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- Dollar expected to depreciate further ([link](#))
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## Global markets hold steady

**Stocks in Europe are higher on hopes of a peace deal in Ukraine, which have also helped lower oil prices.** Ukraine's dollar and local currency bonds rallied on the news of peace talks. US equity index futures were flat as investors await earnings reports from major retailers such as Walmart and Target, after Home Depot reported disappointing results attributed to the effect of tariffs. S&P reaffirmed its AA+ credit rating for the US, stating that increased tariff revenue would provide some relief to the budget. Asia experienced a negative session with equity markets down in many countries. Stocks in China saw marked declines as the RMB depreciated and foreign investors reduced their holdings of Chinese assets. On the other hand, advanced economy government bond yields are holding steady this morning after several days of selloffs. However, the dollar is weaker, with market participants predicting further depreciation. Bolivian dollar bonds gained after elections saw the entrance of a new government expected to be more conservative in its fiscal policies.

Key Global Financial Indicators

Last updated: 8/19/25 7:50 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
S&P 500		6449	0.0	1	2	15	10
Eurostoxx 50		5468	0.6	2	2	12	12
Nikkei 225		43546	-0.4	2	9	14	9
MSCI EM		50	0.6	2	2	15	20
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.32	-1.0	4	-9	45	-25
Germany 10y Yield		2.76	-0.1	2	7	52	40
EMBIG Sovereign Spread		285	-1	-11	-24	-114	-40
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.8	0.0	0	0	-1	7
Dollar index, (+) = \$ appreciation		98.0	-0.1	0	0	-4	-10
Brent Crude Oil (\$/barrel)		65.9	-1.1	0	-5	-15	-12
VIX Index (% change in pp)		15.0	0.0	0	-1	0	-2

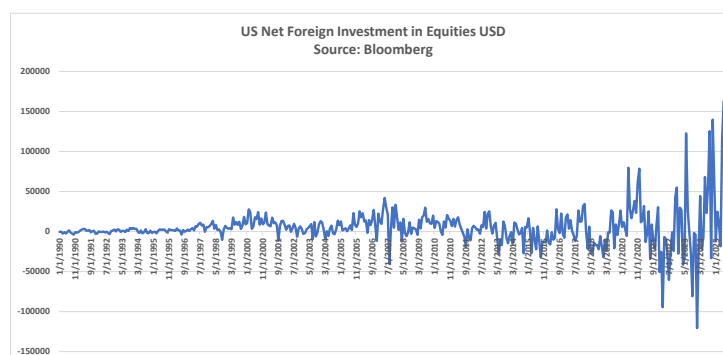
Colors denote **tightening/easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

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### United States

**Foreign investor inflows into US equity markets hit an all-time high.** The latest Treasury International Capital (TIC) report on Friday showed that foreign investors purchased \$163 bn of US equities in June, the largest monthly inflow ever recorded. US equities have outperformed most international peers since the market bottomed in April, and it seems clear that the “Sell America” trade that dominated the early part of the year has been reversed. US assets are back in fashion among global investors, pushing equities to new records and further tightening corporate credit spreads.



**Inflows into US bond markets have also been notably high.** Treasuries have also benefited, with yields trading near the lower end of recent historical ranges. The bullish view on the big US technology companies remains in place, with major gains expected from artificial intelligence (AI). The dollar is the sole exception among US markets, remaining very weak against most major currencies after the major depreciation that occurred earlier in the year.

