GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JULY 10, 2025

LEAD EDITOR: SANJAY HAZARIKA

- **Investors turn bullish on US equities** (link)
- **Dollar and US equities show "sell America" trend** (link)
- **China property stocks surge on rumors of new government support measures** (link)
- **More rate cuts expected in Egypt as inflation declines** (link)
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Goldilocks and Schrodinger's tariffs

The DAX hit a new record today and S&P 500 futures are trading just a fraction below the record close on Friday. Markets appear to have stopped reacting to new tariff announcements as the focus turns to the global economy, the Q2 earnings season that is about to begin, and central bank policy. Nvidia became the first corporation in history to reach a market capitalization of $4 tn. Bitcoin traded above $112K for the first time yesterday, while the benchmark US Treasury auction blew through its final WI yield for the fifth time in a row with heavy foreign participation, silencing for now all talk of a foreign buyers' strike in the Treasury market. The VIX was trading below 16 at yesterday's close, the FX VIX was subdued, and the European VSTOXX index is trading at 17, signaling that investors seem happy with market conditions. The corporate bond markets in advanced economies and emerging markets are booming, and even some frontier markets are facing eager buyers for their bonds. However, the latest threat of 50% tariffs on Brazil was a reminder that risks continue to lurk on the sidelines.

Key Global Financial Indicators

Last updated: 7/10/25 7:46 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6263	0.6	1	4	11	6
Eurostoxx 50		5456	0.2	2	1	10	11
Nikkei 225		39646	-0.4	0	3	-6	-1
MSCI EM		48	-0.2	0	1	10	15
Yields and Spreads					bps		
US 10y Yield		4.34	0.6	-1	-13	5	-23
Germany 10y Yield		2.67	-0.6	5	14	13	30
EMBIG Sovereign Spread		310	1	-4	-10	-80	-14
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.1	0.0	-1	0	-1	8
Dollar index, (+) = $ appreciation		97.5	0.0	1	-2	-7	-10
Brent Crude Oil ($/barrel)		70.0	-0.2	2	5	-18	-6
VIX Index (%, change in pp)		16.0	0.0	-1	-1	3	-1

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

Mature Markets

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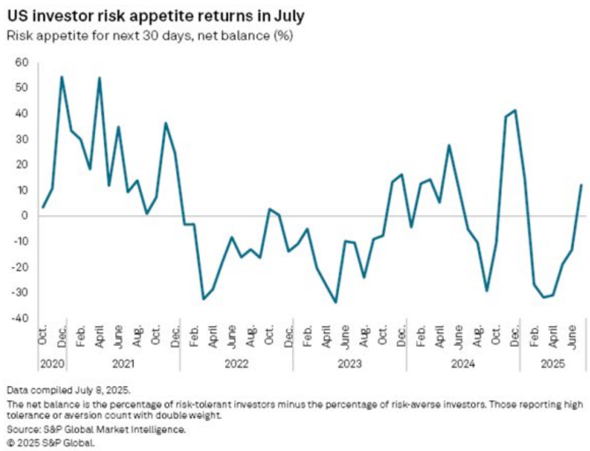
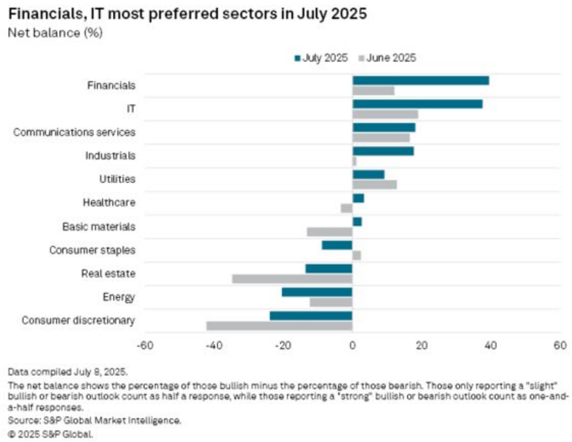
United States

Investors have turned bullish on the US equity market, according to analysis by S&P. A proprietary measure of investor sentiment turned positive for the first time since January, rising to +12 in July from -13 in June. The spring bear market was rapidly reversed and the S&P 500 set a new record on July 3rd. The bear market recovery to a new record high was the fastest in history at just 57 days. Market participants appear to now believe that the worst potential consequences of the tariff conflict will be avoided. Investors favor the financial and IT sectors, which have led the market over the past few years. Energy and consumer discretionary stocks are the least popular. However, despite the positive survey results, S&P noted that the overall outlook remains negative, with investors expecting negative returns in the near future. In addition, investors think non-US markets will do better than the US equity market. With the Q2 earnings season about to begin, investors will soon gain greater insight into the prospects for US stocks.

