GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, APRIL 21, 2025
LEAD EDITOR: JEFF WILLIAMS

- **Continued bond selloff could pressure stocks amid new earnings reports, analysts say** (link)
- **Philadelphia Fed outlook highlights subdued growth expectations and price increases** (link)
- **European investors continue repatriating from US equities** (link)
- **LatAm inflation repricing YTD has outperformed the US** (link)
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Another day, another dollar drop

While trade concerns have not disappeared, they have been recently overshadowed by growing fears that the US administration may move forward with plans to replace the Fed Chair. Following President Trump's social media post last Thursday that Fed Chair Powell's "termination cannot come fast enough," there were further reports Friday that the administration is studying whether they are able to fire the Fed Chair. The increased concerns over the independence of the central bank is sending the dollar sharply lower with the overall index down more than 1% on the day, and pushing the overall decline to more than 10% from its January peak. Meanwhile, the treasury curve is bear steepening with the yield on the 10-year treasury 8 bp higher while the 2-year yield is 1 bp lower. US equity futures are down about 1.4%this morning. Overnight, Asian equities were mixed with the Nikkei about 1% lower, in part due to the continued strengthening of the yen. By contrast, most EM Asian equity indices rose, with the Shanghai Composite about 0.5% higher and Indian equities gaining more than 1%.

Key Global Financial Indicators

Last updated: 4/21/25 8:08 AM	Level Last 12m	Level Latest	Change from Market Close 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5283	0.1	0	-7	6	-10
Eurostoxx 50		4935	-0.6	2	-9	0	1
Nikkei 225		34280	-1.3	1	-9	-8	-14
MSCI EM		42	0.8	4	-6	6	0
Yields and Spreads					bps		
US 10y Yield		4.40	7.8	3	16	-22	-17
Germany 10y Yield		2.47	0.0	-10	-34	-3	11
EMBIG Sovereign Spread		367	-8	-11	36	21	42
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.1	0.5	1	1	-2	5
Dollar index, (+) = $ appreciation		98.1	-1.1	-2	-6	-8	-10
Brent Crude Oil ($/barrel)		66.5	-2.2	3	-8	-24	-11
VIX Index (%, change in pp)		32.6	2.9	-5	13	14	15

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

The Fed's Beige Book will be a key focus in the upcoming week, with Easter Monday causing market closures in several jurisdictions, including Australia, Brazil, Hong Kong SAR, New Zealand, Norway, Poland, South Africa, Sweden, Switzerland, the United Kingdom, and the Eurozone. Markets will also pay attention to various economic data releases, such as US durable goods orders, home sales data, and the University of Michigan sentiment index. Elsewhere, UK retail sales figures, South Korea's GDP, and inflation figures for Japan (exp. 3.3%, prior 2.9), Singapore (exp. 1.1%, prior 0.9), Malaysia (exp. 1.5%, prior 1.5) Hong Kong SAR (exp. 1.6%, prior 1.4), as well as South Africa (exp. 2.9%, prior 3.2) will be closely watched to gauge the direction of future policies amid evolving trade dynamics. Commentary from the Fed, ECB, SNB, and BoE will also be monitored throughout the week, while central bank decisions are expected from Russia (exp. hold at 21%) and Indonesia (hold at 5.75%), among others.

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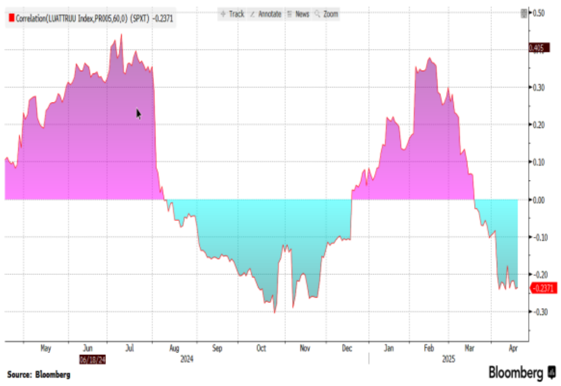
United States