Figure 4. Twenty-day US bond fund flows as percentile of prior 12-month range

20-day flow as percentile over prior 12m	latest flow vs history	8/14/2025	7/17/2025	6/19/2025	5/22/2025	4/24/2025	3/27/2025
All funds		100%	50%	21%	40%	0%	10%
Short Term Government, 1-4 Year		79%	26%	30%	2%	99%	95%
Intermediate Term Government, 4-6 Year		62%	55%	14%	38%	82%	0%
Long Term Government, > 6 Years		57%	40%	13%	81%	8%	30%
Short Term Corporate, 1-4 Year		100%	74%	18%	87%	10%	28%
Intermediate Term Corporate, 4-6 Year		87%	70%	53%	63%	2%	37%
Long Term Corporate, > 6 Years		97%	5%	2%	33%	0%	8%
Mortgage Backed		58%	64%	30%	82%	0%	0%
Municipal		61%	36%	80%	64%	4%	3%
Mixed Short Term, 1-4 Year		87%	70%	72%	75%	33%	87%
Mixed Intermediate Term, 4-6 Year		92%	71%	87%	10%	1%	18%
Mixed Long Term, > 6 Years		17%	45%	4%	15%	98%	37%
Total Return		83%	79%	32%	37%	0%	34%
Inflation Protected		61%	75%	65%	78%	81%	97%
High Yield		87%	72%	63%	100%	0%	37%
Bank Loan		49%	77%	36%	62%	2%	5%
All Ex Short Term		95%	54%	25%	52%	0%	4%
All Long Term		71%	20%	1%	63%	5%	21%

All ex short term subtracts short-term government, short-term corporate, and mixed short-term from all funds. All long term is the sum of long-term government, long-term corporate, and mixed long-term.

Source: EPFR, Barclays Research

**US companies delivered very strong profits in Q2 2025.** Goldman reports that 60% of the companies in the S&P 500 beat earnings forecasts by at least one standard deviation, which is the best result in the last 25 years (apart from the recovery from the global financial crisis in 2009 and the covid reopening of 2021). Earnings per share of the overall index grew by 11% compared to the average analyst forecast of just 4%.

The big US technology companies continued to deliver stellar results, but financials also had an excellent quarter and industrial companies did better than expected. The energy, consumer staples and materials sectors continued to lag, with earnings per share in decline. Looking ahead, analysts expect earnings per share for the S&P 500 to accelerate next year.

Exhibit 1: Frequency of earnings beats and misses over time

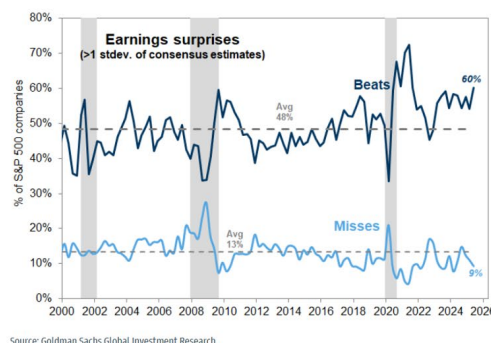
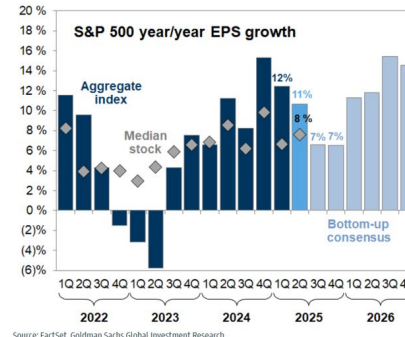


Exhibit 2: S&amp;P 500 year over year earnings growth

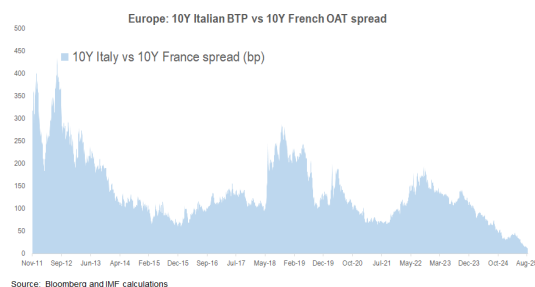


## Euro Area

**European equities were trading higher, boosted by signs of progress towards a peace settlement in the Russia/Ukraine conflict.** The Stoxx 600 index was up (+0.6%), reaching its highest level since March, with most sectors trading in the green. Regional bourses were also trading higher. Elsewhere, the European banking sector index was also higher (+0.7%), reversing yesterday's losses. Meanwhile, the euro was trading slightly firmer against the dollar at 1.1684.

