



- President Trump unveiled tariffs in a Rose Garden speech Wednesday afternoon ([link](#))
- US dollar weakens sharply after tariff announcements, and US risk assets sold off ([link](#))
- Larger-than-expected tariff shock raised expectations for stimulus in China ([link](#))
- Japan seeks tariff exemptions as export headwind trims rate hike expectations ([link](#))
- Euro area bond yield curves bull-steepen on expectations of ECB cuts after US tariffs ([link](#))
- Pound strengthens with gilts in demand as UK seeks tariffs negotiations with US ([link](#))

[Mature Markets](#)








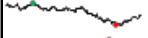


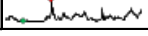
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## Larger than expected US tariffs are priced by the market as a lose-lose situation

Yesterday President Trump announced a tariff package that was larger than expected, roiling global markets. The package consists of a 10% baseline tariff, as well as so-called reciprocal tariffs. The “reciprocal” tariffs were calculated as the tariff rate necessary to balance bilateral trade deficits between the US and each of its trading partners, according to a note. Market reports broadly considered the package to be larger than expected; Asian countries were seen to be hit particularly hard by the new tariffs, while some Latam countries were on the lower end of the spectrum. US risk assets underperformed, and the dollar weakened sharply, with S&P 500 futures down 3.4% and the US dollar index down by 2% since the tariff announcements. The sharp US dollar weakening stands in contrast with the market response to earlier tariff news flows. Equities sold off globally, while government bond yields fell across the board. The European Union considers retaliation, but only by late April at the earliest, in case further negotiations do not lead to a solution. The euro strengthened by 2.2% versus the US dollar. Oil prices declined by around 5%, reflecting concerns about the significant impact that a trade war can have on global growth.

Key Global Financial Indicators

Last updated: 4/3/25 8:24 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5671	0.7	-1	-3	9	-4
Eurostoxx 50		5206	-1.9	-3	-6	3	6
Nikkei 225		34736	-2.8	-8	-8	-12	-13
MSCI EM		44	0.1	-1	2	6	5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.08	-5.5	-28	-8	-27	-49
Germany 10y Yield		2.66	-5.9	-11	17	27	29
EMBIG Sovereign Spread		346	-1	16	18	6	21
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		44.7	0.2	0	2	-4	4
Dollar index, (+) = \$ appreciation		102.2	-1.5	-2	-4	-2	-6
Brent Crude Oil (\$/barrel)		72.3	-3.4	-2	1	-19	-3
VIX Index (% change in pp)		25.3	3.9	7	3	11	8

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

## Mature Markets

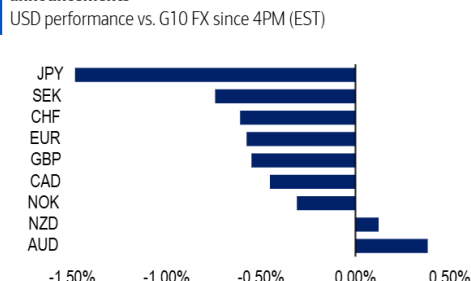
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### United States

**President Trump unveiled tariffs in a Rose Garden speech Wednesday afternoon ([link](#)).** The new tariffs would apply widely not only to the group of countries with the largest trade imbalances with the US but also to those who do not have large trade imbalances, imposing a minimum of 10% on all exporters to the US, effectively at 12:01am EST April 5. The new tariffs are in addition to the 25% tariff on foreign-made automobiles announced last week. An individualized reciprocal higher tariff will be scheduled to take effect April 9 at 12:01am EST, aiming to raise \$700bn annually in tariff revenue. The reciprocal tariff rate will be imposed at 34% for China, 20% for the EU, and 24% for Japan. According to Barclays analysts, all these tariffs equate to a 20+% weighted average global tariff, which is the upper end of their expected range.

**The US dollar weakened sharply after yesterday's tariff announcements, while risk assets sold off.** The US dollar index declined by 2%, while S&P 500 futures are down 3.4%, putting the US equity index among the worst performers globally. Bank of America (BofA) notes that the US dollar did not rally amid the broader global "risk off" move. The Mexican peso and Canadian dollar strengthened against the US dollar as both countries are not subject to additional reciprocal tariffs for now. BofA analysts consider that markets view tariffs of these "kitchen sink" magnitudes—and the uncertainty they bring—as a potential US policy error. Morgan Stanley sees increased downside risks to US growth and upside risks to US inflation.

