GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, APRIL 10, 2025
LEAD EDITOR: PATRICK SCHNEIDER

- **Treasury markets have remained sensitive to headline and policy risk** (link)
- **The yen strengthened over 1% following a stronger than expected PPI report** (link)
- **Funding markets see some pressure, but most indicators remain stable** (link)
- **Mexican inflation rose 3.8% y/y in March, broadly in line with expectations** (link)
- **Some analysts believe geopolitical trends could benefit European bonds and the euro** (link)

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Hope Springs Eternal as Markets Rally Sharply on Partial Tariff Pause

European and Japanese stocks rose sharply today following the massive move in US equities yesterday, with the Nikkei up over 9% on the day. Chinese markets also rose despite the increase in US tariffs, possibly on hopes for domestic stimulus measures**. US stock futures were trading lower however.** US CPI printed below expectations at -0.1% m/m (vs 0.1% expected), with core at 0.1% (vs 0.3% expected). Initial jobless claims rose slightly but were in line with expectations at 223k. Global fixed income markets have been volatile, with UK gilt yields down over 10 bps today after 30y yields rose more than 20 bps yesterday. 2y Treasury yields were modestly lower this morning. China's daily reference rate was set weaker for the sixth consecutive day, though the moves continue to be gradual, and both the onshore and offshore yuan were trading higher today. The dollar fell sharply against the euro and yen today. European policymakers are reportedly weighing whether to pause some of their retaliatory tariffs against the US for 90 days.

Key Global Financial Indicators

Last updated: 4/10/25 8:37 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5457	9.5	-4	-3	6	-7
Eurostoxx 50		4855	5.0	-5	-10	-3	-1
Nikkei 225		34609	9.1	0	-6	-12	-13
MSCI EM		41	6.9	-6	-5	0	-2
Yields and Spreads					bps		
US 10y Yield		4.30	-2.7	28	9	-24	-26
Germany 10y Yield		2.62	2.6	-3	-22	18	25
EMBIG Sovereign Spread		392	6	46	65	62	67
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		44.2	0.3	-2	-1	-5	3
Dollar index, (+) = $ appreciation		101.7	-1.1	0	-2	-3	-6
Brent Crude Oil ($/barrel)		63.9	-2.4	-9	-8	-29	-14
VIX Index (%, change in pp)		37.2	3.6	7	9	21	20

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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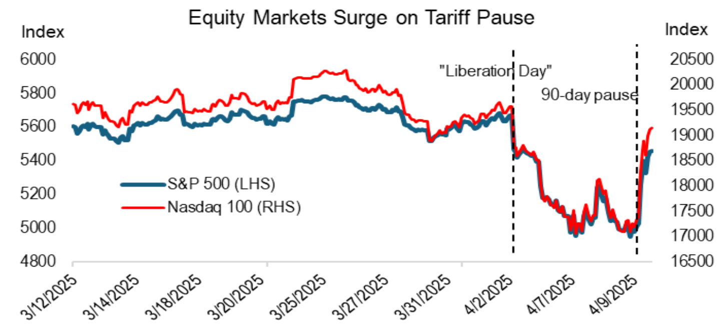
United States

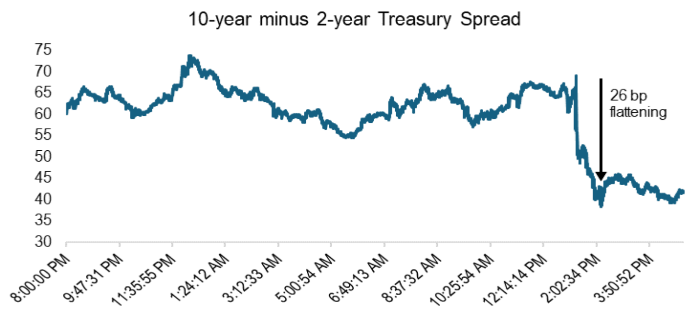
March CPI came in meaningfully lower than median forecasts, with headline and core CPI printing at -0.1% and 0.1% m/m, respectively. The initial market reaction (equity futures paring losses) quickly faded.

