Key Market Themes

Overall, we feel markets are in their inflection points and overbought. The current medium to long-term trends are intact, given the recent correction. A breakout or breakdown is needed for a clearer indication of the next short-term move.

• **Interest Rate:**
  - US 10 Yr Yield: Is Trying To Establish A Base
  - US 2s10s Curve: Is Likely To Steepen More
  - Policy Rates: Cheapest Money Ever, Globally

• **Credit:**
  - US IG & HY Spreads: The Tightening Trend Remains

• **Equity:**
  - S&P 500: The Beautiful “V” Shape Recovery Trend Remains
  - EM Equity: Not Out Of The Range

• **FX:**
  - DXY Dollar Index: The Downtrend Hits The Support

• **Commodity:**
  - WTI Crude Oil: The Uptrend Is Losing Its Momentum
  - Gold: The Uptrend Is Intact
  - Copper: The Uptrend Continues
US 10 Yr Yield: Is Trying To Establish A Base

- The yield has been able to hold above the key resistance level of 0.55% for last six months, while the medium and long-term trends remain downward.
- If there is a break above the upper bound of the downward trading channel, that would indicate a change of the medium-term downtrend.

Source: Bloomberg and MetLife Investment Management (MIM)
US 2s10s Curve: Is Likely To Steepen More

- Historical patterns suggest that the yield curve could steepen more from the current level, after it reached the bottom right before the current pandemic recession.
- 1% is the initial target; if that is cleared, 1.5% is the next level in our view.

Source: Bloomberg and MIM
Policy Rates: Cheapest Money Ever, Globally

- Major central banks have lowered their policy rates, in response to the ongoing pandemic recession.
- The central banks may keep their policy rates at this low level for an extended period of time.
US HY Spreads: The Tightening Trend Remains

- The medium to long-term downtrend remains.
- We feel the spreads have been back to a fair value range, not so cheap any more.
US IG Spreads: The Same Story As HY Spreads

- The medium to long-term downtrend remains.
- We feel the spreads have been back to fair value range, not so cheap any more.
- IG spreads is relatively tighter than HY spreads against their own historical levels.

**Source:** Bloomberg and MIM
S&P 500: The Beautiful “V” Shape Recovery Trend Remains

- We feel The index is currently overbought, but the uptrend is intact.
- The index is at an inflection point, i.e., the upper bound of the upward trading channel.
- We expect a consolidation or correction.
- We believe 3500 is the next resistance (a psychological one); next support is about 3200 (the lower bound of the trading channel).
EM Equity: Not Out of The Range

- The index fully recovered from the march crash.
- We feel that, while the uptrend remains, it is sitting right at the upper bound of the well-tested trading range, which is a strong resistance level.
- We believe that the index is overbought, and the momentum is deteriorating.
DXY Dollar Index: The Downtrend Hits The Support

- The index failed to stay above the key resistance of 100 and broke below the lower bound of the upward trading channel.
- While the downtrend is intact, the index has reached the key support of 92.
- We believe that the index is currently oversold.

Source: Bloomberg and MIM
WTI Crude Oil: The Uptrend Is Losing Its Momentum

- WTI Crude Oil failed to stay above the key resistance of 42.
- It broke below the medium-term uptrend.
- The momentum has been deteriorating, which suggests to us that a deeper correction is likely, but not confirmed.

Source: Bloomberg and MIM
Gold: The Uptrend Is Intact

- The recent price drop is being seen as a healthy consolidation, because the speed of the rally is not sustainable in our view.
Copper: The Uptrend Continues

- It broke above the key resistance of 295, which suggests that the current trend may continue.
- The stochastic indicator in the second panel indicates that copper is currently overbought.

Source: Bloomberg and MIM
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