GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, APRIL 22, 2025

LEAD EDITOR: BENJAMIN MOSK

- **Safe-haven demand drives front-end US Treasuries while long end continues to sell off** (link)
- **Analysts see stronger euro potentially weighing on European stocks in medium term** (link)
- **Tech stocks lead declines ahead of Mag7 earnings reports** (link)
- **Yen rallied past the 140 level for the first time since September 2024** (link)
- **EM funds posted outflows for sixth consecutive weeks** (link)

Mature Markets | Emerging Markets | Market Tables

From Bunnies Back to Bears and Bulls

Yesterday, the S&P 500 index declined by 2.4% whilst the US dollar index fell markedly and gold prices advanced. The moves reflected ongoing concerns about tariffs, further amplified by worries over the US administration's criticism of the Fed. Market reports questioned whether yesterday's price action reflects a "sell America" theme; this would stand in strong contrast with the "US exceptionalism" narrative that dominated 2023 and 2024. The Financial Times reported that data reveals Japanese investors sold $20 billion in foreign debt during the first two weeks of April, with market feedback indicating that pension funds were likely behind the sale of US bonds. Yesterday, gold prices briefly reached the $3500 per troy ounce mark but have retreated from this level afterwards. The US dollar index declined by up to 1.3% intraday on Monday morning, but partially recovered since then, remaining 0.8% below pre-Easter-weekend levels. After the long Easter weekend, European equity markets opened in negative territory today, with the EURO STOXX 50 index down by 0.5%. Today, the euro stabilized versus the US dollar, being slightly weaker (-0.2%) after yesterday's large gains (+1.1%). US equities also appear to stabilize after yesterday's sell-off, with S&P 500 futures up by 0.7%. After today's market close, Tesla will present its quarterly results.

Key Global Financial Indicators

Last updated: 4/22/25 8:11 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5158	-2.4	-4	-9	3	-12
Eurostoxx 50		4911	-0.5	3	-9	-1	0
Nikkei 225		34221	-0.2	0	-9	-9	-14
MSCI EM		42	0.0	0	-6	4	0
Yields and Spreads					bps		
US 10y Yield		4.39	-1.4	6	15	-21	-17
Germany 10y Yield		2.45	-2.1	-8	-31	-4	8
EMBIG Sovereign Spread		366	-1	-7	33	25	42
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.0	-0.1	1	0	-2	5
Dollar index, (+) = $ appreciation		98.4	0.1	-1	-5	-7	-9
Brent Crude Oil ($/barrel)		67.2	1.4	4	-7	-23	-10
VIX Index (%, change in pp)		32.4	-1.4	2	13	15	15

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

Mature Markets

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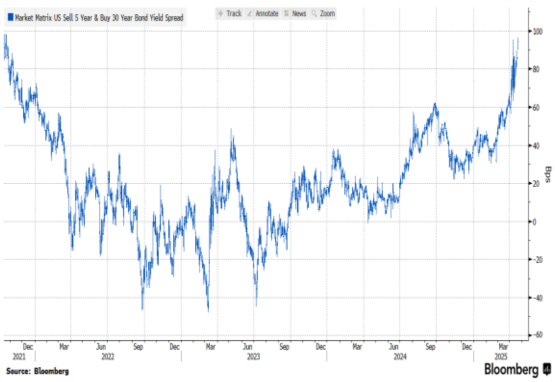
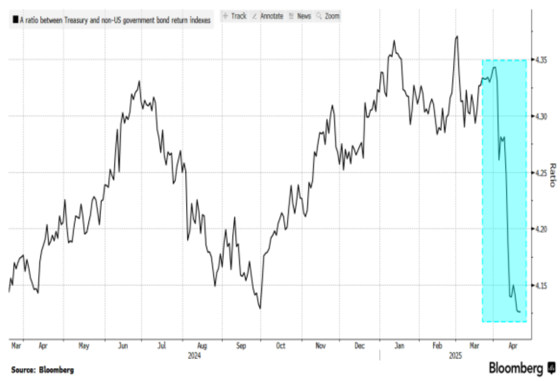
United States

Flight to safety demand supports front-end Treasuries, while the long end continues to sell-off. The US yield curve continued to steepen on holiday-thinned trading on Monday, as investors continued to seek shelter in shorter durations. The discussion over whether Federal Reserve Chairman Jerome Powell will be replaced added to market anxiety, especially on a day with no significant data releases or earnings announcements. Analysts believe that as long as uncertainty persists, the long end of the curve remains particularly vulnerable to sell-offs. These conditions are pushing the 5s30s yield curve towards levels last seen in 2021. The differential between a Bloomberg gauge of US government bond returns and their international counterparts fell to its lowest level since March 2024. At the same time, policy rate expectations increased to nearly four quarter-point cuts by year-end on Monday.