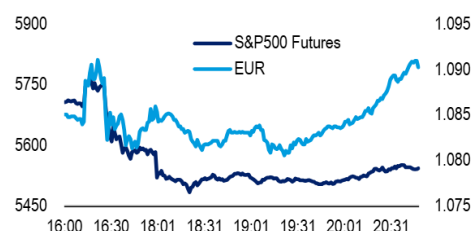
**Exhibit 2: Dollar mostly net lower on back of the sweeping tariff announcements**  
USD performance vs. G10 FX since 4PM (EST)



Source: Bloomberg; BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 3: EUR traded higher vs. USD as S&P futures sold off notably post announcement**  
S&P Futures & EUR/USD from 4PM



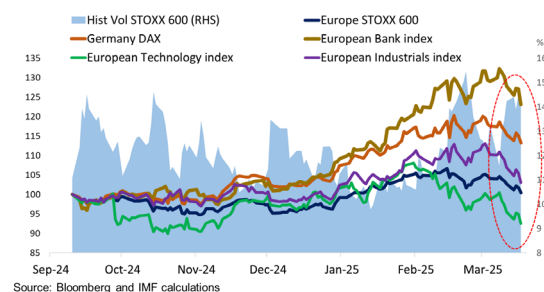
Source: Bloomberg; BofA Global Research

BofA GLOBAL RESEARCH

### Europe

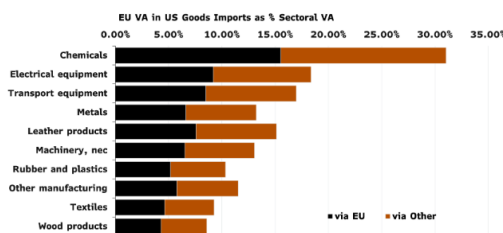
**European equities plunged this morning, on the back of global risk-off mode triggered by yesterday's US tariffs announcements,** mirroring the decline of Asian stocks and US equity futures overnight. The STOXX 600 index dropped by -2.2% this morning, dragged by severe losses in the sectors more exposed to US tariffs, with the technology (-4.1%), consumer discretionary goods (-3.4%) and the industrials (-3.3%) sectors down the most. The banking sector was also deep in the red (-3.9%).

European Stocks (Sept 2024 = 100)



Source: Bloomberg and IMF calculations

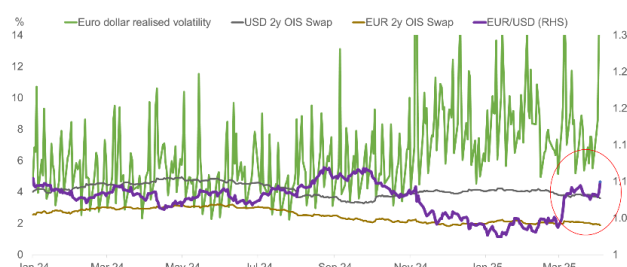
Reliance on US Demand



Source: Asian Development Bank, Bloomberg Economics

**The euro advanced (+2%) against a globally weaker dollar this morning after yesterday's tariffs, trading at around \$1.1077/€.** Analysts at ING see some major investors, such as FX reserve managers, reducing the dollar share in their portfolios in the coming weeks, with the euro finding however a resistance at \$1.11/12€ in the short term. Money markets have scaled up expectations of further ECB rate cuts.

Euro-Dollar exchange rate and Volatility

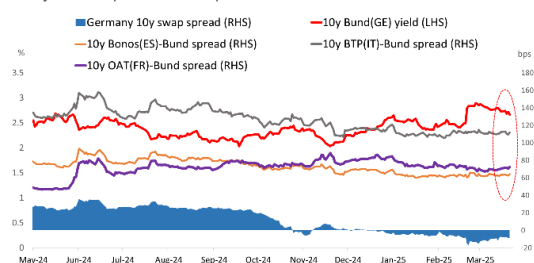


Source: Bloomberg and IMF calculations

**Market contacts foresee significant risks to growth from US tariffs.** HSBC cites ECB staff estimates that a 25% blanket tariff could reduce Eurozone GDP by 50bps, and risks to inflation depending on EU retaliation with a 20% reciprocal tariff possibly adding around 15bps to Eurozone inflation; HSBC expects the ECB to cut rates in April, followed by a pause as the ECB assesses fiscal and tariffs impacts. Bloomberg estimates that 20% US tariffs might reduce EU exports to the US by over 50%, potentially putting 1.1% of EU GDP at risk. Analysts expect rate cuts by the ECB in April and June due to tariffs impacts on demand along with modest inflationary pressures from EU retaliation.

