



- China's announcement of retaliatory tariffs sends global equity markets sinking ([link](#))
- The "US exceptionalism" trade is seen to be unwinding ([link](#))
- Latin American risk assets remain relatively resilient in face of tariff turmoil ([link](#))
- European bank stocks sell off while Bunds attract safe-haven flows ([link](#))
- South African rand continues to weaken on geopolitical and domestic developments ([link](#))

[Mature Markets](#)


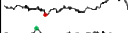




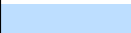
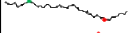


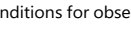
| [Emerging Markets](#)

| [Market Tables](#)

Tariff Shockwaves Continue to Reverberate in Global Markets

Asian and European equity markets moved deeply into the red today, while US markets are set to follow suit. Yesterday, the S&P 500 index lost almost 5%—its largest daily decline since March 2020—and is set to open lower today as well, with S&P futures trading at -2.7%, as China announced retaliatory measures. China's retaliatory measures reportedly include an additional 34% tariff on all US imports. Market reports suggests that besides the concerns about the impact of a wider trade war scenario on global growth, US equities are also subject to a reversal of the so-called "US exceptionalism" trade—a key theme that dominated markets in 2023 and 2024, a period during which US equities outperformed on the back of strong US growth and innovation in its technology sector. Remarkably, yesterday's risk off sentiment was accompanied by a significant US dollar weakening; at its peak decline, the US dollar index was down -2.5%. Other traditional safe-haven currencies did strengthen on the back of safe-haven flows, including the yen and the Swiss franc. Some reports suggest that this US dollar weakness reflects that foreign investors are reducing their overall US exposure. Others consider that the medium-term outlook for the US dollar's strength versus other currencies will reflect real growth differentials. Today, the US dollar index traded sideways, albeit with high volatility. Government bond yields declined for most major economies as equities sold off. The 10-year US Treasury yield trades 12 bps lower, around 3.88%, its lowest level since October.

Key Global Financial Indicators

Last updated: 4/4/25 8:41 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5397	-4.8	-5	-7	5	-8
Eurostoxx 50		4904	-4.1	-8	-9	-3	0
Nikkei 225		33781	-2.8	-9	-8	-13	-15
MSCI EM		43	-2.1	-4	-1	4	3
Yields and Spreads			bps				
US 10y Yield		3.89	-14.6	-36	-36	-42	-68
Germany 10y Yield		2.50	-15.0	-23	1	14	13
EMBIG Sovereign Spread		366	20	31	34	26	41
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.4	-1.2	0	0	-5	4
Dollar index, (+) = \$ appreciation		102.0	0.0	-2	-4	-2	-6
Brent Crude Oil (\$/barrel)		65.4	-6.9	-11	-8	-28	-12
VIX Index (% change in pp)		41.1	11.2	19	18	25	24

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

Mature Markets

[back to top](#)

United States

Today's mixed US macro data prints' market impact likely dwarfed by enfolding tariff turmoil. This morning, the change in non-farm payrolls for March came in stronger than expected at +228k (+140k expected), whilst the previous print was adjusted downwards. Analysts see the strength driven by a rebound from winter storms, the resumption of government grant payments the administration had tried to freeze, and the front-running of tariffs. The strong headline was overshadowed by higher-than-expected unemployment rate (4.2% vs. 4.1% consensus). In face of the ongoing volatility, a market reaction would be hard to distinguish/attribute.