	Actual	Consensus	Prior
Headline CPI, MoM	**-0.1%**	0.1%	0.2%
Core CPI, MoM	**0.1%**	0.3%	0.2%
Headline CPI, YoY	**2.4%**	2.5%	2.8%
Core CPI, YoY	**2.8%**	3.0%	3.1%
Initial Jobless Claims	**223k**	223k	219k



Source: Bloomberg

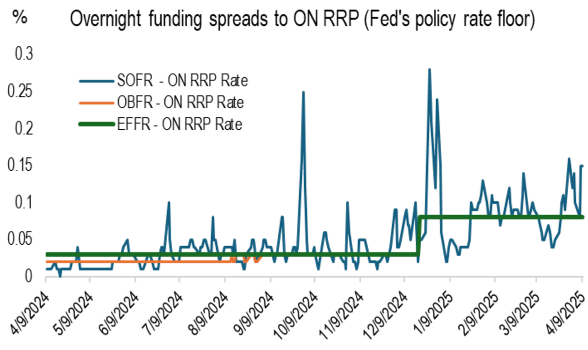
Equity markets rallied sharply following the announcement that the Trump Administration would pause higher "reciprocal" tariffs for 90 days on most trading partners. The Administration indicated that nations who did not retaliate to the initial salvo would face only the lower 10% universal tariff over the next three months. President Trump also indicated that he would investigate tariff exemptions for some companies. Conversely, he raised tariffs on China to 125% but indicated some openness for negotiations. The S&P500 and Nasdaq indices surged on the announcement, rising by 9.5% and 12%, respectively. Other risk assets, such as corporate credit, also rallied.



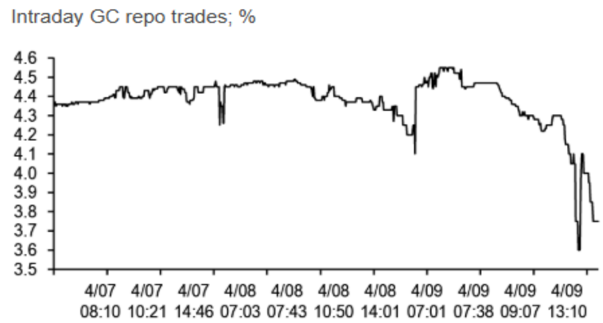
Source: Bloomberg

Treasury markets have remained sensitive to headline risk and policy announcements. Longer maturity bond yields were up sharply (+17 bps) before the pause announcement yesterday, with the 30y yield briefly exceeding 5% in the Asian session. However, upward pressure eased after the 10y auction stopped through its when-issued rate, which signaled better demand and mitigated fears of a buyer strike. The Treasury curve aggressively flattened after the tariff announcement as traders repriced their expectations for Fed rate cuts on lower recession probabilities. Goldman Sachs reverted to their previous non-recession baseline forecast, while JPMorgan also lowered the probability and timing of a recession outcome. As of yesterday, Fed fund future contracts implied 79 bps of easing for 2025, compared to around 100 bps on Monday. The policy-sensitive 2y Treasury bond ended the day around 20 bp higher on net, while the 10y ultimately rose by just 4 bps.

Funding markets have been under some pressure, but most indicators appear stable. Amid discussion of hedge fund deleveraging and a sharp repricing in Treasuries and asset swaps, potential stresses in funding markets have come more sharply into focus. So far, funding markets do not appear to be in severe distress, and while indicators point to a gradual buildup of funding pressures, they are not yet at levels that would indicate a breakdown in intermediation. SOFR printed at 4.40% on Tuesday (+7 bps versus the prior print), and volume has spiked, but rates remain within the Fed's policy range. Overnight GC repo, a proxy for dealer costs of funding, initially opened yesterday above the Fed's upper bound of 4.5% but subsided later in the day. Other funding indicators, including rates for fed funds, overnight bank funding, CP/CD, and the cross-currency basis vs USD, paint a similar picture. Nonetheless, some analysts believe funding conditions may deteriorate unless market conditions stabilize. The next big test for funding markets will come on the mid-April Tax Day, when liquidity is typically drawn from the system.



