GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, AUGUST 21, 2025
LEAD EDITOR: TIMOTHY CHU

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Markets take a breather ahead of the Jackson Hole symposium.

US equity futures pointed to a decline this morning as caution builds ahead of the Fed's Jackson Hole symposium and after investors paused to assess the rapid growth in AI tech stocks. Global bourses were mixed ahead of the central bank gathering, with equity indices mostly higher in Asia and lower in Europe. In the US, S&P500 futures were lower by 0.3%, while Nasdaq futures were lower by 0.18%; this follows two consecutive days of a selloff in tech that offset gains in other sectors, which may have been exacerbated by an MIT study that claimed firms adopting AI saw no measurable profit increases. Elsewhere, concerns around the Fed's independence resurfaced yesterday as President Trump called on Fed Governor Cook to resign amid alleged mortgage impropriety. Market reaction was largely muted in response, with initial moves towards a steeper yield curve and weaker broad dollar mostly retracing by the end of yesterday's session, though gold ended the day higher by around 0.5%. Hawkish July FOMC meeting minutes did little to change the trajectory of Fed implied rate cuts and were seen as stale. However, investors will tune in for any additional details on the path of policy during the Jackson Hole symposium, which takes place amid growing tensions between the Fed's labor and inflation mandates.

Key Global Financial Indicators

Last updated: 8/21/25 8:42 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6396	-0.2	-1	1	14	9
Eurostoxx 50		5447	-0.5	0	2	12	11
Nikkei 225		42610	-0.6	0	7	12	7
MSCI EM		50	-0.1	-1	1	14	19
Yields and Spreads					bps		
US 10y Yield		4.30	0.6	1	-8	50	-27
Germany 10y Yield		2.75	3.3	4	14	56	38
EMBIG Sovereign Spread		291	5	-1	-18	-106	-34
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.7	-0.1	0	-1	-1	7
Dollar index, (+) = $ appreciation		98.3	0.1	0	0	-3	-9
Brent Crude Oil ($/barrel)		67.1	0.4	0	-3	-12	-10
VIX Index (%, change in pp)		16.4	0.7	2	0	0	-1

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

Mature Markets

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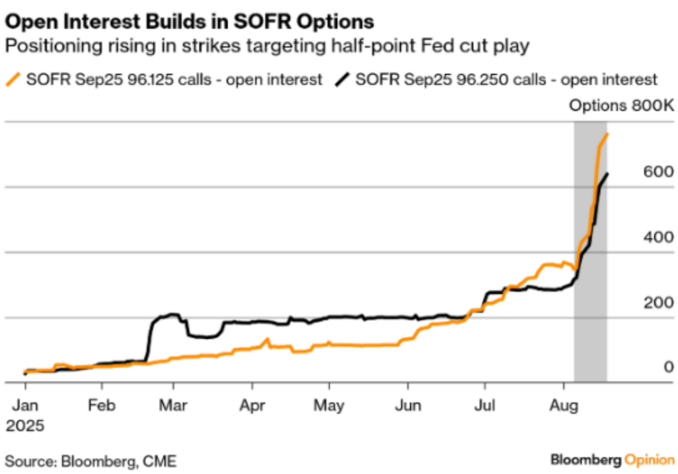
United States

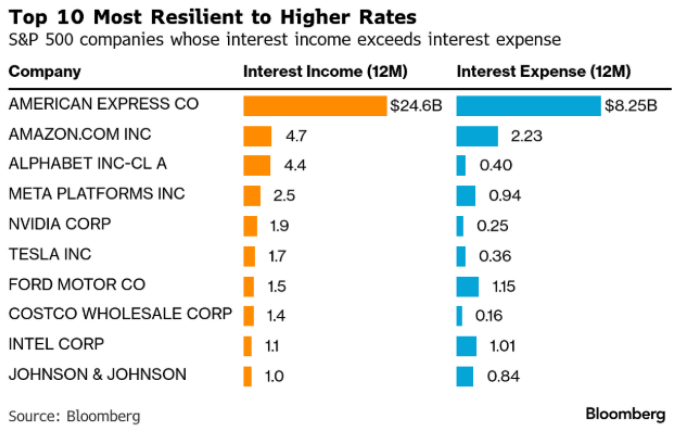
Initial jobless claims of 235k came in slightly above estimates of 225k, while continuing claims came in at 1972k compared to 1960k estimated. Markets were little changed in reaction to the data.

