



- **US President signs plan for reciprocal tariffs but delays implementation** ([link](#))
- **Tight interbank conditions in China raise funding costs to support the yuan** ([link](#))
- **Argentina's y/y inflation rate drops below 100% for the first time in two years** ([link](#))
- **Peru's central bank holds at 4.75%** ([link](#))
- **US housing market needs a substantial fall in mortgage rates to be revitalized** ([link](#))

[Mature Markets](#)




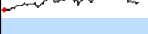


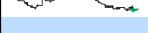
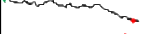


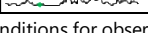
| [Emerging Markets](#)

| [Market Tables](#)

Tariff Tango: Interlude for Now

Yesterday's announcement of reciprocal tariffs relieved markets as implementation is not immediate. A country-by-country process is expected to be ready by April. Japan, India, Korea, and Europe were mentioned explicitly. After the relatively benign announcement, US stock markets advanced with the S&P 500 index ending 1% higher on the day, and implied volatility declining. The US dollar weakened versus most major currencies as the "America first" trade lost some momentum. European equities were broadly steady this morning, holding near record highs ahead of today's US retail sales data, while sovereign bond yields edged up slightly. World leaders are convening today and this weekend at the Munich Security Conference, and investors will pay close attention to discussions around the situation in Ukraine. US retail sales came in lower than expected this morning. Earlier this week, January's US CPI inflation came in higher than expected, raising concerns about renewed inflationary pressures. While yesterday's PPI data also came in higher than expected, its decomposition was seen to imply that implications for inflation, notably PCE, were benign. With today's retail sales data, concerns about the January CPI print may be in the rearview mirror. US Treasury yields declined after the release, and the US dollar weakened.

Key Global Financial Indicators

Last updated: 2/14/25 8:52 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6115	1.0	1	5	22	4
Eurostoxx 50		5507	0.2	3	11	17	12
Nikkei 225		39149	-0.8	0	2	2	-2
MSCI EM		44	0.6	2	7	11	5
Yields and Spreads			bps				
US 10y Yield		4.47	-5.3	-2	-32	22	-10
Germany 10y Yield		2.42	-0.1	5	-24	8	5
EMBIG Sovereign Spread		315	2	0	-9	-71	-10
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.4	0.2	2	3	-5	4
Dollar index, (+) = \$ appreciation		106.8	-0.5	-1	-2	2	-2
Brent Crude Oil (\$/barrel)		75.6	0.9	1	-5	-7	1
VIX Index (% change in pp)		15.2	0.0	-1	-3	1	-2

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

Mature Markets

[back to top](#)

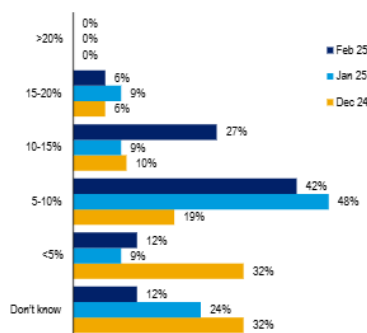
United States

Lower than expected retail sales data stimmy inflation concerns. Advance retail sales dropped by -0.9% m/m in January (vs -0.2% expected, 0.4% prior—but revised to 0.7%), and sales excluding auto fell -0.4% m/m (vs 0.3% expected, 0.4% prior—but revised to 0.7%). S&P 500 futures declined marginally (-0.06%), and the 10-year US Treasury yield fell by 5 basis points to 4.47%. The Bloomberg dollar index edged down by 0.3%.

President Trump signed his plan for universal reciprocal tariffs but delayed their implementation.

The announced tariffs aim to tax foreign goods at the same rate that other nations impose on US products. His administration will launch negotiations on a one-by-one basis with all trading partners. According to incoming Commerce Secretary Howard Lutnick, the studies of each country could be completed by April 1, and then “we’ll hand the president the opportunity” to start implementing them as soon as on April 2. Analysts have warned that reciprocal duties could bring a broad tariff hike to emerging market economies such as India and Thailand, which tend to have higher effective tariff rates on US products.