Treasury 5s30s Yield Curve

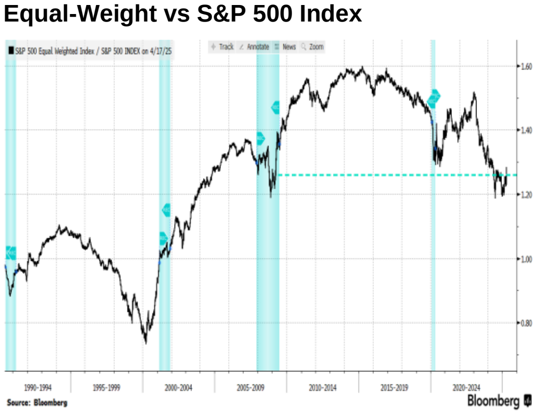


Ratio between Treasury bond return index and non-US Government bond return index

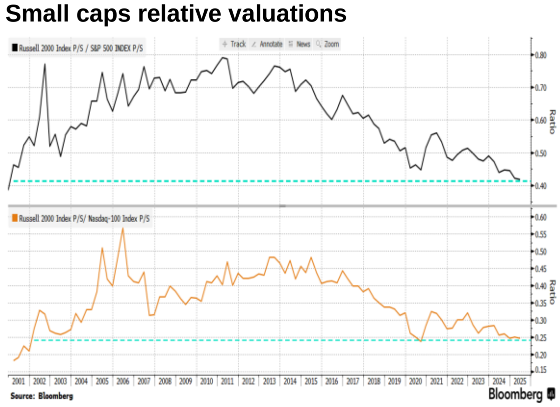


Tech stocks lead declines ahead of Mag7 earnings reports. Monday's risk-off sentiment weighted on stocks, with major indexes closing in red, mainly due to drops in consumer discretionary and info tech stocks. Some Mag7 firms who are scheduled to release their quarterly results this week underperformed. Nevertheless, market estimates still show a wide gap between large caps, dominated by tech, and the rest of the market. In particular, the S&P 500 equal-weight index is at its lowest compared to the main index since 2009. Value stocks have improved, with valuations narrowing their extreme discount to growth peers, though they still remain below the long-term historical norm. Small caps are trading at lower valuations compared to large caps than in 2024. While tech stocks have fallen considerably, other sectors have also experienced declines. According to analysts, this week's earnings reports will show if the profit gap between tech and other sectors remains wide.

