GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, APRIL 25, 2025

LEAD EDITOR: JOHANNES S. KRAMER

- **Hedge funds and systematic investment strategies have cut US equity exposure** (link)
- **US banks turn to debt as stock market slump dents equity issuance in 2025Q1** (link)
- **Tokyo CPI jumps most in two years, reviving expectations of another BOJ hike** (link)
- **EM local rates have performed well despite elevated trade policy uncertainty** (link)
- **Fiscal concerns weigh on Colombia's dollar bonds, which lag regional peers** (link)
- **PBOC injects liquidity through MLF to meet cash demand and support bond issuance** (link)

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Recovery Rally Finds New Legs

US equities extended their rally, supported by growing conviction that the Fed will deliver rate cuts to shield the economy from recession risks. Fed officials Waller and Hammack signaled openness to cuts as early as June, though the Fed now enters its blackout period ahead of the May 7 meeting. Alphabet's strong Q1 earnings, led by resilient Google ad revenues, added to positive sentiment, with the stock notably higher. Asian equities followed suit, with S&P 500 E-mini futures holding gains overnight, as China was reported to be considering tariff exemptions on select US goods, even as officials denied that formal trade talks were ongoing. Separately, ECB Chief Economist Lane emphasized that trade tensions won't push the Eurozone into recession, while BoE Governor Bailey expressed concerns over trade risks but dismissed recession fears for the UK. Bond markets built on yesterday's rally, with US Treasury yields continuing to compress, although still above Wednesday's lows. Negotiations over Ukraine showed tentative signs of progress, but key gaps remain. Today's macro calendar is light, with the final University of Michigan consumer sentiment survey later.

Key Global Financial Indicators

Last updated: 4/25/25 8:18 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		5485	2.0	4	-5	9	-7
Eurostoxx 50		5143	0.6	4	-6	4	5
Nikkei 225		35706	1.9	3	-4	-6	-10
MSCI EM		44	1.2	5	-3	7	4
Yields and Spreads				bps			
US 10y Yield		4.28	-3.3	-4	-3	-42	-29
Germany 10y Yield		2.47	1.7	-1	-33	-17	10
EMBIG Sovereign Spread		358	4	-9	29	17	33
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		45.1	0.0	1	0	-2	5
Dollar index, (+) = $ appreciation		99.6	0.2	0	-4	-6	-8
Brent Crude Oil ($/barrel)		65.7	-1.3	-3	-10	-26	-12
VIX Index (%, change in pp)		26.9	0.4	-3	10	12	10

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

Mature Markets

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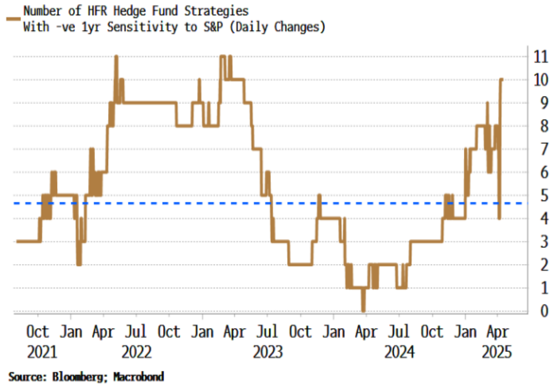
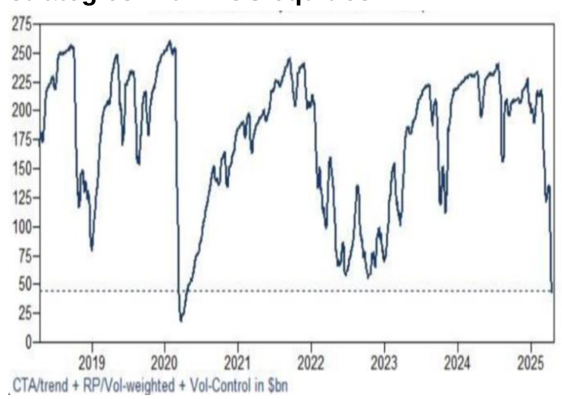
United States