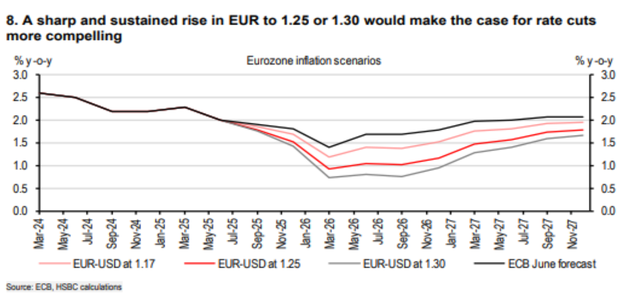




Euro Area

European equities were trading higher while government bond yields were broadly unchanged. The Stoxx 600 index was higher (+0.6%), led by the material sector (+1.74%) on the back of higher iron ore prices, while the utilities sector (-0.5%) was underperforming. Regional bourses were also trading higher. Bloomberg analysts note that increasing investor optimism over US-EU trade negotiations has spurred the rally in European equities this week (+1.8% over the week), with investors rotating into more cyclical sectors. Government bond yields held steady as IP in Italy was weaker than expected.

A stronger euro may not necessarily lead to more ECB rate cuts. Analysts at HSBC argue that there are reasons why policymakers may not rush to ease policy rates in response to the euro's sharp appreciation so far this year. While EUR-USD is up close to 14% YTD, the analysts note that the rise in the trade-weighted euro has been smaller at around 6%. While the stronger currency could weigh on inflation next year, raising the risk of a period of sub-2% inflation, HSBC note that there are reasons for policymakers' cautious stance. First, given the lags in monetary policy, the ECB may opt to look through the recent exchange rate volatility. Second, the appreciation in the trade-weighted euro has been more modest. Third, firms may use the currency strength to rebuild margins and finally, the analysts argue there remain domestic upside risks to inflation that support a more cautious approach. That said, the analysts note that if there is a sharp and sustained appreciation

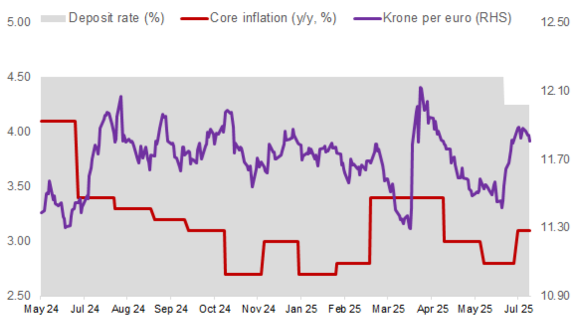


in the EUR towards the 1.25/1.30 level, then the risk of a more persistent undershoot of the inflation target would make a September rate cut more likely. Markets are currently pricing in one additional rate cut by the end of this year.

Norway

June core inflation rebounded in Norway, in line with expectations. Data released this morning showed core inflation in June edged higher, printing at 3.1% y/y (3.0% exp, 2.8% prior). Meanwhile, headline inflation printed unchanged at 3.0%y/y. This is the first inflation reading since the Norges Bank surprised markets with a 25bp rate cut on June 19. Today's data outturn was broadly in line with consensus expectations as well as the Norges Bank's own projections. As a result, analysts at JP Morgan believe that policymakers will deliver the next rate cut at the September meeting, in line with the Norges Bank's published rate path and market expectations for a quarterly pace of rate cuts. The Norwegian krone was trading firmer (+0.2%) against the euro at 11.81/€ in early morning trade, with the currency broadly flat against the euro YTD.