Continued bond selloff could pressure stocks amid new earnings reports, analysts say. On Thursday, investors largely moved from longer-dated bonds (10-year +4.8 bp; 30-year +5.9 bp) to shorter-dated and lower-duration ones, facilitated by a shorter trading week. Analysts predict that the US bond curve will continue to steepen over the next week due to Easter Monday, with markets closed in a number of jurisdictions—including the UK and the Eurozone. This is because holiday-thinned trading conditions can trigger a curve steepening as investors seek safer assets. Despite rising Thursday, yields have decreased by 16 bp since the beginning of last week. The S&P 500 experienced a slight decline of 1.5% since Monday last week, partly due to mixed earnings reports. However, the ongoing negative correlation between stocks and bonds suggests that a continued bond selloff could further pressure stocks in the coming week, according to analysts. This is compounded by the release of key earnings reports, with Tesla set to report on Tuesday and Alphabet on Thursday.

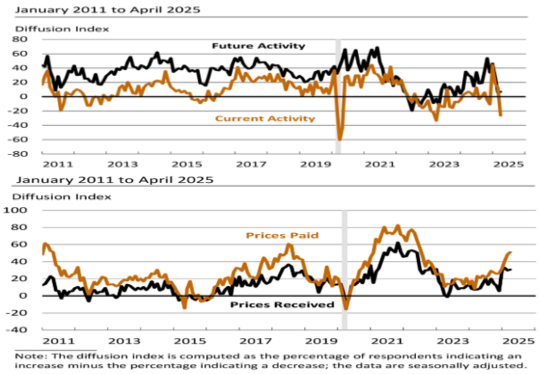
US 10-year bond yields and S&P500 Index

60-day correlation between Treasury and S&P500 total returns

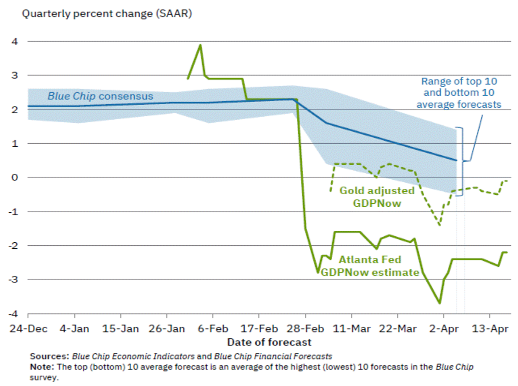


Philadelphia Fed outlook highlights subdued growth expectations and price increases. Last week, the Philadelphia Fed Business outlook for April dropped significantly by 39 points to -26.4, marking its lowest reading since April 2023. Indicators for general activity, new orders, and shipments all turned negative, though employment conditions remained stable. Price indexes continued to suggest expectations of overall price increases, while future activity indicators pointed to subdued growth expectations over the next six months. Despite these results, the Atlanta Fed's GDPNow forecast for Q1 2025 remained at -2.2 percent (seasonally adjusted annual rate) on April 17, unchanged from April 16, and 0.2 p.p. higher than estimates from April 9. An alternative Atlanta Fed model, adjusting for gold imports and exports, forecasted GDP at -0.1 percent.

