



- China advances plan for bank recapitalization in the coming months ([link](#))
- Bitcoin has declined 20% from recent record highs ([link](#))
- Changes in term premium have been the main driver of US yields since the election ([link](#))
- Cancellation of bond sales in China has increased amid rising yields and tight liquidity ([link](#))
- Ukraine is reportedly finalizing an agreement on mineral revenues with the US ([link](#))

[Mature Markets](#)




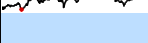






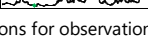
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Risk Sentiment Stabilizes but All Eyes Turn Towards NVIDIA's Earnings Release

European and Asian stocks were higher this morning, shrugging off a four-day losing streak in US markets. US stock futures were slightly higher as well. AI giant NVIDIA will report earnings this afternoon, with investors desperately in need of some good news amid increasing growth concerns. Treasury yields stabilized after falling close to 10 bps yesterday, while European yields continued to drift lower. The US House of Representatives passed the outlines of a budget framework ahead of the funding deadline on March 14, though further negotiations will be needed to finalize the details and coordinate with the Senate. The dollar edged higher but moves in currency markets were generally modest today. Media reports suggested that a US agreement on Ukrainian minerals in exchange for additional support was close to being finalized. Elsewhere, the Bank of Thailand surprised analysts and delivered a 25 bp cut, with domestic equities rallying and the baht recovering from initial losses. Bitcoin prices stabilized overnight but remained under pressure this morning.

Key Global Financial Indicators

Last updated: 2/26/25 8:52 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5955	-0.5	-3	-2	17	1
Eurostoxx 50		5532	1.5	1	6	14	13
Nikkei 225		38142	-0.2	-3	-4	-3	-4
MSCI EM		44	0.1	-1	3	9	6
Yields and Spreads			bps				
US 10y Yield		4.29	-0.8	-25	-33	1	-28
Germany 10y Yield		2.43	-2.6	-13	-14	-1	7
EMBIG Sovereign Spread		326	4	16	11	-47	1
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.5	0.1	0	2	-4	4
Dollar index, (+) = \$ appreciation		106.6	0.2	-1	-1	3	-2
Brent Crude Oil (\$/barrel)		73.0	-0.1	-4	-7	-12	-2
VIX Index (% change in pp)		18.8	-0.7	4	4	5	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

US stocks declined (-0.5%) for a fourth consecutive day on Tuesday. The VIX index (implied volatility of stocks from options) rose above 20 following a weak consumer sentiment reading before declining again early this morning. 10y Treasury yields fell 10 bps on Tuesday as growth concerns bubbled to the surface, though overnight action was more restrained. The dollar weakened 0.3% yesterday.

Term premium has been the main driver of US long-term yields since the US election, reflecting fiscal uncertainty and changing expectations about debt issuance strategy. After widening sharply from late December through January, US term premium has eased in recent weeks after Treasury Secretary Bessent signaled that he did not favor shifting the composition of debt issuance to longer maturities anytime soon. The latest FOMC minutes also revealed that some participants favored pausing or ending QT earlier than expected amid concern about bank reserves as the debt ceiling fast approaches. However, JPMorgan analysts believe that term premium should continue increasing in the medium term given large issuance needs and a structural shift in the demand for Treasury bonds.

