



- Stronger PMI and hawkish Fed speak pare back rate cut optimism ([link](#))
- Analysts warn that defaults in private credit have been building ([link](#))
- Q2 euro area negotiated wage growth climbs, cementing ECB rate hold bets ([link](#))
- August UK consumer confidence surprises to the upside ([link](#))
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## Markets advance cautiously as the Jackson Hole symposium begins

Markets broadly climbed overnight, though in a cautious tone, ahead of the highly anticipated Jackson Hole symposium, where investors hope that central bankers, especially Chair Powell at 10am EST, will provide clarity on the path of policy. This comes after several days of moderate equity declines, driven by reassessments of the AI theme and better-than-expected data, including PMI prints from the US yesterday and in Europe. The data, along with hawkish central bank speak, particularly from regional Fed officials, caused a further paring back of rate cut expectations in major economies, leading to moderate flattening in sovereign yield curves. In the US, S&P500 futures advanced by 0.2% in early morning trading, though sensitivity around the AI narrative continued with reports that Nvidia might halt production of its exportable H20 AI chip. In Europe, equity markets reversed early session losses, with the Stoxx 600 closing in near an all-time high. This followed news that a joint EU-US statement had formalized the July trade deal and confirmed that tariffs on certain sectors would not exceed 15%. In Asia, regional bourses were broadly trading higher, with the Hang Sang Tech index benefiting from the Nvidia reports.

Key Global Financial Indicators

Last updated: 8/22/25 7:40 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6370	-0.4	-2	1	14	8
Eurostoxx 50		5478	0.3	1	4	12	12
Nikkei 225		42633	0.1	-2	7	12	7
MSCI EM		50	-0.2	0	0	15	19
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.33	0.0	1	-2	48	-24
Germany 10y Yield		2.75	-0.8	-4	16	51	38
EMBIG Sovereign Spread		291	0	2	-16	-106	-34
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.7	0.0	0	-1	0	7
Dollar index, (+) = \$ appreciation		98.7	0.1	1	1	-3	-9
Brent Crude Oil (\$/barrel)		67.9	0.3	3	-1	-12	-9
VIX Index (% change in pp)		16.5	-0.1	1	0	-1	-1

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

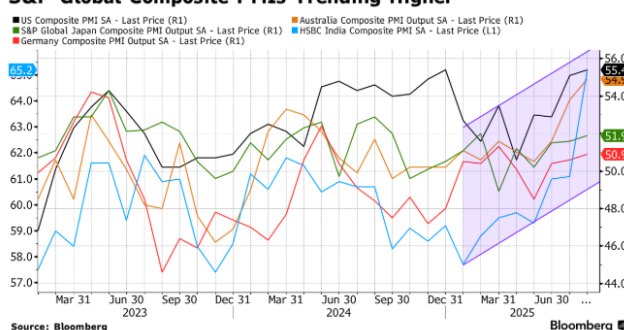
## Mature Markets

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### United States

**On the macroeconomic data front, August US manufacturing PMI was stronger than expected, nudging traders to reconsider their bets on rate cuts.** Higher-than-expected initial jobless claims earlier in the morning led to a modest fall in Treasury yields before more than retracing later in the day on the back of the prints, which saw faster-than-forecasted expanding manufacturing (53.3; exp 49.7) and composite (55.4; exp 53.5) PMIs. This follows a broader global trend of composite PMIs moving higher, as seen in other jurisdictions like Australia, Japan, India, and Germany. Treasury yields remained moderately higher after remarks by Fed officials in the afternoon, including Cleveland Fed President Hammack, who said that she would not support easing if officials had to decide rate policy on Friday, citing recent inflation figures. On net, policy-sensitive 2-year Treasury yields increased by 4 bps, and the OIS market now sees a 72% chance of a rate cut in September, 10 ppts lower than the prior day.