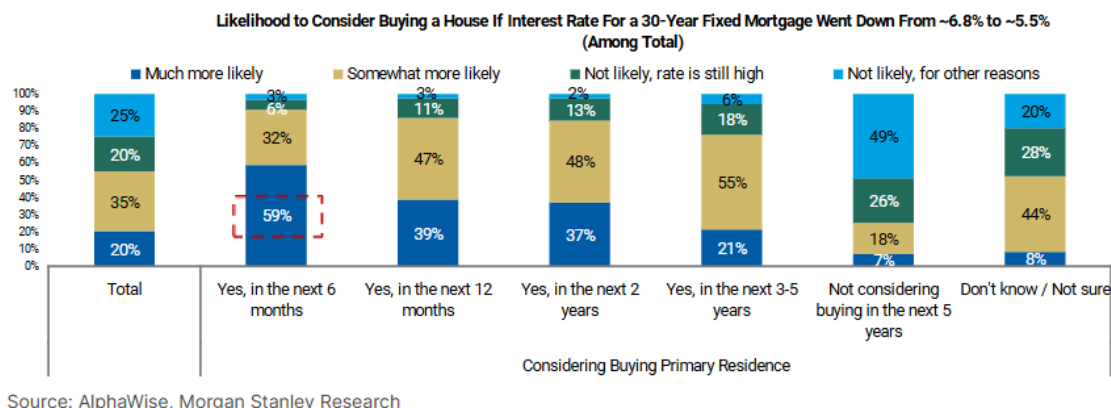
Exhibit 10: What rate of tariffs do you expect the US to impose on the rest of the world (i.e., ex China) by end-2025? (As a reference, average tariffs on US imports from the rest of the world, ex Canada and Mexico, were currently around 4% in Jan)
Investors increasingly expect universal tariffs to rise



Source: BofA Global Research FX and Rates Sentiment Survey

BoFA GLOBAL RESEARCH

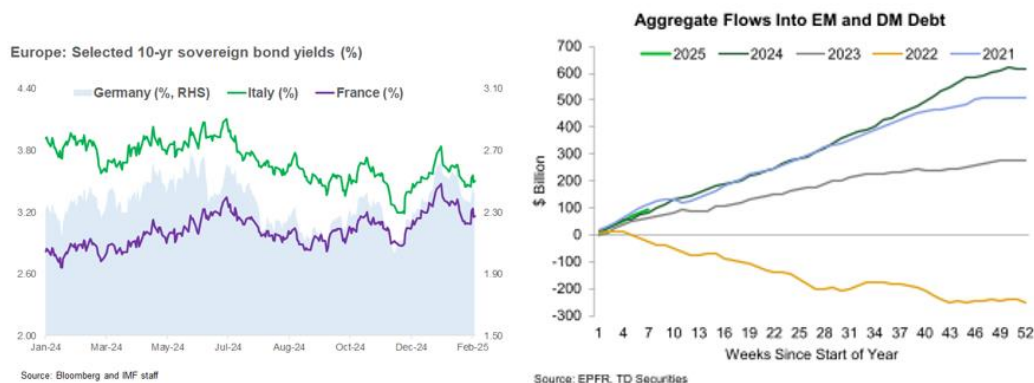
The housing market needs a substantial reduction in mortgage rates to be revitalized. The US housing market has been experiencing a unique “lock-in” effect, where historically low interest rates in 2020 and 2021 enabled millions to buy or refinance their homes at mortgage rates below 4%, and the current high mortgage rates (around 7% for a 30-year loan) are disincentivizing them from selling and subsequently taking out a new mortgage at a much higher rate. To unlock the housing market, mortgage rates need to decrease substantially. A recent JP Morgan survey found that at this level, 91% of potential homebuyers would be much more likely or somewhat more likely to proceed with the transaction, even though it remains much higher than rates seen since 2010. Therefore, if long-term Treasury yields could drop by another 125 to 150 basis points, we might see a substantial increase in existing home sales.