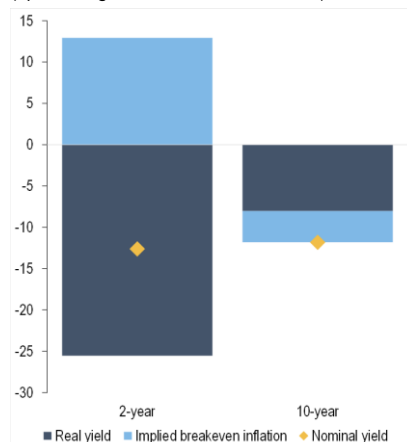
Yesterday, US equities declined significantly as markets digested US tariffs announcements. While there might still be some room for negotiation, an estimated cumulative 20 ppt rise in tariff rates was at the upper end of analysts' scenarios, and tariff rates are expected to remain elevated for a while as negotiations may take time. Early estimates by Bank of America analysts show that US inflation could face upward pressures of 1–1.5 ppt and US GDP could be dragged down by 1-1.5 ppt, putting the economy on the edge of a recession. Retaliation, supply chain disruptions, and sentiment shocks could magnify the direct impact of the tariff shock. JP Morgan raised the risk of recession in the global economy this year to 60% from 40% in early March. The S&P 500 index was down 4.8% on Thursday, and Nasdaq down 6%, with the VIX index surging to just below 30. US corporate high yield credit default swap (CDS) spreads have increased by around 40 bps since the announcements, to around 410 bps.

US Treasury breakeven inflation rates increased in the short end of the curve, while real yields declined. This could indicate that investors may be concerned about higher near-term inflation and lower long-term growth. While 2-year breakeven rates rose (light blue bars in the chart below), this was more than off-set by the real yield component, pushing 2-year nominal yields lower (yellow dots).

FX markets have started questioning the durability and extent of the “US exceptionalism” narrative. Concerns over US growth may have catalyzed a significant unwinding of USD long positions; yesterday, the US dollar index declined by around 2%. According to Goldman Sachs (GS) analysts, a softer US growth backdrop is consistent with a weaker dollar. However, if there are larger growth spillovers, the dollar could strengthen. In other words, GS sees US dollar weakness as related to US growth on a relative basis.

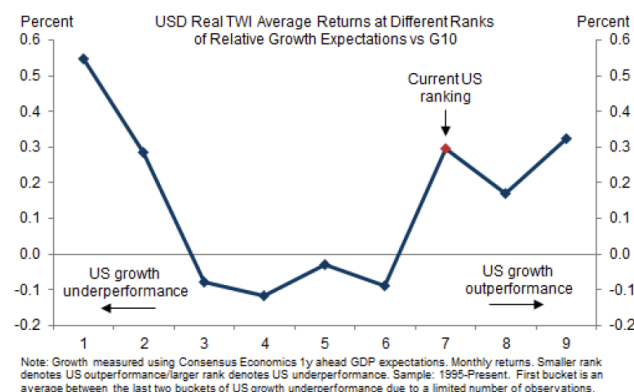
Breakdown of 2-year and 10-year US Treasury yield moves

(bps, change after the announcement)



Source: Bloomberg, IMF staff calculations.

Exhibit 1: Currently, relative growth expectations still favor the US and place the Dollar on the right-hand side of the Dollar “smile”...

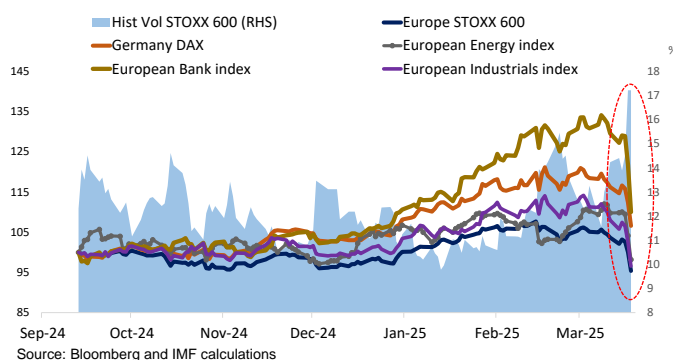


Source: Consensus Economics, Goldman Sachs Global Investment Research

Europe

European equities continued to adjust lower this morning after yesterday's sell-off. The STOXX 600 index lost another -4.2% dragged by severe losses in the banking (-7.4%), energy (-4.9%) and industrials (-5.3%) sectors, with all European bourses trading deep in the red.