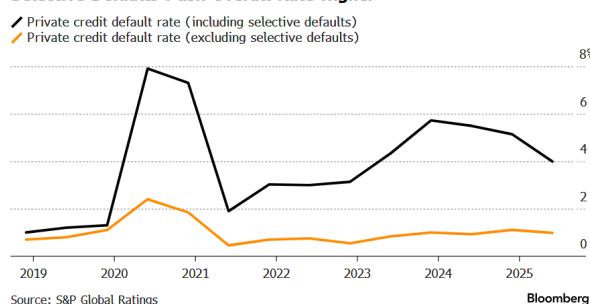
**S&P Global Composite PMIs Trending Higher**



**Equities were lower on Thursday**, with the S&P500 falling by 0.4%, as optimism for Fed rate cuts waned on yesterday's PMI print. Declines were broader than the tech-led selloff of the two prior days, this time led by losses in consumer staples, particularly retail giant Walmart (-4.5%), which reported lower profits than expected for the first time in three years due to higher insurance claims and restructuring costs. Elsewhere, the Mag7 (-0.5%) continued its string of consecutive declines amid reports of an AI hiring freeze by Meta, while defensive sectors, like energy utilities, rose by 0.7%. While at still relatively low levels, the VIX inched upwards to 16.7, while Bitcoin lost 1.9% on the day.

**Analysts warn that defaults have been building in the private credit market.** Default rates for the private credit market currently range from 2% to 3%, depending on the definition. If non-accrual loans, on which the borrower has failed to make payments, are added to the mix, that rate increases to 5.4%, according to JP Morgan. S&P analysts also said that if actions, including maturity extensions and conversions of interest payments from cash to PIK, are added to the calculation, the default rate is much higher.

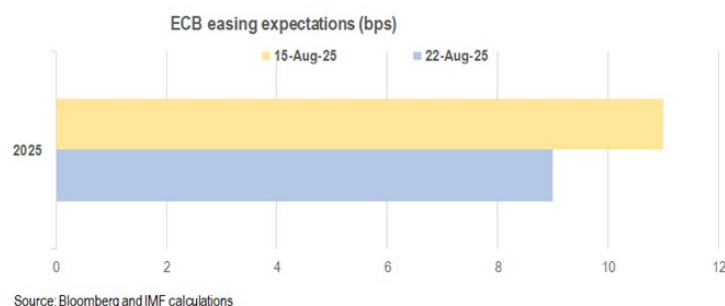
**Selective Defaults Push Overall Rate Higher**



## Europe

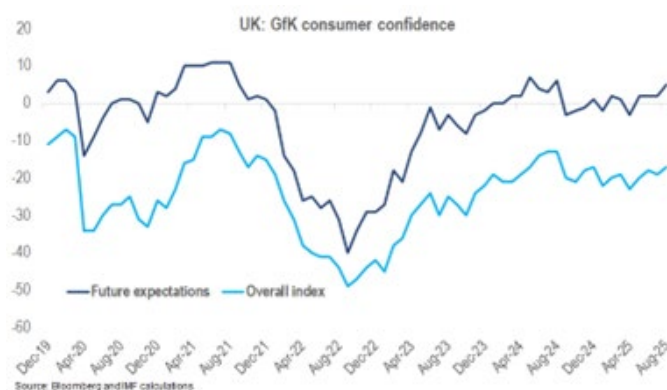
**European equities were trading higher ahead of Chair Powell's remarks at Jackson Hole.** The Stoxx 600 index rose by 0.2% and edged closer to an all-time high. Regional bourses were also trading in slightly positive territory. On the data front, the final Q2 GDP print for Germany was revised downwards to -0.3% q/q (from -0.1% earlier flash estimate), while France's INSEE business climate index was unchanged for a third consecutive month in August, printing at 96, slightly below expectations of an uptick to 97.

**Q2 euro area negotiated wage growth climbs cementing expectations of a hold in rates.** Data released this morning showed euro-area negotiated wages for Q2 rose by 4% y/y, after rising by 2.5% in Q1. Similar data for Germany showed wage growth rose by 5.7%y/y in Q2, after increasing by 0.9% in Q1, though the Bundesbank caveated that recent collective-bargaining agreements indicated a moderation in wage increases, with new contracts by year-end expected to be lower than last year. German bund yields were slightly higher, led by the front end, where the 2Y yield rose 1 bp to 1.98%. Money markets are pricing in just around 9 bps of easing from the ECB by year-end, down from the 11 bps priced last week. Elsewhere, intra-EMU spreads remain slightly wider (10Y BTP-Bund spread at 82bp; 10Y OAT-Bund spread at 70bp), having widened by around 2 bps over the course of the week. Meanwhile, the euro was fractionally weaker against a broadly stronger dollar to trade at 1.1600.