Europe

European equities were broadly steady this morning, holding near record highs ahead of US retail sales data later today. The Eurostoxx 600 was flat in early trade, hovering near record highs as news of the delay in retaliatory US tariffs was taken to suggest there may be time for negotiations. Optimism over a potential ceasefire in the Russia/Ukraine war added further positive momentum to risk sentiment. Falling gas prices are seen as an additional tailwind alongside a string of strong corporate earnings, leaving the Eurostoxx 600 on track to close the week up around 2%. Other major European bourses are also on track to post strong returns, with the German Dax up around 3% on the week, and around 13% YTD, outperforming the S&P 500 which is up 4% YTD. European government bond yields were trading marginally higher while the euro was steady against the dollar to trade at 1.0466.

Strong investor demand for European sovereign debt contrasts with fiscal concerns. Analysts at Bank of America New York (BoNY) note that despite investors' increasing scrutiny of fiscal policy, demand for developed market sovereign bonds has been relatively robust. The analysts note that auctions of French and Italian government bonds have attracted record demand, with flow metrics that they monitor not pointing to any elevated outflows or signs that investors are adjusting their asset allocation in line with concerns over debt sustainability. The analysts also note that for Italian BTPs, yields have been relatively contained with BTPs benefitting from some rotation away from French OATs at the margin given relative political stability in Italy. Since last June, when President Macron triggered the snap election in France, 10Y Italian BTP spreads are around 46bps lower at 3.50%, while French OATs are around 6bps lower over the same period to trade at 3.16%. Elsewhere, data from TD Securities showed that global bonds recorded their 57th consecutive week of net inflows, totaling \$13.7bn, with developed markets driving all of the flow.



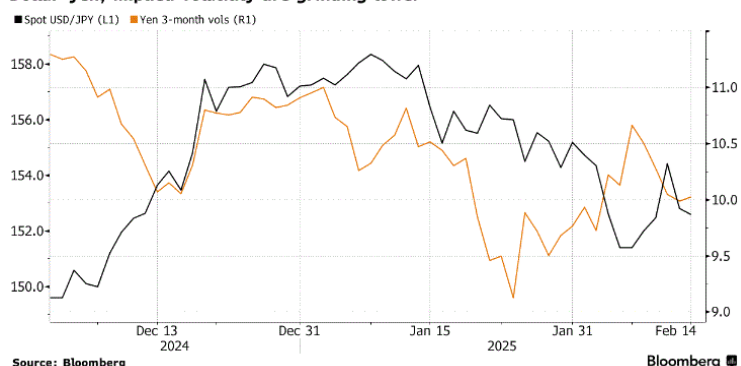
Japan

The yen strengthened (+0.1%) to ¥152.69/\$ after Economy Minister Akazawa's remarks that the prospects of a weaker yen should be closely monitored due to its various impacts on the real economy. Akazawa also attributed rising food prices to imports through the weakened yen, before the government announced the release of 200,000 tonnes of emergency rice stockpile to alleviate record-high retail prices, up 82% y/y.

Bloomberg analysts argue that the year-to-date strength in ¥/\$ (+2.9%) and accompanied decrease in implied volatility (3-month: -91bps) suggest that FX traders had not been expecting a full-blown trade war between US and its biggest trading partners. Equities dropped today (NIKKEI 225: -0.8%) on rebounding yen's impact on export-related sectors. 10-year sovereign yield rose 0.9bps to 1.35%, while sluggish sales at the five-year JGB auction indicate lower demand amidst an uncertain yield outlook. Analysts noted Sony's shortening of the bond marketing period from 5-6 days to three days, similar moves seen by government-affiliated agencies, as a sign of investors' desire for swifter deal pricing amid heightened rate volatility. This unusual step in the corporate sector is expected to be welcomed by investors and could boost issuances in the Japanese credit market.

