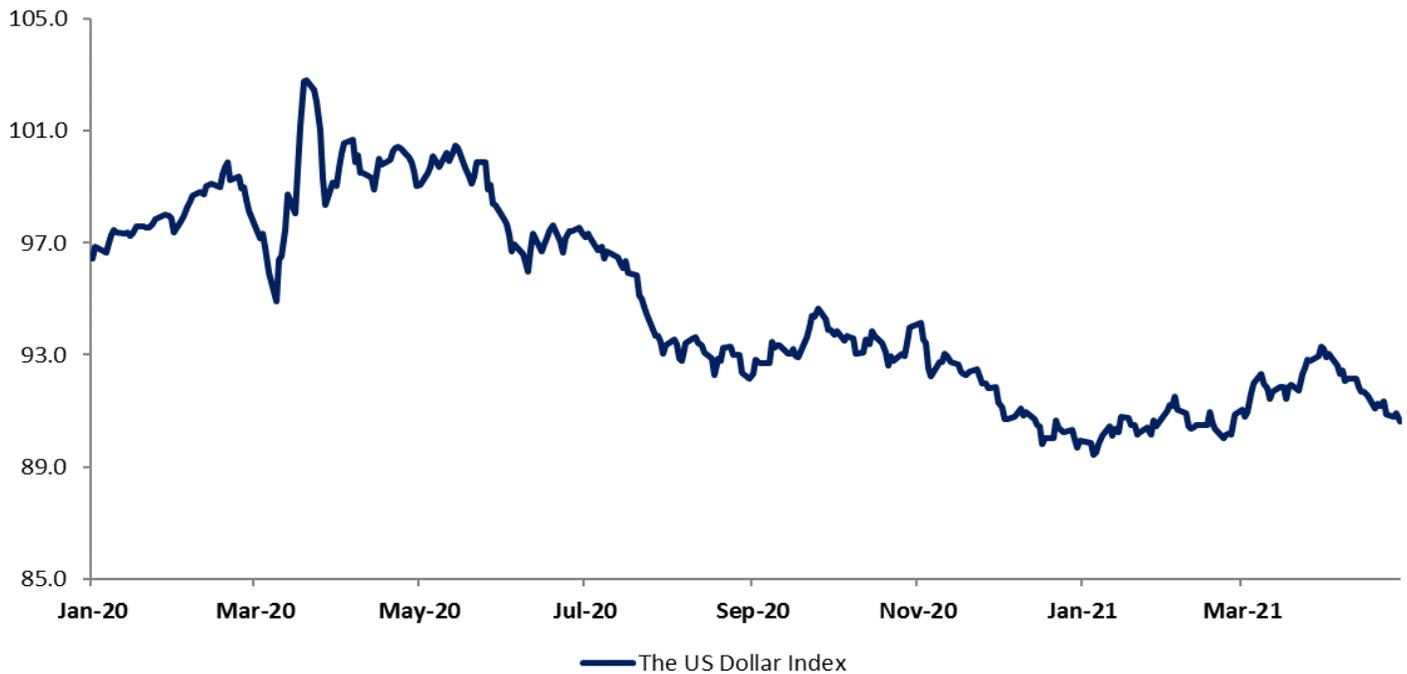
Source: Bloomberg

Figure 3. In April, World Economic Activity Surprise Indicator Edges Higher despite Upturn in Global Virus Infections



Source: Citigroup

Figure 4. US Dollar Records Sharp Decline in April, a result of Positioning Dynamics and attuned with Seasonality Patterns