Equal-Weight vs S&P 500 Index

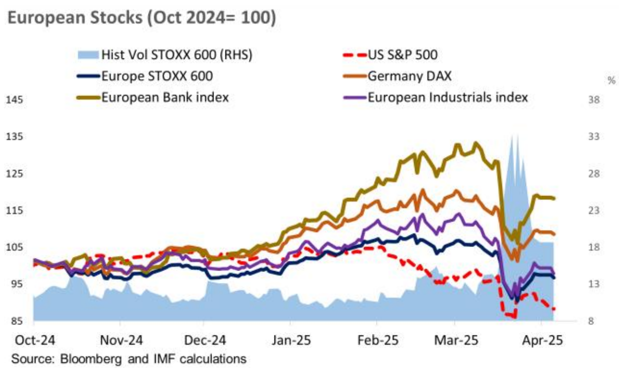


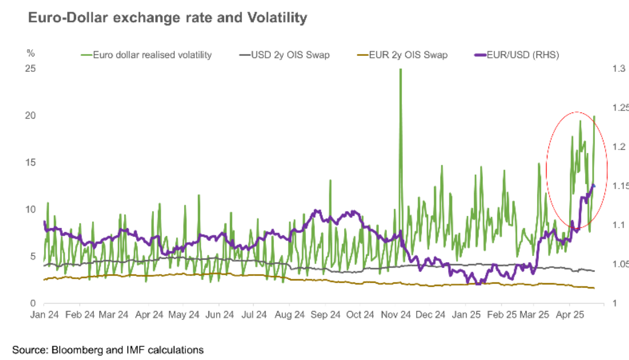
Small caps relative valuations



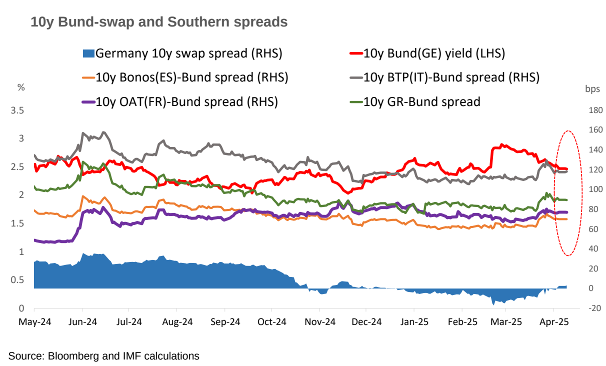
Europe

European equities edged lower mirroring the performance of Asian stocks overnight, as concerns on tariffs and headlines of US administration's criticism on the Fed weigh on sentiment. The Stoxx 600 index was down by -0.2% and all major European bourses traded in the red this morning, save for Spain (IBEX 35 index +0.2%). Analysts at Bloomberg note that the stronger euro (+11% YtD on the dollar) may add to tariffs in weighing on European stocks in the medium term, as profit forecasts (especially for larger corporates) could come under pressure on the back of lower global demand and offsetting the effects of the ongoing positive 1Q earning season; analysts estimate that exports to the US account for as much as 2.7% of EU's GDP. The euro lost some ground against the dollar (-0.2%) today, trading at $1.1491/€.



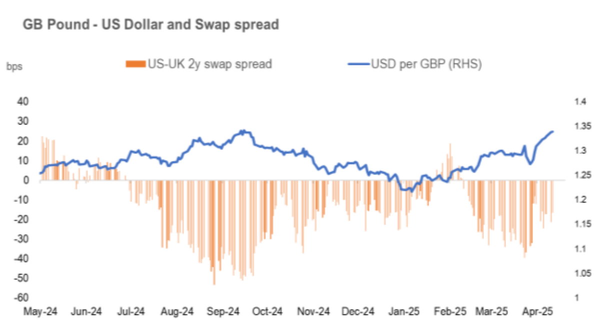


European government bond yields edged marginally lower across tenors this morning. The 2y Bund yield declined to 1.66% (-2bps) and the 10y Bund yield traded at 2.45% (-1bp.) Sovereign spreads were lilttle changed this morning with the 10y BTP-Bund yield spread at 118bps and the 10y OAT-Bund spread at 77bps. Last week S&P upgraded Greece to BBB (from BBB-) and changed its outlook to stable from positive, while DBRS confirmed Italy's rating at BBB(high) with positive outlook.



United Kingdom

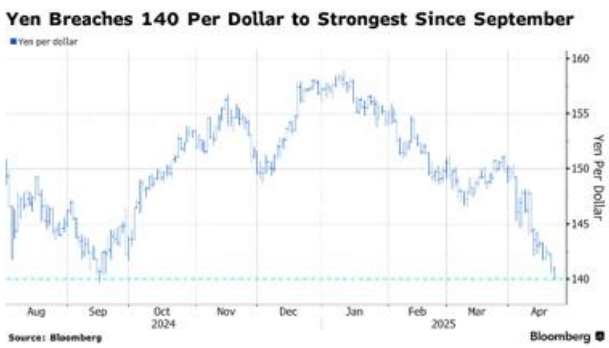
The pound was firm against the dollar this morning, trading at $1.3381/£ while the gilt yield curve steepened. The 2y gilt yield declined to 3.87% (-4bps) while 10y yields rose to 4.59% (+3bps) and the 30y yields were up by +6bps to 5.40%. Last Friday the UK Chancellor of the Exchequer Rachel Reeves confirmed the intention not to raise wealth taxes in the Autumn Budget, sparking speculation that the government might increase instead levies to maintain a fiscal buffer (estimated at £9.9bn in March) that recent market