Hedge funds have sharply reduced their US equity exposure, while retail investors are holding steady. Hedge funds are taking net short positions or have significantly decreased their US equity exposure, a recent study by Bloomberg analysts shows: ten of the eleven primary hedge fund strategies tracked by Hedge Fund Research indices currently have a negative beta to S&P 500 returns (left chart). That said, the negative beta is measured over a 1-year horizon and should be treated with caution. Still, positioning estimates from Goldman Sachs analysts suggest that systematic investment strategies—including trend-following strategies, risk parity, and volatility-managed accounts—have reduced their equity exposure to levels last seen in March 2020 (right panel). Retail investors, meanwhile, have not yet substantially cut their stock holdings. Although below their peak, net inflows to US-based US equity ETFs are still running at over $56 bn per month. From here, investors are watching for more up-to-date fund positioning data and sentiment surveys to gauge whether recent market developments—and the more conciliatory tone in trade talks during the Spring Meetings—have re-instilled confidence in US assets.

Number of HFR hedge fund strategy returns with a negative beta to the S&P500

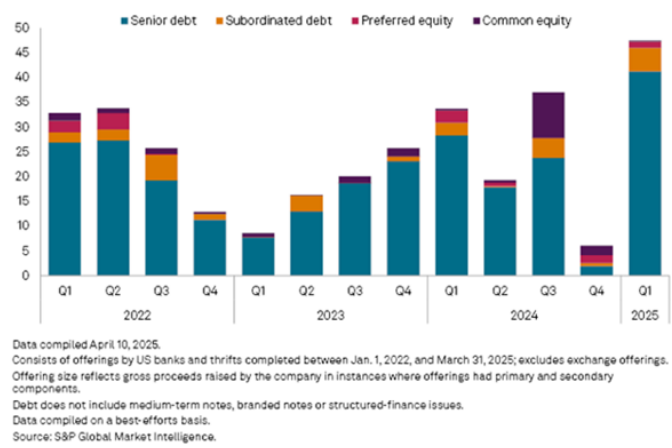


Estimated position of systematic investment strategies within US equities



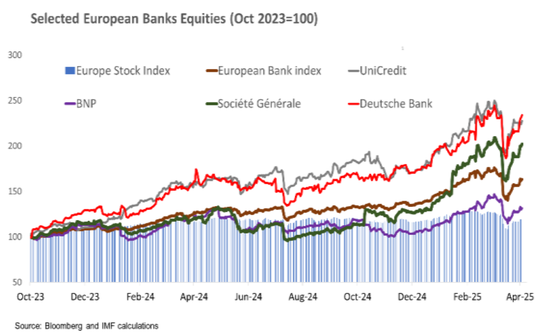
US banks shifted from equity to debt issuance in early 2025 as the stock market slump in recent weeks made equity issuance less attractive, while bond markets remained open. In Q1 2025, US banks saw a sharp drop in common equity issuance as stock prices declined, according to S&P analysts. Common equity offerings fell by 89.3% q/q and 42.2% y/y, totaling $205.4mn—the lowest since Q3 2023. Preferred equity issuance also decreased, down 23% q/q and 50% y/y, reaching $1.25 bn. By contrast, debt offerings surged as major banks tapped bond markets. Senior debt issuance totaled $41.23 bn in Q1 2025, the highest since Q1 2009 ($63.10 bn). This reflects a sharp pickup from the previous quarter, when issuance was seasonally low at year-end, and a 45.5% y/y increase.

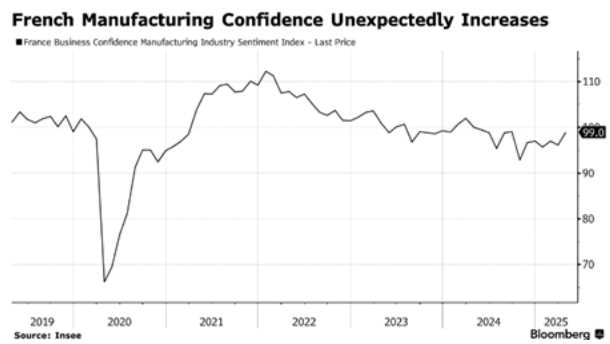
Quarterly US bank capital offerings ($bn)



