



- January Fed meeting minutes shed light on balance sheet policy amid debt ceiling ([link](#))
- Structurally declining duration supports tighter IG and HY US corporate spreads ([link](#))
- Euro gains on hawkish ECB remarks as January German PPI missed expectations ([link](#))
- Japanese yen strengthens ahead of January consumer price release due tomorrow ([link](#))
- Mexican peso slumps given rising likelihood of U.S. tariffs weights on sentiment ([link](#))
- South African administration postpones budget, prompting market correction ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)


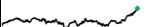
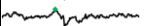








| [Market Tables](#)

Treasury Signals a 'Long Way Off' for Extending Debt Maturity

Markets are weighing geopolitical risks, shifting central bank expectations, and trade uncertainty.

Asian markets opened lower, diverging from the U.S., where stocks hit record highs. Chinese equities rose after Trump hinted at a possible trade deal. The Fed's minutes highlighted balance sheet policy concerns amid debt ceiling risks, with Treasury Secretary Bessent this morning adding that lower energy costs would help bring down inflation, regulatory easing could expand dealer balance sheet capacity, and stronger revenues could reduce funding needs. While Bessent acknowledged that extending debt maturities is "a long way off," he noted that it becomes "easier to extend duration when not competing with another big seller," reinforcing expectations that the Fed may soon halt balance sheet runoff and prompting Treasuries to rally. German PPI missed expectations, while hawkish ECB remarks from Schnabel lifted the euro. European local equity markets rebounded after yesterday's sharp selloff, with defense stocks outperforming. South Africa's budget delay pushed bond yields higher, weakening the rand and equities. Meanwhile, Ukraine's 10-year dollar bond hit a one-month low, and local stocks sold off on concerns that a U.S.-led peace plan may not favor Ukraine or its companies. The PBoC kept loan prime rates steady for a fourth consecutive month.

Key Global Financial Indicators

Last updated: 2/20/25 9:03 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
S&P 500		6144	0.2	1	2	23	4
Eurostoxx 50		5484	0.4	0	6	15	12
Nikkei 225		38678	-1.2	-2	-1	1	-3
MSCI EM		45	-0.2	2	6	11	7
Yields and Spreads							
US 10y Yield		4.52	-1.0	-1	-10	25	-5
Germany 10y Yield		2.56	-0.1	14	3	18	19
EMBIG Sovereign Spread		315	5	2	-6	-67	-10
FX / Commodities / Volatility							
EM FX vs. USD, (+) = appreciation		44.5	0.3	1	3	-5	4
Dollar index, (+) = \$ appreciation		106.9	-0.3	-1	-2	3	-1
Brent Crude Oil (\$/barrel)		76.5	0.5	2	-5	-7	2
VIX Index (% change in pp)		15.6	0.3	0	0	0	-2

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

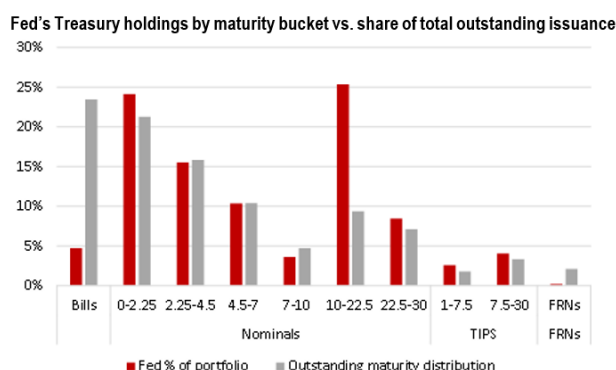
Mature Markets

[back to top](#)

United States

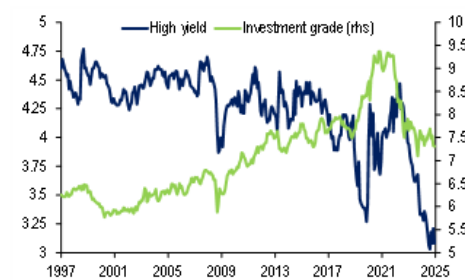
This morning, initial jobless claims data printed in line with expectations. Initial jobless claims came in at 219k (exp. 215k, prev. 214k). The Philly Fed business outlook rose to 18.1 in February (exp. 14.3, prev. 44.3). Markets showed little reaction to the data.