moves and revised prospects of slower growth amid trade tensions might have eroded. Analysts at Bank of America have cut UK's GDP growth forecasts to 1.1% in 2025 (from prior 1.4%) and 1.3% in 2026, seeing limited space for fiscal policy to offset the external shock on the back of US 10% tariffs on UK imports and 25% tariffs on automobiles; analysts expect the Bank of England to carry our four more 25bps cuts in 2025, starting from May and taking the policy rate to 3.50% and the end of 2025. Money markets moved to fully price-in a cut in May (-26bps of easing priced-in) and a policy rate of 3.55% at the December 18 MPC meeting, as opposed to 3.93% priced-in for the same date on April 1.

Japan

The yen advanced past the $/140 level for the first time since September as tariff concerns continued to boost safe-haven demand. The yen strengthened as much as +0.7% to $/139.89 before retreating to $/140.37 (+0.3%) during Asian hours. Analysts believe that if yen stays clearly stronger than the psychological 140 level, technical factors may start triggering further buying, thereby accelerating the yen's appreciation. According to data from CFTC as of April 15, net long positions on the yen among asset managers and leveraged funds had climbed to an all-time high. Investors will be closely watching a meeting between Finance Minister Kato and US Treasury Secretary Scott Bessent. Kato said today that he aims to build on close discussions pertaining to currencies, but also added that Japan is in touch with other nations on how best to convey widely shared concerns about the impact of tariffs during the meetings in Washington.



Emerging Markets

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EMEA equities and currencies were mixed. Equities in CEE were mixed while CEE currencies were mostly weaker against the euro. The South African rand gained against the dollar (+0.6% to 18.64/$), while South African equities gained (+0.6%) with Bloomberg analysts highlighting that precious-metal miner shares seeing support from a boost from higher gold prices. Türkiye equities also gained (+0.2%) while the lira was marginally weaker against the dollar (-0.2% at 38.26/$).

Asian currencies declined (EM Asia: -0.3%) along with the Chinese yuan (-0.3%) which was fixed weaker versus the USD despite dollar weakness. Weakness in Southeast Asian currencies may also have been driven by solar import tariffs and a delay in US-Thailand trade talks. EM Asian equities declined (EM Asia: -0.6%) but have held up well relative to bigger overnight losses in global equities due to tariff concerns and Trump's criticism of Fed chair Powell.

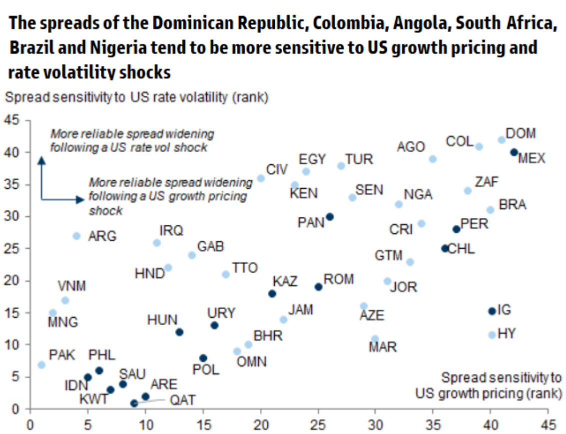
LATAM regional markets traded mix. Currencies posted small gains led by the Colombian Peso (+0.6%) alongside the decline in the broader dollar index. Local equities traded mix, with benchmark index in Mexico gaining +1.6% while Chile's declined -0.8%. Local bonds also traded mix, with some rise in the Mexico's 10-year yield (+9bps to 9.6%) while Colombia's 10-year yield marginally declined (-4bps to 12.5%).