Philadelphia Fed's Activity and Price Indexes

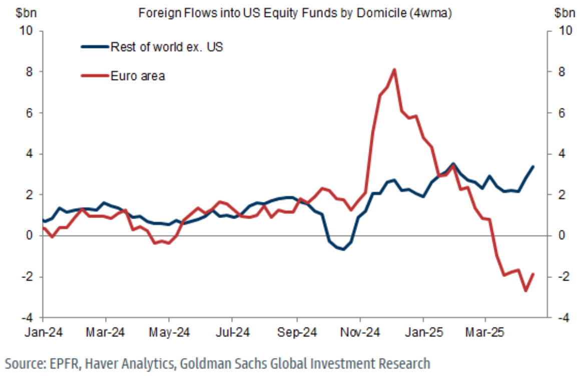


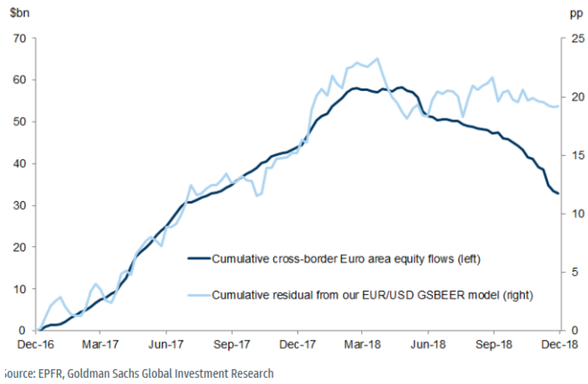
Evolution of Atlanta Fed GDPNow for 2025Q1



Europe

European investors continue repatriating from US equities. EPFR data show Europe-domiciled funds have unwound their post-election purchases of US assets, while inflows into Western European equity funds strengthened, supported by both domestic and foreign investors. Although recent repatriation remains modest relative to historical positioning, fund flows suggest a gradual rebalancing towards European funds. This trend aligns with waning appetite for US assets among European investors, as FX risk becomes harder to justify amid lower expected US returns and increased domestic fiscal support. In addition, analysts also note similarities to 2017, when a strong euro—far outperforming its typical relationship with rate differentials and other fundamental factors—coincided with a rotation back into European markets.





Emerging Markets

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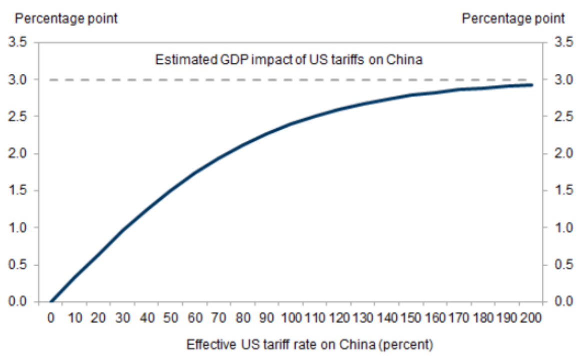
EMEA equities were mostly higher while currencies were mixed. Major LatAm markets were closed Friday. Looking ahead this week, Mexico's retail sales data is expected to show some contraction in February while Brazil's mid-month inflation (m/m) is expected to moderate from the prior month although y/y data is expected to remain high.

China

Analysts think the economic impact of additional tariffs will have a smaller marginal impact on China. Goldman Sachs analysts think that the impact of tariffs will likely be non-linear. They estimate that while a 60% US tariff on Chinese imports have a growth hit of 2pp on China's growth, a 120% tariff rate could trim 3pp of growth, instead of 4pp. Despite the high uncertainty, the analysts think that Chinese policymakers will ease policy aggressively if the trade war drags on. They expect 100bp of RRR cuts and

60bp of policy rate cuts along with a widening of the augmented fiscal deficit by 4.1pp of GDP (reaching 14.5%) for this year. Nonetheless, they still think the response of policymakers will not be enough to fully offset the impact on the Chinese economy as the analysts have cut their forecasts by 0.5pp to 4% and 3.5% for 2025 and 2026 respectively.

Exhibit 2: Additional US tariff increases will have a smaller incremental impact on Chinese GDP



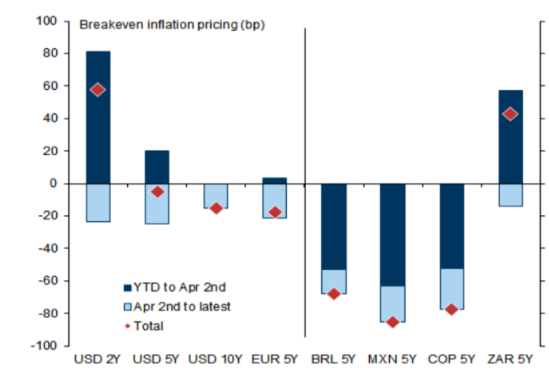
Source: Goldman Sachs Global Investment Research