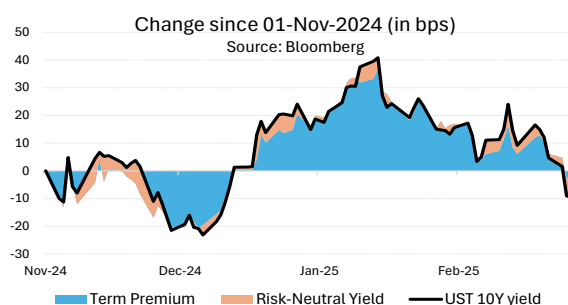
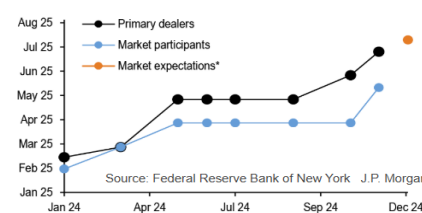
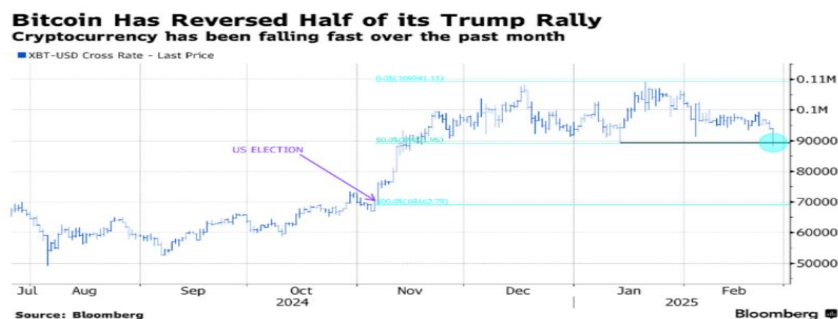


Figure 11: The consensus looks for QT to conclude in the summer, and this week's FOMC minutes risk an earlier end
Median primary dealer and market participant expectation for date the SOMA portfolio will cease to decline*;



Crypto

Bitcoin has declined 20% since the highs following President Trump's inauguration, including close to a 9% fall on Tuesday. The initial euphoria about a more favorable regulatory environment has faded, with various metrics (aside from the price) showing that demand has faded. Long positions in Bitcoin futures have fallen and US-listed ETFs have seen almost \$1 bn in outflows in February, the worst month on record. Analysts point to further headwinds in the near term for crypto amid a series of industry-specific setbacks, including the security breach at exchange Bybit and a controversial memecoin in Argentina.



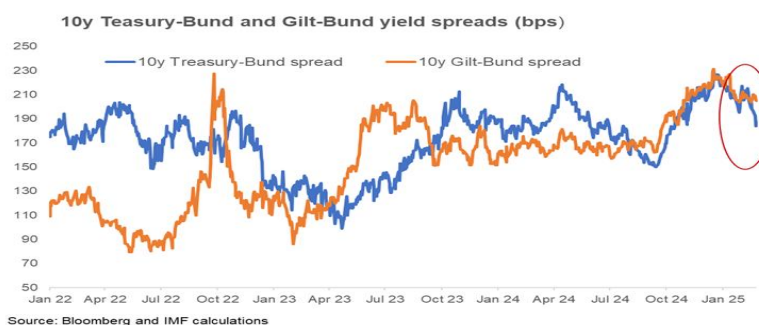
Europe

European equities rose to an intraday record high (STOXX 600 +0.7%), with the construction and mining sector (+1.8%) outperforming. Mining stocks gained after President Trump signaled possible import tariffs on copper, sending global prices higher. Corporate earnings also were relatively strong. **Euro area sovereign yields continued to decline this morning**, with 10y Bund yields (-1 bp) trading around

2.44%, while French and Italian bond yields were 3–4 bps lower. Yesterday, ECB Board Member Isabel Schnabel noted that it was unclear whether the policy stance was still restrictive. Markets continue to price in roughly 80 bps of rate cuts by the end of this year. The euro was weaker against a broadly stronger dollar (-0.2%), trading at around 1.0495. On the data front, Germany's March consumer confidence data disappointed at -24.7 (versus -21.6 expected, -22.6 previously).

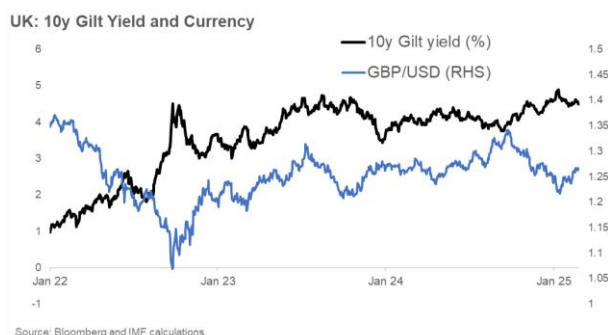
The spread of 10y Treasury yields over 10y Bunds narrowed to the lowest level since October 2024.