European Stocks (Sept 2024= 100)

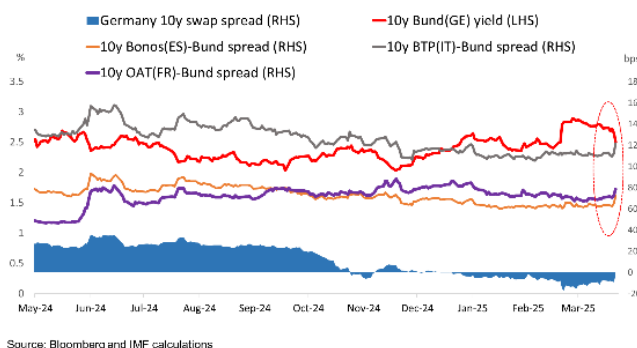


The European banking sector suffered from heavy losses (-5.5%) yesterday on the back of US tariffs (US KBW bank index lost -9.9%), and today the sell-off continued with the Stoxx 600 Banks index down by -7.4% again underperforming the market (Stoxx 600 -4.2%). Jefferies sees risk for banks based in countries with high US export share of GDP, such as Ireland (13.5%), Belgium (5.4%), the Netherlands (3.8%), Germany (3.7%), and Italy (3%). Exposures to the manufacturing sector, which accounts overall for about 7% of European banks' loans, are particularly high for Italian banks (more than 10% of their loan portfolios), with UniCredit's shares down today by 9.9% (-17% since Tuesday).

The euro was little changed (-0.1%) against the dollar this morning, continuing to trade at around \$1.1037/€. ECB Vice President de Guindos warned yesterday of unpredictable impacts from the new wave of US tariffs announced Wednesday, with trade tensions potentially weakening the euro by weighing on Eurozone's growth. ECB member Yannis Stournaras said that US tariffs are not an obstacle to a possible April rate cut, while Peter Kazimir emphasized the need for the EU to respond collectively, advocating for dialogues with the US to resolve issues. In the latest ECB accounts released yesterday, policymakers anticipated US tariffs would weigh on growth but had mixed views on inflation, with risks of both medium-term undershooting and short-term surges due to retaliation. Markets now expect a 25bps rate cut by the ECB on April 17 with 88% likelihood, pricing-in -22bps of easing against -17bps yesterday, and imply the policy rate as low as 1.58% in December (as opposed to 1.75% yesterday).

European government bond yields continued to move sharply down this morning. The curve bull-steepened as the 2y Bund yields dropped by -19bps down to 1.74% while the 10y yields declined by -15bps to 2.49%. EU bonds underperformed, with the 10y BTP-Bund yield spread widening by 8bps to 120bps; analysts at Bloomberg see the Italy's fiscal consolidation efforts at risk amid increased defense spending on the back of weakening demand after US tariffs and point to the positive outlook for the country at risk in

10y Bund-swap and Southern spreads

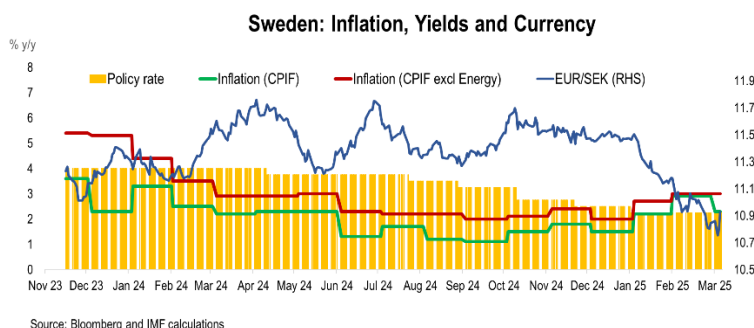


Fitch Ratings' review due after market close today. The 10y French OAT- German Bund yield spread also edged higher by +8bps to 78bps.

