GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, AUGUST 20, 2025

LEAD EDITOR: SANJAY HAZARIKA

- **Investors flock to US markets** (link)
- **Large US tech companies continue to lead global equity rally** (link)
- **US yield curve steepens as fiscal and inflation risks rise** (link)
- **Local stocks rally as China accelerates fiscal spending to boost economy** (link)
- **Strong foreign inflows tighten euro area government bond spreads** (link)
- **Inflation pressures could keep South Africa on hold longer** (link)
- **Trade tensions hit markets in Brazil** (link)

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Global markets hold steady in uncertain environment

The global equity rally of recent weeks has paused as market participants take stock of recent developments and shift their focus to key events in the days ahead. US tech stocks, which have led the rally, have taken a step back. China is the outlier, with the rally there in full force as the government increases fiscal spending to boost the economy. Meanwhile, trade tensions remain in focus as the US-Brazil dispute continues to simmer. The tariff situation has had a negative impact on Japanese export volumes, which have slowed significantly. European markets await further news on the war in Ukraine, while local government bond markets experienced a surge of inflows from foreign investors that has tightened spreads. Fed Chair Powell's speech at Jackson Hole on Friday could shed some light on the Fed's thinking about monetary policy. Worries about the impact of tariffs on the US economy were underlined by disappointing earnings results from retail giant Target, and polling shows that US consumers expect higher inflation due to the tariffs. In New Zealand, the RBNZ lowered its policy rate by 25 bps to a three-year low of 3%, in line with expectations. The RBNZ also signaled two further rate cuts for the year.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
8/20/25 7:45 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6411	-0.6	-1	2	15	9
Eurostoxx 50		5483	0.0	2	2	13	12
Nikkei 225		42889	-1.5	-1	8	13	8
MSCI EM		50	-0.8	0	2	15	19
Yields and Spreads					bps		
US 10y Yield		4.30	-0.2	7	-11	50	-26
Germany 10y Yield		2.74	-1.5	6	4	52	37
EMBIG Sovereign Spread		286	1	-7	-23	-110	-39
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.7	0.0	-1	0	-1	7
Dollar index, (+) = $ appreciation		98.3	0.0	0	0	-3	-9
Brent Crude Oil ($/barrel)		66.6	1.2	1	-4	-14	-11
VIX Index (%, change in pp)		15.9	0.3	1	-1	0	-1

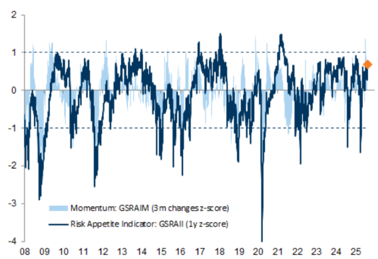
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Mature Markets [back to top]

United States

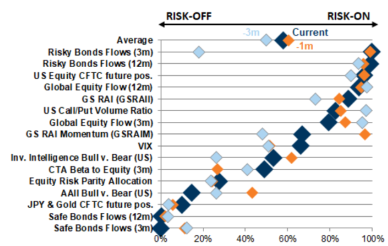
Risk appetite among global investors has seen a marked increase as global equity markets trade near all-time highs. Goldman's proprietary risk appetite indicator has rebounded from the lows seen in April when the tariff turmoil was at its height. For the US, sentiment is strongest for equities and higher risk bonds, while the demand for safe assets has moderated significantly. The US market has outperformed most global peers since the S&P 500 fell to its 2025 low on April 8. The rebound from a bear market decline to a new record high came in just 57 days, the fastest recovery ever recorded. US stocks have continued higher over the past few weeks, powered by Q2 earnings that were much stronger than expected. The S&P 500 recorded its latest record high close on August 14, and analysts expected further gains driven by rising profits forecasted for 2026. Nearly 60% of companies in the S&P 500 upgraded their outlooks for Q3.