The January Fed meeting minutes signal growing awareness of liquidity risks tied to debt ceiling dynamics, reinforcing expectations for an earlier end to QT. According to Nomura analysts, the discussion suggests a possible slowdown or pause in balance sheet runoff as early as March or April, sooner than median consensus, while the latest primary dealer survey still points to QT ending in Q3. Since the debt ceiling became binding last month, the Treasury has been drawing down the General Account to meet obligations, injecting liquidity into the banking system while keeping issuance constrained. However, once the debt ceiling is resolved, a sharp increase in security issuance will drain bank reserves, reversing the liquidity boost. Fed officials acknowledged this risk, noting that “it may be appropriate to consider pausing or slowing balance sheet runoff until the resolution of this event.” Further, the minutes also highlighted discussions on adjusting the Fed’s Treasury holdings once QT ends, given the current mismatch between the SOMA portfolio and the broader market. While the Fed holds fewer bills than their share of total issuance, a legacy of the 2011–2012 maturity extension program. The minutes reflected a preference to shift holdings closer to the market’s composition, stating that “it would be appropriate to structure purchases in a way that moved the maturity composition of the SOMA portfolio closer to that of the outstanding stock of Treasury debt while also minimizing the risk of disruptions to the market.” On rates, the minutes offered little new guidance, reiterating concerns about inflation risks from trade policy, supply chains, and consumer spending, reinforcing expectations for a rate hold. Treasury yields fell after the release, with 3-year notes down (-4bps) to 4.29%. Overnight forwards fully price in one rate cut by September and assign a 50% probability to a second cut by year-end, unchanged from last week. Stocks continued pushing higher, and the dollar edged up slightly.



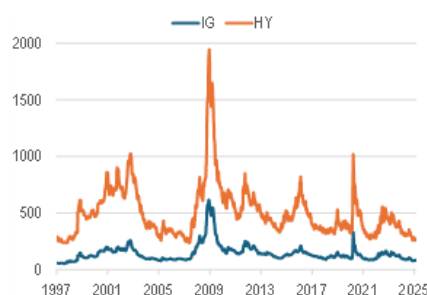
Low duration in the corporate bond market has helped keep spreads tight and volatility low. This is particularly true in the sub-investment-grade segment, where index duration is at record lows (left chart). In the investment-grade space, duration has approached levels last seen before the pandemic, though it has structurally risen over time. Lower duration dampens price swings from yield changes, compressing the risk premium investors demand for exposure to undiversifiable return fluctuations linked to the business cycle. This has contributed to historically tight credit spreads (right chart). Specifically, both investment-grade and high-yield spreads remain near the lows reached last November when markets priced in pro-business policies like deregulation and tax cuts. Bank of America analysts note that issuers have delayed refinancing and coupon resets, anticipating lower funding costs, which has reinforced low duration.

Record-low effective duration in High Yield market, and duration in Investment Grade retracing to Pre-Pandemic Levels...



Source: Bloomberg L.P., IMF staff calculations.

... have helped to structurally support a compression credit spreads in recent years.

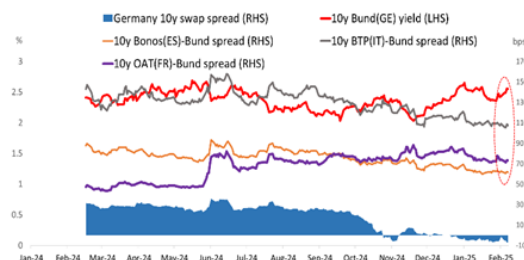


Source: Bloomberg L.P., IMF staff calculations.