LatAm local bonds

Local markets are pricing in disinflation in LatAm. Goldman Sachs analysts observed that recent disinflationary developments have supported inflation repricing across EM markets (*left chart*), with these markets recently outperforming the US. While tariff-related worries are keeping pressure on the front-end of the US inflation curve, local LATAM (Brazil, Mexico and Colombia) 5-year breakeven inflation rates have declined 60 to 80 bp year-to-date. Additionally, the analysts also gauged recent developments in the oil markets, which have also provided some relief for EM inflation. For most EMs, the disinflationary effect from declining oil prices will further bolster moderating inflationary pressures (*right chart*) and may prompt many EM central banks to adopt a more dovish stance in response to broader growth challenges.

LatAm Inflation Pricing Has Outperformed US, Whereas South Africa Has Lagged

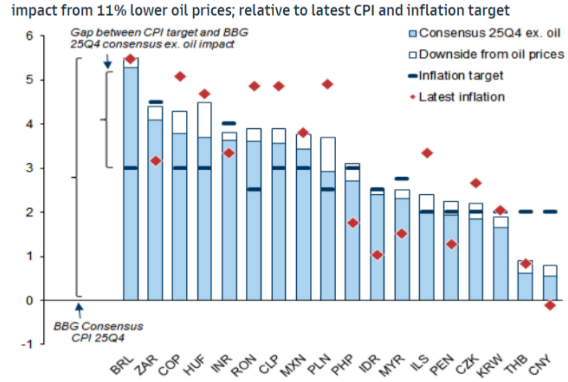
Decomposition of year-to-date changes to 5Y breakeven inflation pricing, as of April 16 close



Source: Goldman Sachs Global Investment Research, Bloomberg

Lower Oil Prices to Reinforce EM Disinflation That Was Expected By the Market

Bloomberg consensus 2025Q4 inflation forecasts, adjusted for estimated inflation impact from 11% lower oil prices; relative to latest CPI and inflation target

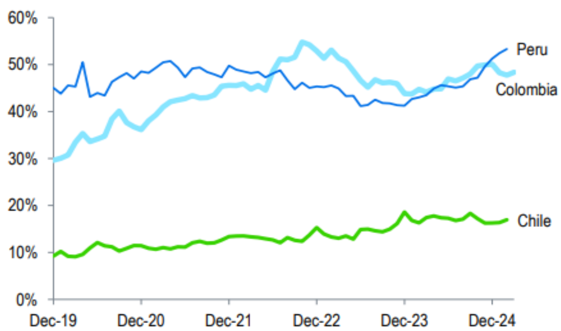


Source: Goldman Sachs Global Investment Research, Bloomberg, Haver Analytics

LatAm domestic repatriation flows

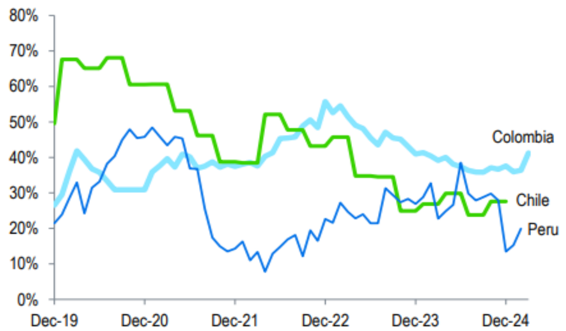
Potential increases in hedge ratios by domestic pension funds could support local currencies. Standard Chartered analysts highlight that recent weakness in the dollar and the underperformance of US assets may prompt local investors to reevaluate their USD exposure. An analysis of pension funds (AFPs) in Peru, Chile, and Colombia indicates that USD asset holdings have been increasing in recent years (*left chart*), while hedging for these investments has declined (*right chart*). The analysts also suggest that some AFPs' USD holdings might not be easily redeemable, leading to a more plausible "first-order" move to increase their USD hedge ratios, which also tend to "move more quickly" compared to allocations to USD assets. This potential shift in hedging activities could lend support to local currencies, especially in CLP and PEN where USD hedging is low.