Exhibit 11: Risk Appetite Indicator (GSRAII)
The RAI is based on 27 pair-trades across asset classes measured on z-scores rel. to last 2 years' performance, see July 2016 GOAL for details



Source: Goldman Sachs Global Investment Research

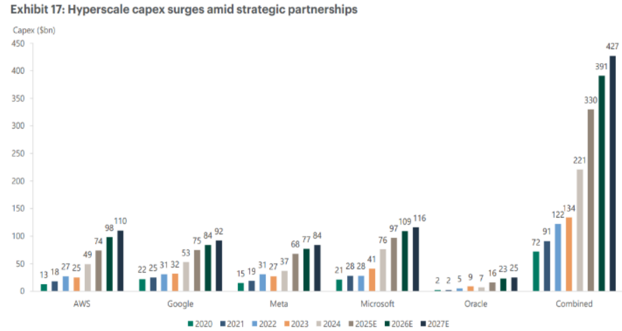
Exhibit 12: Percentile of sentiment indicators
Data since 2007



Source: EPFR, Datastream, Haver Analytics, Goldman Sachs Global Investment Research

The large US technology companies continued to lead the market, as analysts estimated that artificial intelligence (AI)-related stocks earnings accounted for 90% of the S&P 500's profits in Q2. The biggest profits within the technology sector are coming from the so-called "hyper scalers," or large cloud-based companies offering network services, storage, and computer processing power on an enterprise level. The big four among these are Alphabet, Amazon, Meta, and Microsoft, but there are other smaller but fast growing companies such as Oracle and IBM in this space. Some analysts have expressed worries about excessive concentration in the S&P 500, with the "Magnificent Seven" dominating the other 493 stocks in profitability. As the hyper scalers try to outbid each other with their AI-related capital expenditures, they might find it hard to generate the same level of profit that they saw in recent years, increasing the risk of major market volatility if the group experiences a significant correction due to disappointing earnings. Others are more optimistic, arguing that the AI-revolution is a true game changer that could transform the economy.

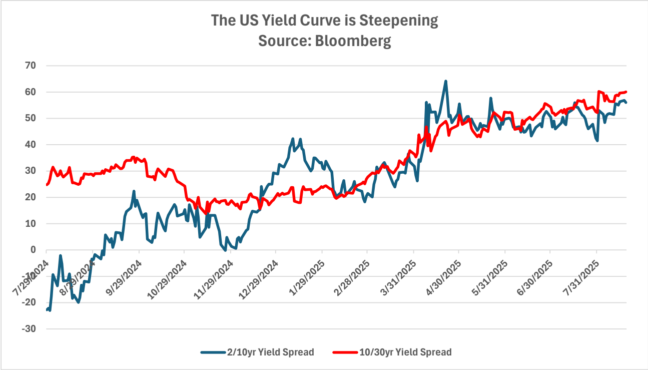
Exhibit 17: Hyperscale capex surges amid strategic partnerships



Data as of June 2025.
Source: Goldman Sachs

The US yield curve has steepened as longer maturity bond yields increase faster than shorter maturity yields, flagging potential risks to financial stability. Expectations of future Fed rate cuts and possible erosion of central bank autonomy are among the factors driving short-term rates lower. Worries about inflation continue to linger and put upward pressure on long-term rates. One-year maturity zero coupon inflation swaps are trading at 3.33%, implying that the market thinks inflation will remain well above the Fed's 2% inflation target over the next 12 months. Worries about Fed autonomy could also weigh on longer-term bonds if market participants lose faith in the credibility of the central bank. The prospect of large new issuance of Treasuries is another potential cause of higher rates. However, the benchmark 10-year

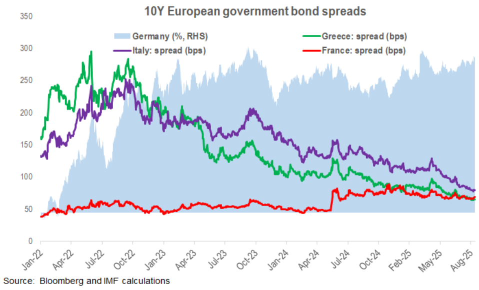
Treasury has traded in a stable range between 4% and 4.50% for much of the year, except for two brief surges to 4.8% and 4.6%. The long bond yield has fallen below 5% after peaking at 5.09% back in May. Interest rate volatility is low, indicating that no immediate problems are expected.