Euro Area

Weak German data and hawkish ECB commentary pushed up rate expectations, lifting the euro while equities rebounded from yesterday's selloff. Germany's PPI print for January fell well short of expectations, printing at 0.5% y/y (exp. 1.2% from 0.8), reinforcing signs of a deepening growth slowdown. ECB's Schnabel signaled a possible pause in rate cuts, citing inflation risks from energy and rising neutral rates. Markets now price in -74bps of cuts through 2025, down from -82bps last week. Conversely, the euro gained slightly (+0.2%) to \$1.0443/€. 10-year Bund yields plateaued at 2.55%, while BTP-Bund and OAT-Bund spreads widened slightly (see chart below). Equities attempted a rebound after yesterday's sharp selloff (Stoxx 600 -1%), with the index rising this morning (+0.2%), led by materials (+0.8%) and industrials (+0.8%). France (CAC40 +0.7%) and Spain (IBEX35 +0.6%) outperformed.

10y Bund-swap and Southern spreads



Source: Bloomberg and IMF calculations

Bunds remain under pressure
10y Bund yield, in %, intraday



Source: Bloomberg, Commerzbank Research

Japan

The yen rallied as markets positioned for strong inflation data and shifting rate expectations, while equities fell on currency strength and tariff concerns. The yen strengthened (+0.7%) to 150.35 \$/¥ amid expectations that January inflation data, set for release later today, could support further Bank of Japan rate hikes. Bloomberg analysts note that fast money investors are betting on a strong headline CPI print, with consensus at +4.0% y/y (from 3.6%). Some analysts highlight the Fed's signals on pausing QT, which is pushing down long-term UST yields and narrowing the U.S.-Japan rate differential, strengthening the yen. Although the BOJ has historically focused more on core inflation—where consensus is at 3.1% y/y (from 3.0%) and "core-core" inflation with consensus at 2.5% y/y (from 2.4%)—a recent Cabinet Office report and remarks from Governor Ueda last week emphasized that food inflation is also under closer scrutiny. After meeting with Prime Minister Ishiba today, Ueda stated that long-term rates were not discussed, offering no pushback against the recent yield uptrend. Japan's 10-year sovereign yields continued to rise (+1.1bps) to 1.44%, while equities fell (NIKKEI 225: -1.4%) as exporter stocks declined on the stronger yen and continued tariff risks.

Yen Strengthens to Highest Since December

Emerging Markets

[back to top](#)

CEE equities fell, while regional currencies mostly gained. Hungary (-0.9%) led losses in CEE equities, which traded broadly lower. CEE currencies strengthened against the euro (+0.2%), with the Russian ruble outperforming against the dollar (+1.5%). Median consensus for policy rate decisions later today are for Egypt's central bank to hold its deposit rate at 27.25% and Nigeria's to keep rates steady at 27.5%.

Asian markets saw mixed reactions today, with regional currencies strengthening while equities declined. Asian currencies broadly rose (EM Asia: +0.2%) following Trump's comment on a possible China trade deal, led by the Indian rupee (+0.4%), Malaysian ringgit (+0.3%), and Philippine peso (+0.3%). However, the Indonesian rupiah continued to underperform (-0.1%) after yesterday's rate hold. In contrast, Asian equities fell (EM Asia: -1.1%), led by Hong Kong SAR (-1.6%) and Thailand (-1.4%), as optimism over a potential trade deal failed to offset negative sentiment from Ukraine tensions and the Fed's cautious stance on further rate cuts.

Latin American markets saw broad currency weakness alongside mixed equity performance. Most regional currencies depreciated, with the exception of the Chilean peso, which posted a modest gain (+0.04%). Equity markets also diverged, as Brazilian (-1.0%) and Mexican (-0.7%) stocks declined, while Argentine shares moved higher (+0.4%).

China

The yuan rose on trade deal hopes, while the PBoC kept loan prime rates steady. Onshore CNY (+0.2%) and offshore CNH (+0.3%) gained after Trump signaled openness to a trade deal with China. The reference rate was fixed at 7.1712, slightly weaker than yesterday. One-month and three-month implied volatilities for both onshore and offshore yuan fell to six-month lows yesterday (see chart below). Meanwhile, the PBoC left the 1-year and 5-year loan prime rates unchanged at 3.10% and 3.60% for a fourth straight month. Bloomberg analysts suggest the central bank remains in a holding pattern, likely assessing weak consumption demand and the risk of additional tariffs before deciding on further stimulus.