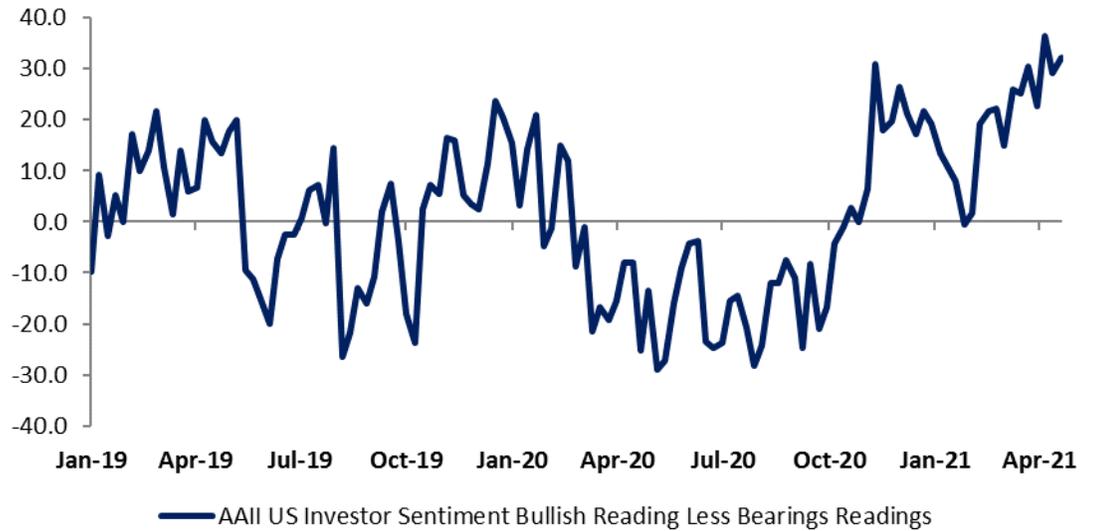
Source: Bloomberg

Glovista Sustains Medium-term Bullish Equities Outlook on Valuation and Cyclical Grounds, favoring Value-oriented Market and Sector Index Overweights

As we review the breadth and strength of the ongoing global economic recovery, we reaffirm our investment thesis favoring overweight allocations to global equities and underweight allocation to fixed income markets, especially those with long duration exposure. Within global equities, we continue to favor value-oriented sector and market indices over

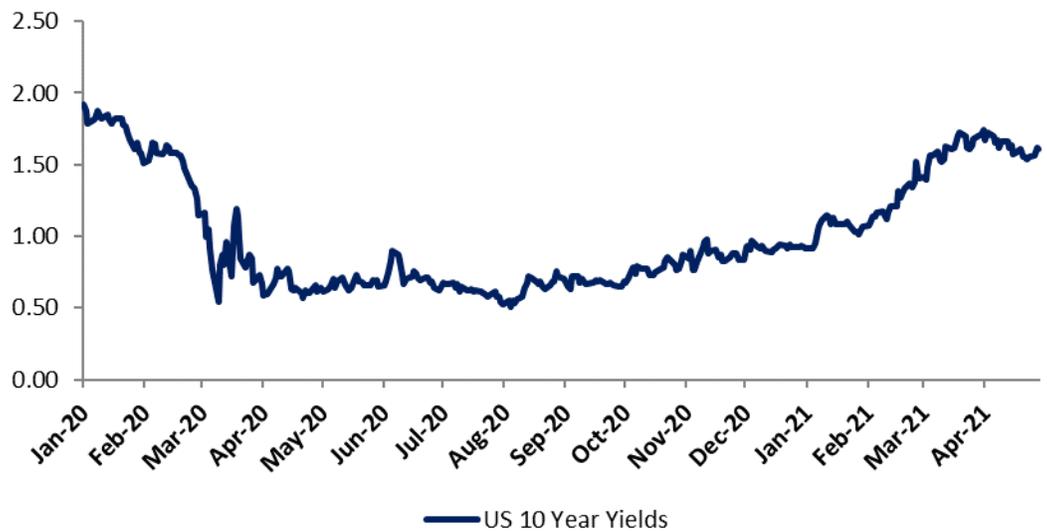
growth peers, both within the US domestic market as well as internationally. Within fixed income markets, we continue to favor short duration instruments, particularly tied to financial sector issuers.