Europe

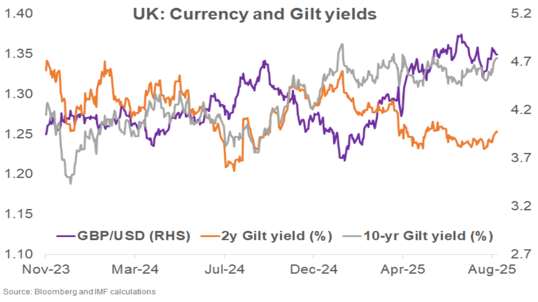
European equities were mixed. The Stoxx 600 index reversed earlier losses to trade fractionally higher but regional bourses were trading in the red with the German Dax underperforming. On the data front, the final Euro Area July headline inflation reading printed at 2% y/y, in line with the earlier flash estimate. Meanwhile, the euro was trading relatively unchanged against the dollar at 1.1646.

Some analysts argue large bond inflows from foreign investors have helped tighten EGB spreads. Analysts at Citi using ECB data note that portfolio inflows from non-European investors have risen substantially with euro area debt seeing around €60bn of inflows in June, on the back of €97bn of inflows in May. According to the analysts, this represents the strongest two-month demand for Euro Area debt since 2014 and is a notable increase relative to the one-year average of €22bn/month. The analysts argue that these inflows explain the sharp tightening in European Government Bond (EGB) spreads over recent months which has seen the 10yr Italian BTP-Bund spread tighten by almost 18bp since the end of May to 80bp. According to Citi, Italian BTPs have the lowest share of foreign investors at around 31% and they expect this to increase over the coming months. Meanwhile, France has continued to see slowing demand for its sovereign paper, with the 10Y French OAT-Bund spread 3bp wider since the end of May to trade at 69bp.



United Kingdom

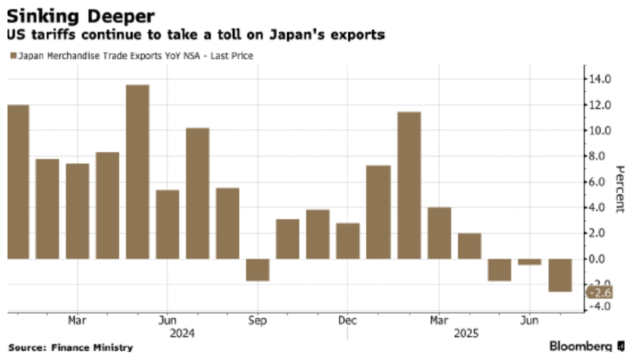
Markets pare rate cut expectations further as July UK headline inflation surprises on the upside. Data released this morning showed headline inflation rose to 3.8%y/y in July, up from 3.6%y/y in June and ahead of consensus expectations of 3.7%y/y, marking the fourth consecutive month where headline inflation has surprised to the upside. Service inflation also climbed, printing at 5.0%y/y (4.8% exp, 4.7% prior) largely driven by volatile air fares and hotel prices. Meanwhile, food price inflation continued to rise, reaching 4.9%y/y, 20bp above the MPC's baseline projection for July. Analysts at HSBC note that the rise in food price inflation could risk second-round effects on wage and price setting behavior as well as impacting household inflation expectations. Immediately following today's data release, money



markets further pared back rate cut expectations, pricing in around 10bp of easing by year-end versus 12bp prior to today's data release. Markets are now only expecting a -25bp rate cut in February or March of next year. Meanwhile, sterling was trading broadly steady against the dollar at 1.3500, while UK gilt yields were around 4–5bp lower across the curve led by the long end where the 30Y gilt was 5bp lower to trade at 5.55%.

Japan

Japan's exports in July sustained their steepest drop in more than four years amid tariff headwinds. Exports fell 2.6% in value terms, y/y, compared to expectations of a 2.1% decline. The downturn was led by sectors most exposed to tariffs, including cars, auto parts and steel, and represented the biggest drop since February 2021. Export volumes, by contrast, rose 1.2%, suggesting exporters are absorbing higher US tariff costs by cutting prices to preserve market share. The yen was little changed on the day while the Topix fell modestly from its record high (-0.6%). Analysts warned about Japanese equities' vulnerability to softening investor sentiment, particularly as sizable gains this year have pushed the TPX 12 month forward P/E ratios to 16.22, above its 5-year average of 15.