Source: Bloomberg

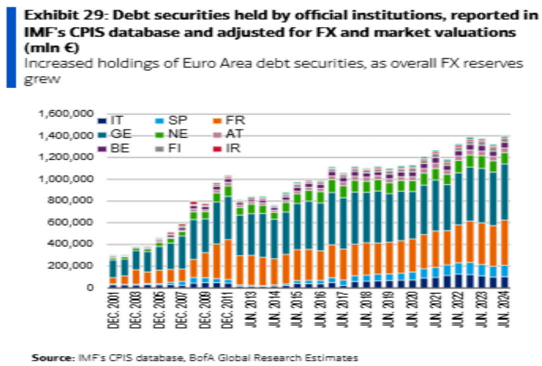


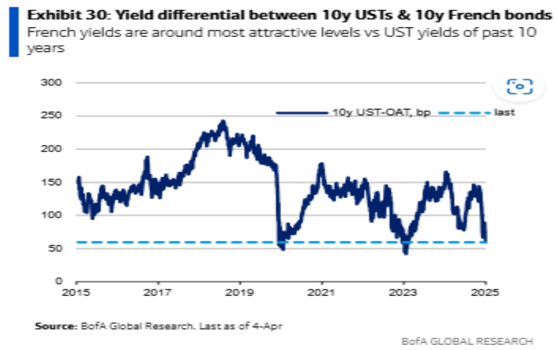
Source: J.P. Morgan

Europe

European equity markets opened sharply higher this morning, taking their cue from overnight developments in the US and trading in Asia. The Stoxx 600 climbed by around 5% in early morning trading ahead of US CPI data due later today. European government bond yields edged higher with the German yield curve bear flattening as 2y bund yields rose (+12 bps) to 1.84%, reversing yesterday's flight to quality driven decline, while 10y yields rose 5 bps to 2.64%. Consistent with the risk-on tone, European government bond spreads tightened with the 10y BTP-Bund spread narrowing around 8 bps to 121 bps and the 10y OAT-Bund spread declining 5 bps to 75 bps. Money markets have also pared back ECB easing expectations with around 76 bps of easing expected by year-end, down from 85 bps yesterday. Elsewhere, reports suggested the EU would delay the implementation of its counter tariffs against the US which are due to come into effect on April 15. **This morning the euro was trading firmer (+1.2%) against a broadly weaker dollar at 1.1069, with YTD gains closing in on 7%.**

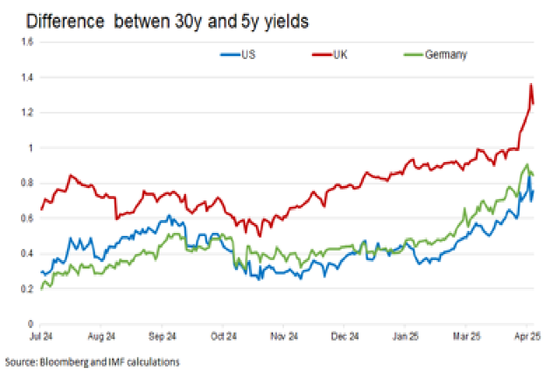
Geopolitical developments could support the euro and European government bonds. Bank of America (BofA) analysts noted that recent geopolitical developments have led to a push for de-dollarization and believe that the euro and European government bonds could end up as potential beneficiaries. For the currency, the analysts noted the benefits would come via an increased role for the common currency in international markets for trade payments and as a larger share of foreign exchange reserves. Meanwhile, increased EU issuance for defense spending could establish EU bonds as a more "permanent feature of the European bond market." Specifically, the analysts calculated that if central banks increased their share of EUR holdings back to 25% of their allocations, this would imply net flows of approximately $600 bn into EUR and out of other currencies, all else equal. If so, foreign reserve managers could absorb over 20% of the yearly net supply in Euro Area government bonds.