Figure 5. Bullish Investor Sentiment Levels Reach Multi-year High Levels in April



Source: American Association of Individual Investors and Glovista Calculations

Figure 6. Long-dated US Government Bond Yields Record Declines in April, despite Resilient Activity Calendar and Inflation Expectations



Source: Bloomberg

Our investment stance reflects the unusually high visibility associated with the global economic outlook – fueled by the impetus of reopening economies as the pace of vaccination exceeds the rate of change of new infections, the available pool of excess personal savings and governments’ continued commitment to a gradual withdrawal of fiscal

	April 28 th 2021	April MTD Change
Gold	1781.68	4.3%
Silver	26.2028	7.3%
Oil	63.86	7.9%
EUR	1.2126	3.4%
JPY	108.6	1.9%
GBP	1.3935	1.1%
CHF	0.9101	3.6%
CAD	1.2314	2.0%
AUD	0.7791	2.5%
BRL	5.3444	5.1%
MXN	19.9128	2.5%

Source: Bloomberg

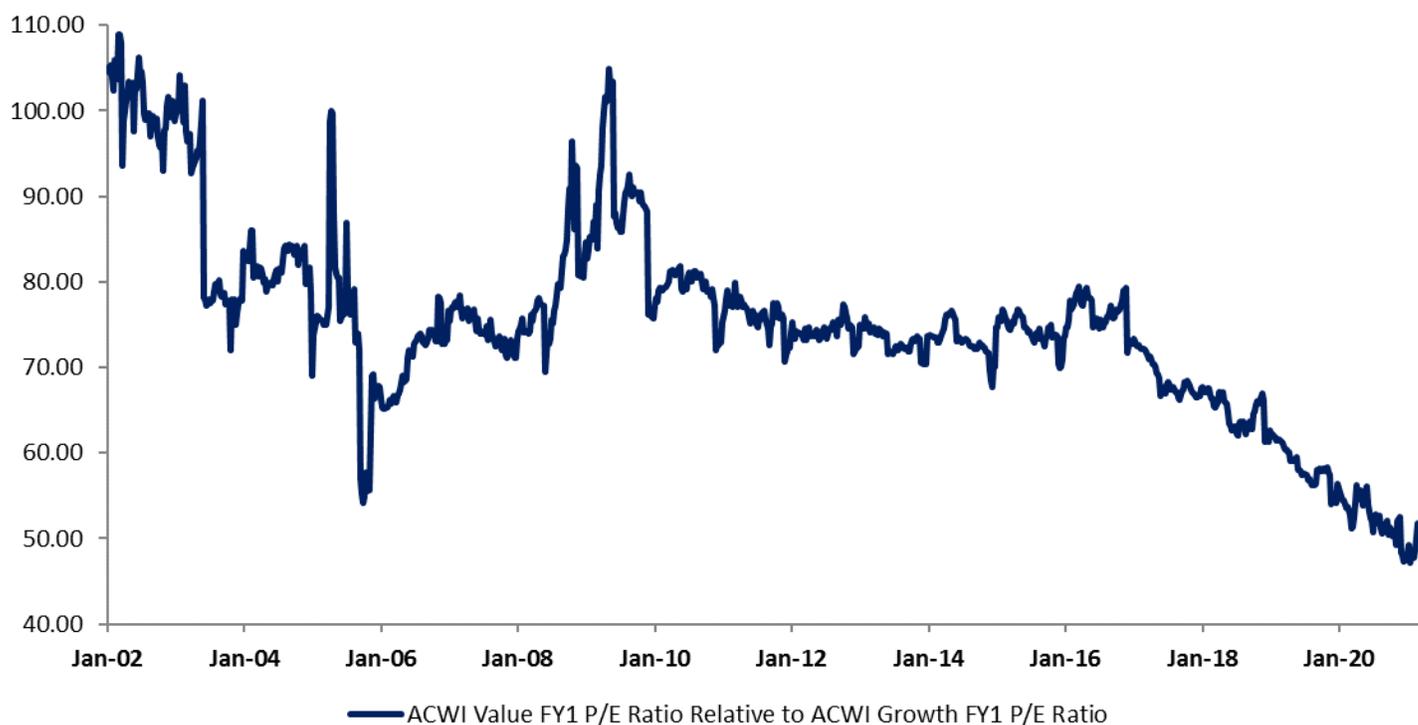
Rates	April 28 th Levels
1 Yr CD	0.33%
5 Yr CD	0.47%
30 Yr Jumbo Mortgage	3.12%
5/1 Jumbo Mortgage	3.39%
US Govt. 10 Year	1.6094%
10 Yr Swap Spread	0.001%