Yuan Volatility Drops Despite Uncertainty Over US Policy

The Ministry of Commerce released an action plan late yesterday to stabilize foreign investment. The plan aims to remove all market access restrictions in the manufacturing sector, ensure equal treatment for goods produced by local and foreign firms, and improve credit access. Vice Commerce Minister Ling Ji added today that officials will visit foreign enterprises to better understand their concerns and, where immediate solutions are not possible, coordinate with local authorities for follow-up. Net foreign direct investment slumped to \$4.5 bn in 2024, the lowest since 1992, underscoring the urgency of these efforts.

Colombia

Colombian stocks have risen this year on hopes of a shift toward growth-friendly policies, supported by cheap valuations and expected rate cuts.

In local currency, the MSCI Colombia stock market index has notably gained this year (+20%) amid concerns over political instability and governance challenges under President Gustavo Petro. Investor sentiment has been shaped by ongoing cabinet turmoil, an unusual budget decree after congressional rejection, and worsening security conditions. Gains accelerated in the second half of January amid increasing signs of trouble for Petro, including a standoff with Donald Trump. This potential political shift has drawn comparisons to Argentina, where stocks have rallied since Javier Milei's 2023 election on hopes of economic reform. Beyond politics, some market contacts point to cheap valuations, strong dividends, and falling interest rates as key drivers. Colombia's central bank has lowered rates by 3.75 percentage points over the past 14 months to 9.5%, with overnight forwards pricing in another -75bps of easing this year. That said, rising tariff uncertainty has also played a role. After an initially negative market reaction, previously announced tariff measures on Canada, Mexico, Colombia, and China have been slow walked, delayed, or reversed in recent weeks. This triggered rapid currency unwinds, forcing hyperreactive speculators to exit positions, further supporting the peso and local assets.

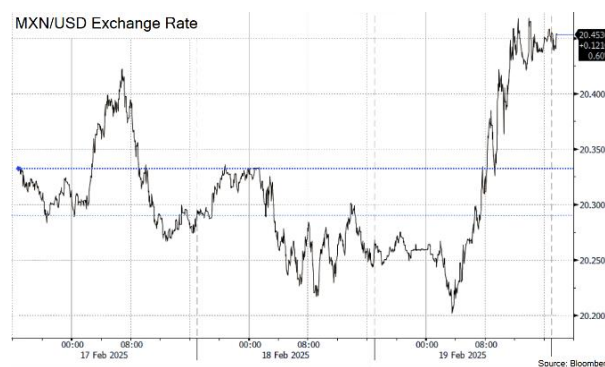
Colombia Stocks Rally as Traders Look Ahead Into 2026



Mexico

The increasing likelihood of tariffs has weighed on the Mexican peso, with scrutiny on the country's exports appearing more pronounced than for other major U.S. trading partners.

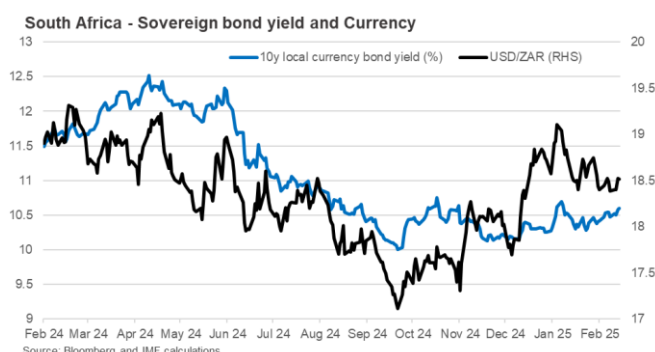
The Mexican peso fell (-1%) to 20.45/\$—its steepest drop since January 30—as traders grow increasingly worried about renewed tariff threats. USD/MXN one-month implied volatility climbed (+5pp.) to 11.85%, driven by concerns that tariffs could return when the 30-day suspension expires. Unlike other trading partners, where Trump has recently struck a somewhat more conciliatory tone, Mexico has faced more direct pressure. The Trump administration explicitly linked trade with Mexico to security concerns, conditioning tariff suspensions on stricter border enforcement and drug control measures. Trump initially threatened a 25% tariff on Mexican imports shortly after his November election. On February 1, he signed an executive order imposing the tariffs but granted a 30-day suspension, keeping markets on edge. Meanwhile, the Bank of Mexico yesterday trimmed its 2025 growth forecast, citing a Q4 contraction last year and ongoing uncertainty over U.S. policy under Trump's administration.