The US tech sector continued to drop on Wednesday. An index tracking the Magnificent 7 fell by around 1.1%, while the tech-heavy Nasdaq-100 index underperformed the S&P 500 by 0.4% pts. Some analysts attributed the tech sector's underperformance to AI "fatigue", catalyzed by an AI study from MIT. The report argued that 95% of firms have received zero returns on their investments in generative AI, and follows remarks made by OpenAI CEO Sam Altman, who suggested that an AI bubble may be forming. However, some analysts note that many of the study's observations were unoriginal, that AI integration will take time, and that the industry may require a bigger negative impetus for investors to fundamentally question the technology's massive investments. Nonetheless, despite the two-day drag by tech stocks, overall risk sentiment in markets remains buoyant with an evident broadening of the market gains, with the equal-weighted S&P 500 higher by 0.4%, despite the market cap-weighted S&P 500 falling by 0.2%, and other risks like Bitcoin higher by 0.4%.

Option traders are increasingly betting on a 50bps rate cut in September. Bloomberg notes that open interest in secured overnight financing rate (SOFR) options that would deliver traders profit if the Fed cuts more than 25 basis points has increased meaningfully over the last two weeks. Positioning for these bets had begun building following the significantly weaker-than-expected payrolls number for July, and the large downward revisions within. While the minutes for the July FOMC released yesterday were perceived as hawkish, with most committee members citing upside inflation risks, traders largely shrugged it off as outdated, given that the meeting occurred before the weak jobs numbers were published. Some analysts note that the committee's views have likely become more balanced and may become more so given the potentially changing makeup of the committee's members. Nonetheless, the Treasury yield curve flattened modestly following the release of the minutes, after having bull-steepened earlier in the day following reports about Governor Cook.



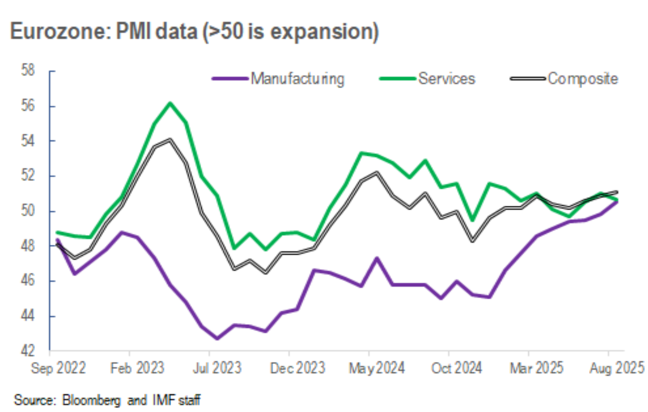
Several large US firms generate more interest income than they incur in interest expenses. According to Bloomberg, there are more than 50 companies in the S&P 500 that earned more from their interest income than paid interest expenses over the trailing 12-month period. Half of the top ten list consists of the Magnificent Seven companies. For these firms, a higher interest environment has been favorable to their cash flows, at least for now, suggesting that they may be able to weather a sustained inflationary environment better than smaller companies.