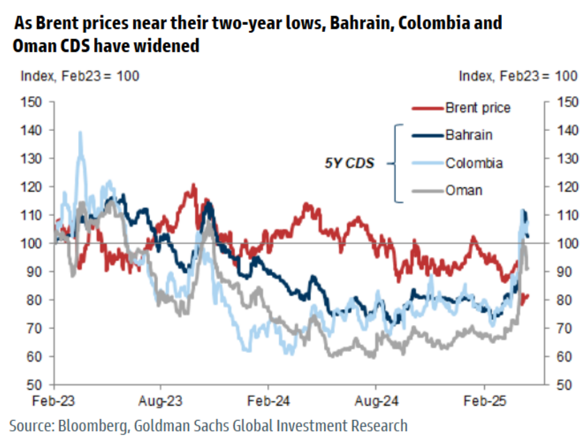
China

The People's Bank of China (PBoC) set the yuan's daily reference rate weaker for the first time in four sessions, fixing it at 7.2074 per U.S. dollar compared to 7.2055 on Monday. Both the onshore yuan (CNY) and offshore yuan (CNH) fell 0.3%. The cost to borrow the offshore yuan in Hong Kong—one-month CNH Hong Kong interbank offered rate (HIBOR)—dropped 11 bps to 1.4603% today, the lowest since data became available in 2013. The 3-month rate declined 5 bps to 1.7539%, also an all-time low. Analysts see the record low rate as a sign of how easy it is for traders to source yuan in the city and allows them bet on further yuan weakness. It comes amid expectations Beijing will keep liquidity ample to boost its economy and allow a managed yuan depreciation to offset the impact of US tariffs. Today, 10-yr CGB yield declined 1.2 bps to 1.65%, while 7-day repo rate held steady at 1.71%.

Colombia

Sovereign's hard-currency bond and CDS spreads may be vulnerable to repricing. Goldman Sachs analysts observe that Colombia's hard currency bond spreads, like those of other high-yield issuers, are particularly sensitive to fluctuations to US economic growth and rate volatility (*left chart*). The analysis examines sensitivity of various EM sovereigns' hard currency spread changes to variations in US growth pricing, as indicated by the relative performance of US Cyclical and Defensive ex-Commodities equities, as well as to changes in US rate volatility. Additionally, considering Colombia's significant reliance on oil exports and its relatively tight CDS spreads compared to the past two years, the analysts cautioned that Colombia's CDS spreads, alongside Bahrain's and Oman's, could widen further (*right chart*) if oil prices continue to decline.

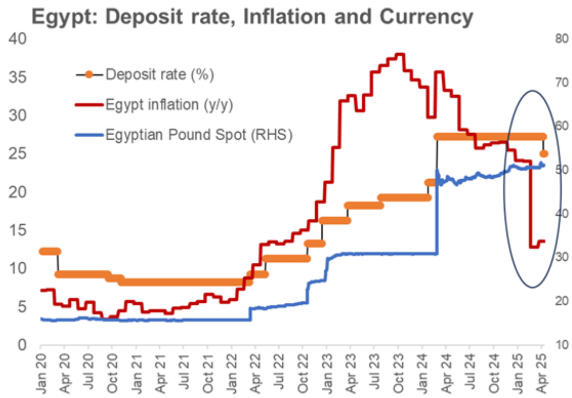




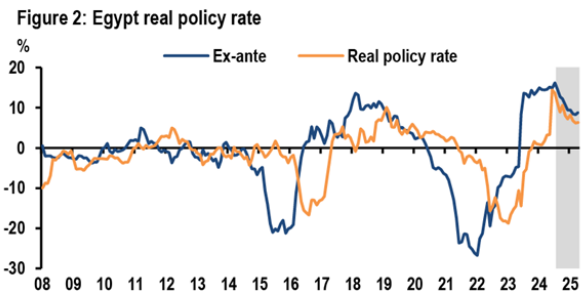
Egypt

Egypt starts its easing cycle. The central bank of Egypt (CBE) last week cut interest rates for the first time in almost five years, with contacts noting that the CBE delivered the largest cut for a scheduled meeting in history. The 225bps rate cut took the deposit rate to 25% and the lending rate to 26%. Bloomberg reports that the majority of surveyed economists had anticipated a rate cut, with expectations varying between 75 and 225bps. JP Morgan analysts argue that there is room for further rate cuts this year, given that ex-post and ex ante real rates are still in double digits. The analysts forecast inflation to increase to 14.6%y/y in

May and then ease towards 12% by end-2025. While noting that caution might be required given the high level of global risks and uncertainty, the analysts anticipate a cumulative 600bps of rate cuts in 2025.