Sweden

The krona continued to weaken against the euro this morning

(-1.2%), consolidating yesterday's losses to trade at SEK10.93/€, while the currency pared today (-1.8%) yesterday's gains (+1.4%) against the dollar to trade at SEK9.9518/\$. Sweden's government bonds yields lowered by about -7bps across tenors yesterday and outperformed the Bund this morning with the 10y yields declining by -18bps to 2.40% and the 2y yields down to 1.95% (-17bps), after today's preliminary data showed headline inflation surprising to the downside by printing at 2.3%/y for March (vs. est. 2.6%), from 2.9%/y in February. On a sequential basis prices eased by -0.5%/m (vs. est. -0.2%) from prior 0.9%/m. Core inflation was steady at 3%/y in March (vs. est. 3.2%). The Riksbank kept the policy rate unchanged at 2.25% on March 20, signaling the end of its easing cycle amid concerns from mildly accelerating inflation in Q1. After the announcement of 20% tariffs on EU exports to the US, the CEO of Volvo, the largest automaker in Sweden, has said yesterday that the company will increase production at its factory in South Carolina.



Emerging Markets

[back to top](#)

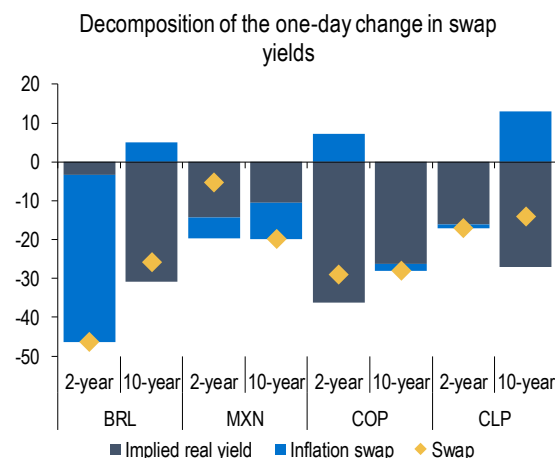
EMEA equities were sharply lower, and currencies weaker on the risk-off mode in markets and ahead of US nonfarm payrolls data due later today. In CEE, equities in Czechia were underperforming (-5.5%), while CEE currencies were all trading weaker against the euro, led by the Polish zloty (-0.7%) with contacts citing the dovish policy pivot from the central bank as an additional catalyst for weakness in the currency. Yields on Polish 10Y government bonds fell sharply and were down 21bps to 5.28% as expectations for a rate cut as early as next month were boosted. Elsewhere, the Turkish lira was a fraction weaker against the dollar (-0.2%) to trade at 38.01/\$. On the data front, preliminary March headline inflation for Czechia printed slightly ahead of expectations at 2.7%/y (exp 2.6%, 2.7% prior). Separately, the Czech finance ministry said it expects a negative impact of 0.6–0.7ppt on GDP growth this year due to the tariffs announced by the US administration.

Asian equity markets declined almost across the board, but the impact of China's retaliatory measures will only be felt fully tomorrow. Most currencies advanced versus the US dollar, with the Philippine peso standing out (+0.5%). The Singapore dollar weakened (-0.25%), while yesterday, the authorities reportedly said that they stand ready to "curb excessive volatility".

Latin American assets remain resilient in the face of market volatility from tariff announcements. Sovereign yield curves mostly declined with key markets showing lower real yields. Despite a narrowing in interest rate differentials vis-à-vis the US, which is a critical factor in the asset classes' performance, risk assets end the day in the green even as the S&P 500 had one of its worst days in recent history. The notable outperformance was in Mexican equities (+1.2%), the country with the strongest trade links with the US, thanks to the USMCA compliant goods will remain tariff exempt. The announced tariffs on the region have been more favorable than other parts of the world thanks to its small deficit with the US.

Real yields in LATAM rates markets rallied notably in line with the US

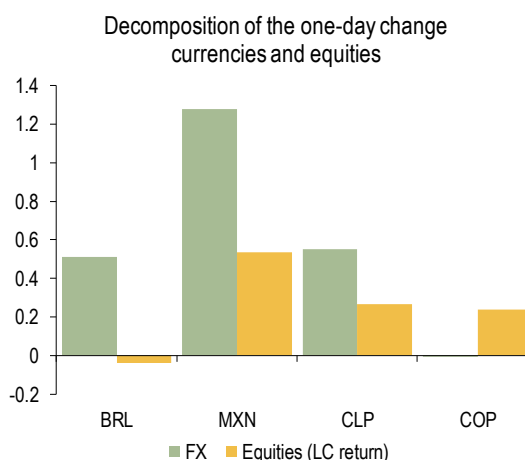
Basis points



Source: Bloomberg, IMF Staff Analysis.