Source: Bloomberg

and monetary policy stimulus. Our views concerning the interplay of policy stimulus withdrawal, the rate of change of economic growth momentum over the balance of the year and the potential for additional upside pressure in implied real yields lead us to favor overweight allocations to value-oriented markets and industry groups. More specifically, our global equity asset allocation preference in favor of value-oriented sectors and stocks reflect the following considerations:

- value stocks’ compelling relative valuations versus growth peers – even adjusting for the economic and earnings cycle (Figure 7);
- market cycle history strongly suggests value stocks are likely to outperform growth peers over the next 12-24 months, fueled by the likely deceleration in the rate of economic growth from current exceedingly high levels (Figure 8).

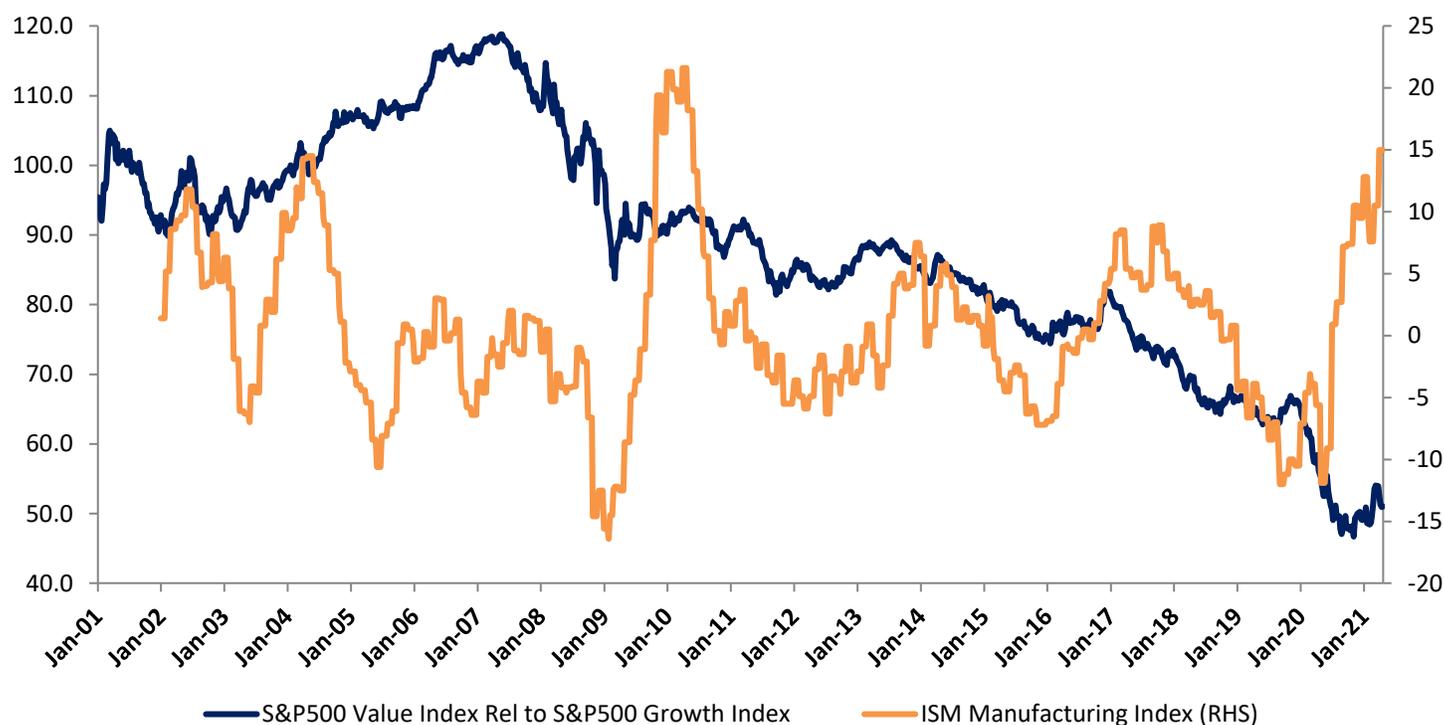
Figure 7. US Value Stocks’ Relative Valuations Hover at Close to Multi-year Low Levels versus Growth Peers