Europe

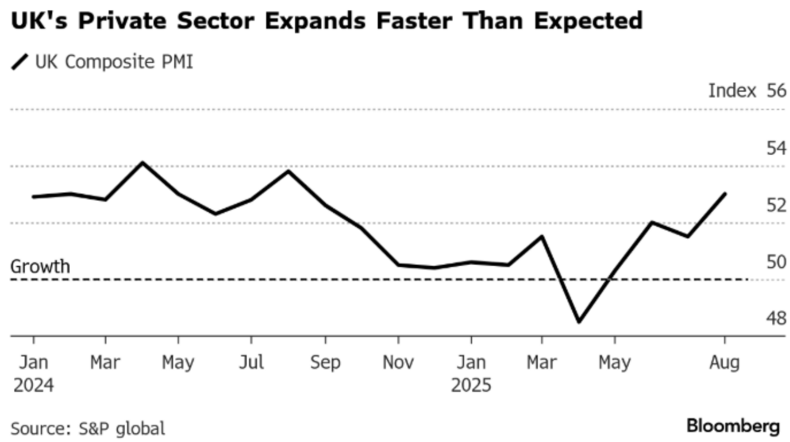
European equities were trading lower ahead of the Jackson Hole meetings. The Stoxx 600 index was trading lower (-0.3%) led by declines in the communication services (-1.0%) and materials (-0.8%) sectors, with regional bourses also trading in the red.

Bund yields rise as August flash PMI data surprises to the upside. The August flash manufacturing PMI data for the euro area printed at 50.5 versus expectations of 49.5, with the flash composite PMI also surprising to the upside, climbing to 51.1 (50.6 exp), a 15-month high. Similar data for Germany also surprised on the upside with the August flash manufacturing PMI rising to 49.9 (48.8 exp, 49.1 prior) and the flash composite PMI index printing at 50.9 (50.2 exp, 50.6 prior). Traders saw the data outturns as pointing to resilience in the euro area's largest economy, pushing German bund yields higher, led by the front end where the 2Y yield rose 3 bps to 1.96%. Meanwhile, August PMI readings for France also surprised to the upside, sending French OAT yields higher by 1–3bps across the curve. Elsewhere, intra-EMU spreads were slightly wider (10Y BTP-Bund spread at 82bp; 10Y OAT-Bund spread at 71bp), while the euro was relatively unchanged against the dollar to trade at 1.1649. Analysts at HSBC note that today's data are unlikely to cause the ECB to cut rates and they continue to expect policymakers to keep rates on hold in September and through the rest of this year. Money markets are pricing in around 10 bps of easing from the ECB by year-end, down from 13 bps priced last week.



United Kingdom

Pound sterling advances against the dollar as flash August composite PMI surprises to the upside. Data this morning showed the flash August UK composite climbed 1.5 pts to 53.0 (51.6 exp, 51.5 prior). In contrast to the euro area, the key driver behind the increase was the services sector as opposed to the manufacturing sector, which moved further into contraction. Following the release, pound sterling advanced (+0.2%) against the dollar to trade at 1.3481, while gilt yields were 3–4 bps higher across the curve led by the front-end, where the 2Y gilt yield rose 4bp to 3.96%. Analysts at JPMorgan note that should growth materialize in line with today's PMI data, the BoE may gain confidence in its forecast for a 2H25 upturn, further lowering the likelihood of additional easing this year. Money markets continue to price in around 11 bps of easing through the end of this year.



Japan

The Nikkei fell by 0.7% overnight, despite the overall risk sentiment having been higher in Asia. Longer-end JGB yields, meanwhile, have continued to inch higher ahead of the July inflation print tomorrow. The 10-year reached its highest level since 2008, rising to 1.604% over lingering fiscal expansion concerns, while the 30-year yield rose by 0.7bps to reach 3.18%, another new all-time high since the tenor's introduction in 1999. The yen meanwhile traded in a narrow range.