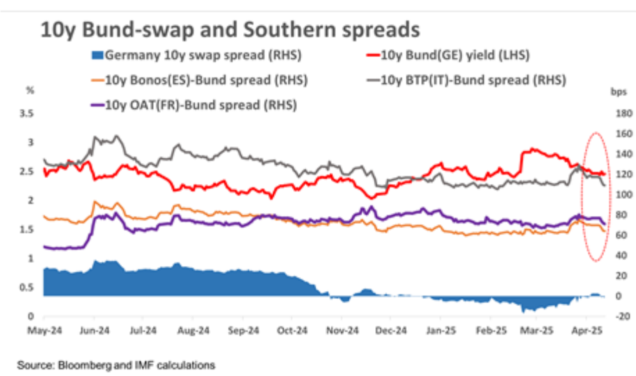
Europe

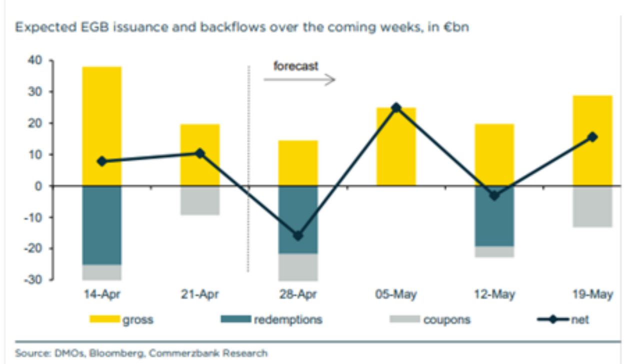
European equities traded higher this morning, mirroring gains in Asia overnight. The Stoxx 600 index rose 0.4%, led by industrials (+1.4%), banks (+0.9%), and consumer discretionary stocks (+0.6%), with all major European bourses in the green. European banks continued to outperform ahead of next week's Q1 2025 earnings season (left chart). ECB Chief Economist Lane said yesterday that trade tensions are unlikely to push the Eurozone into recession and stressed the ECB's flexibility on rate moves. That view was reflected in overnight forwards, which now price in -64bps of cumulative ECB easing by end-2025, implying a December policy rate of 1.52%. The euro edged lower (-0.4%) to $1.1394/€. French macro data offered some relief (right chart), with April's manufacturing confidence rising to 99 (exp 95 from 96). Still, Bloomberg analysts estimate that US tariffs could affect up to 18% of France's export share, posing a -0.6pp. GDP hit if retaliation follows.





Muted supply next week offers near-term support for EGB carry, even as fiscal concerns around France remain in focus. Crédit Agricole analysts estimate that France would need a consolidation effort worth 3–4% of GDP to stabilize its rising debt ratio, projected to reach 116.3% in 2025. While the 2024 deficit narrowed more than expected, public spending remains elevated at 57% of GDP—well above the Eurozone average—driven by pension and healthcare costs. EGB yields edged slightly lower this morning, with 2-year and 10-year Bund yields down (around 2 bps) to 1.72% and 2.47%, respectively. The 10-year OAT-Bund spread narrowed to 71bps, and the BTP-Bund spread tightened to 110bps (left chart). Asides, Commerzbank analysts note that next week's EGB issuance is expected to slow to €14 bn—the lowest weekly volume so far this year—providing a supportive backdrop for carry as near-term supply pressures ease.