The spread closed at 184 bps yesterday following the 10 bp rally in Treasury markets, with market analysts increasingly concerned about the US growth outlook. In contrast, while bund yields have also edged lower, markets are anticipating additional bond issuance following the German election, which could maintain some upward pressure on borrowing costs. Reports suggested the first fiscal salvo could be a €200 bn defense package.



United Kingdom

UK announced plans to increase defense spending to 2.5% of GDP by 2027, with further ambitions to reach 3% over the medium term. PM Starmer said the government would finance the increase by cutting overseas development spending. 10y gilt yields continued to decline after the announcement and ended the day 6 bps lower at 4.5%, with analysts noting that the increase had been largely expected by markets and would not increase borrowing. 10y gilt yields are now 7 bps lower YTD.



Emerging Markets

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EMEA equities were mostly higher while currencies were mixed. Equities in Poland (+1.1%) and Czechia (+0.8%) were outperforming this morning as risk sentiment was buoyed by reports of a Ukraine-US agreement to develop natural resources, which was viewed as progress towards a potential ceasefire. CEE currencies were trading mixed, with the Hungarian forint advancing against the euro following hawkish commentary from the central bank yesterday. On the data front, January headline inflation rose to 3.2% y/y in South Africa, in line with expectations. Following the data release, yields on South African government bonds eased slightly, while the rand was broadly unchanged at 18.41/\$.

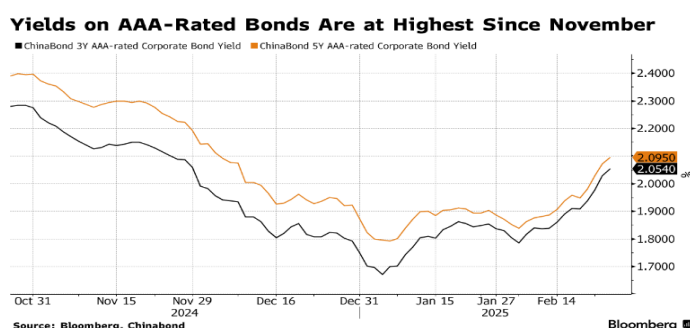
Most Asian currencies were broadly stable, while the Bank of Thailand (BOT) unexpectedly cut its benchmark interest rate by 25 bps to 2%, contrary to the Bloomberg survey consensus of no change. The baht initially weakened before recovering to be little changed on the day. The BOT indicated caution around future rate cuts given limited policy buffers and high global uncertainties. **Regional stock markets gained (EM Asia: +2%),** led by Hong Kong SAR (HSI: +3.3%) on hopes of wider AI adoption after DeepSeek reopened access to its core programming interface after a nearly three-week suspension. Mainland Chinese companies, mainly those in the tech sector, have accelerated plans to raise funds offshore.

In Latin America, most regional currencies gained on Tuesday, with the Brazilian real outperforming (+0.4%). In Colombia, policy uncertainty continues to linger, as energy minister Andres Camacho resigned following the departure of the environment and interior ministers earlier in this month. Regional equity markets mostly followed US stocks lower, with Mexico down 1.2%.

China

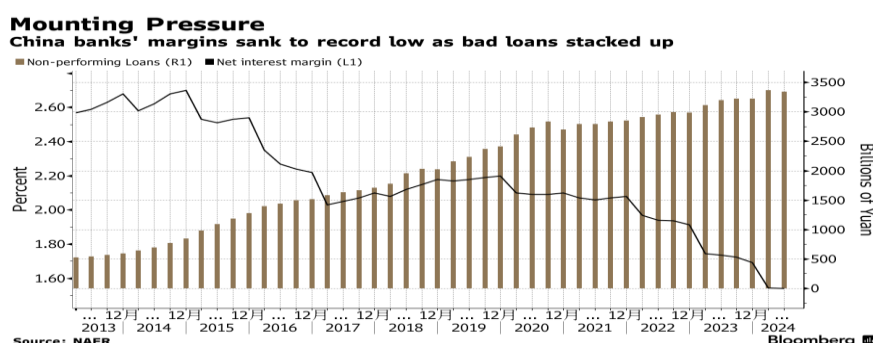
Cancellation of bond sales has increased to RMB73.3 bn (\$10.1 bn) amid rising yields and tight funding conditions. In recent days, bond funds have experienced large redemptions amid falling bond prices, which has been exacerbated by short-term funding pressures. Fixed income investments have become less attractive given the rebound in the stock market, which has been largely driven by DeepSeek and AI-induced optimism.