Emerging Markets

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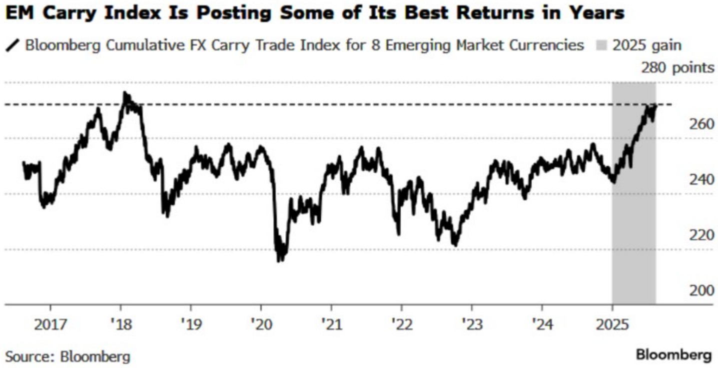
Asian currencies were mixed and generally little changed ahead of Jackson Hole, with the Taiwan dollar underperforming (-0.6%) and falling to its weakest level since May amid reports of significant Taiwanese equity outflows by international investors ($2.38 bn), the most in over 11 months. **In CEE, equities were mostly higher**, with Poland (+0.5%) notably outperforming and most currencies weaker against the euro, led by the Hungarian forint (-0.3%). Meanwhile, **Turkish stocks headed for a record close**, having gained by 24% since May, with the Borsa Istanbul 100 index advancing 1.3% in early morning trading, as investors grow more confident about the disinflation process. **Latin American assets were mixed,** with equities falling in Mexico (-0.4%), Chile (-0.6%), and Peru (-0.6%), and currencies appreciating in Brazil (+0.4%) and Colombia (+0.3%).

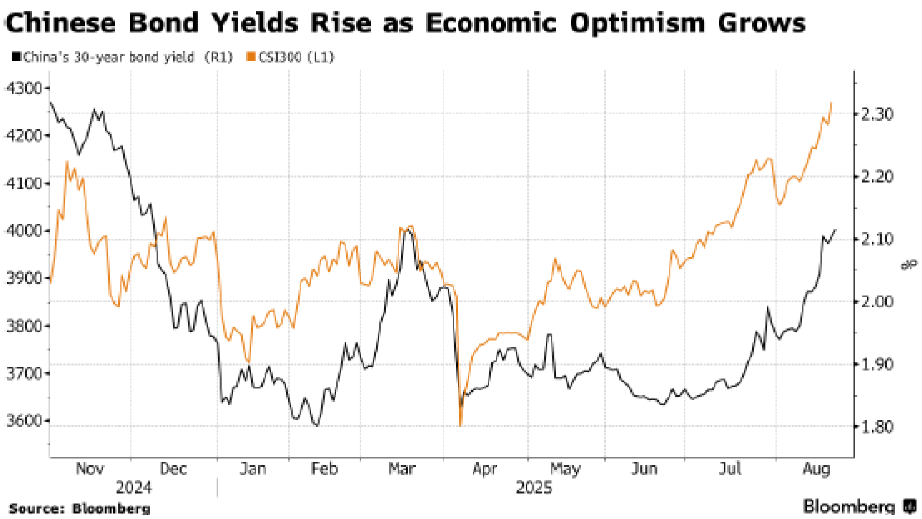
Emerging Markets FX

Emerging-market currencies have delivered strong returns against the dollar in 2025, driven by a dovish Federal Reserve and cautious stances from emerging-market central banks. The Bloomberg carry-trade index tracking returns from eight emerging markets has climbed over 10%, set for its best year since 2017, with carry return on the Brazilian real notably leading gains at over 20%. Citi analysts believe the trade has room to run in the short term, especially as markets anticipate an even more dovish Fed in 2026. They warn however that looser U.S. financial conditions and fiscal policy could shift the economic outlook by late 2026, potentially strengthening the dollar and making it harder for emerging-market assets to maintain their performance.