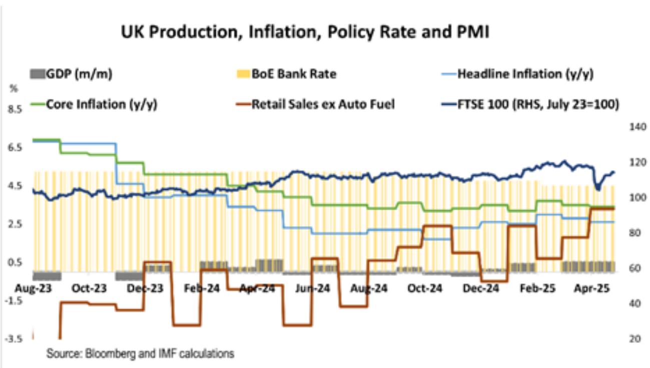


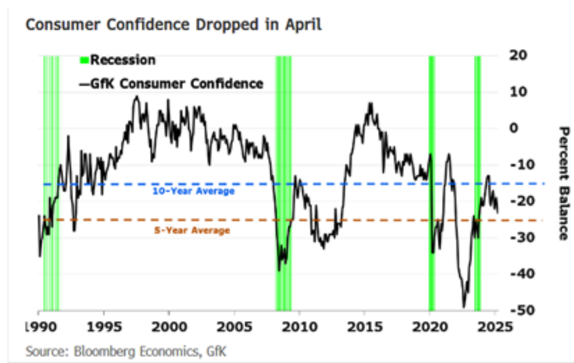


United Kingdom

UK assets responded to cautious remarks from BoE Governor Bailey, who warned that rising trade tensions could weigh on open economies and dampen growth. The pound weakened 0.3% to $1.3291/£, while gilts bull flattened, led by long-end buying: 2-year yields fell 3 bps to 3.87%, 10-year yields declined 6 bps to 4.49%, and 30-year yields dropped 8 bps to 5.23%. UK equities posted modest gains (FTSE 100 +0.1%). Bailey pushed back against fears of an imminent UK recession, but markets continue to fully price a 25 bp rate cut at the May 8 MPC meeting.

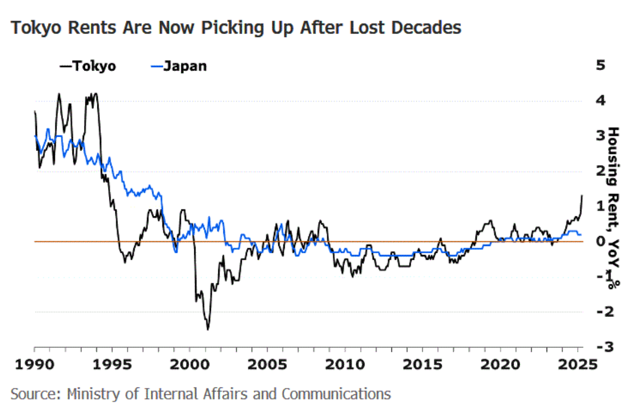
Despite firm Q1 consumption data, sentiment is showing early signs of strain. March retail sales surprised to the upside, rising 2.6% y/y (exp. 1.8% from 2.2%), reflecting a 1.6% q/q growth in Q1 that is the strongest reading since 2021 helped by improving real wages. But the April reading of the GfK consumer confidence index fell to -23 (exp. 21 from 19), reflecting the lowest level in 17 months, as households faced higher utility bills, council tax, and broader uncertainty stemming from tariff-related market swings.





Japan

Tokyo inflation surprised to the upside in April, raising the risk that underlying price pressures could overshoot the Bank of Japan's inflation target. Headline Tokyo CPI rose 3.5% y/y (exp 3.3% from 2.9%). Core inflation (excluding fresh food) accelerated to 3.4% y/y (exp 3.2% from 2.4%), while core-core inflation (excluding food and energy) climbed to 3.1% y/y (exp 2.9% from 2.2%). A key driver was housing rents, which posted a 1.3% y/y gain—the fastest pace since 1994. Given the Bank of Japan has cited stagnant rents as a hurdle to durable inflation, this could increase pressure for policy tightening. Investors will be watching national CPI data next month to see if the rent-driven pickup is broader than Tokyo.



Bond yields and equities both rose, supported by stronger BOJ rate hike expectations and improving global risk sentiment. Markets are now pricing an 80% probability of another rate hike by December 2025, up from 60% the day before. Japan's 10-year government bond yield rose (+1.6bps) to 1.34%, while the 30-year yield climbed (+0.9bps) to 2.71%. Meanwhile, the yen weakened (-0.5%) to 143.27 per dollar, helped by easing trade tensions. The weaker yen boosted equities, with the Nikkei gaining 1.9%, nearly erasing its losses from April 2.