Source: MSCI, Bloomberg & Glovista Calculations

- The introduction of a capital gains tax proposal by the Biden administration is likely to impact growth stocks disproportionately owing to that group’s undisputedly larger pool of unrealized gains following the past several years of relative outperformance commanded by growth stocks versus their value peers. In addition, growth stocks’ larger component of stock price appreciation (capital gains as opposed to dividends) within total return performance dynamics versus value peers represents an additional sensitivity factor adversely impacting growth stocks from the likely increase in capital gains taxes;
- at the international level, non-US equities look poised to outperform US peers over the balance of the year given the scheduled narrowing of vaccination margin between the US and the rest of the world in the year’s second half. In that light, the lagged reopening of foreign economies from the pandemic is likely to prove an outperformance catalyst favoring non-US equity indices as these are more heavily dominated by value-oriented sectors (e.g. financials, energy, industrials) than their US peers, particularly the S&P500 (heavily dominated by tech stocks);

Figure 8. 2021-2022 Deceleration of Economic Growth Momentum Likely to be Accompanied by Value Stocks' Outperformance versus Growth Peers



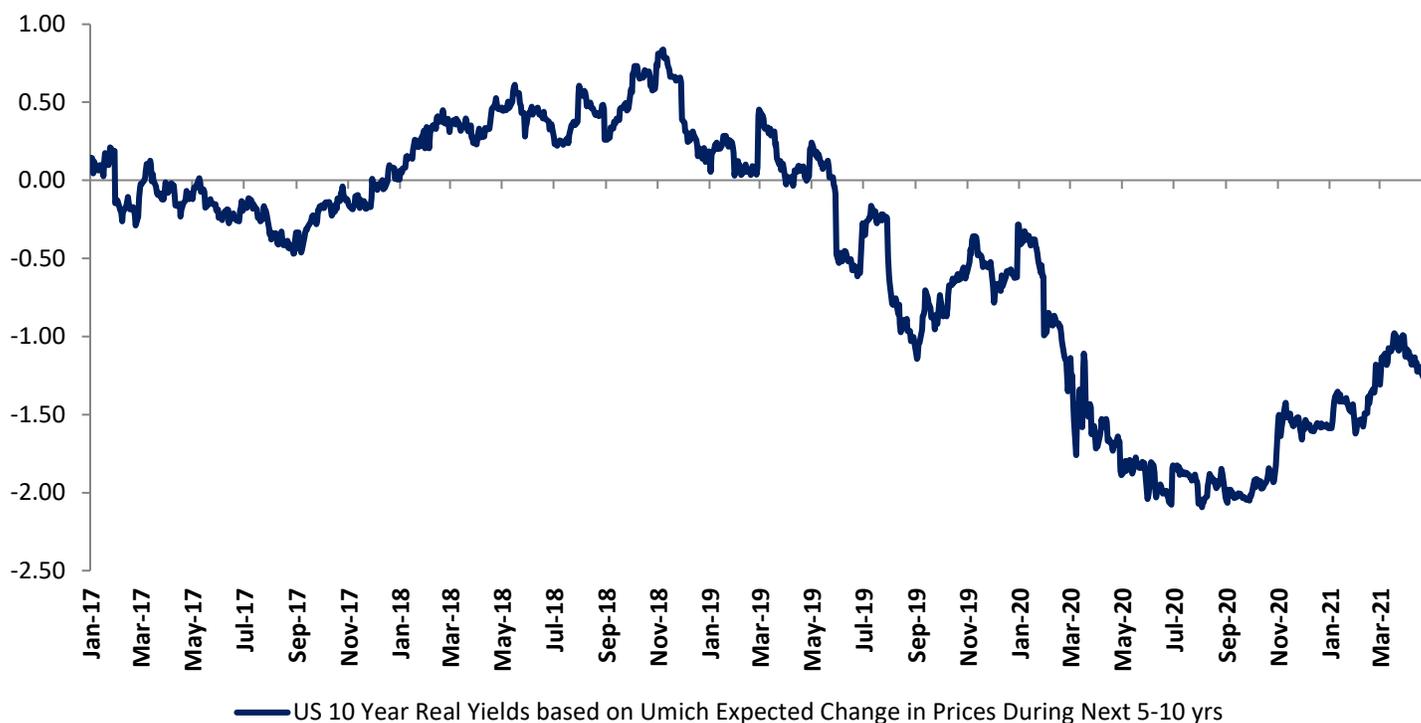
Source: Bloomberg

- As the global economy’s reopening continues to unfold over the coming months, inflation dynamics are likely to strengthen albeit temporarily owing to the episodic-type spike in final demand likely to unfold. Against such backdrop, and exacerbated by the bond market’s increased focus on next year’s expected initiation of the US FED’s tapering process, implied