Norway: Deposit rate, inflation and exchange rate

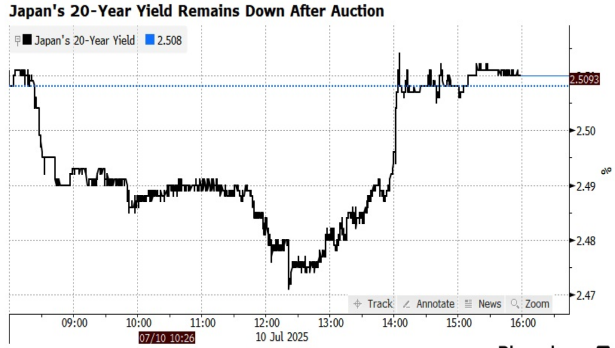


Source: Bloomberg and IMF calculations

Japan

The 20-year Japanese government bond auction saw stronger demand. Bid-to-cover ratio was 3.15, versus 3.11 at the previous auction in June, albeit still lower than the 12-month average of 3.29. Supported by smaller issuance sizes and recent long yield surge, the auction was absorbed smoothly by markets, with the breakdown of participants looking more diverse than last week's 30-year auction. Benchmark yields held relatively steady after the auction. The Yen appreciated by as much as 0.4% to $/145.75, before settling at $/146.35, unchanged for the day. Equities fell (Nikkei 225: -0.4%) amidst continued tariff concerns, dragged down by electrical equipment and machinery shares. According to its branch manager report, the Bank of Japan (BOJ) kept its economic assessment for all nine of Japan's regions as either picking up or recovering moderately, suggesting the BOJ is still waiting to see the specific impacts from the tariffs. Many regions reported that wage increases for the fiscal year were at a high level across industries and sizes of regional businesses. Traders continue to expect BOJ to leave the benchmark rate unchanged at 0.5% in its next policy decision on July 31 and are pricing in a 51% probability of a rate hike by December 2025.

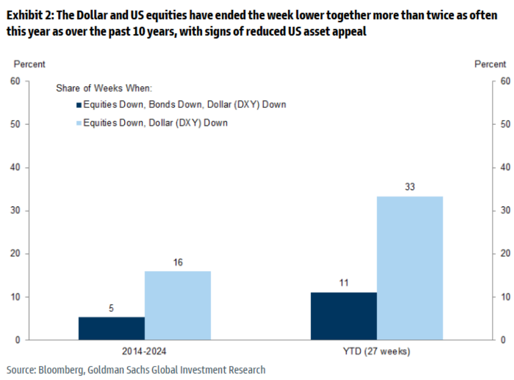
Japan's 20-Year Yield Remains Down After Auction



Source: Bloomberg

Foreign Exchange Markets

The behavior of the US dollar and US equities relative to each other has changed, suggesting a "sell America" trend in markets. A big selloff in the global and US equity markets is usually associated with a rally in the dollar and lower Treasury yields. However, this year, the dollar, US Treasuries and US equities have all sold off together after tariffs were announced on April 2, indicating that market participants no longer view the dollar and Treasuries as safe haven assets due to the unique vulnerabilities for the US economy created by the potential tariffs. In 2025, the share of weeks when there was a simultaneous selloff in US equities, bonds and dollars or equities and dollars is more than twice what was seen over the prior decade. This change in relationships between these asset classes creates challenges for investors, whose Value at Risk (VAR) models are based on historical data, and which now have to be recalibrated to reflect this new trend.



Emerging Markets

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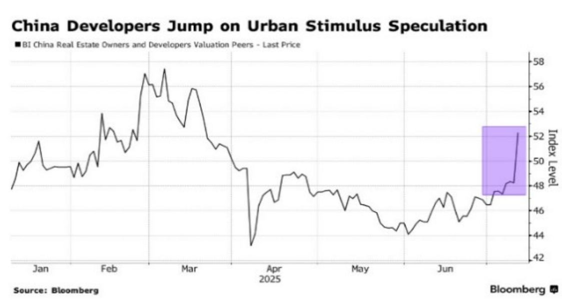
EMEA equities traded mostly higher this morning, while currencies were mixed amid persistent tariffs fears. In Türkiye, equities continued to outperform (+1.7%) consolidating a 3.9% MTD gain, while the lira was little changed against the dollar at TRY40.06/$ (-0.6% MTD). **Most Asian currencies were slightly stronger as traders brushed off new tariff announcements overnight and looked to further negotiations between countries.** The Korean won appreciated after the Bank of Korea held its seven-day repo rate at 2.5%, with booming apartment prices quoted as one reason for the central bank to delay additional easing. **Latin American markets mostly declined, due to announcements of fresh US tariffs.** The Brazilian real was most impacted, declining 2.2% and posted its biggest intraday drop in three months, following announcement of fresh US import tariffs on Brazilian goods.