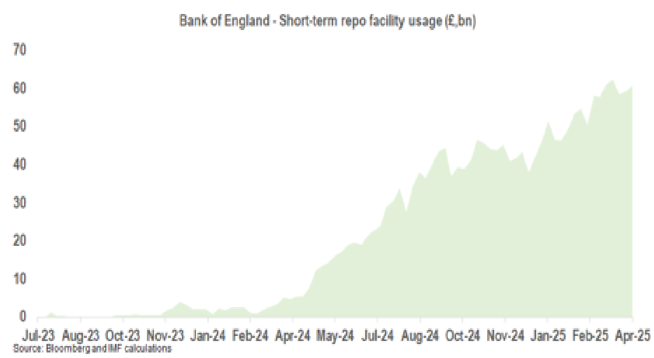




United Kingdom

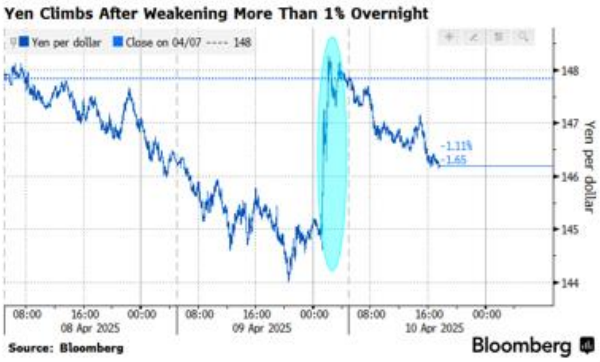
10y and 30y gilt yields were trading around 10 bps and 14 bps lower this morning, partially reversing some of yesterday's sharp sell off. The British pound also gained about 0.3% against the dollar. ING analysts noted that yesterday's underperformance of gilts relative to US Treasuries may be partly due to an increase in supply, with the UK DMO set to issue around £300 bn of gilts this year alone. In addition, the analysts noted that any further slowing of the UK economy, which would hit revenues and raise welfare spending would likely result in gilts selling off further. Meanwhile, analysts at TD Securities attributed some of yesterday's sell off to global funds liquidating non-USD holdings in a move to cash as well as the increased presence of leveraged investors in gilt cash and repo markets. Money markets have pared back BoE easing expectations to around 74 bps through December, down from around 80 bps priced yesterday. The FTSE 100 index was around 4% higher today. Elsewhere, the Bank of England reported that usage of its short-term repo (STR) facility climbed to £60.7 bn, the second highest since mid-March. The Bank of England also tweaked its plan to sell some of its bond holdings (focusing more on short term notes) in response to recent market volatility.





Japan

The yen strengthened close to 1.5% following a stronger than expected PPI report. March PPI rose 4.2% y/y, higher than any forecast of the 22 analysts surveyed by Bloomberg, which renewed speculation over additional rate hikes. The yen rose to JPY145.5 against the dollar after it had initially weakened overnight following the tariff pause. 10y government bond yields rebounded as much as 11 bps to 1.37%. **Equities rose 9.1% (Nikkei), outperforming most other markets.** Elsewhere, Japanese investor purchases of foreign equities climbed to ¥1.8 trillion ($12.3 billion) in the week ending April 4, the highest amount recorded in the data series since 2005. Market analysts believe the purchases may have been driven partly by pension funds facing rebalancing pressures driven by predetermined asset allocations, but also highlighted that higher inflation expectations incentivize local investors to keep money in equities over cash and bank deposits. Conversely however, Japanese investor sales of longer maturity foreign bonds rose to ¥2.6 trillion, the highest total since October.