Emerging Markets back to top

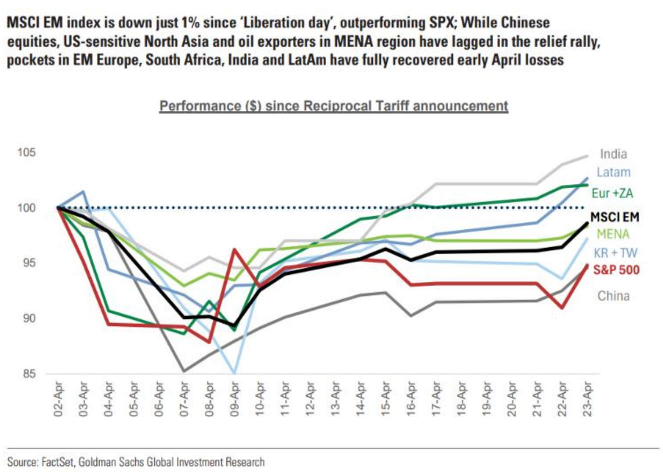
EMEA equities mostly firmed, led by Hungary, while FX performance was more varied across the region. CEE equity markets traded higher, with Hungary outperforming (+1.7%), while CEE currencies were mixed against the euro. The South African rand weakened 0.4% to 18.87/$, and the Turkish lira slipped 0.2% to 38.42/$. /$. On the monetary policy front, Russia's central bank kept its policy rate unchanged at 21%, in line with expectations, citing elevated trade policy uncertainty. Elsewhere, Bloomberg reports that Kenya's central bank is considering adding gold to its reserves to diversify its foreign exchange holdings. Separately, Nigeria's debt management office is in talks with JP Morgan about possible re-admission into the emerging market bond indices on improved dollar liquidity and a recent rating upgrades.

EM Asia equities rallied on macro tailwinds, while currencies held steady. Regional currencies were little changed overall (EM Asia: flat), with the Korean won depreciating the most (-0.4%). Equities gained broadly (EM Asia: +1.4%), led by Taiwan (TAIEX: +2.0%) and the Philippines (PSEi: +1.8%), on optimism over potential Fed rate cuts and progress in trade negotiations.

Regional markets mostly rallied amidst optimism over Fed rate cuts. Yesterday, currencies mostly appreciated, led by the Chilean Peso (+1.05%). Local equities traded on country specific developments, allowing the MSCI EM Latin America index to extend its gains (+1.7%). In Brazil, government bond benchmark yields declined notably (-27 bps) to 14.31% on the back of a broader relief rally in global bonds, as easing trade tensions lifted appetite for emerging market assets.

Emerging Market equities

EM equities have recently outperformed the S&P 500, helped by regional diversification. The MSCI EM index has risen 10% from its lows and is now just 1% below its April 2 level. Despite higher market volatility, Goldman Sachs analysts note that EM equities have outperformed the S&P 500, while the correlation between the two is at multi-year lows. Analysts suggest that regional diversification helped cushion EM performance, with stocks in EM Europe, South Africa, India, and Latin America now trading above their pre-April 2 levels (left chart). Over the past month, about 90% of MSCI EM markets (22 out of 24) have beaten the S&P 500, and 80% have delivered positive year-to-date returns, underscoring the breadth of the EM recovery (right chart).

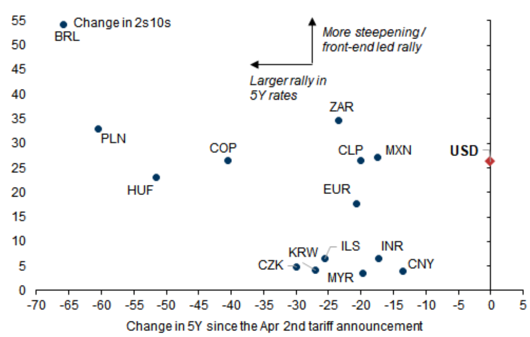


Emerging market rates

Despite elevated trade policy uncertainty EM local rates markets continued to perform well this month. While US assets face a trade-off between inflation and growth, the external backdrop—lower commodity prices and a weaker dollar—has had more dovish implications for EM bonds. Market contacts note that front-end EM curves have rallied with a steepening bias across most markets, as expectations for additional monetary easing have built. Goldman Sachs analysts caution, however, that downside risks to growth remain underpriced. According to them, this could keep pressure on riskier parts of the EM complex and amplify fiscal concerns. In Central and Eastern Europe, Goldman highlight the rate pricing in Poland to appear rich, arguing that policymakers are likely to stay cautious given the persistence of trade-related uncertainty.