real (inflation adjusted) bond yields are likely to edge higher from current low levels. Market cycle history along with value stocks’ short duration factor exposures remind us that rising real bond yield environments are associated with value stocks’ outperformance versus growth peers (Figure 9).

The above considerations lead us to reaffirm our expectation value-oriented sectors and market indices, including non-US, are likely to outperform over the coming months and quarters. In that regard, the Glovista investment team has taken advantage of the April pullback in value stocks’ performance versus growth peers so as to rebalance in favor of larger allocations to international stocks, including emerging markets, as well as US value sectors, especially financials. In addition, we continue to favor overweight allocations to the quality factor and such tilts are reflected directly, via specific factor ETF exposures, as well as via select national market index exposures.

As we look ahead, we foresee a number of risk factors conditioning the market outlook. These include a larger than expected uptick in inflation dynamics, a resurgence in virus infection rates or the potential for diminished efficacy of existing vaccines to new virus strands, a larger than expected compression in corporate profit margins as inflation momentum and financing rates escalate, and elevated investor exposure levels to equities. Within the policy domain, investors are likely to remain sensitive to policymakers’ communication surrounding the timing and quantum of tapering actions tied to current unprecedented monetary stimulus measures.

Figure 9. Rising Implied Real Bond Yield Environments Historically are Associated with Value Stocks' Outperformance versus Growth Peers