### 10Y Italian BTP yield spread over France narrows to the tightest since 2005.

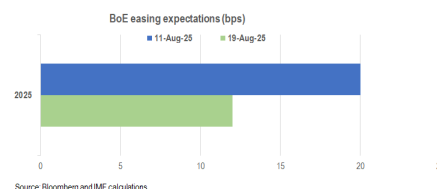
The spread between the yield on 10Y Italian BTPs and 10Y French OATs narrowed to around 10bp yesterday, closing at the lowest level since 2005 according to Bloomberg data. Analysts at Commerzbank expect the gap to close completely, which would be the first time since 1998 that the two countries' yields have traded in line. Market commentary attributes the narrowing in the spread to the relative political stability in Italy and efforts to consolidate debt, in contrast to developments in France which saw snap elections last year and a renewed focus by investors on the country's large fiscal deficit. This morning, the spread between 10Y Italian BTPs and 10Y French OATs was slightly wider at 11bp. Meanwhile the 10Y BTP-Bund spread was broadly unchanged at around 79bp and the 10Y OAT-Bund spread was steady at 68bp.



## United Kingdom

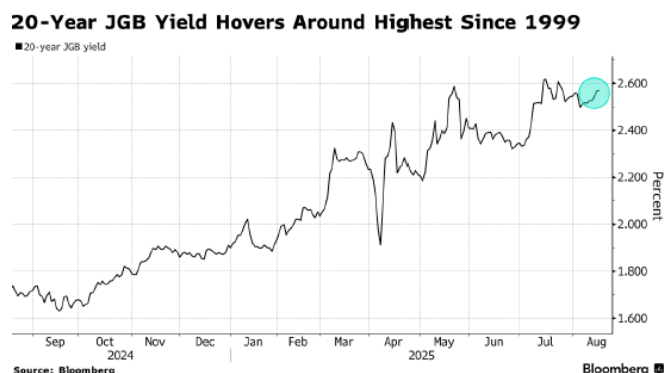
### Money markets reduced expectations of BOE easing in 2025.

Ahead of tomorrow's July inflation data which is expected to show an uptick in headline inflation to 3.7%y/y, up from 3.6%y/y in June, money markets have pared back expectations of BOE easing and now expect interest rates to remain on hold at 4% for the remainder of this year. Sticky inflation, a hawkish BOE meeting earlier this month and signs of more resilient growth have led markets to question whether the BOE would stick to a quarterly pace of rate cuts for the remainder of this year. This morning, money markets are pricing in around 12bps of easing by year-end versus around 20bps priced in last week. The change in expectations for the interest rate outlook has seen sterling strengthening by around 2.4% against the dollar month-to-date to trade at 1.3524.



## Japan

**Uncertain fiscal outlook dampens demand for 20-year JGBs.** Auction demand for the new 20-year government bond fell below average; the bid-to-cover ratio was 3.09x, compared with 3.15x at the previous auction and a 12-month average of 3.24x. Following last month's Upper House election where the ruling coalition lost its majority and the prospect of an early election rose, uncertainty regarding the fiscal outlook increased, including the possibility for higher government spending and tax cuts. The yield on the 20-year bond rose 4 bps to 2.60%, close to the multi-decade high reached last month. Traders noted that longer-dated JGB yields are particularly vulnerable to uncertainties over the fiscal outlook, despite reduced issuance of super-long bonds from the MOF and a slowing in the pace of BOJ's tapering of bond purchases. The yen ended the day modestly stronger (+0.12%).