USD holdings have increased across the board, led by Colombian and Peruvian pension funds
% of AFP system assets in USD (latest available)



Source: Macrobond, country sources, Standard Chartered Research

AFP hedging has broadly declined, most notably in Chile and Peru
USD hedge ratios; Colombia consolidated hedge ratio

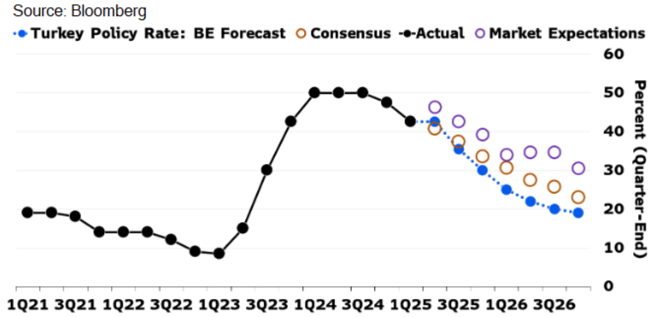


Source: Macrobond, country sources, Standard Chartered Research

Türkiye

Analysts expect Türkiye to resume rate cuts later this year despite a surprise hike last week. Last week the CBRT raised its one-week repo rate by 350 bp to 46%, as well as the overnight lending rate (49% from 46%), and the overnight borrowing rate (44.5% from 41%). Even after the latest monetary policy decision, Bloomberg analysts expect the central bank will cut rates at the next meeting in June. Alternatively, Goldman Sachs analysts believe the cutting cycle will restart in July but raised their year-end repo rate forecast to 33% from the previous 28.5%. Markets are also pricing cuts over a similar horizon, with swaps implying about 300 bp over the next three months.

Turkey Easing Cycle Still On
Source: Bloomberg



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Global Financial Indicators

4/21/25 8:08 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		5,244	0.1	-2.2	-7.5	5.6	-11
Europe		4,935	-0.6	2.4	-9.0	0.0	1
Japan		34,280	-1.3	0.9	-9.0	-8.4	-14
China		3,785	0.3	0.7	-3.3	7.2	-4
Asia Ex Japan		71	0.9	3.7	-6.8	7.8	-2
Emerging Markets		42	0.8	3.6	-6.0	5.6	0
Interest Rates					basis points		
US 10y Yield		4.4	8	3	16	-22	-17
Germany 10y Yield		2.5	0	-10	-34	-3	11
Japan 10y Yield		1.3	-1	-6	-24	43	18
UK 10y Yield		4.6	0	-19	-8	29	0
Credit Spreads					basis points		
US Investment Grade		158	3	0	31	34	38
US High Yield		453	9	0	92	85	125
Exchange Rates					%		
USD/Majors		98.1	-1.1	-2.0	-5.7	-7.6	-10
EUR/USD		1.15	1.3	1.7	6.7	8.4	12
USD/JPY		140.7	-1.0	-1.6	-5.8	-9.1	-10
EM/USD		45.1	0.5	1.4	0.5	-2.2	5
Commodities					%		
Brent Crude Oil ($/barrel)		66.5	-2.2	2.6	-7.2	-16.6	-10
Industrials Metals (index)		142.2	0.5	2.2	-7.6	-10.4	1
Agriculture (index)		59.0	0.6	0.5	1.4	0.1	3
Gold ($/ounce)		3405.3	2.4	6.1	12.7	46.3	30
Bitcoin ($/coin)		87173.2	2.4	3.4	3.6	34.8	-7
Implied Volatility					%		
VIX Index (%, change in pp)		32.6	2.9	-5.0	13.3	13.9	15.2
Global FX Volatility		9.6	-0.1	-0.3	1.3	2.2	0.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		91	0	2	9	-16	6
Italy		117	0	1	6	-26	2
France		77	0	1	7	26	-6
Spain		70	0	0	6	-11	1