Source: Bloomberg & Glovista Calculations

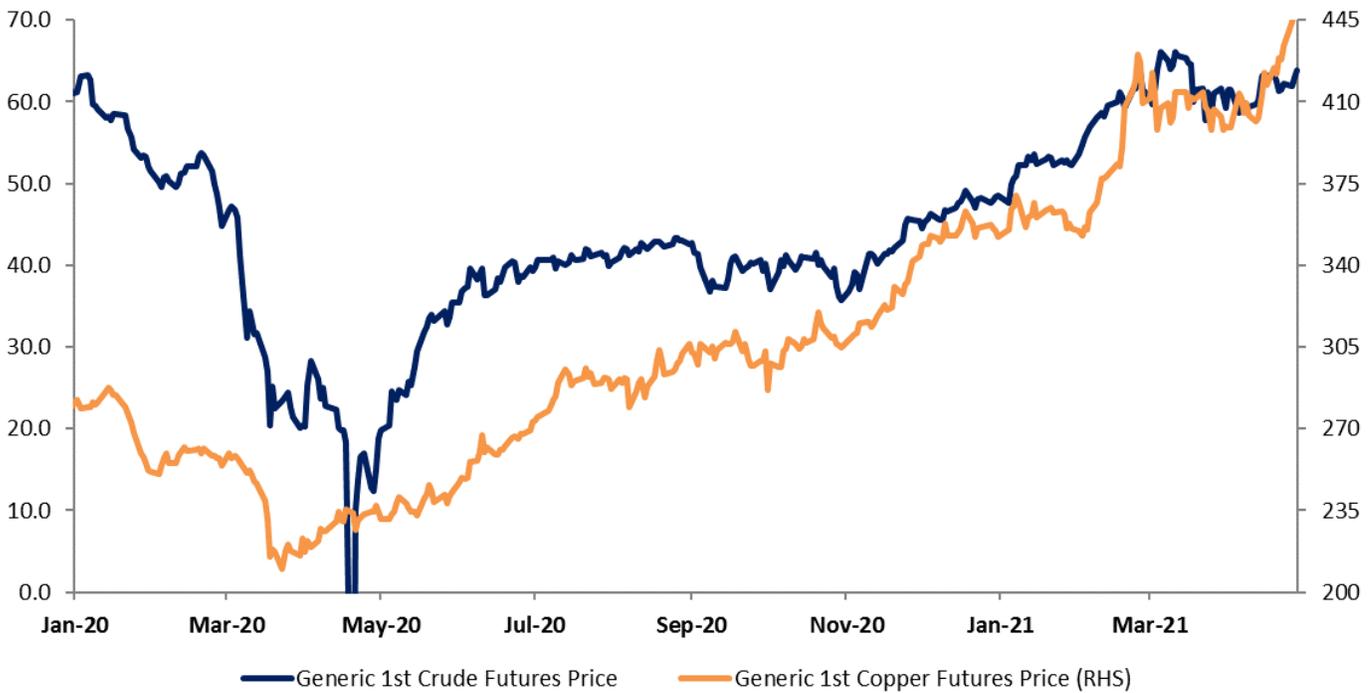
Emerging Markets Perspectives

Latin America Markets Record Solid April Outperformance, Boosted by Weaker US\$ and Rallying Commodity Prices; Glovista Raises India to Overweight on Virus Wave Related Weakness

In April, Latin American markets commanded solid return outperformance versus Asian and EMEA peers. Specifically, through April 28th, the April month-to-date return performance for the MSCI Latin America index amounts to 6.13% compared to 3.80% for the MSCI EM benchmark. In our view, Latin American equities’ robust April return outperformance is largely the result of two interrelated developments: the US\$ index sharp decline recorded during the month, and discussed in the adjoining Glovista Global Perspectives column, along with; the sharp April month-to-date rally recorded by some of the most important commodity prices impacting the regional economies, such as crude and copper (Figure 10).