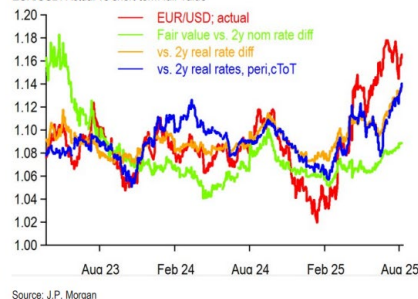
## Foreign Exchange Markets

**Survey data indicate that investors expect the dollar to depreciate further against most major currencies.** JP Morgan estimates that the fair value of the eurodollar is now at 1.14, up from 1.09 two months ago, while the currency pair moved from 1.04 in January to more than 1.18 in July before settling back to an elevated but slightly lower level just below 1.17. JP Morgan analysts predict that the dollar could weaken even further, assigning a price target of 1.22, driven by diverging fundamentals between the US and the rest of the world. Growth expectations for the euro area and other parts of the global economy are being marked up while forecasts for the US are being lowered. Real yields in the US have fallen sharply, while the Fed is expected to begin a new series of rate cuts, with the Fed Funds futures market predicting five rate cuts by the end of 2026. In contrast, the ECB and BOE are near the end of their rate cut cycles, while the BOJ is expected to raise its policy rate. Worries about the independence of the Fed could also weaken the dollar.

Figure 4: US real yields have ground to new YTD lows  
OIS minus inflation swap rates, %



Figure 5: A behind-the-scenes building of immunity: The fair value for EUR/USD keeps rising and is now approaching 1.14, up from 1.09 in mid-June  
EUR/USD: Actual vs short-term fair value



## Emerging Markets

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EMEA equities and currencies were mostly higher today amid signs of progress in Ukraine peace talks between US President and European leaders. Türkiye and South Africa also saw gains. Asian equities and currencies were little changed on the day, with equity bourses modestly lower and currencies mixed against the dollar. The Indonesian rupiah underperformed (-0.5%) as the domestic markets reopened following its Independence Day holiday and after the government announced its budget plan last Friday. The fiscal plan maintained a budget deficit at 2.5% of GDP as well as projection for a higher 2026 bond issuance, which is expected to weigh on local bonds. **Latin American equities advanced but currencies depreciated.** Stocks gained in Brazil (+0.7%), Chile (+1.0%), and Colombia (+0.6%). Currencies depreciated in Brazil (-0.6%) and Colombia (-0.4%), while the Peruvian sol strengthened 0.4% against the US dollar.

### Bolivia

**Bolivia's dollar bonds rallied to the highest levels in over two years**, following election results that boosted expectations of market-friendly reforms. Sovereign bonds maturing in 2028 and 2030 rose 3.7 cents to over 81 cents on the dollar, making them the best performers in emerging markets. Analysts see potential for further bond appreciation, possibly up to 85 cents on the dollar, as investors anticipate fiscal tightening, reduced subsidies, and improved external balances. However, uncertainty remains over the new government's debt strategy, particularly regarding its \$1.85 billion in outstanding dollar bonds. With debt payments reaching \$333 million annually over the next two years and \$617 million in 2028, speculation about a potential restructuring is growing.



### China

**Portfolio outflows weighed on the RMB despite PBOC guidance.** The spread between the dollar-RMB fixing and the CNY spot rate has widened since mid-July. The RMB reference rate was set at 7.136/USD for the day; the spot rate for the RMB, by contrast, traded around 7.18/USD for both the onshore and offshore RMB. According to a Bloomberg survey, traders expect the RMB to remain relatively weak, despite guidance from the PBOC. In addition to accommodative PBOC policy (including low benchmark rates), increased portfolio outflows in recent weeks have also weighed on the RMB. According to data from SAFE, portfolio outflows under the capital and financial accounts totaled USD 7.8 bn in July, the largest since last November. Analysts suggested that the bulk of these flows were international investors reducing their CGB holdings. Meanwhile, onshore investors have been converting funds into HKD to take advantage of the recent rally in Chinese stocks on the Hong Kong bourses, with inflows through the Stock Connect Program totaling HKD 209 bn since July, by Bloomberg's estimate.