Emerging Markets

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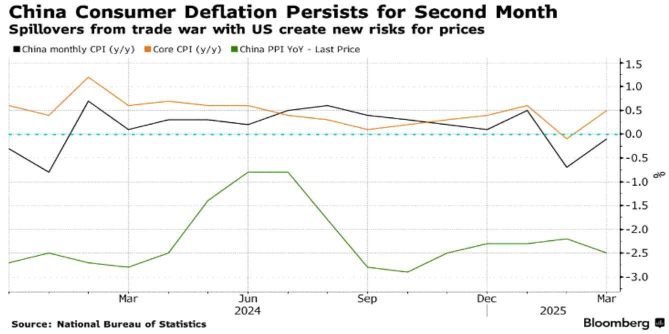
Most emerging market assets rallied following the tariff pause. EMEA equities rose sharply this morning, though most currencies were trading lower against the euro. **In CEE, equities gained about 4% across the region** (Poland outperforming at +4.8%). Equities gained 2.5% in Türkiye where the lira continued to be firm near TRY38/$, with HSBC analysts noting that the central bank has likely been intervening to defend the currency. Net FX reserves declined to $19 bn last Friday (-$7.5 bn). South Africa equities gained nearly 4% though the rand weakened (-0.5%) against the dollar. **In Asia, the regional equity index rose 4.2%, the largest move since November 2022.** Most regional curencies also gained, though the Philippine peso lagged afer the central bank cut the policy rate by 25 bps and signaled further easing ahead. The MSCI EM Latin America Index posted its largest intraday gain since October 2022 as equities rose in Mexico (+4.4%), Chile (+4.3%), Colombia (+3.2%), and Brazil (+3.1%). **Latin American currencies also strengthened, led by the Brazilian real (+3.3%), Mexican (+3%), Colombian (+2.4%), and Chilean (+2%) pesos**. The upbeat tone was reinforced by Barclays, which said it doesn't anticipate a recession in either the US or Mexico this year.

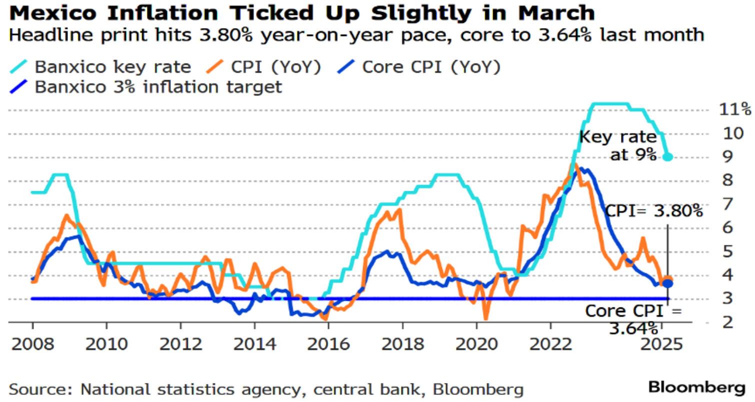
China

The People's Bank of China (PBOC) weakened the yuan daily reference rate for a sixth consecutive session. The rate was set at 7.2092 today, compared to 7.2066 yesterday, after the US further increased tariffs on Chinese goods. The onshore currency initially weakened to 7.3518 against the dollar, reaching the lowest level since 2007, before appreciating and ending the day higher after reports that Chinese policymakers were meeting Thursday to discuss additional support measures for housing, consumer spending, and the tech sector. One month implied volatility in the offshore market declined to 6.2% from over 7% yesterday. According to Bloomberg data, the onshore yuan has fallen to a 15-month low against a basket of currencies. Analysts believe that the gradual depreciation signals China's desire to improve export competitiveness against its non-US trading partners.



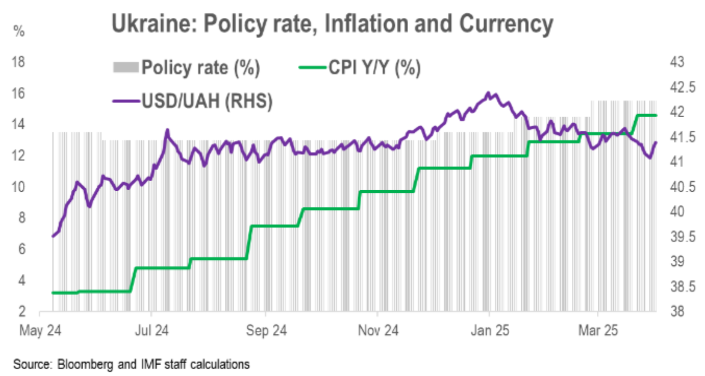
March CPI printed at -0.1% y/y, the second consecutive month of deflation on an annual basis. However, core CPI, excluding food and energy, rebounded to +0.5% y/y (-0.1% previous). PPI inflation fell to -2.5% y/y from -2.2% previously. Analysts highlighted the case for additional policy easing, both monetary and fiscal, to boost domestic consumption. They also noted that deflationary price pressures could continue if exporters redirect some goods to the domestic market or if other countries divert their products to China.