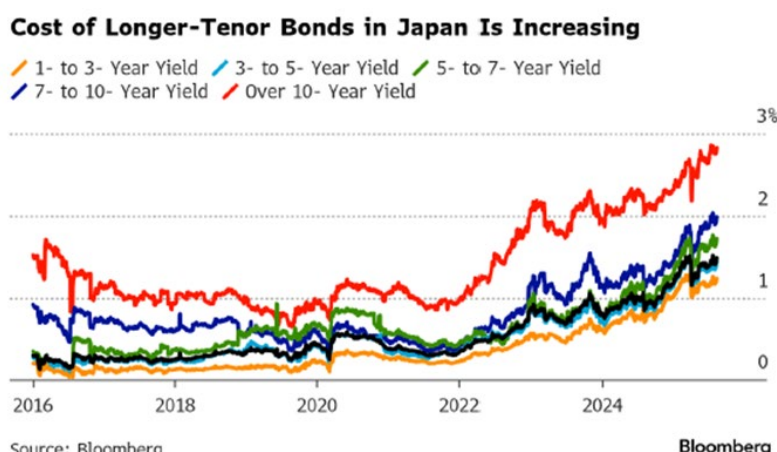
## United Kingdom

**August UK consumer confidence data surprises on the upside.** Data this morning showed consumer confidence climbed in August to -17 (-19 exp, -19 prior). Analysts at Deutsche Bank note that the largest increases were from more positive perceptions of personal finances over the next 12 months. Today's better-than-expected data follows positive GDP data and yesterday's PMI report which the analysts believe will likely reinforce the MPCs recent hawkish sentiment. Money markets further pared back BoE rate cut expectations, pricing in around 9 bps of easing by the end of the year, down from around 15 bps priced last Friday. UK gilt yields were higher across the curve, where the 2Y gilt yield was around 2 bps higher at 3.99%, while the 10Y gilt yield was trading 2 bps higher at 4.75%. Pound sterling reversed earlier losses against a broadly stronger dollar to trade relatively steady at 1.3416.



## Japan

**Japanese corporate borrowers resort to short-term debt issuance amid rising yields.** While corporate bond sales for the year are slated to surpass the record set last year, the bulk of new issuance is in short-dated debt. Based on data compiled by Bloomberg, about 75% of new bonds are in maturities of less than five years; the remainder is mostly in the 5-year sector, with a small portion in intermediate-dated tenors of up to 10 years. Longer-term bonds with maturities greater than 20 years have all but disappeared, with the only corporate issuer of 30- and 40-year paper for the year being the University of Tokyo. Analysts note that investors are becoming cautious about duration exposures given expectations of another rate hike by the Bank of Japan (BOJ) this year and that borrowers are finding it difficult to place long-dated bonds. For example, the 40-year borrowing cost rose to a record high of 3.675% in May before retracing to 3.44% currently.



Separately, Japan's core CPI in July (excl. fresh food,) rose 3.1%, y/y, slowing from the 3.3% increase in the previous month, but staying above the BOJ's 2% target. Meanwhile, core-core CPI (excl. fresh food and energy) remained unchanged at 3.4%, y/y. These latest inflation data, even amid moderating growth, supported market speculation that the BOJ would likely raise rates again before year end.