Emerging Markets

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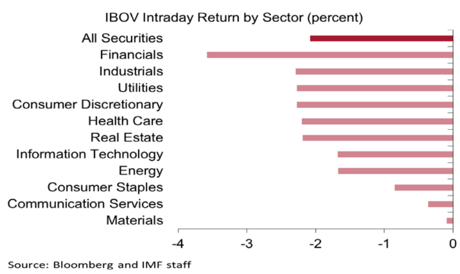
Asian currencies mostly weakened, with the Taiwan dollar (-0.6) and the South Korean won underperforming amid negative sentiments regarding tech stocks and investor uncertainty ahead of the Fed's annual Jackson Hole gathering. Chinese shares, by contrast, continued to gain (CSI 300: +1.04%) with recent gains broadening.

Latin American asset prices mainly fell on Tuesday. Stocks declined in Brazil (-2.2%), Chile (-1.0%), and Peru (-1.9%), while Mexico's equity market rose by 0.4%. Currencies appreciated 1.2% in Brazil, while the Peruvian sol strengthened 0.4% against the US dollar.

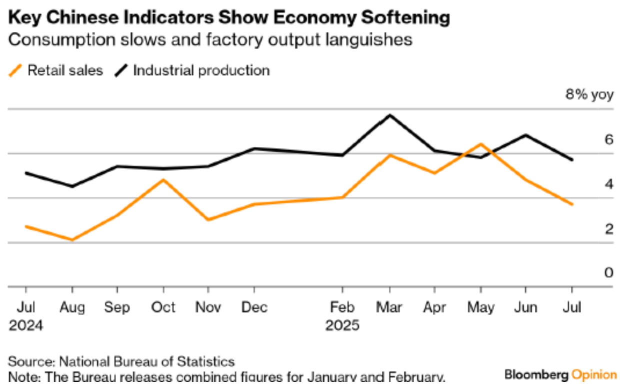
Brazil

Brazilian assets underperformed peers on Tuesday, as investor concerns grew over the impact of U.S. Magnitsky Act sanctions on local financial institutions and the risk of a renewed tariff war with the US. The Brazilian real fell as much as 1.2% against the dollar, making it the worst-performing emerging market currency. The Ibovespa stock index dropped 2.2%, with banks among the biggest losers. Swap rates climbed across the curve, with January 2029 contracts up 11 basis points. Tensions escalated after Justice Flavio Dino ruled that foreign judicial and executive orders must be approved domestically to take effect, prompting a strong U.S. response asserting that no foreign court can override its sanctions or shield violators from consequences.



China

China's fiscal spending expanded amidst efforts to boost the economy. Based on data from the Ministry of Finance, Bloomberg estimated that total expenditure rose 9.3%, y/y, to RMB 21.5 tr (or $3 tn) in the first seven months of the year, the fastest pace of growth since August 2022. As a result, the broad fiscal gap reached RMB 5.6 tn in the January-July period, and the budget shortfall widened by 49% from a year ago. Recent data releases underscored the slowing growth momentum. Production and retail sales were weaker than anticipated, while fixed-asset investment, a proxy for capital spending, languished.