Yields on AAA-rated bonds have risen to their highest levels since November last year, reaching 2.05% for 3y and 2.10% for 5y bonds, according to Bloomberg estimates. **State media have described this bond market correction as a “normal adjustment” and urged investors to strengthen their liquidity risk management instead of speculating on PBOC’s liquidity injections.**



China plans to recapitalize its largest banks with up to RMB400 bn (\$55 bn) by July, according to Bloomberg.

The new funding is less than the RMB1 tn reported last year but marks the first such move since the 2008 global financial crisis. The banks highlighted include the Agricultural Bank of China Ltd, the Postal Savings Bank of China Co., and Bank of Communications Co. As part of last year’s stimulus package, the Ministry of Finance stated that the capital injection would strengthen banks’ risk management and lending capacity, as they face record low margins, sinking profits, and rising bad debt. The yuan appreciated slightly against the dollar (+0.1%), and the stock market gained (CSI 300: +0.9%).



Hong Kong SAR

The Hong Kong SAR will target fiscal consolidation for the fourth consecutive year. The SAR government’s Financial Secretary announced a fiscal consolidation program for the next 3 years, including reducing government payrolls and lowering tax and government fee exemptions, with savings to reach two percentage points annually. Hong Kong SAR’s sluggish property sector remains a drag on growth and

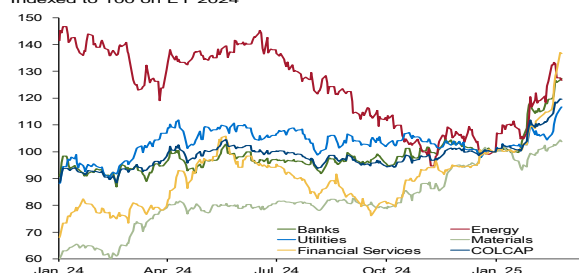
revenue, with prices nearing their lowest levels since 2016. Land sales, a key source of revenue, have continued to fall. Revenue from land premium—payments from land developers to use land—is likely to total HK\$13.5 bn for the current fiscal year, the lowest in more than two decades.



Colombia

Colombian bond yields remain elevated despite the rally in domestic stocks and Treasury yields, suggesting fiscal concerns remain prominent. Bond yields remain elevated and have traded in a narrow range this year despite a large rally in US Treasury yields, suggesting a large domestic risk premium. In contrast, the Colombian stock market has been one of the best performing global stock markets this year, with gains approaching 30% in dollar terms. Analysts attribute the outperformance to investors hoping for more market-friendly policies following the next national elections in 2026. However, while the rally appears fairly broad based, the COLCAP stock index is highly concentrated with only 23 constituents, while the top 10 stocks account for more than 85% of the index.

The strong rally in Colombian stocks has been concentrated in banks, energy and financial services... Indexed to 100 on EV 2024



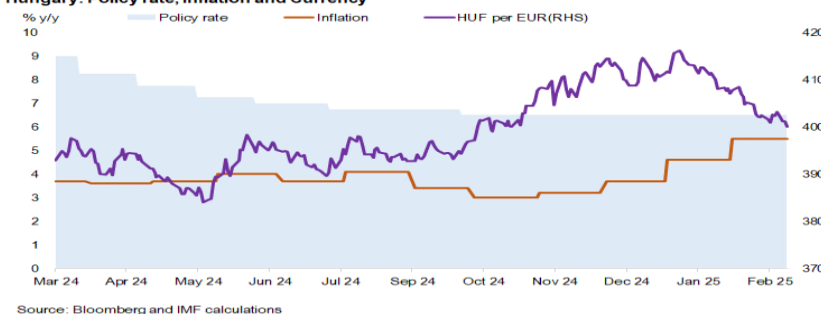
...however, Colombian yields have not benefitted from the rally in US Treasury markets, suggesting fiscal concerns remain elevated. 10-year local currency government bond yields, Percent