## Emerging Markets [back to top](#)

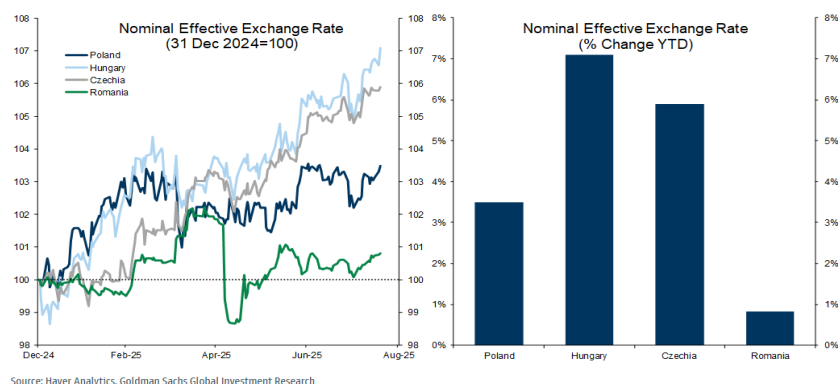
**EMEA equities and currencies traded mostly rangebound ahead of the central bank gathering in Wyoming.** Equity markets in CEE were mixed, with Poland (-3.0%) sharply lower, driven by losses on the banking sector on reports of a planned sectoral corporate tax. Turkish stocks traded rangebound after previously closing at an all-time high. Elsewhere, the South African rand was firmer (+0.4%) against the dollar. **Asian currencies were mostly little changed.** The Taiwan dollar continued to underperform (-0.3%) and has retraced almost half of its gains from its trough-to-peak rally against the USD this year, depreciating by 3.7% since late July; foreign outflows from its equity market, much of which has taken place in recent weeks, have continued apace amid investor concerns over the outlook for tech. **Latin American assets were mixed.** Stock indices gained in Mexico (+0.8%), Chile (+0.7%), and Peru (+1.3%), while Colombia's equity market increased by 0.3%. Currencies depreciated in Chile (-0.4%), Colombia (-0.3%), and Peru (-0.4%) against the US dollar.

### Central and Eastern Europe

**FX appreciation expected to weigh on CEE inflation into year-end.** Analysts at Goldman Sachs note that while headline inflation dynamics in Central and Eastern Europe (CEE) have been mixed in recent months, measures of underlying inflation have continued to slow, with Romania being an exception. The analysts note that external factors play a more significant role than domestic factors in inflation dynamics in the region, reflecting the relative openness of CEE economies. According to the analysts, YTD FX

appreciation has seen the Hungarian forint and the Czech koruna strengthen by 7% and 6% respectively on a trade-weighted basis, which they equate to monetary tightening of around 100–150 bps. Given the high pass-through rate for FX in CEE, which the analysts estimate at 15%–20%, they expect the firmer exchange rates, alongside weaker external inflationary pressures, will further drive inflation lower in the remainder of this year and into next. Consistent with their expectations of moderating inflation in the region, Goldman also expects further rate cuts and forecast a terminal rate of 3.5% in Poland (down from 5.0% currently); 4.0% in Hungary (down from 6.5%) and 2.75% in Czechia (down from 3.5% currently). This morning, CEE currencies were trading marginally weaker against the euro.

CEE-4 Nominal Effective Exchange Rates

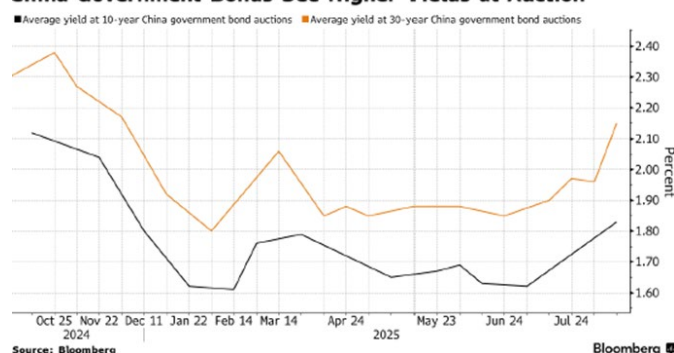


## China

### Demand for 30-year bonds at auction weakened to the lowest since October amid lackluster interest.

The bid-to-cover ratio for the sale of Ministry of Finance's (MOF) sale of RMB 83 bn (or \$11.6 bn) in 30-year special paper was also the lowest since October while demand for the 10-year note was at its weakest since March. The 30-year bond sold at an average yield of 2.15% and the 10-year bond sold at 1.83%, the highest average yields since December and November, respectively. Other gauges of bond demand have been mixed. According to Bloomberg, exchange-traded funds tracking 30-year government paper were among those attracting the biggest inflows during the week through Wednesday. Meanwhile, ETFs investing in notes of 7- to 10-year maturities issued by policy banks have seen outflows as equities climbed and outperformed regional peers, with the CSI 300 extending its recent gains by 2.1%. Both the onshore and offshore RMB, by contrast, were unchanged on the day.