Converging Lower

Dollar-yen, implied volatility are grinding lower



Emerging Markets

[back to top](#)

EMEA equities were mostly higher and currencies were mostly trading in a tight range with focus on the Munich Security Conference this weekend. CEE equities were mixed with stocks lower in Hungary (-0.5%) and Czechia (-0.2%), while CEE currencies were trading in a narrow range against the euro. ING analysts note that wider interest rate differentials and hopes for a peace agreement in Ukraine has supported CEE currencies, but argue that further gains could be limited with a potential ceasefire agreement likely already priced in. The South African rand gained against the dollar (+0.7%) to R18.36 and South African equities were rallying (+1.0%). The central bank of Russia kept its policy rate on hold at 21%.

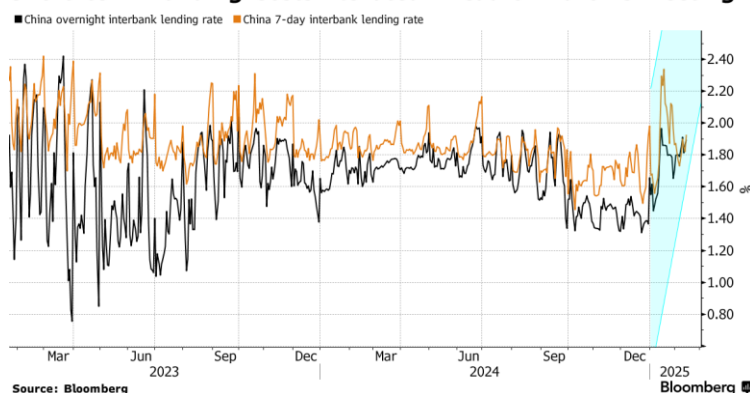
Asian currencies broadly appreciated (EM Asia: +0.4%) against the dollar, led by the Indonesian rupiah (+0.7%) and the Korean won (+0.5%). Asian currencies gained amid a relief rally following a longer timeline for the US to implement reciprocal tariffs. Analysts expressed doubt about the sustainability of this strength due to ongoing concerns over the negative trade impact of higher tariffs. EM Asian equities had mixed performance, with Hong Kong SAR advancing (+3.7%) on boosted AI optimism, while India declined (-0.8%) with continued fund outflows.

In Latin America, equities broadly gained, led by Chile (+0.6%) after Deutsche Bank raised its price target for Sociedad Química y Minera de Chile S.A. (8.4% of the index) from \$29 to \$35. Brazilian stocks rebounded slightly after an early decline as December retail sales slowed more than expected. Markets in Mexico and Colombia also posted modest gains. EM currencies strengthened, with the Colombian peso (+0.7%) and Chilean peso (+0.7%) rising alongside NYMEX copper price fluctuations amid US reciprocal tariffs. The Mexican peso (+0.6%) recovered from morning losses after the announced reciprocal tariffs were delayed until April 1. The Brazilian real was among the few EM currencies that depreciated on Thursday. Uruguay unexpectedly raised interest rates by 25bps, defying consensus expectations for a hold.

China

Liquidity conditions among China's onshore banks remain tight, with the 7-day repo rate jumping 12.1 bps to 1.94% and the overnight repo rate rising 5.1 bps to 1.91%, both higher than the one-year (+7.3 bps to 1.36%) and 10-year (+1.5 bps to 1.64%) government bond yields. Bloomberg estimates that the People's Bank of China (PBOC) has drained about 1.5 tn yuan (\$206 bn) from the money market through its daily open-market operations since the Lunar New Year holidays, and money markets are expected to see a liquidity withdrawal of over 3 tn yuan (\$411 bn) this month. High funding costs have led strategists to shift their view on government bonds from "mildly bullish" to neutral. Market contacts suggest that maintaining tight interbank liquidity helps defend the onshore yuan, with beliefs that the PBOC is prioritizing financial stability and yuan stability over aggressive monetary easing. Economists suggest that the PBOC may delay high-profile measures like reserve requirement ratio (RRR) cuts but rely on low-profile tools like repo operations, especially amid ongoing US tariff uncertainties. In the offshore market, the PBOC's sale of 3-month yuan bills in Hong Kong was heavily oversubscribed today, with the yield at 2.6%, well above the CNH money market rate (2.4%), indicating efforts to attract offshore yuan investments. Today, the yuan appreciated against the dollar (+0.4%). The stock market gained (CSI 300: +0.9%) on the optimistic prospect of less punitive tariffs after negotiations.