China

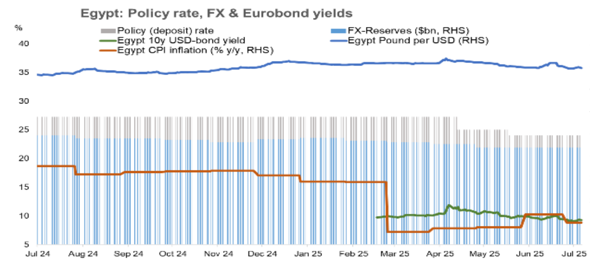


Chinese property developer stocks posted sharp gains in the Hong Kong market, fueled by speculation that a high-level meeting will be held next week to help the struggling sector. The Hang Seng Mainland Properties Index rose 4.0% today, compared to the 0.6% rise in the benchmark Hang Seng Index. Sino-Ocean Group surged 27%, while two of China's largest developers, China Vanke and Country Garden, advanced 5.7% and 5.1%, respectively. The rally followed unverified social media reports of a possible high-level meeting that would be reminiscent of the Central Urban Work Conference held in 2015, which sought to propel urban planning and infrastructure. Analysts attributed the stock gains to market chatter about the potential gathering that could focus on a new shantytown reconstruction program aimed at helping low-income residents improve their living conditions.

Both the onshore CNY and offshore CNH stabilized today, strengthening slightly following three consecutive days of losses. Late yesterday, the State Council said in a circular that the authorities will provide a one-off employment subsidy for companies and social organizations that hire unemployed people aged between 16 and 24. Funded through China's unemployment insurance reserves, employers who sign formal contracts and pay full unemployment, work injury and pension insurance contributions for at least three months will receive up to CNY 1,500 (US$ 209) for each new hire they make.

Egypt

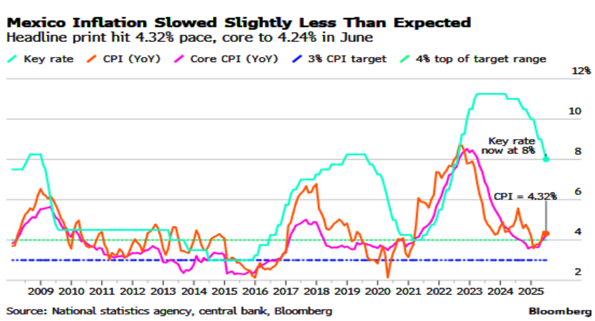
The Egyptian pound edged higher (+0.2%) **against the dollar this morning,** trading at around EGP 49.50/$, **after yesterday's June inflation data surprised to the downside with the central bank expected to cut its benchmark deposit rate by 100bps to 23% later today**. Headline inflation softened in June to 14.9% y/y from prior 16.8% y/y and against Reuters' median consensus of 16.2% y/y, with core inflation also cooling to 11.4% y/y from 13.1% in May. The decline was mainly driven by food prices (33% of the basket), which fell by -1.2% m/m pushing the CPI lower by -0.1% m/m on a sequential basis. Goldman Sachs sees inflationary pressures weakening in Egypt where economic growth remains below potential, with a firm pound (+2.6% YTD on the dollar) and lower commodity prices reducing external risks to the inflation outlook; analysts believe that the current monetary policy stance is excessively tight and see ample scope for easing with today's expected cut potentially larger than 100bps.



Source: Bloomberg and IMF calculations

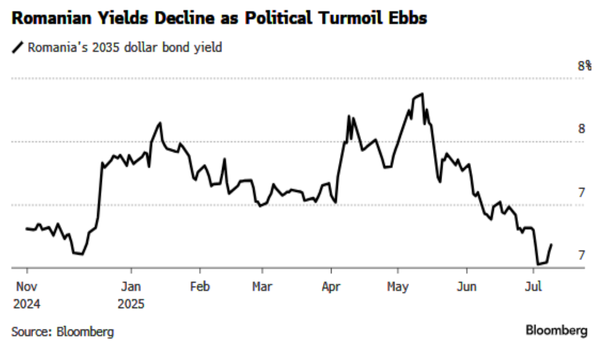
Mexico

Slower progress on disinflation may prompt Banxico to ease more cautiously. Mexico's inflation eased to 4.32% y/y in June, slightly above expectations (4.3%) but down from 4.42% in May. Analysts at Capital Economics noted that the stickiness in inflation, particularly with core inflation still rising, could lead Banxico to slow the pace of easing to a 25 bps cut. Barclays analysts also forecast 25 bps cuts in both August and September meetings, while expecting inflation to continue its gradual decline. Last month, Banxico signaled a more cautious stance after delivering a 50 bps cut to 8% and marking its second-longest easing cycle since 2008. The central bank also dropped its earlier reference to further cuts of a "similar magnitude," which market participants had interpreted as referring to the four consecutive 50 bps policy rate cut this year.