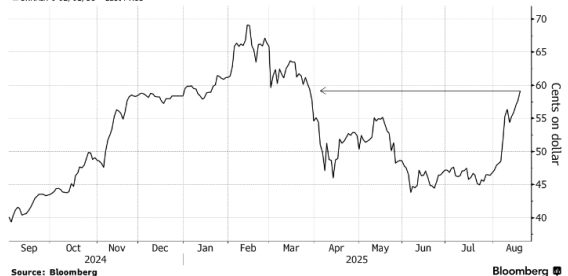


## Ukraine

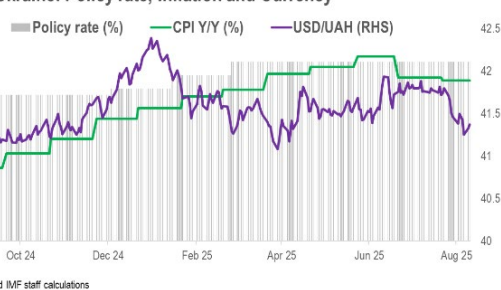
**Ukraine's 10y dollar bonds continued to rally due to signs of progress in diplomatic talks between the US President and European leaders in Washington.** Ukraine's zero-coupon notes due in 2036 rose to 59 cents on the dollar, marking the strongest five-day consecutive advance since March, while the dollar-denominated bond due in 2035 gained 1.3% to trade at 58.2 cents on the dollar (and the local currency 10-year yield is down by 35bps over the period to 13.8%). Meanwhile, Ukraine's foreign reserves assets fell to \$43bn in July from \$45bn in June according to data released last week by the central bank.

**Ukraine's Dollar Bonds Rise to Highest Since March**

■ UKRAIN 0 02/01/36 - Last Price



**Ukraine: Policy rate, Inflation and Currency**



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## Global Financial Indicators

8/19/25 7:52 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,449	0.0	1.2	2.4	15.0	10
Europe		5,468	0.6	2.5	2.0	12.2	12
Japan		43,546	-0.4	1.9	9.4	14.4	9
China		4,223	-0.4	1.9	4.1	26.7	7
Asia Ex Japan		87	0.7	2.1	2.2	17.5	20
Emerging Markets		50	0.6	1.9	2.3	14.6	20
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	-1	4	-9	45	-25
Germany 10y Yield		2.8	0	2	7	52	40
Japan 10y Yield		1.6	3	10	6	71	50
UK 10y Yield		4.7	0	11	6	81	17
<b>Credit Spreads</b>			basis points				
US Investment Grade		117	0	-4	-7	-17	-3
US High Yield		335	0	-6	-4	-41	6
<b>Exchange Rates</b>			%				
USD/Majors		98.0	-0.1	-0.1	-0.5	-3.8	-10
EUR/USD		1.17	0.2	0.1	-0.1	5.4	13
USD/JPY		147.7	-0.1	-0.1	0.2	0.8	-6
EM/USD		45.8	0.0	-0.3	0.0	-1.0	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		65.9	-1.1	-0.4	-3.7	-11.1	-9
Industrials Metals (index)		140.3	-0.3	-1.7	-9.7	-2.3	0
Agriculture (index)		54.6	-0.1	1.0	-1.6	2.4	-4
Gold (\$/ounce)		3342.1	0.3	-0.2	-1.6	33.5	27
Bitcoin (\$/coin)		115626.0	-0.7	-2.0	-1.8	95.6	23
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		15.0	0.0	0.3	-1.4	0.4	-2.3
Global FX Volatility		7.6	0.0	-0.2	-0.7	-0.8	-1.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		65	0	1	-4	-42	-21
Italy		80	0	1	-6	-57	-36
France		68	0	2	-2	-4	-15
Spain		57	0	1	-5	-26	-13