Short-term Funding Costs Elevated Ahead of March's Meeting

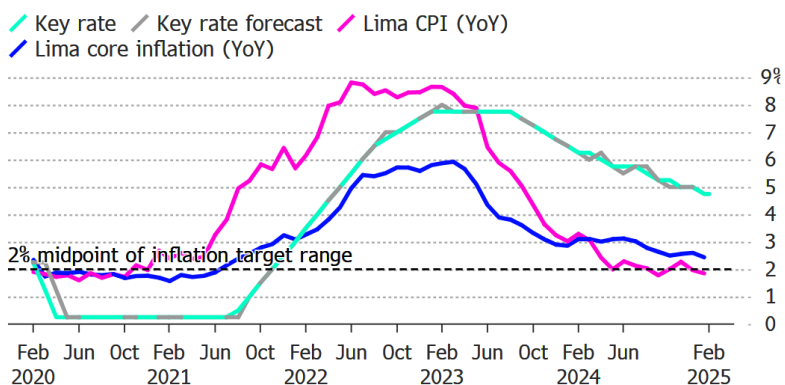


Peru

Peru's central bank held its key interest rate at 4.75%, as expected by nine of thirteen surveyed analysts, citing accelerating economic growth and uncertainty over US trade policy. Officials expect inflation to decline further before stabilizing within the 1–3% target range. Annual inflation slowed to 1.85% in January, one of the lowest among major emerging markets. Policymakers emphasized ongoing risks from trade policies and international conflicts while signaling that rates are nearing neutral levels.

Peru Central Bank Holds Key Interest Rate at 4.75%

Most analysts had forecast a pause after January's 25bps cut



Source: Central bank, national statistics agency

Bloomberg

Economists surveyed by Bloomberg have a median forecast of 50bps worth of cuts this year. Stocks in Peru rose slightly ahead of the announcement while the Peruvian sol was unchanged after falling slightly mid-day.

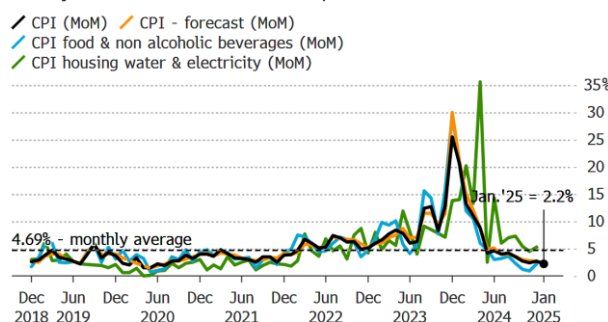
Argentina

Inflation in Argentina has fallen to its lowest level since President Javier Milei took office, with annual consumer prices dropping below 100% for the first time in two years, well below its 300% peak last year. Inflation rose 2.2% m/m in January, while annual inflation slowed to 84.5% from 117.8%. Monthly inflation has steadily declined from its 25.5% peak in December 2023 as Milei aggressively cut government

spending and taxes. The peso's managed depreciation and the removal of a key tax on US dollar purchases have further eased price pressures. Stocks rallied (+3%) in response, while the peso edged lower.

Argentina Inflation Slowed Slightly More Than Expected

Monthly CPI hits 2.2% from 2.7% in Dec.; annual rate at 84.5%



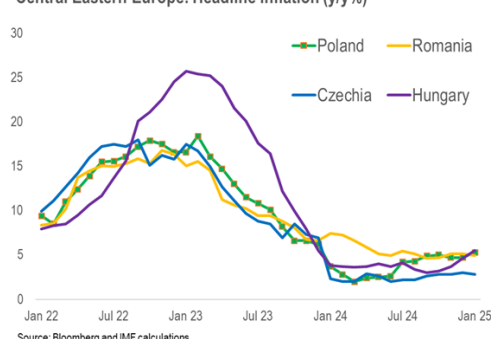
Source: National statistics agency, Bloomberg