South Africa

The rand fell after South Africa delayed its annual budget due to a tax dispute. Finance Minister Godongwana was set to deliver the first budget of South Africa's Government of National Unity (GNU) yesterday, but the government announced a delay to March 12. Bloomberg reports this is the first budget delay since at least 1994. The delay followed cabinet disagreements over a proposed VAT hike to 17% from 15%. The rand fell (-1%) to R18.59/\$ after the delay, while South African equities dropped (-0.8%) before trimming losses. 10-year sovereign bond yields climbed (+8bps) to 10.58%. According to some market contacts, the delay raises concerns about the GNU's cohesion. JPMorgan analysts see little risk of

the GNU collapsing over the budget but note that its communication and decision-making need improvement. This morning, the rand retraced some losses (+0.4%) approaching R18.46/\$, and bond yields stabilized at 10.62%.



Ukraine






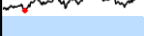















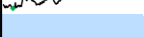



Stocks and bonds fell after comments from U.S. President Trump. Ukraine's 2034 dollar bond fell 2 cents to 55.3, its lowest level in a month. Ukrainian stocks in Warsaw dropped sharply (-6%), extending yesterday's 9% decline. Bloomberg analysts note concerns that "US-led peace plans might not benefit Ukraine or its companies."



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), 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), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

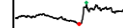
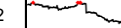




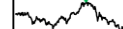




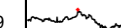







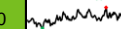
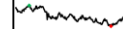


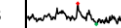
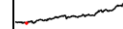




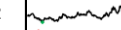






Global Financial Indicators

2/20/25 9:03 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,140	0.2	1.5	2.4	23.4	4
Europe		5,484	0.4	-0.3	6.2	15.2	12
Japan		38,678	-1.2	-2.0	-0.9	1.1	-3
China		3,929	-0.3	0.6	2.5	13.7	0
Asia Ex Japan		76	0.0	2.9	5.5	15.1	5
Emerging Markets		45	-0.2	2.5	6.0	11.2	7
Interest Rates			basis points				
US 10y Yield		4.5	-1	-1	-10	25	-5
Germany 10y Yield		2.6	0	14	3	18	19
Japan 10y Yield		1.4	1	9	25	71	35
UK 10y Yield		4.6	2	14	-3	59	6
Credit Spreads			basis points				
US Investment Grade		110	0	0	-7	-12	-10
US High Yield		309	0	12	12	-64	-19
Exchange Rates			%				
USD/Majors		106.9	-0.3	-1.0	-2.3	2.7	-1
EUR/USD		1.04	0.2	-0.2	0.3	-3.4	1
USD/JPY		150.2	-0.8	-1.7	-3.5	0.1	-4
EM/USD		44.5	0.3	0.9	2.9	-5.2	4
Commodities			%				
Brent Crude Oil (\$/barrel)		76.5	0.5	1.9	-3.4	0.2	3
Industrials Metals (index)		149.2	1.0	0.6	1.3	10.4	6
Agriculture (index)		61.6	0.1	1.4	6.4	3.8	8
Implied Volatility			%				
VIX Index (% change in pp)		15.6	0.3	-0.3	-0.2	0.2	-1.8
Global FX Volatility		7.9	0.0	-0.4	-0.8	1.1	-1.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		83	-1	-1	7	-25	-2
Italy		107	-1	0	-2	-41	-8
France		73	0	-1	-5	25	-10
Spain		61	-1	0	-2	-29	-8