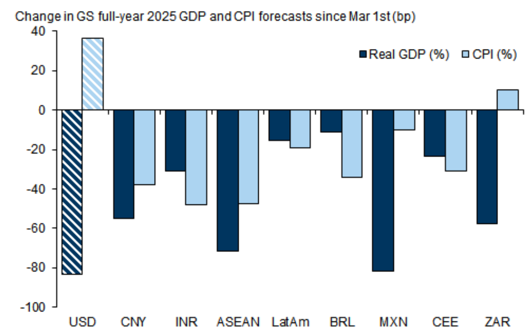
Exhibit 1: EM Local Rates Front-End-Led Outperformance Through April Has Remained Intact

Change in 5Y IRS and 2s10s since April 2nd



Source: Goldman Sachs Global Investment Research, Bloomberg

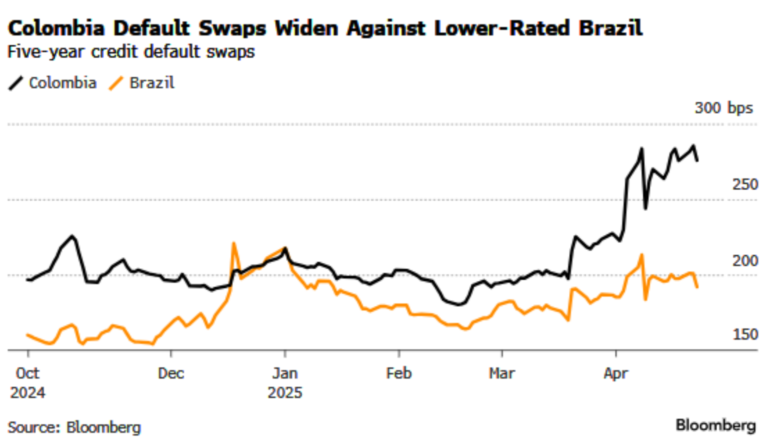
Exhibit 2: Much Clearer Dovish Impulse From US Trade Policy For EMs



Source: Goldman Sachs Global Investment Research

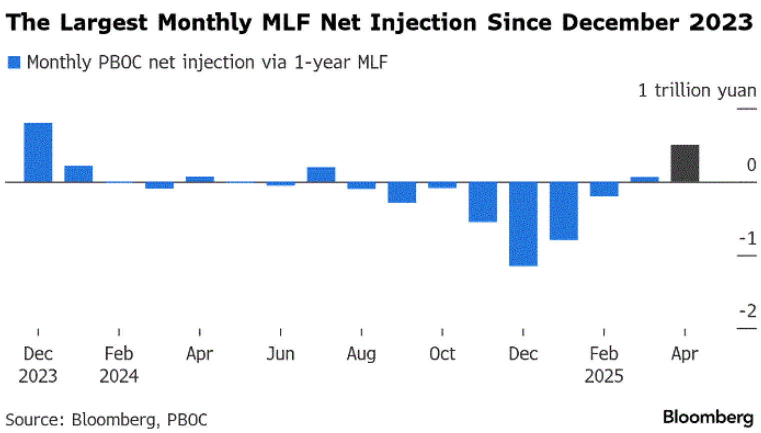
Colombia

Colombian bonds have lagged regional peers, with recent underperformance linked to renewed fiscal concerns. Over the past three months, Colombia's dollar bonds have dropped by 3.8%, compared to a 0.1% decline in the broader Latin America index. The weakness comes amid falling oil prices, slower growth, and broader risk aversion—but concerns over the country's fiscal credibility appear central. Bloomberg analysts note that Colombia's CDS spreads have widened relative to Brazil's (left chart), pointing to growing investor unease. Much of that concern centers on Colombia's fiscal rule—a legal framework meant to limit government deficits and debt, which was breached last year. Analysts from Seaport Global warn that the rule is no longer seen as a reliable guide, prompting investors to focus more on actual fiscal data, such as tax collection. Colombia's credit ratings are also under pressure, with all three major rating agencies assigning a negative outlook.