Bloomberg

Poland

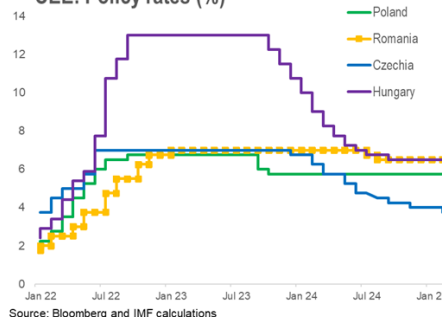
Upside inflation surprise in Poland reinforces expectations for rates to remain on hold. After January inflation prints in both Hungary and Czechia surprised on the upside, preliminary data released this morning showed January headline inflation also surprising on the upside in Poland, accelerating to +5.3%/y/y versus expected 5.0% from 4.7% prior. The central bank has kept interest rates unchanged at 5.75% since October 2023 and at the February 2025 policy meeting the governor maintained a hawkish bias. ING analysts expect that the central bank would postpone rate cuts until H2 2025. Separately, the government yesterday announced plans to provide stimulus for the housing market with officials noting that in Europe, Poland has some of the highest mortgage costs. Elsewhere in the region, Romania's January inflation print was largely in line with expectations, with headline inflation easing to 4.95%/y/y from 5.14%, while flash GDP increased by +0.7%/y/y in Q4 (versus expected +0.9% from 1.2%). The central bank of Romania is expected to keep its policy rate unchanged at 6.5% later today for the fourth consecutive meeting.

Central Eastern Europe: Headline inflation (y/y%)



Source: Bloomberg and IMF calculations

CEE: Policy rates (%)












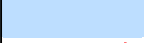



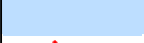











Source: Bloomberg and IMF calculations

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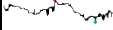







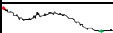





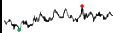















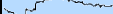
Global Financial Indicators

2/14/25 8:53 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,113	1.0	1.4	4.6	22.2	4
Europe		5,507	0.2	3.4	10.6	17.0	12
Japan		39,149	-0.8	0.2	1.8	1.7	-2
China		3,939	0.9	1.2	3.3	17.1	0
Asia Ex Japan		75	0.6	2.0	6.1	14.4	4
Emerging Markets		44	0.6	1.9	6.8	11.0	5
Interest Rates			basis points				
US 10y Yield		4.5	-5	-2	-32	22	-10
Germany 10y Yield		2.4	0	5	-24	8	5
Japan 10y Yield		1.4	1	6	12	61	26
UK 10y Yield		4.5	0	1	-41	44	-8
Credit Spreads			basis points				
US Investment Grade		110	0	-6	-10	-16	-10
US High Yield		310	10	8	0	-66	-19
Exchange Rates			%				
USD/Majors		106.8	-0.5	-1.2	-2.3	2.0	-2
EUR/USD		1.05	0.2	1.6	1.8	-2.2	1
USD/JPY		152.2	-0.4	0.5	-3.7	1.1	-3
EM/USD		44.4	0.2	1.6	3.2	-5.1	4
Commodities			%				
Brent Crude Oil (\$/barrel)		75.6	0.8	1.2	-4.2	-1.0	2
Industrials Metals (index)		149.5	0.5	1.3	3.7	12.2	7
Agriculture (index)		61.5	0.7	1.6	5.9	3.3	8
Implied Volatility			%				
VIX Index (%, change in pp)		15.2	0.0	-1.3	-3.5	0.9	-2.1
Global FX Volatility		8.3	0.0	-0.3	-0.7	1.1	-0.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		86	1	0	3	-26	1
Italy		108	1	-1	-11	-43	-7
France		74	0	1	-9	25	-9
Spain		62	1	-1	-6	-31	-7