### China Government Bonds See Higher Yields at Auction

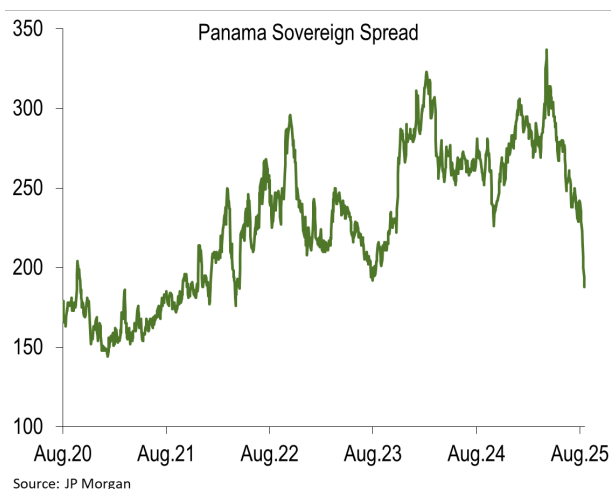


## Panama

**Panama's sovereign bond spread drops to its lowest level since early 2022.** The spreads over U.S. Treasuries narrowed 40 bps in August to 191 bps, below the average for similarly rated BB peers. The improved second-quarter fiscal data and narrowed deficits boosted investor confidence and reduced the



risk of their rating being downgraded to junk status. Government spending cuts and stronger revenue have helped lower the fiscal deficit to 2.2% of GDP in the first half of 2025, down from 3.5% a year ago. The country's sovereign bonds have delivered a 4.3% return this month, ranking among the best performers in emerging markets and well above the 1.5% average of their peers.



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## Global Financial Indicators

8/22/25 7:40 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,370	-0.4	-1.5	1.0	14.4	8
Europe		5,478	0.3	0.5	3.5	12.1	12
Japan		42,633	0.1	-1.7	7.2	11.6	7
China		4,378	2.1	4.2	6.1	31.6	11
Asia Ex Japan		86	-0.1	-0.3	0.5	18.1	19
Emerging Markets		50	-0.2	-0.5	0.4	15.1	19
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	0	1	-2	48	-24
Germany 10y Yield		2.7	-1	-4	16	51	38
Japan 10y Yield		1.6	2	5	11	75	52
UK 10y Yield		4.7	2	5	18	79	18
<b>Credit Spreads</b>			basis points				
US Investment Grade		119	1	1	-3	-15	-1
US High Yield		339	-1	2	3	-35	11
<b>Exchange Rates</b>			%				
USD/Majors		98.7	0.1	0.9	1.4	-2.7	-9
EUR/USD		1.16	0.0	-0.9	-1.3	4.4	12
USD/JPY		148.7	0.2	1.0	1.4	1.6	-5
EM/USD		45.7	0.0	-0.5	-0.8	-0.3	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		67.9	0.3	3.1	0.2	-7.5	-6
Industrials Metals (index)		140.2	0.2	-0.9	-11.2	-2.9	0
Agriculture (index)		55.6	0.1	1.7	1.4	5.8	-2
Gold (\$/ounce)		3330.3	-0.3	-0.2	-2.9	34.0	27
Bitcoin (\$/coin)		112167.8	-0.2	-4.7	-6.3	84.8	20
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		16.5	-0.1	1.5	0.0	-1.0	-0.8
Global FX Volatility		7.6	0.0	-0.1	-0.6	-0.8	-1.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		67	0	2	-1	-40	-18
Italy		82	-1	2	-3	-55	-34
France		70	0	2	3	-1	-13
Spain		59	0	2	-3	-22	-11

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

Data source: Bloomberg.