Hungary

Hungarian forint strengthens to four-month high on hawkish central bank guidance. The Hungarian forint advanced by as much as 0.4% in early morning trading to reach 399.56/€ after the National Bank of Hungary (NBH) reiterated its hawkish guidance yesterday. Policymakers left the policy rate unchanged for a fifth month at 6.5%, in line with expectations, citing accelerating inflationary pressures as price growth climbed to a thirteen-month high of 5.5% y/y in January. Deputy Governor Virag noted that “a cautious, patient, stability-oriented policy continued to be warranted.” Forward rate agreements are pricing in just one 25 bp rate cut at the end of this year, according to Bloomberg data. However, Morgan Stanley analysts believe

Hungary: Policy rate, Inflation and Currency



the NBH should be able to deliver four rate cuts from September onwards as inflation eases. They also noted that currency weakness will remain an important trigger for the policymakers given the passthrough to inflation.

Ukraine

Ukraine is reportedly finalizing an agreement with the US on mineral sharing and development. President Zelensky is expected to meet with President Trump on Friday in Washington where the agreement will be signed. Some details remain unclear, but the proposal would create a joint US-Ukraine fund that would manage future revenue streams from Ukraine's natural resources. Media reports suggest that details on security guarantees are currently absent from the latest iteration of the proposal. Ukraine's 2034 USD bonds gained slightly to reach 60.2 cents on the dollar, according to Bloomberg data. Separately, Ukraine's parliament approved a bill to establish a Supreme Administrative Court—an IMF proposed measure as part of the loan program to the country.



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Global Financial Indicators

2/26/25 8:52 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5,978	-0.5	-2.7	-2.0	17.9	2
Europe		5,532	1.5	1.3	6.0	13.7	13
Japan		38,142	-0.2	-2.9	-3.6	-2.8	-4
China		3,960	0.9	0.5	3.7	13.3	1
Asia Ex Japan		75	0.0	-0.9	3.0	13.0	4
Emerging Markets		44	0.1	-1.0	3.0	9.5	6
Interest Rates			basis points				
US 10y Yield		4.3	-1	-25	-33	1	-28
Germany 10y Yield		2.4	-3	-13	-14	-1	7
Japan 10y Yield		1.4	-1	-7	14	68	27
UK 10y Yield		4.5	-3	-13	-15	32	-9
Credit Spreads			basis points				
US Investment Grade		117	0	6	0	-9	-3
US High Yield		325	-3	16	31	-39	-4
Exchange Rates			%				
USD/Majors		106.6	0.2	-0.6	-0.8	2.6	-2
EUR/USD		1.05	-0.2	0.6	0.0	-3.3	1
USD/JPY		149.5	0.3	-1.3	-3.2	-0.8	-5
EM/USD		44.5	0.1	0.4	1.6	-4.4	4
Commodities			%				
Brent Crude Oil (\$/barrel)		73.0	-0.1	-4.1	-5.9	-4.4	-2
Industrials Metals (index)		147.3	1.3	-0.3	2.1	8.2	5
Agriculture (index)		60.0	-0.3	-2.4	1.8	3.3	5
Implied Volatility			%				
VIX Index (%, change in pp)		18.8	-0.7	3.5	3.9	5.0	1.4
Global FX Volatility		8.2	0.0	0.3	0.2	1.7	-1.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		82	0	-2	-3	-24	-3
Italy		112	-1	3	3	-34	-4
France		72	-2	-1	-1	25	-10
Spain		62	-1	0	0	-28	-8