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

Emerging Market Financial Indicators

Last updated: 2/14/2025 8:53 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		7.26	0.4	0.5	1.0	-0.9	0.5		1.7	0	3	-4	-80	-3
Indonesia		16260	0.6	0.1	0.0	-4.1	-1.0		6.8	1	-4	-36	18	-19
India		87	0.1	0.7	-0.2	-4.4	-1.4		7.2	-3	4	-17	-5	-13
Philippines		58	0.4	0.3	1.4	-3.0	0.0		5.1	0	4	5	-32	25
Thailand		34	0.6	0.1	3.4	7.5	1.4		2.4	3	1	-5	-24	4
Malaysia		4.44	0.4	0.1	1.6	7.9	0.8		3.8	0	1	-1	-2	1
Argentina		1056	0.0	-0.3	-1.5	-21.1	-2.4		26.8	-74	12	225	-4744	-238
Brazil		5.73	0.6	1.3	5.6	-13.2	7.8		15.1	-7	8	-32	482	-81
Chile		937	0.9	2.9	7.0	2.2	6.2		5.9	1	14	6	57	26
Colombia		4098	1.0	0.6	4.8	-4.4	7.5		11.6	-4	19	-8	185	-23
Mexico		20.34	0.3	1.1	0.8	-16.0	2.4		9.9	-4	8	-45	40	-48
Peru		3.7	0.0	0.0	1.8	4.5	0.7		6.5	0	#####	-26	-28	-15
Uruguay		43	0.4	0.6	1.8	-9.3	1.7		9.7	0	0	2	61	6
Hungary		384	0.1	2.2	4.1	-5.6	3.5		6.5	-12	16	-30	32	4
Poland		3.97	0.4	2.3	4.2	2.0	4.1		5.6	-11	5	-17	33	-3
Romania		4.7	0.2	1.5	1.7	-2.3	1.2		7.3	-11	12	-45	106	8
Russia		92.1	-2.8	5.3	12.0	-0.6	23.2							
South Africa		18.4	0.8	0.3	3.1	3.8	2.7		10.7	-2	10	-12	-94	21
Türkiye		36.22	-0.2	-0.6	-2.0	-15.1	-2.4		28.9	-16	74	7	130	-83
US (DXY; 5y UST)		107	-0.5	-1.2	-2.3	2.0	-1.6		4.33	-5	-1	-26	10	-5

	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		3,939	0.9	1.2	3.3	17.1	0.1		93	-1	3	-64	-3	
Indonesia		6,638	0.4	-1.5	-7.2	-9.5	-6.2		96	1	5	-3	5	
India		75,939	-0.3	-2.5	-0.9	4.8	-2.8		92	-5	13	-21	6	
Philippines		6,061	-0.8	-1.5	-4.6	-11.8	-7.2		89	-1	6	8	10	
Thailand		1,272	-0.9	0.8	-5.1	-8.2	-9.1							
Malaysia		1,592	0.0	0.4	1.6	3.8	-3.1		70	-3	-2	-17	0	
Argentina		2,353,744	3.0	-6.0	-13.9	112.9	-7.1		675	21	92	-1368	38	
Brazil		126,270	0.4	1.3	5.8	-0.6	5.0		217	-7	-18	4	-30	
Chile		7,353	0.6	0.9	7.8	20.9	9.6		121	-3	3	-11	8	
Colombia		1,536	0.3	1.3	9.8	24.1	11.3		319	-10	-3	6	-7	
Mexico		54,160	0.2	2.8	8.7	-5.4	9.4		299	-10	-13	-34	-13	
Peru		29,413	0.2	-0.5	-0.4	5.4	1.6		144	1	3	-4	3	
Hungary		87,862	-0.6	1.3	5.8	35.2	10.8		149	-9	-8	-13	-6	
Poland		92,325	0.0	3.6	13.3	16.2	16.0		112	-2	1	10	0	
Romania		17,648	0.7	3.4	3.4	12.5	5.5		238	-7	-13	44	3	
South Africa		88,645	0.9	1.3	7.9	21.4	5.4		305	-7	13	-54	12	
Türkiye		9,879	-0.4	-0.7	1.7	8.9	0.5		255	-7	-2	-62	-4	
EM total		44	0.5	1.9	6.8	11.0	5.4		361	8	0	12	-3	

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

[back to top](#)