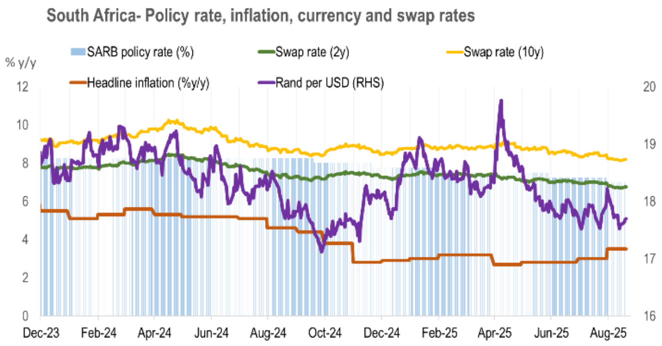


Despite growth challenges, sentiment for equities remained buoyant. By Morgan Stanley's estimate, the onshore equity market has seen roughly RMB 1.5–1.7 tn (or $210 bn to 240 bn) of inflows from institutional and retail investors in 1H25, with the bulk of these (roughly 60%) coming from major institutional investors. Official support has played a key role. PBOC has created a swap facility and relending facility, totaling RMB 135bn (about $19 bn), for equity market investments. Analysts expect ample liquidity to continue to support onshore equities. The CSI 300 index gained 1.1% on the day, reaching its highest level since July 2022. Meanwhile, the Shanghai Composite (+1%) reached its highest level in more than a decade (since June 2015).

South Africa

The rand continued to edge lower (-0.1%) **against the dollar for the third straight day,** trading at ZAR17.70/$, after **data released today showed inflation rising in line with expectations in July in South Africa**. Headline inflation printed at 3.5%y/y from prior 3%y/y, while core inflation inched up to 3%y/y from 2.9%y/y in June, both as expected. Equities were also down (-0.3%) today, while yields on South Africa's government bonds were little changed**.** Analysts at Bloomberg note that today's reading is the first after the central bank announced its preference for inflation to move steadily towards the bottom end of its 3%–6% target range, which may convince the central bank to keep its policy rate on hold at 7% at its

September MPC meeting. Governor Kganyago said earlier in August that he expects inflation to rise in the coming months before returning to around 3% in the medium term.



Source: Bloomberg and IMF calculations

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). Timothy Chu (Financial Sector Expert), 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 Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), 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), Jeremie Benzaken (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

	Level		Change				
8/20/25 7:47 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,411	-0.6	-0.5	1.8	14.5	9
Europe		5,483	0.0	1.8	2.3	12.9	12
Japan		42,889	-1.5	-0.9	7.7	13.0	8
China		4,271	1.1	2.3	4.5	28.6	9
Asia Ex Japan		86	-0.7	0.0	1.5	17.7	19
Emerging Markets		50	-0.8	-0.2	1.5	14.6	19
Interest Rates					basis points		
US 10y Yield		4.3	0	7	-11	50	-26
Germany 10y Yield		2.7	-2	6	4	52	37
Japan 10y Yield		1.6	1	10	7	72	51
UK 10y Yield		4.7	-4	11	2	78	13
Credit Spreads					basis points		
US Investment Grade		118	1	-2	-6	-15	-2
US High Yield		337	2	-1	-2	-33	9
Exchange Rates					%		
USD/Majors		98.3	0.0	0.4	-0.2	-3.1	-9
EUR/USD		1.16	0.0	-0.5	-0.4	4.6	12
USD/JPY		147.5	-0.1	0.1	0.1	1.6	-6
EM/USD		45.7	0.0	-0.7	-0.2	-0.8	7
Commodities					%		
Brent Crude Oil ($/barrel)		66.6	1.2	1.5	-2.6	-9.4	-8
Industrials Metals (index)		139.6	0.0	-1.7	-10.1	-3.7	0
Agriculture (index)		54.5	0.0	0.2	-1.7	2.2	-4
Gold ($/ounce)		3329.1	0.4	-0.8	-2.0	32.4	27
Bitcoin ($/coin)		113181.2	-0.3	-3.6	-4.2	90.8	21
Implied Volatility					%		
VIX Index (%, change in pp)		15.9	0.3	1.4	-0.5	0.0	-1.5
Global FX Volatility		7.5	0.0	-0.3	-0.8	-1.0	-1.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		66	1	2	-3	-42	-19
Italy		81	1	4	-4	-57	-34
France		70	1	4	-1	-3	-13
Spain		58	1	3	-4	-25	-11