**European government bond yields were sharply lower this morning across tenors, with the curve bull-steepening.** The 2y Bund yields dropped by -11bps down to 1.92% while the 10y yields declined by -8bps to 2.64%. On the credit side, Bloomberg sees that the cost of insuring European non-investment grade corporate debt from default has risen today by the most since September on an intraday basis, with the iTraxx Crossover index sharply up amid concerns on sectors like autos, chemicals, and industrials.

10y Bund-swap and Southern spreads



Source: Bloomberg and IMF calculations

Europe's Junk Credit Risk Climbs

Credit spreads climb the most since September

iTraxx crossover index of Europe junk-rated CDS



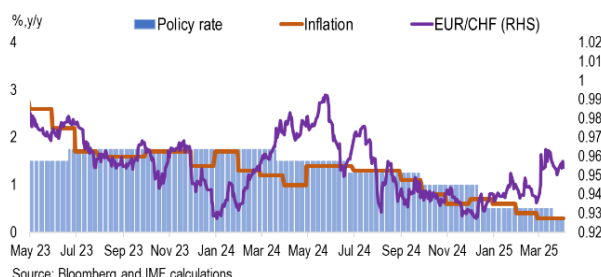
Source: Bloomberg

Bloomberg

## Switzerland

**The Swiss franc strengthened by +1.8% as investors searched haven assets on trade war fears.** The US administration announced yesterday reciprocal tariffs of 31% on Swiss imports while today's data showed headline and core inflation steady in March at respectively 0.3%y/y and 0.9%y/y, in line with expectations. Bloomberg reports estimates that US tariffs could reduce the Swiss GDP by about 1% over the next 18 months, with economists believing that this could prompt the central bank (SNB) to take its policy rate down to 0% (currently at 0.25%) or even in the negative territory. Analysts at Commerzbank highlight that given Switzerland's small open economy a strong franc may reduce inflationary pressures significantly if protracted over time and note that the SNB has remained open to the possibility of further intervening in FX market to release pressure on the currency.

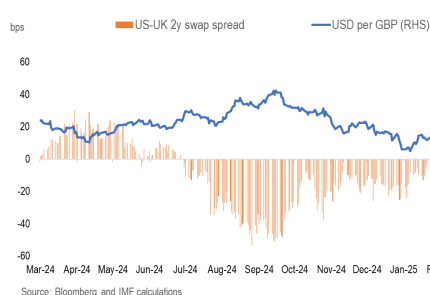
Switzerland: Policy rate, Inflation and Currency



## United Kingdom

**The pound continued to strengthen (+1.2%) this morning against the dollar after US tariffs, trading at \$1.3164/£.** UK equities fell by 1% today, while gilt yields dropped across tenors, with the curve bull-steepening slightly as the 2y yields lowered by -7bps to 4.09% while the 10y yields moved down by -6bps to 4.58%. The UK appears poised to not retaliate against the US 10% tariffs announced yesterday on all UK imports, as Prime Minister Starmer said today that the government is trying to secure an “economic prosperity deal” with the US, adding that “nothing is off the table”. According to Bloomberg, economists estimated that US 10% tariffs on UK goods would reduce exports by about 20% and put Britain’ GDP at risk directly by up to -20bps, while the indirect impact from changes to global trade flows could further erode economic output and reduce it cumulatively by up to -50bps.

GB Pound - US Dollar and Swap spread



UK: Currency and Gilt yields

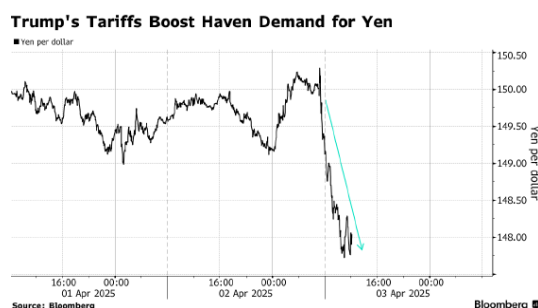


## Japan

**Japanese authorities push for tariff exemptions as export headwind trims rate hike expectations.**

In a press conference following the announcements of a new 24% reciprocal tariff on Japan, Trade Minister Yoji Muto noted the “extremely regrettable” nature of the levies and pushed for an exemption. Meanwhile, the authorities have refrained from taking retaliatory steps against previously announced auto tariffs, while PM Ishiba pledged to protect jobs in the auto sector. The government also announced plans to set up about 1,000 consultation centers for concerned companies and provide loan support. The US is Japan’s biggest export destination; cars and car parts accounted for about a third of Japan’s exports to the US last year and employ about 8.3% of the total workforce (or 5.58 million people in the country), according to the Japan Automobile Manufacturers Association.