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

Emerging Market Financial Indicators

Last updated: 4/21/2025 8:09 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		7.29	0.1	0.3	-0.5	-0.6	0.1		1.7	0	1	-23	-55	4
Indonesia		16807	0.4	-0.1	-1.8	-3.4	-4.0		6.9	0	-11	5	1	-8
India		85	0.3	1.1	1.0	-2.1	0.6		6.6	-5	-50	-12	-95	-75
Philippines		57	0.2	0.8	1.3	1.6	2.4		5.0	2	-5	-15	-62	15
Thailand		33	1.0	1.7	2.6	12.0	3.9		2.0	-1	-6	-22	-80	-35
Malaysia		4.37	1.0	1.0	1.1	9.3	2.3		3.7	2	-3	-2	-25	-10
Argentina		1138	5.3	-5.4	-6.2	-23.7	-9.4		34.9	0	-603	37	-903	573
Brazil		5.81	1.0	1.4	-2.1	-9.7	6.3		14.5	0	-14	-8	332	-142
Chile		967	-0.1	0.6	-5.1	-0.1	3.1		5.5	0	-8	-19	-58	-19
Colombia		4310	-0.1	0.6	-5.5	-9.5	2.2		12.2	0	-7	29	126	33
Mexico		19.70	0.1	2.0	2.7	-13.0	5.7		9.4	0	-11	0	-60	-90
Uruguay		42	0.2	1.7	0.0	-8.4	3.4		9.6	0	2	5	69	-1
Hungary		353	1.5	2.4	4.3	4.9	12.7		6.7	0	-6	-10	-38	33
Poland		3.70	1.5	1.9	4.7	9.4	11.5		4.8	0	-6	-73	-72	-79
Romania		4.3	1.4	1.7	6.7	8.3	11.4		7.3	0	-2	1	77	1
Russia		81.2	0.7	1.1	4.1	15.4	39.8							
South Africa		18.7	0.9	1.1	-2.5	2.7	0.8		11.1	0	-13	33	-106	59
Türkiye		38.20	-0.5	-0.4	-1.2	-14.9	-7.4		35.1	3	-11	631	506	534
US (DXY; 5y UST)		98	-1.1	-2.0	-5.7	-7.6	-9.5		3.97	3	-4	-3	-70	-41

	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		3,785	0.3	0.7	-3.3	7.2	-3.8		124	7	22	-20	28
Indonesia		6,446	0.1	2.9	3.0	-8.9	-9.0		131	-1	20	29	40
India		79,409	1.1	7.5	3.3	7.8	1.6		131	-5	24	29	45
Philippines		6,138	0.1	1.0	-2.1	-4.7	-6.0		105	1	6	15	26
Thailand		1,135	-1.4	0.1	-4.4	-15.9	-19.0						
Malaysia		1,499	0.0	1.3	-0.4	-3.9	-8.7		98	-5	17	16	28
Argentina		2,177,975	-4.7	-0.3	-10.5	83.1	-14.0		732	-177	-20	-543	95
Brazil		129,650	equesting	2.6	-2.0	3.2	7.8		246	14	14	26	-1
Chile		7,815	equesting	5.2	3.0	22.8	16.5		136	6	9	19	23
Colombia		1,627	equesting	5.2	1.1	22.1	17.9		390	12	59	88	64
Mexico		53,019	0.7	0.9	0.7	-5.1	7.1		344	0	26	20	32
Peru		29,635	-0.3	2.1	-2.4	7.4	2.3		154	2	2	7	13
Hungary		87,062	0.0	0.9	-3.2	33.7	9.8		185	6	28	35	30
Poland		95,165	0.0	3.8	-1.8	12.7	19.6		112	-4	-3	19	0
Romania		17,072	0.0	0.6	-1.3	1.1	2.1		278	2	27	92	43
South Africa		89,487	0.0	4.0	0.0	21.7	6.4		365	-5	47	15	72
Türkiye		9,331	0.2	-1.0	3.2	-3.7	-5.1		326	0	50	38	67
EM total		42	0.8	3.6	-6.0	5.6	0.2		399	-23	27	107	35

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

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