Along with risk assets rallying despite a narrowing in interest rate differentials

Percent

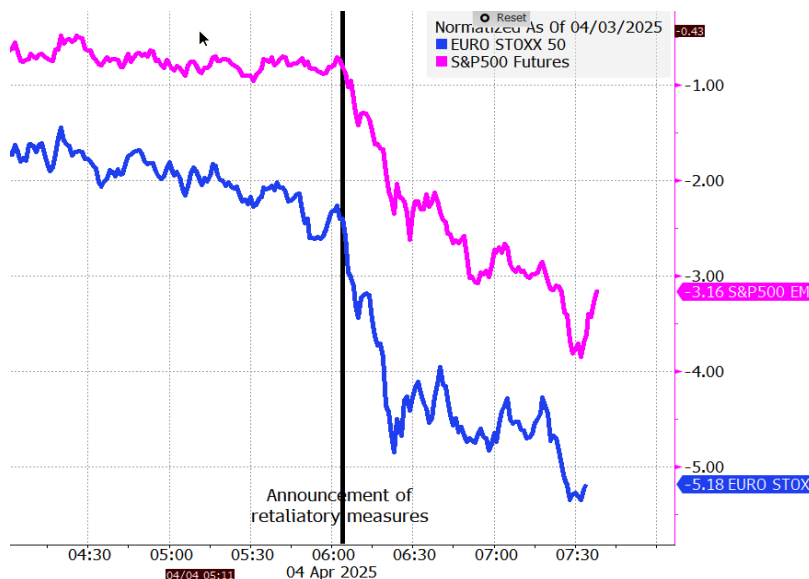


China

The announcement of retaliatory tariffs sent global equity markets sinking. The global sell-off in risk assets accelerated after China's announcement of retaliatory measures, sparking fears of a broader global trade war. The measures reportedly include an additional 34% tariff on all US imports, an immediate restriction of several rare earth metals, and measures targeting specific US companies and products. The

Stock markets fall further after China's announcement of retaliatory measures

(percentage change since yesterday's close)



Source: Bloomberg, IMF staff calculations

Fitch downgrades China's rating to A. Credit agency Fitch downgraded China's rating from A+ to A with a stable outlook on the back of a weakening in public finances that could lead to a rapidly rising debt trajectory. According to Bloomberg, a statement from the Chinese Ministry of Finance pushed back on the downgrade arguing that it ignores the market consensus about the country's economic recovery. Moody's maintains an A1 rating but with a negative outlook while S&P has A+ and stable outlook. Bloomberg consensus forecasts budget deficit as percent of GDP to widen to -5.5% and -5.6% in 2025 and 2026 respectively. Market reaction to downgrade was blurred by wider macro-events.