China

Optimism over policy support, trade negotiations, and equity gains lift CGB bond yields. Expectations of a favorable outcome from trade negotiations with the US and the authorities' efforts to support the economy – including its anti-involution campaign to combat deflationary pressures – have bolstered gains in the equity market and prompted investors to shift out of bonds. China Securities Journal also reported plans from insurance companies to add to their equity exposures, especially dividend stocks. The CSI 300 Index extended its gains (+0.4%) to reach its highest level since last October, while the 30year CGB yield has risen by 24 bps since January to 2.12%, its highest level for the year. Analysts noted that the reintroduction of a tax on bond interest and expectations that the People's Bank of China (PBOC) would refrain from aggressive policy easing are also weighing on investor appetite for bonds. That said, few analysts expect a sharp bond market selloff, given recent PBOC liquidity injections to support the market.



Indonesia

Bank Indonesia unexpectedly eased policy to support growth. Citing low core inflation and the need to support growth, Bank Indonesia (BI) lowered its policy rate by 25 bp yesterday, its second consecutive rate cut this year, to 5.0%. BI also emphasized weak policy transmission to lending rates and pledged to continue to enhance its pro-market instruments, including for example, government bond purchases and FX market interventions to boost market liquidity. Analysts note that the direction of the Indonesian rupiah could affect the pace of future BI rate cuts, given BI's focus on external stability. A weakened IDR could deter policy easing, despite domestic growth considerations. Government bond yields fell following the rate cut; the yield on the 5-year note, at 5.81%, is at its lowest level in two years. Meanwhile, the rupiah was little changed on the day, closing at 16,285 per dollar.

Source: Bank Indonesia, Bloomberg

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), Timothy Chu (Financial Sector Expert-New York Representative), 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), Jeremie Benzaken (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

8/21/25 8:41 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,386	-0.2	-1.3	1.3	13.6	9
Europe		5,447	-0.5	0.2	2.0	11.5	11
Japan		42,610	-0.6	-0.1	7.1	11.5	7
China		4,288	0.4	2.7	4.1	29.4	9
Asia Ex Japan		86	-0.3	-1.7	0.6	16.8	19
Emerging Markets		50	-0.1	-1.5	0.7	13.9	19
Interest Rates					basis points		
US 10y Yield		4.3	1	1	-8	50	-27
Germany 10y Yield		2.8	3	4	14	56	38
Japan 10y Yield		1.6	0	6	7	73	51
UK 10y Yield		4.7	3	6	10	81	14
Credit Spreads					basis points		
US Investment Grade		119	1	1	-3	-15	-1
US High Yield		341	1	4	5	-33	13
Exchange Rates					%		
USD/Majors		98.3	0.1	0.0	0.5	-2.7	-9
EUR/USD		1.17	0.0	0.1	-0.3	4.5	13
USD/JPY		147.7	0.2	-0.1	0.2	1.7	-6
EM/USD		45.7	-0.1	-0.3	-0.5	-0.7	7
Commodities					%		
Brent Crude Oil ($/barrel)		67.1	0.4	0.4	-1.8	-7.7	-7
Industrials Metals (index)		139.7	-0.3	-1.4	-10.8	-3.9	0
Agriculture (index)		55.0	0.4	1.9	0.3	3.0	-4
Gold ($/ounce)		3343.0	-0.2	0.2	-1.6	33.0	27
Bitcoin ($/coin)		113205.5	-1.0	-3.8	-3.2	84.8	21
Implied Volatility					%		
VIX Index (%, change in pp)		16.4	0.7	1.6	-0.3	0.1	-1.0
Global FX Volatility		7.7	0.0	-0.1	-0.5	-0.9	-1.5
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		67	1	3	-1	-41	-19
Italy		82	1	4	-2	-55	-34
France		70	1	4	2	-1	-12
Spain		58	0	3	-2	-23	-11