**The yen outperformed regional peers following the US tariff announcements.** Safe-haven flows boosted the yen (+1.4%) to JPY/\$ 147.33, the biggest advance since last October. Japanese government bonds also rallied; the 10-year yield fell 11 bps to 1.35%, the largest drop since last August. Equities, by contrast, underperformed regional peers with the Topix index (-3%) down by more than 4% intraday. Investors have pared back expectations for rate hikes this year. The implied probability of a 25bps rate hike in September fell from 92% on Wednesday to 80%, based on overnight index swaps.



## Emerging Markets

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**EMEA equities were lower while currencies were mixed after yesterday's US tariff announcements.**

The announcements saw South Africa hit with a 30% tariff, while other countries including Türkiye and Egypt were exposed to the minimum threshold of 10%. On the data front, headline inflation in Türkiye slowed to 38.1%y/y in March (38.7% exp, 39.1% prior). The Turkish lira was trading steady against the dollar at around 37.93/\$. Analysts at ING note that the decline in inflation will likely help restore investor confidence and will show that disinflation remains on track, despite the FX sell-off last month. Elsewhere, Poland kept its policy rates unchanged at 5.75% yesterday, in line with expectations.

**Asian equities suffered broad-based declines (EM Asia: -1.0%), to lowest level since February 4, due to concerns over the new US tariff announcement.** Consumer discretionary and financials were the worst-performing sectors on the regional index. Vietnamese equities led the declines (-6.7%), the biggest drop in 24 years, after being hit with one of the highest "reciprocal" rates. Chinese equities showed resilience (CSI300: -0.6%) on bets that authorities will support the economy, while India equities also outperformed (SENSEX: -0.4%) most Asian peers as market sees the levies as "reasonable from a relative perspective", helped by the unexpected tariff exemption on pharma. Vietnamese dong also led the declines (-0.6%) among Asian currencies, followed by onshore CNY (-0.3%), but changes in those other currencies were limited.

**LATAM equity markets rallied prior to Trump administration's tariff announcements.** Some jurisdictions were on the lower end of the reciprocal tariff rate spectrum (10%), but the full extent of the tariff announcements will only be reflected in the market today. The Brazilian real (+0.4%) and the Mexican peso (+0.8%) appreciated against the dollar, while the Chilean peso underperformed (-0.9%).

## China

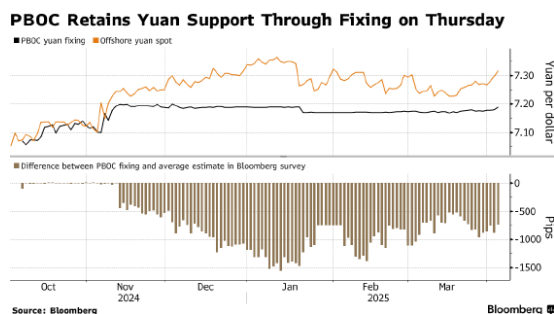
**The bigger-than-expected tariff shock raised expectations for more stimulus measures in China.**

The new 34% reciprocal tariff on China, in addition to tariffs imposed earlier and the potential termination of the *de minimis* exception raise the average tariff rate from 11% in 2024 to around 66% after May 2, according to estimates from Barclays, Citi and Nomura. The scale and speed of the new tariffs far exceeded market expectations. By Bloomberg's estimate, the new tariff level could erase most US-China trade by the end of this decade. Nomura noted that the latest tariff announcement also raised the possibility that the US administration could revoke China's Most Favored Nation trade status.

**The estimated drag of the new tariff measures could put the 5% growth target at risk.** Market observers expect the authorities to focus their response on supporting domestic demand. The authorities could accelerate implementation of the RMB 2trn National People's Congress (NPC) stimulus announced in March and introduce new supportive measures. In the near term, the People's Bank of China (PBoC) might guide funding costs lower by increasing its bonds purchases; it could also lower the reserve requirement ratio and policy rates. On net, market consensus suggests that domestic measures could only partly offset the negative tariff shock on growth.