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

## Emerging Market Financial Indicators

Last updated: 8/19/2025 7:54 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		7.18	0.1	0.0	-0.1	-0.6	1.7		1.9	5	8	14	-26	17
Indonesia		16246	-0.3	0.3	0.5	-4.3	-0.7		6.3	0	-5	-15	-35	-67
India		87	0.5	0.9	-0.8	-3.5	-1.5		6.8	3	8	1	-20	-54
Philippines		57	-0.2	-0.1	0.1	-0.8	1.5		4.7	-1	-1	-10	-43	-14
Thailand		33	0.0	-0.3	-0.9	5.9	5.7		1.4	-2	-13	-20	-115	-89
Malaysia		4.22	0.0	0.2	0.3	3.8	5.9		3.4	-1	-2	-7	-42	-46
Argentina		1293	0.4	2.3	-0.6	-27.0	-20.3		38.6	106	53	367	-232	943
Brazil		5.44	-0.6	0.1	2.6	-0.4	13.6		13.8	5	0	-40	216	-215
Chile		964	0.0	0.6	0.1	-4.2	3.4		5.4	0	-2	-5	-18	-28
Colombia		4030	-0.4	0.1	-0.4	0.0	9.3		11.7	0	3	22	152	-13
Mexico		18.79	-0.1	-1.0	-0.7	-0.6	10.8		9.1	-1	-2	-25	-51	-127
Peru		3.5	0.4	-0.3	0.7	5.5	6.0		6.2	5	4	-34	-29	-38
Uruguay		40	0.0	-0.2	0.7	0.4	8.9		7.9	-5	-14	-56	-159	-176
Hungary		337	0.5	0.5	1.3	5.6	18.0		6.7	1	3	-1	54	24
Poland		3.63	0.3	0.3	-0.1	5.9	13.7		4.8	5	2	-10	-23	-75
Romania		4.3	0.2	0.2	0.2	3.8	11.0		7.4	1	14	17	96	10
Russia		80.8	-0.5	-1.6	-3.2	11.2	40.5							
South Africa		17.6	0.1	-0.1	0.0	0.5	7.0		10.0	4	-2	-33	-72	-49
Türkiye		40.89	0.0	-0.4	-1.2	-17.5	-13.5		31.7	-4	14	-33	265	203
US (DXY; 5y UST)		98	-0.1	-0.1	-0.5	-3.8	-9.6		3.84	-1	2	-11	8	-54

	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		4,223	-0.4	1.9	4.1	26.7	7.3		109	2	2	-42	13	
Indonesia		7,863	-0.4	3.4	7.5	4.4	11.1		77	-9	-11	-35	-14	
India		81,644	0.5	1.3	-0.1	1.0	4.5		85	-11	-14	-26	-1	
Philippines		6,278	-0.2	-0.2	-0.4	-9.6	-3.8		65	-10	-10	-31	-14	
Thailand		1,236	-0.5	-1.9	2.4	-7.0	-11.7							
Malaysia		1,590	0.3	1.4	4.2	-3.2	-3.2		62	-7	-5	-30	-8	
Argentina		2,198,382	0.4	-4.5	5.9	32.7	-13.2		714	-18	-52	-767	77	
Brazil		137,322	0.7	1.3	3.0	1.1	14.2		194	-4	-11	-36	-53	
Chile		8,827	1.0	3.6	7.9	36.7	31.6		97	-9	-8	-26	-16	
Colombia		1,857	0.6	2.4	7.1	36.4	34.6		282	-15	-30	-37	-44	
Mexico		58,320	0.0	0.0	3.6	7.8	17.8		233	-15	-39	-81	-79	
Peru		34,450	0.0	1.1	4.5	20.1	19.0		99	-9	-14	-48	-42	
Hungary		106,653	1.1	2.5	5.3	47.6	34.4		130	-6	-21	-33	-25	
Poland		110,715	0.7	0.6	2.1	30.4	39.1		91	-5	-6	-24	-21	
Romania		20,833	0.5	-0.4	5.4	14.5	24.6		198	-1	-14	-3	-37	
South Africa		101,631	0.5	0.4	3.0	21.3	20.9		277	-18	-20	-29	-16	
Türkiye		10,982	0.5	0.3	5.9	9.2	11.7		263	-11	-34	-41	4	
EM total		50	0.2	1.9	2.3	14.6	20.1		334	-9	-29	-78	-30	

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

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