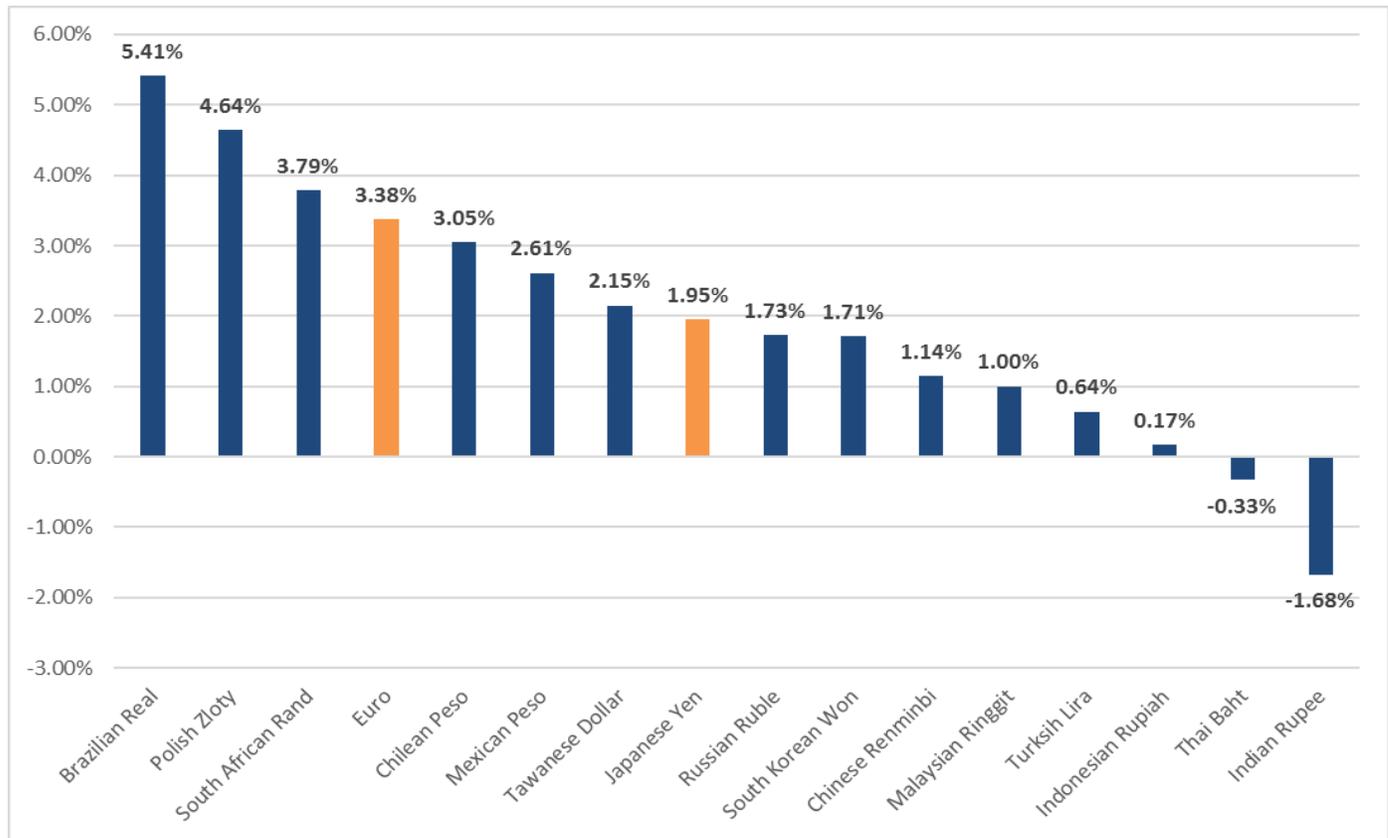
Besides the favorable impact exerted by rallying commodity prices and a declining US Dollar, Latin American equities’ return outperformance versus EMEA and Asia peers also reflected a number of country specific developments adversely impacting some of the largest EMEA and Asia country indices, such as Russia and India. In the case of Russia, on April 15th the Biden administration announced a number of sanctions against Russian government officials, thereby adversely impacting Russia country risk premium levels, including the currency (Russian Ruble) while in the case of India, a vicious new virus infection wave unleashed downward revisions to 2021 India economic growth expectations. As a result, India equity premium levels backed up while the Indian Rupee recorded meaningful weakness versus most of its EM peers. Figure 11 summarizes the unusual dispersion in emerging market currency performance versus the US Dollar during the month of April.

Figure 10. April's Commodity Price Rally, along with Declining US\$ Index, Afforded Latin American Equities Powerful Outperformance Tailwinds versus EMEA and Asia Peers



Source: Bloomberg

Figure 11. April's Commodity Market Rally and Declining US\$ Index Exert Unusually Large Monthly Return Performance Dispersion across the Emerging Markets Currency Domain



Source: Bloomberg

As the month of April is drawing to a close, the Glovista investment team has raised exposure to India country exposure on the back of the recent period of outsized return underperformance. Following our recent rebalancing actions, our India country allocation sits at overweight levels. Over the coming months, we favor India equities on the back of resilient earnings performance outlook, attractive relative equity and currency valuations along with the potential for especially accelerated economic recovery following the end of the pandemic. Elsewhere in Asia, we continue to hold overweight allocations to Taiwan and China while having cut South Korean equities to modest underweight and maintaining underweight allocations to South East Asian markets. In the EMEA region, we favor equities on earnings momentum and attractive relative valuations. In Latin America, we recently cut Chile country allocations on the potential for derating fueled by adverse local fund flows (pensions' equity allocation reductions) considerations. We continue to favor Mexican equities over Brazilian peers.

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