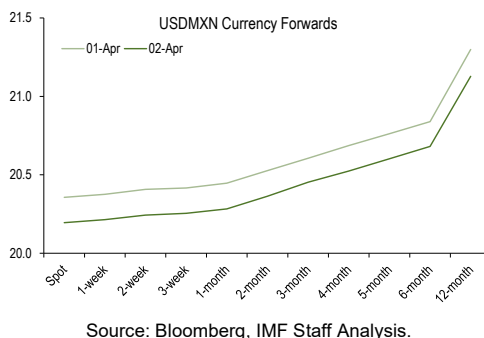


**The onshore renminbi (RMB) underperformed regional currencies (-0.5%)** while the offshore CNH was little changed. The PBoC set the RMB reference exchange rate at 7.1889 per US dollar, its weakest level since January but is nonetheless 735 pips stronger than the average estimate from a Bloomberg survey. The wide gap between the fixing and the market estimate suggests the PBoC's preference for staving off rapid RMB depreciation. Equity market reaction was similarly limited, with the CSI index ending the day 0.5% lower. The yield on 10-year Chinese government bonds fell 5 bps to 1.73%, a level last seen in March.



## Mexico

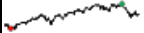




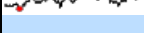













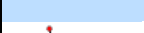
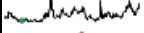

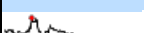


**The Mexican peso rallied as United States–Mexico–Canada Agreement (USMCA) compliant goods retain their tariff exemption.** Non-USMCA compliant goods will still be subject to 25% tariffs and non-USMCA compliant energy and potash will see a 10% tariff. The rally in the currency was broad based across short-term forwards. Given the market reaction, the announcement by investors is seen to be better than expected for Latin American countries. The region appears to have lower reciprocal tariffs because of its lower trade deficit with the US compared to other regions such as Asia.



*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.*

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## Global Financial Indicators

4/3/25 8:24 AM	Level	Change	YTD
	Latest	1 Day 7 Days 30 Days 12 M	
<b>Equities</b>		%	%
United States	 5,671	0.7 -0.7 -3.1 8.8	-4
Europe	 5,206	-1.9 -3.3 -6.0 2.7	6
Japan	 34,736	-2.8 -8.1 -8.1 -12.0	-13
China	 3,862	-0.6 -1.8 -0.7 8.2	-2
Asia Ex Japan	 75	0.2 -1.0 2.3 9.2	3
Emerging Markets	 44	0.1 -1.1 2.5 6.3	5
<b>Interest Rates</b>		basis points	
US 10y Yield	 4.1	-6 -28 -8 -27	-49
Germany 10y Yield	 2.7	-6 -11 17 27	29
Japan 10y Yield	 1.4	-10 -22 -4 58	27
UK 10y Yield	 4.6	-5 -19 4 54	3
<b>Credit Spreads</b>		basis points	
US Investment Grade	 132	1 4 11 13	12
US High Yield	 390	2 31 57 36	61
<b>Exchange Rates</b>		%	
USD/Majors	 102.2	-1.5 -2.0 -4.2 -1.9	-6
EUR/USD	 1.10	1.6 2.1 5.2 1.8	7
USD/JPY	 146.7	-1.8 -2.9 -1.9 -3.3	-7
EM/USD	 44.7	0.2 0.0 1.5 -4.4	4
<b>Commodities</b>		%	
Brent Crude Oil (\$/barrel)	 72.3	-3.5 -1.4 1.6 -10.4	-2
Industrials Metals (index)	 147.8	-1.1 -3.5 0.6 1.7	5
Agriculture (index)	 57.9	-1.2 0.9 0.9 -3.0	2
<b>Implied Volatility</b>		%	
VIX Index (% change in pp)	 25.3	3.9 6.6 2.6 11.0	8.0
Global FX Volatility	 8.4	0.0 0.3 0.1 1.8	-0.8
<b>EA Sovereign Spreads</b>		10-Year spread vs. Germany (bps)	
Greece	 82	3 0 0 -26	-4
Italy	 112	2 1 1 -34	-4
France	 73	2 3 0 21	-10
Spain	 64	2 2 3 -22	-5

Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations.  
Data source: Bloomberg.