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

Emerging Market Financial Indicators

Last updated: 2/20/2025 9:04 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		7.26	0.3	0.5	0.2	-0.9	0.6		1.7	-1	7	4	-74	3
Indonesia		16330	0.0	0.2	0.2	-4.1	-1.4		6.7	2	-7	-34	10	-27
India		87	0.3	0.3	-0.1	-4.3	-1.2		7.1	0	-10	-6	-10	-20
Philippines		58	0.3	0.2	1.0	-3.2	-0.1		5.1	0	1	1	-31	26
Thailand		34	0.1	0.5	1.9	7.1	1.3		2.4	-1	2	-8	-26	3
Malaysia		4.43	0.3	0.6	1.4	8.3	1.0		3.8	0	-2	-2	-6	-2
Argentina		1059	-0.1	-0.2	-1.3	-21.0	-2.7		27.3	-29	-21	213	-4845	-185
Brazil		5.71	0.2	1.0	5.7	-13.7	8.2		14.8	14	-40	-59	443	-114
Chile		946	0.4	-0.1	5.9	1.7	5.1		5.9	0	1	15	58	26
Colombia		4086	0.4	1.3	5.7	-4.0	7.8		11.6	-5	-4	-1	194	-22
Mexico		20.39	0.3	0.1	0.6	-16.3	2.2		9.9	4	1	-41	47	-42
Peru		3.7	0.3	0.9	1.5	2.7	1.6		6.5	0	0		-22	-14
Uruguay		43	0.1	0.5	1.4	-9.5	1.9		9.7	-1	-2	2	67	5
Hungary		385	0.3	-0.2	2.5	-6.8	3.2		6.5	3	-9	-15	32	7
Poland		3.99	0.5	0.0	2.4	0.2	3.6		5.6	2	-10	-8	36	-2
Romania		4.8	0.2	-0.2	0.3	-3.4	0.8		7.3	4	-11	-59	99	8
Russia		88.5	1.2	1.1	13.7	4.3	28.3							
South Africa		18.5	0.4	0.2	0.5	2.5	2.1		10.7	7	1	5	-83	24
Türkiye		36.32	0.0	-0.5	-2.0	-14.9	-2.6		28.6	1	-44	25	83	-110
US (DXY; 5y UST)		107	-0.3	-1.0	-2.3	2.7	-1.5		4.36	-1	-3	-8	10	-3

	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		3,929	-0.3	0.6	2.5	13.7	-0.2		93	2	-1	-62	-3	
Indonesia		6,788	-0.1	2.6	-5.5	-7.6	-4.1		93	7	0	-14	2	
India		75,736	-0.3	-0.5	-0.1	4.3	-3.1		90	4	4	-19	4	
Philippines		6,067	-0.9	-0.8	-4.3	-12.0	-7.1		87	5	2	-2	8	
Thailand		1,246	-1.3	-3.0	-7.9	-10.6	-11.0							
Malaysia		1,578	-0.2	-0.9	-0.2	1.6	-3.9		69	0	-2	-14	-1	
Argentina			0.4	2.0	-5.3	126.6	-5.2		720	45	77	-1073	83	
Brazil		127,224	-1.0	1.9	3.6	-2.1	5.8		215	-7	-9	1	-32	
Chile		7,288	-0.2	-0.6	4.0	14.8	8.6		118	-1	1	-11	5	
Colombia		1,600	1.5	4.2	15.3	28.5	16.0		313	-5	2	11	-13	
Mexico		54,097	-0.7	0.1	7.8	-5.5	9.3		299	-4	-11	-28	-13	
Peru		29,195	-0.7	-0.6	-1.6	3.2	0.8		139	-4	1	-5	-2	
Hungary		87,786	-0.9	-0.7	2.2	33.1	10.7		145	-5	-10	-20	-10	
Poland		93,368	-0.1	1.1	10.8	14.2	17.3		108	1	-5	7	-4	
Romania		17,764	-0.5	1.3	5.0	13.0	6.2		239	-2	-9	40	4	
South Africa		88,662	0.4	0.9	4.6	21.5	5.4		302	-6	6	-44	9	
Türkiye		9,822	0.6	-0.9	-2.1	5.1	-0.1		259	5	-14	-56	0	
EM total		45	0.6	2.5	6.0	11.2	6.7		366	8	6	24	2	

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

[back to top](#)