Source: Bloomberg and IMF calculations



Source: CBE, J.P. Morgan - Shaded area indicates JPM forecast

EM Fund Flows

EM funds outflows continued for the sixth consecutive week. In the past week, outflows moderated for EM bond funds (-$3.4bn, prior week -$4.9bn) while equity funds' outflows accelerated (-$6.3bn, prior week -$3.6 bn). EM bond outflows were largely attributed to hard currency funds (-$2.7bn) while local currency funds outflows moderated (-$0.7bn, prior week -$1.1bn). For EM equity funds, the pace of outflows accelerated, driven by ETFs funds (-$5.3bn), while non-ETF had decreased outflows (-$1.0bn). For regional equity funds, outflows were posted by all, led by Asia ex-Japan (-$5.9bn) while EMEA (-$0.1bn) and LATAM (-$5mn) posted small outflows. Cumulatively, YTD outflows for EM bonds is at -$13.2bn while equity is at -$19.1bn, indicating that 2025 is on track to mark the fourth consecutive year of outflows for EM assets.

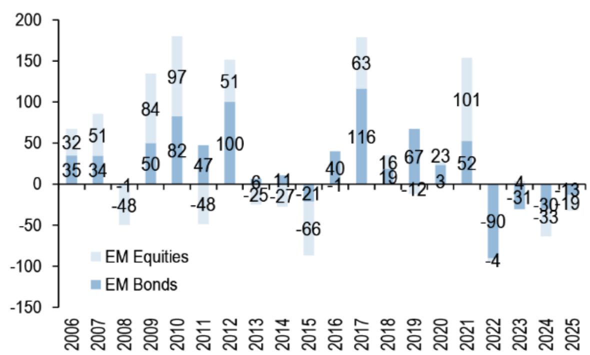
Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	EM Bonds and Equities		-9.7	-32.3
	EM Bonds		-3.4	-13.2
	Hard Ccy		-2.7	-10.0
	Local Ccy^		-0.7	-3.2
	o.w. EM ex-China		-0.6	-2.5
	o.w. China		-0.1	-0.6
	EM Equities		-6.3	-19.1
	US HG		-7.4	36.4
	US HY		-1.6	-2.1
	Global Equities		-10.7	26.6
	EM Bond and Equity ETFs		-6.2	-2.7
	EM Bond ETFs		-0.9	-5.0
	EM Equity ETFs		-5.3	2.3
	Non-resident EM flows*		-2.9	-56.7

EM bond and equity fund flows

USD billion



*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

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Global Financial Indicators

4/22/25 8:11 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		5,158	-2.4	-3.8	-9.0	2.9	-12
Europe		4,911	-0.5	2.6	-9.5	-0.5	0
Japan		34,221	-0.2	-0.1	-9.2	-8.9	-14
China		3,784	0.0	0.6	-3.3	7.9	-4
Asia Ex Japan		71	-0.1	0.1	-6.9	6.4	-2
Emerging Markets		42	0.0	0.4	-6.0	4.4	0
Interest Rates					basis points		
US 10y Yield		4.4	-1	6	15	-21	-17
Germany 10y Yield		2.5	-2	-8	-31	-4	8
Japan 10y Yield		1.3	3	-6	-21	43	21
UK 10y Yield		4.6	1	-8	-14	37	0
Credit Spreads					basis points		
US Investment Grade		160	6	3	34	37	41
US High Yield		461	17	7	99	92	132
Exchange Rates					%		
USD/Majors		98.4	0.1	-1.2	-5.5	-7.2	-9
EUR/USD		1.15	-0.1	1.9	6.5	7.9	11
USD/JPY		140.2	-0.5	-2.1	-7.0	-9.5	-11
EM/USD		45.0	-0.1	0.8	0.3	-2.4	5
Commodities					%		
Brent Crude Oil ($/barrel)		67.2	1.4	3.6	-6.2	-15.3	-9
Industrials Metals (index)		142.7	0.9	1.7	-7.3	-10.1	2
Agriculture (index)		58.3	0.1	0.2	0.3	-2.1	2
Gold ($/ounce)		3460.0	1.1	7.1	14.9	48.7	32
Bitcoin ($/coin)		88678.5	1.5	4.2	5.6	33.3	-5
Implied Volatility					%		
VIX Index (%, change in pp)		32.4	-1.4	1.5	13.1	15.5	15.1
Global FX Volatility		10.2	0.0	0.4	1.9	2.9	1.0
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		91	0	-1	9	-15	6
Italy		118	1	0	7	-18	3
France		77	0	1	7	27	-6
Spain		71	1	0	6	-7	1