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

Emerging Market Financial Indicators

Last updated: 8/21/2025 8:40 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	0.0	0.1	-0.1	-0.6	1.7		1.9	1	7	14	-25	16
Indonesia		16285	-0.1	-1.1	0.2	-4.9	-1.1		6.3	-2	-2	-16	-31	-68
India		87	-0.2	0.3	-1.1	-3.8	-1.9		6.8	3	13	3	-15	-52
Philippines		57	0.3	-0.4	0.3	-0.7	1.5		4.7	-1	-2	-10	-41	-14
Thailand		33	-0.2	-0.8	-0.8	5.3	4.5		1.4	0	-9	-20	-116	-89
Malaysia		4.22	0.1	-0.3	0.2	3.7	5.9		3.4	-2	-1	-7	-41	-46
Argentina		1301	-0.7	1.0	-2.0	-27.4	-20.7		42.2	186	456	725	263	1301
Brazil		5.49	-0.1	-1.3	1.4	0.0	12.5		13.9	-8	21	-25	235	-200
Chile		966	0.1	0.0	-1.2	-5.2	3.0		5.4	-1	0	-6	-13	-29
Colombia		4020	0.3	0.2	0.6	-0.2	9.6		11.7	-5	2	19	155	-16
Mexico		18.75	0.1	0.3	-0.4	2.8	11.1		9.1	1	6	-25	-58	-127
Peru		3.5	0.2	0.6	1.1	6.4	6.2		6.3	0	13	-29	-26	-34
Uruguay		40	0.3	-0.1	0.3	0.6	9.8		7.8	-2	-15	-63	-164	-183
Hungary		340	-0.3	0.0	0.5	3.7	17.0		6.7	0	2	0	55	25
Poland		3.65	-0.1	0.3	-0.6	5.2	13.2		4.8	-1	4	-11	-24	-75
Romania		4.3	0.0	0.2	0.0	2.9	10.7		7.4	0	8	17	91	10
Russia		80.6	-0.1	-1.0	-2.9	13.6	40.9							
South Africa		17.7	-0.1	-0.5	-0.3	0.9	6.6		10.0	-5	-1	-36	-76	-52
Türkiye		40.94	0.0	-0.3	-1.3	-17.2	-13.6		31.7	4	-15	-34	264	202
US (DXY; 5y UST)		98	0.1	0.0	0.4	-2.7	-9.4		3.81	0	0	-10	16	-57

	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		4,288	0.4	2.7	4.1	29.4	9.0		109	0	2	-41	13
Indonesia		7,891	-0.7	0.0	7.4	5.4	11.5		80	-6	-8	-32	-11
India		82,001	0.2	1.8	-0.2	1.2	4.9		87	-10	-12	-23	1
Philippines		6,278	0.0	-0.7	-1.2	-9.8	-3.8		68	-7	-7	-31	-11
Thailand		1,245	-0.3	-1.7	4.5	-7.2	-11.1						
Malaysia		1,593	0.3	0.7	4.8	-3.0	-3.0		62	-3	-5	-28	-8
Argentina		2,081,951	-0.5	-9.9	1.9	28.4	-17.8		756	36	-10	-739	119
Brazil		134,666	0.2	-1.5	0.4	-1.3	12.0		203	10	-2	-25	-44
Chile		8,684	-0.6	-0.6	6.9	33.7	29.4		101	-1	-4	-24	-12
Colombia		1,855	0.1	1.6	6.5	37.7	34.5		286	0	-26	-29	-40
Mexico		58,221	-0.4	-0.4	4.3	8.1	17.6		240	1	-32	-76	-72
Peru		33,622	-0.6	-2.1	1.1	18.0	16.1		102	-4	-11	-43	-39
Hungary		106,209	-0.3	1.4	4.8	45.2	33.9		134	-4	-17	-29	-21
Poland		111,100	0.3	0.3	2.9	31.9	39.6		94	-3	-3	-19	-18
Romania		20,821	0.1	-1.7	5.7	13.2	24.5		205	-2	-7	2	-30
South Africa		101,589	0.5	-0.4	1.9	20.9	20.8		286	1	-11	-16	-7
Türkiye		11,261	1.1	4.0	6.1	13.7	14.6		270	0	-27	-30	11
EM total		50	-0.1	-1.5	0.7	13.9	19.0		341	1	-22	-68	-24

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

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