## Emerging Market Financial Indicators

Last updated: 8/22/2025 7:41 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)				YTD	Level		Change (in basis points)					
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		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	-0.4	1.7		1.8	-2	4	11	-26	15	
Indonesia		16345	-0.4	-1.1	-0.2	-4.6	-1.5		6.3	-5	-3	-18	-33	-73	
India		88	-0.3	0.0	-1.3	-4.1	-2.2		6.9	3	16	6	-11	-49	
Philippines		57	0.0	0.2	0.2	-1.1	1.6		4.8	2	3	-6	-43	-11	
Thailand		33	-0.1	-0.7	-1.0	5.2	4.4		1.5	1	-3	-19	-116	-88	
Malaysia		4.23	-0.1	-0.3	0.1	3.6	5.8		3.4	-1	1	-5	-40	-44	
Argentina		1314	-1.0	-1.2	-3.0	-28.2	-21.5		41.1	-106	358	449	-1	1195	
Brazil		5.48	0.1	-1.1	1.7	0.2	12.8		14.1	12	32	-7	244	-188	
Chile		971	-0.4	-0.5	-1.7	-5.7	2.5		5.4	1	1	-5	-8	-27	
Colombia		4031	-0.3	0.5	0.4	0.0	9.3		11.7	2	3	26	153	-14	
Mexico		18.73	0.1	0.1	-0.5	4.2	11.2		9.1	2	6	-20	-57	-125	
Peru		3.5	-0.5	0.9	0.6	6.0	5.7		6.3	1	14	-26	-28	-33	
Uruguay		40	0.0	0.1	0.3	0.7	9.8		7.8	1	-15	-62	-162	-181	
Hungary		341	0.0	-1.1	-0.6	3.8	16.4		6.7	3	4	5	62	28	
Poland		3.67	-0.2	-0.9	-1.5	4.9	12.4		4.8	2	5	-7	-19	-74	
Romania		4.4	0.0	-0.7	-1.0	2.8	10.3		7.4	0	0	17	92	10	
Russia		80.9	-0.4	-0.9	-2.8	13.2	40.4								
South Africa		17.6	0.5	-0.2	-0.4	2.2	6.9		10.0	2	1	-37	-62	-50	
Türkiye		41.01	-0.2	-0.4	-1.5	-17.3	-13.8		31.7	0	-12	-6	270	203	
US (DXY, 5y UST)		99	0.1	0.9	1.4	-2.7	-9.0		3.86	0	2	-3	14	-53	

	Equity Markets						Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,378	2.1	4.2	6.1	31.6	11.3		108	-1	2	-43	12
Indonesia		7,859	-0.4	-0.9	4.2	4.2	11.0		79	-1	-10	-29	-12
India		81,307	-0.8	0.9	-0.2	0.3	4.1		87	-1	-9	-24	1
Philippines		6,282	0.1	-0.2	-2.1	-9.8	-3.8		67	-1	-7	-27	-12
Thailand		1,253	0.7	-0.5	3.0	-7.5	-10.5						
Malaysia		1,597	0.3	1.3	4.2	-2.3	-2.7		61	-3	-3	-30	-9
Argentina		2,103,163	1.0	-8.1	4.6	33.3	-17.0		762	41	-8	-761	125
Brazil		134,511	-0.1	-1.4	0.4	-0.5	11.8		205	11	-3	-20	-42
Chile		8,726	0.5	-0.1	7.5	34.7	30.0		101	1	-5	-22	-12
Colombia		1,852	-0.2	0.4	7.2	38.8	34.3		287	3	-24	-25	-39
Mexico		58,664	0.8	0.9	5.7	10.0	18.5		243	8	-23	-75	-69
Peru		34,007	1.1	-1.0	1.8	19.9	17.4		104	1	-9	-39	-37
Hungary		105,863	-0.2	1.1	5.5	44.5	33.5		133	0	-18	-29	-22
Poland		107,897	-3.7	-1.3	0.5	28.2	35.6		94	1	-4	-18	-18
Romania		20,730	0.0	-1.4	5.4	12.5	24.0		206	4	-5	4	-29
South Africa		102,196	0.4	0.2	2.9	22.2	21.5		286	8	-11	-13	-7
Türkiye		11,344	0.3	4.4	6.9	14.3	15.4		270	7	-24	-31	11
EM total		50	0.5	-0.5	0.4	15.1	18.7		343	6	-19	-65	-21

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

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