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

Emerging Market Financial Indicators

Last updated: 8/20/2025 7:49 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		7.18	0.1	0.0	-0.1	-0.7	1.7		1.8	-1	6	13	-26	15
Indonesia		16272	-0.2	-0.4	0.3	-5.1	-0.9		6.4	2	-2	-13	-31	-65
India		87	-0.1	0.4	-0.9	-3.8	-1.7		6.8	-1	10	0	-20	-55
Philippines		57	0.2	-0.4	0.3	-0.7	1.7		4.7	1	-1	-9	-47	-13
Thailand		33	0.1	-0.8	-1.0	5.0	5.5		1.5	0	-13	-20	-115	-88
Malaysia		4.23	-0.1	-0.5	0.2	3.7	5.8		3.4	0	0	-5	-40	-44
Argentina		1292	0.1	1.9	-1.3	-27.0	-20.2		40.3	172	315	539	-29	1115
Brazil		5.51	-1.3	-2.1	1.1	-1.7	12.1		14.0	23	30	-17	247	-192
Chile		964	0.0	-0.8	-1.0	-4.2	3.4		5.4	0	-4	-6	-16	-28
Colombia		4034	-0.1	-0.4	0.3	-0.1	9.2		11.7	2	12	24	154	-11
Mexico		18.81	0.1	-0.9	-0.7	1.0	10.8		9.1	0	1	-26	-53	-128
Peru		3.5	0.4	0.0	0.9	5.9	6.5		6.3	1	9	-32	-25	-36
Uruguay		40	-0.1	-0.3	0.1	0.4	8.8		7.8	-5	-12	-61	-164	-180
Hungary		339	-0.2	-0.4	0.7	4.3	17.3		6.7	1	2	0	55	25
Poland		3.65	-0.1	-0.5	-0.5	5.3	13.2		4.8	0	0	-10	-28	-75
Romania		4.3	0.0	-0.5	-0.2	2.9	10.6		7.4	0	6	17	93	11
Russia		80.4	0.3	-1.1	-2.8	13.3	41.1							
South Africa		17.7	-0.2	-1.1	-0.5	0.6	6.4		10.0	2	-1	-31	-69	-47
Türkiye		40.92	-0.1	-0.4	-1.3	-17.2	-13.6		31.7	-5	-13	-37	256	199
US (DXY; 5y UST)		98	0.0	0.4	-0.2	-3.1	-9.4		3.82	0	6	-12	14	-56

	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		4,271	1.1	2.3	4.5	28.6	8.6		108	-1	1	-42	12
Indonesia		7,944	1.0	2.0	7.4	5.2	12.2		78	-6	-10	-32	-13
India		81,858	0.3	2.0	-0.4	1.2	4.8		85	-11	-14	-25	-1
Philippines		6,278	0.0	-0.7	-1.2	-9.8	-3.8		66	-7	-9	-28	-13
Thailand		1,248	1.0	-2.3	3.3	-6.7	-10.9						
Malaysia		1,588	-0.1	0.1	4.2	-2.9	-3.3		60	-9	-7	-30	-10
Argentina		2,092,206	-4.8	-9.2	0.8	26.1	-17.4		709	-21	-57	-769	72
Brazil		134,432	-2.1	-2.5	0.8	-1.2	11.8		195	0	-10	-29	-52
Chile		8,737	-1.0	1.7	6.7	34.6	30.2		98	-6	-7	-25	-15
Colombia		1,854	-0.2	1.6	6.9	37.8	34.4		283	-5	-29	-32	-43
Mexico		58,463	0.2	-0.4	3.9	8.3	18.1		234	-8	-38	-79	-78
Peru		33,814	-1.8	-1.2	2.5	18.4	16.8		100	-6	-13	-44	-41
Hungary		106,543	0.0	2.4	5.1	45.7	34.3		132	-5	-19	-28	-23
Poland		110,465	-0.7	-0.2	1.9	32.0	38.8		91	-4	-6	-20	-21
Romania		20,747	0.6	-0.4	4.9	13.3	24.1		201	-3	-11	1	-34
South Africa		101,010	-0.2	-1.2	2.4	20.6	20.1		280	-11	-17	-21	-13
Türkiye		11,084	1.1	1.2	6.9	11.0	12.7		264	-6	-33	-34	5
EM total		50	-0.5	-0.2	1.5	14.6	19.1		335	-6	-28	-73	-30

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

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