China

The People's Bank of China (PBOC) delivered its largest liquidity injection since December 2023 to smooth cash demand and support bond issuance. The PBOC conducted CNY 600 bn ($82.3 bn) of one-year medium-term lending facility (MLF) operations on Friday, resulting in a net injection of CNY 500 bn for April. The liquidity injection aims to meet higher cash demand ahead of early May holidays and to support the issuance of special government bonds that started this week. It may also reduce the immediate need to cut banks' reserve requirement ratio. In markets, the yuan was fixed stronger at 7.2066/$ today. The 10-year China government bond yield held steady at 1.66%, while the 7-day repo rate fell (-8bps) to 1.64%.



Chinese policymakers signaled plans for new monetary tools and further easing to counter external shocks. The Politburo pledged to create new structural monetary policy tools, set up new policy-based financial instruments, and prepare emergency plans to address rising external shocks, according to official Xinhua reports. The readout also emphasized the need to cut rates and the RRR in a timely manner, strengthen counter-cyclical policy, and expand support for firms hit by tariffs. New targeted monetary facilities are planned to encourage technological innovation, consumption, and exports. Earlier at the G20 meeting in Washington, PBOC Governor Pan Gongsheng reaffirmed plans to maintain moderately loose monetary policy to support growth.

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

4/25/25 8:21 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5,490	2.0	3.9	-5.0	8.8	-7
Europe		5,141	0.5	3.5	-6.1	4.1	5
Japan		35,706	1.9	2.8	-3.8	-5.9	-10
China		3,787	0.1	0.4	-3.3	5.7	-4
Asia Ex Japan		73	1.1	4.8	-3.3	8.4	2
Emerging Markets		44	1.2	4.6	-2.5	7.0	4
Interest Rates			basis points				
US 10y Yield		4.3	-4	-5	-3	-42	-29
Germany 10y Yield		2.5	2	-1	-33	-16	10
Japan 10y Yield		1.3	2	5	-24	44	24
UK 10y Yield		4.5	-1	-8	-26	13	-8
Credit Spreads			basis points				
US Investment Grade		148	0	-7	22	28	28
US High Yield		420	4	-25	70	66	91
Exchange Rates			%				
USD/Majors		99.6	0.2	0.2	-4.4	-5.7	-8
EUR/USD		1.14	-0.3	-0.3	5.2	5.8	10
USD/JPY		143.4	0.5	0.8	-4.4	-7.9	-9
EM/USD		45.1	0.0	0.5	0.4	-2.5	5
Commodities			%				
Brent Crude Oil ($/barrel)		65.7	-1.2	-3.3	-9.2	-18.5	-11
Industrials Metals (index)		144.2	-0.9	1.9	-7.3	-8.1	3
Agriculture (index)		59.3	0.4	1.1	2.9	-1.3	4
Gold ($/ounce)		3292.9	-1.7	-1.0	9.0	41.2	25
Bitcoin ($/coin)		94779.4	1.4	11.4	7.8	46.3	1
Implied Volatility			%				
VIX Index (%, change in pp)		27.0	0.6	-2.6	9.9	11.7	9.7
Global FX Volatility		9.5	0.0	-0.2	1.3	2.2	0.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		85	1	-6	5	-20	0
Italy		111	1	-6	2	-29	-4
France		72	0	-5	3	22	-11
Spain		65	1	-5	3	-15	-4