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

Emerging Market Financial Indicators

Last updated: 2/26/2025 6:57 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	-0.1	0.3	-0.2	-0.8	0.6		1.8	-2	7	11	-61	12
Indonesia		16370	-0.2	-0.2	-1.2	-4.5	-1.6		6.8	6	7	-19	19	-22
India		87	-0.6	-0.3	-1.0	-4.9	-1.8		7.1	1	-10	-7	-16	-29
Philippines		58	0.1	0.3	1.0	-3.1	-0.1		5.1	1	1	7	-31	27
Thailand		34	0.0	0.0	0.0	7.1	1.1		2.3	-1	-5	-5	-28	-1
Malaysia		4.43	-0.1	0.3	-1.1	7.9	1.0		3.8	-2	-3	-4	-11	-5
Argentina		1061	0.0	-0.2	-1.0	-20.7	-2.8		27.8	16	16	230	-4790	-140
Brazil		5.75	0.4	-1.2	2.6	-13.4	7.4		14.7	1	10	-71	437	-119
Chile		943	-0.1	0.8	4.8	4.9	5.6		5.8	-7	-19	-1	36	7
Colombia		4129	-0.3	-0.9	1.7	-4.1	6.7		11.5	-1	-14	30	167	-32
Mexico		20.45	0.1	0.0	1.1	-16.4	1.8		9.6	-11	-24	-36	27	-70
Peru		3.7	0.1	0.1	1.8	3.2	1.7		6.4	-7	-11	-37	-54	-27
Uruguay		43	0.2	1.3	2.0	-8.0	3.1		9.7	0	-2	1	69	5
Hungary		381	0.0	1.3	2.0	-6.0	4.2		6.5	2	0	1	49	4
Poland		3.95	-0.3	1.4	1.6	0.5	4.6		5.5	-3	0	-9	45	-4
Romania		4.7	-0.2	0.6	-0.1	-3.4	1.2		7.3	-3	1	-41	99	5
Russia		86.1	0.3	4.1	13.0	7.4	31.9							
South Africa		18.4	0.0	0.6	1.8	4.8	2.4		10.6	-1	-3	12	-101	14
Türkiye		36.44	0.0	-0.4	-1.9	-14.6	-3.0		28.3	-12	-28	129	-26	-139
US (DXY; 5y UST)		107	0.2	-0.6	-0.9	2.6	-1.8		4.15	2	-21	-28	-16	-23

	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		3,960	0.9	0.5	3.3	14.7	0.6		98	7	5	-52	2		
Indonesia		6,606	0.3	-2.8	-7.8	-9.3	-6.7		106	19	14	-6	15		
India		74,602	0.0	-1.8	-1.0	2.1	-4.5		98	12	9	-1	12		
Philippines		6,145	1.3	0.4	-2.4	-10.8	-5.9		99	18	12	5	20		
Thailand		1,231	2.1	-2.5	-9.1	-11.9	-12.1								
Malaysia		1,589	1.3	0.5	1.0	2.7	-3.3		76	7	6	-4	6		
Argentina		2,282,899	-2.8	-4.6	-11.0	111.3	-9.9		749	52	115	-939	112		
Brazil		125,980	0.5	-2.0	2.9	-2.8	4.7		230	16	9	19	-17		
Chile		7,316	0.1	0.5	3.5	17.8	9.0		126	9	9	-2	13		
Colombia		1,649	-0.2	3.1	16.5	27.7	19.5		330	19	20	32	4		
Mexico		53,050	-1.2	-2.6	3.3	-5.6	7.1		312	15	7	-10	0		
Peru		28,602	-0.3	-2.7	-1.9	0.0	-1.2		147	10	10	2	6		
Hungary		87,784	1.8	-0.9	3.1	32.9	10.7		153	12	5	-12	-2		
Poland		92,811	1.2	-0.7	8.1	11.7	16.6		119	14	9	24	7		
Romania		17,606	0.2	-1.4	3.2	10.0	5.3		255	25	-2	54	20		
South Africa		88,332	0.7	0.0	4.8	20.0	5.0		313	19	25	-39	20		
Türkiye		9,498	0.5	-2.7	-6.0	1.8	-3.4		278	26	20	-32	19		
EM total		44	1.5	-1.0	3.0	9.5	5.8		374	15	21	42	10		

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

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