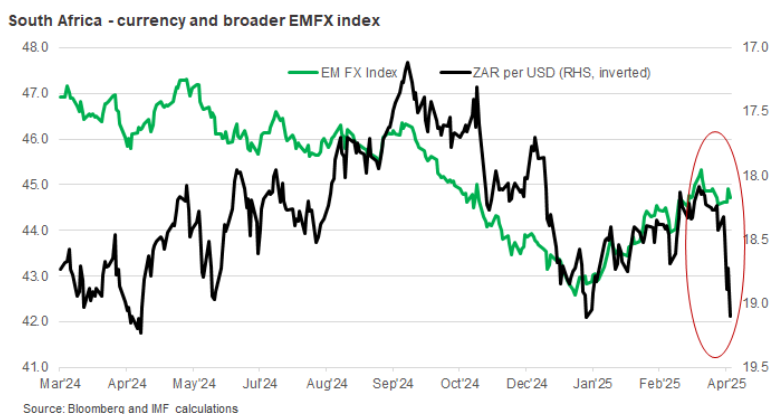
Colombia

Colombian central bank's minutes suggest the increase in minimum wages halted the trend of declining inflation. In the minutes of its March meeting, Colombia's central bank revealed a split among board members over interest rate policy. While the board ultimately voted 4–3 to keep the benchmark rate at 9.5%, a minority group proposed a 25 basis point cut in an effort to build consensus and support economic recovery. This group argued that slowing core inflation showed limited inflationary pressure from the recent large minimum wage increase. They also noted that a rate cut could help mitigate the effects of a global economic slowdown. However, the majority, despite favoring future rate reductions, believed current economic conditions didn't permit a cut. Concerns included persistent inflation, external pressures such as US trade policy and rising gas prices, and heightened fiscal uncertainty, which has raised risk premiums and reduced policy flexibility.

South Africa

The South African rand and equities continue to weaken/decline on geopolitical and domestic developments. The rand was trading around 2.0% weaker against the dollar at 19.10/\$, in early morning trade and is on course to register its largest weekly decline against the greenback since November, following the US administration's decision to impose 30% tariffs on imports from South Africa. In addition, market participants note that domestic political uncertainty



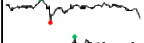










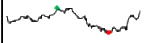


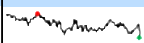


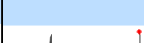





has added to a negative backdrop for the currency. The main equity index was also sharply lower this morning, down a further 2.4% bringing losses since last Friday to 6.2%. Elsewhere, Bloomberg reports that South Africa's Trade Minister Parks Tau plans to visit the US to discuss the recently announced tariffs with Tau stressing that South Africa will not take an “adversarial” approach.



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.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

4/4/25 8:41 PM	Level		Change				
		Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5,303	-4.8	-5.0	-8.2	3.0	-10
Europe		4,904	-4.1	-8.0	-9.0	-3.3	0
Japan		33,781	-2.8	-9.0	-8.4	-13.4	-15
China		3,862	-0.6	-1.8	-2.1	8.2	-2
Asia Ex Japan		73	-2.3	-3.9	-1.2	7.2	1
Emerging Markets		43	-2.1	-3.7	-0.5	4.4	3
Interest Rates			basis points				
US 10y Yield		3.9	-15	-36	-36	-42	-68
Germany 10y Yield		2.5	-15	-23	1	14	13
Japan 10y Yield		1.2	-16	-33	-21	43	12
UK 10y Yield		4.4	-11	-28	-12	40	-15
Credit Spreads			basis points				
US Investment Grade		153	12	22	31	32	33
US High Yield		470	37	86	131	113	142
Exchange Rates			%				
USD/Majors		102.0	0.0	-1.9	-3.5	-2.0	-6
EUR/USD		1.11	0.2	2.3	4.2	2.2	7
USD/JPY		145.3	-0.6	-3.1	-3.0	-4.0	-8
EM/USD		44.4	-1.2	-0.4	0.3	-5.1	4
Commodities			%				
Brent Crude Oil (\$/barrel)		65.4	-6.8	-10.1	-7.3	-19.7	-11
Industrials Metals (index)		139.4	-4.1	-8.8	-4.7	-5.7	-1
Agriculture (index)		56.7	-2.1	-1.5	-0.4	-5.2	-1
Implied Volatility			%				
VIX Index (% change in pp)		41.1	11.2	19.5	17.6	24.8	23.8
Global FX Volatility		9.1	0.0	0.9	0.6	2.5	-0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		90	8	7	6	-14	4
Italy		121	8	8	8	-18	5
France		77	5	7	4	27	-6
Spain		72	6	8	8	-11	2