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

Emerging Market Financial Indicators

Last updated: 4/22/2025 8:11 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		7.31	-0.3	0.0	-0.7	-1.0	-0.2		1.7	2	2	-18	-52	5
Indonesia		16855	-0.3	-0.2	-1.8	-3.7	-4.5		6.9	1	-7	-6	-5	-8
India		85	-0.1	0.7	0.5	-2.1	0.5		6.6	1	-21	-20	-94	-74
Philippines		57	-0.1	0.2	1.1	1.5	2.0		5.0	3	5	-10	-60	17
Thailand		33	-0.4	1.2	1.9	11.4	2.6		2.0	-3	-9	-17	-84	-37
Malaysia		4.39	-0.5	0.5	1.0	8.8	1.8		3.7	1	-6	-7	-30	-15
Argentina		1096	3.8	9.1	-2.6	-20.5	-6.0		33.8	-108	-306	-71	-1068	465
Brazil		5.81	1.0	1.4	-2.1	-9.7	6.4		14.5	0	1	-43	345	-142
Chile		962	0.4	0.6	-4.2	-0.8	3.5		5.5	1	-1	-12	-51	-18
Colombia		4282	0.6	0.4	-3.2	-8.5	2.9		12.1	0	-5	28	146	33
Mexico		19.64	0.5	2.3	2.0	-12.8	6.0		9.5	8	1	4	-44	-82
Peru		3.7	0.5	0.8	-1.9	-0.3	0.9		6.7	3	3	24	-80	3
Uruguay		42	0.5	0.2	0.2	-8.5	4.4		9.7	2	6	13	68	1
Hungary		356	-0.6	1.6	3.8	4.0	11.7		6.7	0	-5	-18	-42	33
Poland		3.72	-0.4	2.3	3.9	8.9	11.0		4.8	0	-4	-69	-82	-79
Romania		4.3	-0.2	1.9	6.4	7.9	11.0		7.3	0	-2	4	75	1
Russia		81.4	-0.2	1.3	3.4	15.1	39.4							
South Africa		18.6	0.6	2.2	-2.0	3.0	1.1		11.1	0	-3	33	-114	59
Türkiye		38.26	-0.2	-0.5	-0.7	-15.0	-7.6		35.0	-1	-25	46	501	533
US (DXY; 5y UST)		98	0.1	-1.2	-5.5	-7.2	-9.3		3.98	1	-1	-2	-67	-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		3,784	0.0	0.6	-3.3	7.9	-3.8		124	5	20	-19	28
Indonesia		6,538	1.4	2.7	4.5	-8.1	-7.7		124	-17	11	27	33
India		79,596	0.2	5.9	3.5	7.9	1.9		131	0	28	28	45
Philippines		6,146	0.1	1.0	-1.9	-5.6	-5.9		96	-18	2	13	17
Thailand		1,144	0.8	1.4	-3.6	-15.7	-18.3						
Malaysia		1,486	-0.9	0.0	-1.3	-4.8	-9.5		96	-4	17	12	26
Argentina		2,045,707	-6.1	-3.1	-15.9	61.3	-19.3		749	18	-22	-470	112
Brazil		129,650	1.0	2.6	-2.0	3.2	7.8		244	9	16	27	-3
Chile		7,751	-0.8	4.3	2.2	21.6	15.5		133	0	8	17	20
Colombia		1,620	-0.4	3.7	0.7	20.5	17.4		395	16	59	89	69
Mexico		53,759	1.4	4.4	2.1	-4.9	8.6		347	1	32	28	35
Peru		29,438	-0.7	-0.1	-3.0	6.1	1.6		152	-3	7	6	11
Hungary		87,978	1.1	3.6	-2.2	35.1	10.9		181	-8	22	31	26
Poland		96,153	1.0	5.5	-0.8	13.8	20.8		104	-18	-9	12	-8
Romania		17,099	0.2	0.3	-1.1	1.3	2.3		274	-8	24	91	38
South Africa		90,032	0.6	4.2	0.6	22.4	7.1		362	-11	41	16	69
Türkiye		9,323	0.0	-0.8	3.1	-3.3	-5.2		323	-7	-1	38	64
EM total		42	-0.2	0.4	-6.0	4.4	0.2		401	-5	23	113	37

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

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