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

Emerging Market Financial Indicators

Last updated: 4/25/2025 8:22 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	0.0	0.1	-0.4	-0.7	0.1		1.8	0	2	-16	-53	6
Indonesia		16830	0.2	0.0	-1.4	-3.8	-4.3		6.9	-1	-6	-19	-11	-14
India		85	-0.2	-0.1	0.4	-2.5	0.2		6.7	4	6	-22	-84	-64
Philippines		56	0.6	0.9	2.4	2.7	2.8		5.0	-5	-1	-21	-72	11
Thailand		34	-0.3	-0.3	1.2	10.3	1.6		2.0	3	2	-13	-80	-31
Malaysia		4.37	0.0	0.9	1.4	9.2	2.3		3.7	-1	-3	-9	-33	-15
Argentina		1175	-1.1	-3.2	-9.1	-25.7	-12.3		33.5	-62	-141	-104	-921	432
Brazil		5.68	0.0	2.2	0.3	-9.2	8.7		14.1	-24	-40	-96	293	-182
Chile		934	1.1	3.3	-0.7	1.7	6.5		5.5	0	2	-12	-43	-17
Colombia		4267	0.9	0.9	-2.9	-7.7	3.3		11.8	-3	-31	-2	122	3
Mexico		19.61	-0.1	0.5	2.2	-12.3	6.2		9.4	-9	-10	-16	-70	-100
Peru		3.7	0.5	1.5	-0.6	1.6	1.8		6.7	0	2	16	-72	2
Uruguay		42	-0.2	1.1	0.6	-8.2	5.0		9.6	-1	1	13	62	0
Hungary		358	-0.3	0.0	3.4	2.3	11.0		6.6	-7	-13	-33	-49	20
Poland		3.76	-0.3	0.0	2.7	7.0	9.9		4.8	2	4	-64	-68	-75
Romania		4.4	-0.3	-0.4	5.2	5.8	9.6		7.3	-3	1	4	75	2
Russia		82.5	0.7	-0.9	2.5	11.8	37.6							
South Africa		18.8	-0.1	0.2	-2.9	1.2	0.2		10.8	-12	-22	4	-134	37
Türkiye		38.42	-0.2	-1.1	-1.1	-15.3	-8.0		34.7	5	-36	47	466	496
US (DXY; 5y UST)		100	0.2	0.2	-4.4	-5.7	-8.2		3.91	-2	-2	-15	-80	-47

	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		3,787	0.1	0.4	-3.3	5.7	-3.8		122	-2	20	-22	26
Indonesia		6,679	1.0	3.7	2.6	-5.1	-5.7		123	-8	10	24	32
India		79,213	-0.7	0.8	2.3	7.4	1.4		127	-4	26	25	41
Philippines		6,269	1.8	2.2	2.0	-5.4	-4.0		102	-3	11	17	23
Thailand		1,159	1.1	0.7	-1.4	-14.8	-17.2						
Malaysia		1,509	0.2	0.7	-0.3	-4.2	-8.1		89	-9	9	6	19
Argentina		2,232,745	-0.3	-2.3	-10.2	79.3	-11.9		691	-41	-84	-517	54
Brazil		134,580	1.8	4.1	1.9	8.0	11.9		232	-14	8	17	-15
Chile		7,999	1.0	2.3	5.2	26.7	19.2		131	-5	9	14	18
Colombia		1,634	-0.5	0.5	0.0	21.1	18.5		381	-9	48	83	55
Mexico		56,382	1.1	7.1	6.0	-1.2	13.9		333	-11	26	25	21
Peru		30,337	1.2	2.4	-1.2	6.1	4.8		148	-6	7	3	7
Hungary		92,701	1.7	6.4	1.2	40.2	16.9		180	-5	25	32	25
Poland		100,059	-0.1	6.3	0.6	19.8	25.7		116	4	6	23	4
Romania		17,428	0.3	2.2	-0.1	2.7	4.2		279	1	36	99	44
South Africa		90,881	0.4	1.3	1.3	22.3	8.1		354	-11	39	4	61
Türkiye		9,453	-0.4	0.6	-2.7	-2.7	-3.8		327	1	17	42	68
EM total		44	-0.4	4.6	-2.5	7.0	4.1		390	-10	15	103	25

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

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