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

Emerging Market Financial Indicators

Last updated: 4/4/2025 8:41 PM	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		7.28	-0.2	-0.3	0.1	-0.7	0.2		1.8	-7	-10	0	-57	8
Indonesia		16560	0.1	-0.5	-0.7	-4.3	-2.8		7.0	0	0	13	27	-6
India		85	0.2	0.3	2.4	-2.1	0.4		6.7	-8	-15	-19	-52	-63
Philippines		57	0.5	1.0	1.7	-0.8	1.8		5.0	-5	-17	-14	-45	12
Thailand		34	0.2	-0.7	-1.1	7.3	-0.3		2.0	-5	-17	-30	-64	-36
Malaysia		4.44	0.1	0.0	0.6	6.8	0.8		3.7	2	-3	-3	-13	-7
Argentina		1074	-0.2	-0.3	-1.0	-20.2	-4.0		35.8	-11	-69	677	-1394	663
Brazil		5.75	-2.0	0.3	2.4	-12.0	7.5		14.6	-41	-52	-71	395	-133
Chile		973	-2.4	-2.2	-2.9	-3.2	2.2		5.5	-14	-21	-29	-31	-20
Colombia		4156	0.0	0.3	-1.2	-8.3	6.0		11.8	-22	-29	36	157	-1
Mexico		20.35	-2.0	0.1	1.2	-18.5	2.3		9.1	-20	-37	-46	-52	-127
Peru		3.7	0.1	-0.8	0.6	0.5	2.0		6.7	0	-3	22	-50	3
Uruguay		42	0.3	-0.1	1.2	-9.1	4.2		9.5	-2	5	-19	44	-16
Hungary		366	-0.2	1.6	2.7	-1.0	8.7		6.7	-13	-18	23	-7	29
Poland		3.84	-0.4	0.6	2.1	3.1	7.6		5.1	-25	-38	-43	-20	-48
Romania		4.5	0.3	2.3	4.3	2.1	6.9		7.2	-6	-10	-7	78	-10
Russia		85.3	-1.5	-0.4	5.3	8.2	33.1							
South Africa		19.0	-1.7	-3.2	-2.9	-1.8	-1.1		11.0	2	14	35	-97	52
Türkiye		38.01	-0.1	0.0	-4.1	-16.0	-7.0		33.1	-42	-84	499	417	336
US (DXY; 5y UST)		102	0.0	-1.9	-3.5	-2.0	-5.9		3.56	-17	-42	-49	-74	-82

	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	0.0	-1.8	-2.1	8.2	-1.9		117	11	18	-31	21	
Indonesia		6,511	0.0	2.0	-1.9	-10.7	-8.0		135	16	25	40	44	
India		75,365	-1.2	-2.9	1.4	1.5	-3.6		124	11	22	17	38	
Philippines		6,084	-1.0	-0.9	-3.4	-9.8	-6.8		108	14	8	25	29	
Thailand		1,125	-3.2	-4.3	-6.4	-18.2	-19.6							
Malaysia		1,504	-1.0	-0.9	-2.8	-3.3	-8.4		98	10	17	15	28	
Argentina		2,275,659	-3.4	-6.7	3.2	92.3	-10.2		863	96	114	-565	226	
Brazil		131,141	0.0	-1.5	6.8	2.9	9.0		246	19	3	31	-1	
Chile		7,719	0.0	0.3	5.5	17.2	15.0		137	15	6	16	24	
Colombia		1,657	0.2	3.4	5.9	17.7	20.1		361	24	25	75	35	
Mexico		54,089	0.5	1.1	3.3	-6.6	9.2		333	23	15	26	21	
Peru		29,564	0.0	-1.9	2.9	5.0	2.1		156	12	5	15	15	
Hungary		82,213	-5.7	-10.1	-4.9	23.4	3.6		180	29	20	28	25	
Poland		90,541	-4.2	-7.4	1.4	8.0	13.8		120	10	-3	25	8	
Romania		16,923	-2.4	-3.7	-1.1	-0.9	1.2		273	26	14	94	38	
South Africa		82,871	-3.7	-7.5	-4.5	9.9	-1.5		363	50	46	14	70	
Türkiye		9,383	-1.1	-2.8	-5.2	2.8	-4.5		332	17	46	42	73	
EM total		43	-4.5	-3.7	-0.5	4.4	2.7		409	30	32	118	45	

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

[back to top](#)