Mexico



Mexican inflation rose 3.8% y/y in March, broadly in line with expectations, supporting the case for more rate cuts as economic activity cools. Inflation remains within Banxico's tolerance band (3% target, plus or minus 1%). BNP Paribas analysts are expecting additional 50 bp rate cuts in May and June with the policy rate at 9%. Alongside considerable uncertainty, tariffs still pose a headwind to economic growth. The peso has remained volatile, with large intraday moves in recent days, while one-month implied volatility has risen from 13% at the start of the month to 16%. In the week through April 1, leveraged funds lowered net long positions in MXN by 57%, according to CFTC data.

Ukraine



The hryvnia weakened (-0.3%) after March CPI inflation rose above expectations at 14.6% y/y (vs 14.2% expected, 13.4% previous). On a sequential basis, inflation accelerated to 1.5% m/m (vs 1.2% expected, 0.8% previous). The central bank (NBU) raised the policy rate to 15.5% on March 6 to counter inflation and support the currency. JPMorgan analysts highlighted that Ukraine's current account deficit rose to -$2.5 bn in February from -$2.3 bn in January on the back of declining exports. The decline in agriculture output dragged GDP growth down to 2.9% in 2024 from 5.5% in 2023. The analysts see the NBU intervening in FX markets to support the currency, while still expecting Ukraine to grow at 4.2% in 2025 after the real sector excluding agriculture grew 5.6% y/y in Q4 2024. The yield on Ukraine's 10y USD-denominated government bond has risen 110 bps to 15.91% since April 1.

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S. Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

4/10/25 7:56 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities				%			%
United States		5,457	9.5	-3.8	-2.8	5.7	-7
Europe		4,887	5.7	-4.4	-9.3	-2.3	0
Japan		34,609	9.1	-0.4	-5.9	-12.3	-13
China		3,735	1.3	-3.8	-5.2	6.6	-5
Asia Ex Japan		70	7.1	-6.5	-5.8	2.6	-4
Emerging Markets		41	6.9	-6.2	-5.0	-0.1	-2
Interest Rates				basis points			
US 10y Yield		4.3	-3	27	9	-24	-27
Germany 10y Yield		2.6	3	-3	-22	18	25
Japan 10y Yield		1.3	8	-3	-23	54	25
UK 10y Yield		4.6	-13	13	0	50	8
Credit Spreads				basis points			
US Investment Grade		159	-14	26	35	40	39
US High Yield		468	-36	78	131	122	139
Exchange Rates				%			
USD/Majors		101.9	-1.0	-0.2	-1.9	-3.2	-6
EUR/USD		1.11	1.1	0.2	2.2	3.1	7
USD/JPY		145.5	-1.5	-0.4	-1.2	-5.0	-7
EM/USD		44.1	0.2	-1.7	-0.8	-5.3	3
Commodities				%			
Brent Crude Oil ($/barrel)		63.5	-3.0	-9.4	-7.6	-21.8	-14
Industrials Metals (index)		136.7	3.8	-6.0	-9.0	-9.0	-3
Agriculture (index)		57.8	0.9	-0.1	-0.4	-2.8	1
Gold ($/ounce)		3121.2	1.2	0.2	8.0	33.7	19
Bitcoin ($/coin)		81836.8	-1.6	-1.5	3.2	17.2	-13
Implied Volatility				%			
VIX Index (%, change in pp)		36.5	2.9	6.5	8.6	20.7	19.1
Global FX Volatility		10.4	0.0	1.3	1.8	3.6	1.3
EA Sovereign Spreads				10-Year spread vs. Germany (bps)			
Greece		90	-8	9	8	-12	5
Italy		120	-9	8	7	-17	5
France		75	-5	2	4	26	-8
Spain		71	-5	5	5	-10	1