## Emerging Market Financial Indicators

Last updated: 4/3/2025 8:24 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+)= EM appreciation					% p.a.						
China		7.30	-0.5	-0.6	-0.2	-0.9	0.0		1.9	-3	-3	5	-51	16
Indonesia		16560	0.1	-0.5	-0.7	-4.3	-2.8		7.0	0	-9	7	28	-6
India		86	0.0	0.3	2.1	-2.5	0.1		6.8	0	-11	-16	-45	-54
Philippines		57	0.2	0.5	1.4	-1.1	1.3		5.0	-9	-15	-9	-40	17
Thailand		34	-0.3	-1.0	-0.3	7.1	-0.5		2.0	-4	-13	-23	-57	-31
Malaysia		4.45	0.0	-0.4	0.3	6.8	0.5		3.7	-2	-3	-4	-13	-7
Argentina		1073	0.0	-0.2	-0.8	-20.0	-3.9		35.9	0	-21	688	-1680	674
Brazil		5.66	0.4	1.3	4.0	-10.6	9.2		15.0	1	-25	-31	437	-92
Chile		955	-0.9	-3.0	-0.5	2.2	4.2		5.6	0	-4	-15	-15	-7
Colombia		4156	-0.3	-0.7	-1.2	-7.9	6.0		12.0	0	3	61	170	21
Mexico		20.03	0.8	1.4	3.3	-17.4	4.0		9.3	-2	-22	-27	-31	-107
Peru		3.7	0.1	-0.9	0.5	0.9	1.9		6.7	-4	13	22	-84	3
Uruguay		42	-0.2	-0.5	0.8	-9.8	3.9		9.5	1	3	-17	49	-14
Hungary		364	1.4	2.1	4.7	-0.5	9.2		6.8	-5	-8	42	10	41
Poland		3.80	1.2	2.0	4.4	4.3	8.8		5.4	1	-9	-11	5	-23
Romania		4.5	1.4	1.9	4.9	1.4	6.2		7.2	1	-3	3	84	-4
Russia		84.4	0.0	0.1	6.3	9.4	34.5							
South Africa		18.8	0.5	-3.0	-1.0	-0.7	0.2		11.0	20	17	30	-109	50
Türkiye		37.93	0.0	0.1	-3.9	-15.7	-6.8		33.5	-66	16	523	462	379
US (DXY; 5y UST)		102	-1.6	-2.1	-4.3	-2.0	-5.8		3.82	-7	-27	-14	-51	-56

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	
								basis points					
China		3,862	-0.6	-1.8	-0.7	8.2	-1.9		107	3	9	-40	11
Indonesia		6,511	0.0	2.0	-1.9	-10.7	-8.0		124	7	17	32	33
India		76,295	-0.4	-1.3	4.4	3.3	-2.4		112	2	12	6	26
Philippines		6,146	-1.6	-0.3	1.8	-10.5	-5.9		97	6	-3	17	18
Thailand		1,160	-1.0	-2.3	-2.4	-15.6	-17.1						
Malaysia		1,515	-0.7	0.1	-3.6	-1.4	-7.7		91	3	12	9	21
Argentina		2,356,531	0.8	-5.3	6.8	94.3	-7.0		821	49	34	-635	184
Brazil		131,190	0.0	-1.0	6.8	3.0	9.1		234	9	-4	22	-13
Chile		7,699	0.2	1.4	4.8	16.4	14.7		129	8	1	7	16
Colombia		1,654	1.7	3.3	4.9	19.5	19.9		344	10	11	52	18
Mexico		53,801	0.9	1.9	3.3	-6.4	8.7		317	11	2	7	5
Peru		30,215	-0.4	-0.1	4.5	6.5	4.3		150	10	2	9	9
Hungary		88,708	-1.1	-4.3	-0.2	32.7	11.8		168	15	17	18	13
Poland		96,614	-1.4	-2.2	4.4	16.6	21.4		109	-1	-7	15	-3
Romania		17,443	-0.7	-0.3	-0.2	2.3	4.3		259	17	7	79	24
South Africa		86,487	-2.9	-3.8	-1.2	16.7	2.8		345	29	30	-14	52
Türkiye		9,598	0.8	-1.2	-3.2	7.3	-2.4		315	10	32	23	56
EM total		44	-1.6	-1.1	2.5	6.3	5.0		391	16	17	99	27

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

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