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations.
Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 4/10/2025 7:53 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.32	0.4	-0.5	-0.8	-1.1	-0.3		1.7	-1	-12	-14	-59	3
Indonesia		16800	0.4	-1.4	-2.7	-5.7	-4.2		7.1	5	14	28	42	8
India		87	-0.5	-1.4	0.7	-3.9	-1.3		6.8	0	5	2	-47	-50
Philippines		57	-0.1	-0.5	0.1	-1.5	0.8		5.1	8	1	-9	-38	18
Thailand		34	1.1	0.2	-1.2	6.3	-0.3		2.0	4	-2	-26	-66	-32
Malaysia		4.47	0.6	-0.6	-1.0	6.2	0.1		3.7	-4	-2	-6	-17	-10
Argentina		1076	-0.1	-0.3	-1.0	-19.7	-4.2		43.7	-23	776	1273	-229	1449
Brazil		5.83	3.2	-2.9	0.5	-14.0	6.0		14.8	5	-24	-13	412	-116
Chile		980	2.0	-2.6	-3.6	-3.9	1.5		5.5	5	-14	-23	-32	-20
Colombia		4319	2.5	-3.8	-3.2	-12.6	2.0		12.1	-2	9	65	164	29
Mexico		20.40	-0.8	-2.2	-0.2	-19.4	2.1		9.4	-3	13	-16	-31	-94
Peru		3.7	1.3	-0.7	-0.7	-0.2	1.1		6.6	######	-7	11	-78	-4
Uruguay		43	0.0	-1.9	-1.8	-11.0	1.9		9.6	1	8	-7	58	-6
Hungary		367	0.4	-0.7	0.6	-0.9	8.2		6.8	9	0	22	5	41
Poland		3.84	0.7	-0.5	0.9	3.3	7.5		5.0	-2	-37	-64	-37	-60
Romania		4.5	1.1	0.2	2.1	2.8	6.8		7.4	10	12	3	96	8
Russia		84.7	1.5	-0.8	3.5	10.2	34.0							
South Africa		19.4	-0.7	-3.6	-5.6	-3.4	-3.0		11.2	10	23	54	-72	74
Türkiye		37.92	0.1	0.1	-3.6	-14.8	-6.8		34.1	41	56	600	494	434
US (DXY; 5y UST)		102	-1.0	-0.2	-1.9	-3.2	-6.1		3.98	-6	25	1	-62	-40

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		3,735	1.3	-3.8	-5.2	6.6	-5.1		118	11	20	-30	22
Indonesia		6,254	4.8	0.3	-4.5	-14.2	-11.7		155	31	54	57	64
India		73,847	0.0	-3.6	-0.3	-1.6	-5.5		142	30	40	36	56
Philippines		6,078	1.2	-2.7	-2.1	-9.0	-6.9		129	32	36	44	50
Thailand		1,134	4.2	-3.3	-4.5	-18.8	-19.0						
Malaysia		1,463	4.5	-3.7	-3.8	-5.8	-10.9		111	20	33	30	41
Argentina		2,183,577	9.7	-7.3	2.1	77.0	-13.8		876	55	179	-361	239
Brazil		127,796	3.1	-2.6	2.6	-0.2	6.2		238	4	10	28	-9
Chile		7,473	4.3	-2.9	1.4	11.7	11.4		134	5	12	19	21
Colombia		1,602	3.2	-3.4	1.2	14.6	16.1		364	20	37	86	38
Mexico		52,528	4.4	-2.4	1.5	-7.3	6.1		343	26	27	41	31
Peru		28,684	2.5	-5.1	0.4	3.2	-1.0		157	7	16	19	16
Hungary		86,934	4.2	-0.3	0.1	29.2	9.6		204	36	53	55	49
Poland		91,871	4.4	-2.8	-0.4	8.8	15.4		137	28	23	46	25
Romania		17,026	2.9	-1.8	-2.5	-1.0	1.8		307	48	54	131	72
South Africa		85,815	4.0	-0.3	-1.7	13.6	2.0		396	51	80	58	103
Türkiye		9,488	2.3	0.0	-9.0	-3.3	-3.5		354	39	74	74	95
EM total		41	5.9	-6.2	-5.0	-0.1	-1.5		430	38	60	151	66

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

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