Romania

Romania tapped international markets for the third time this year with strong demand. Romania raised a total of $5.6 bn. through a mix of USD and EUR-denominated bonds. The deal included a new $2 bn 2030 bond priced at +185 bps over USTs, a $1.75 bn, 2036 bond priced at +230 bps over USTs, and a €1.5 bn tap of the existing 2039 bond priced at +375 bps over mid-swaps. Investor demand was robust, with order books exceeding $6.7 bn. for the USD tranches and €3.1 bn. for the euro tranche. Bloomberg analysts noted that Romania's hard currency bonds have rebounded following the presidential election in May. Market participants are also optimistic about the prospects of a fiscal austerity plan, although the new administration is facing pushbacks over proposed cuts to public sector wages and pensions, as well as tax increases.



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Global Financial Indicators

7/9/25 3:43 PM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,258	0.5	1.0	4.2	12.2	6
Europe		5,446	1.4	2.4	0.4	11.1	11
Japan		39,821	0.3	0.1	4.2	-4.8	0
China		3,991	-0.2	1.2	3.3	16.4	1
Asia Ex Japan		83	-0.1	-0.3	2.0	11.5	14
Emerging Markets		48	-0.2	-0.1	2.1	10.2	15
Interest Rates					basis points		
US 10y Yield		4.3	-6	6	-14	4	-23
Germany 10y Yield		2.7	-1	1	11	9	31
Japan 10y Yield		1.5	1	8	4	42	41
UK 10y Yield		4.6	-2	0	-2	45	4
Credit Spreads					basis points		
US Investment Grade		127	1	2	-2	1	7
US High Yield		336	2	-2	-15	-20	8
Exchange Rates					%		
USD/Majors		97.5	0.0	0.7	-1.5	-7.3	-10
EUR/USD		1.17	0.0	-0.7	2.6	8.4	13
USD/JPY		146.3	-0.2	1.8	1.2	-9.3	-7
EM/USD		46.1	-0.1	-0.5	0.5	-0.3	8
Commodities					%		
Brent Crude Oil ($/barrel)		70.1	0.0	1.5	5.8	-11.1	-3
Industrials Metals (index)		152.8	-1.4	2.9	5.4	0.2	9
Agriculture (index)		54.0	-0.2	-0.9	-3.9	-5.0	-5
Gold ($/ounce)		3316.1	0.4	-1.2	-0.3	40.3	26
Bitcoin ($/coin)		111349.6	2.5	3.3	2.4	92.2	19
Implied Volatility					%		
VIX Index (%, change in pp)		15.9	-0.9	-0.9	-1.2	3.4	-1.4
Global FX Volatility		8.3	-0.1	-0.4	-0.2	1.3	-0.9
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		70	1	1	0	-35	-16
Italy		85	0	0	-7	-51	-30
France		69	1	3	2	2	-14
Spain		62	0	1	4	-16	-7

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

Emerging Market Financial Indicators

Last updated: 7/10/2025 7:57 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		7.18	0.1	-0.1	0.2	1.4	1.7		1.7	0	0	-3	-49	1
Indonesia		16224	0.2	-0.2	0.3	0.1	-0.6		6.6	0	-3	-13	-41	-46
India		86	0.0	-0.4	0.0	-2.5	0.0		6.8	-1	2	-7	-45	-58
Philippines		56	0.2	-0.4	-1.1	3.3	2.7		4.8	0	0	-8	-57	-3
Thailand		33	0.2	-0.5	0.0	11.4	5.3		1.7	-1	-4	-22	-110	-68
Malaysia		4.25	0.1	-0.5	-0.2	10.7	5.3		3.4	-1	-7	-11	-43	-39
Argentina		1255	0.6	-2.8	-5.5	-26.9	-17.8		32.7	0	34	536	-1213	353
Brazil		5.57	-2.2	-2.7	-0.3	-2.7	10.8		13.8	0	17	-36	213	-210
Chile		950	-0.8	-2.4	-1.4	-1.9	4.9		5.4	-2	-5	-15	-57	-26
Colombia		4008	1.1	-0.3	3.4	0.2	9.9		12.0	-7	-10	-42	115	15
Mexico		18.66	-0.2	-0.1	2.2	-4.4	11.6		9.2	-5	6	0	-92	-112
Peru		3.5	0.0	0.0	2.4	6.6	5.8		6.4	-2	0	-52	-63	-24
Uruguay		40	0.1	-0.9	2.5	-1.2	7.9		8.7	-8	-13	-33	-93	-96
Hungary		341	0.1	-0.5	3.0	6.7	16.6		6.7	-1	1	-7	-1	24
Poland		3.63	-0.2	-0.6	2.7	8.4	13.8		4.9	-3	-2	-29	-64	-70
Romania		4.3	-0.1	-0.8	1.5	5.9	10.8		7.1	-3	-14	-30	61	-13
Russia		77.8	0.3	1.6	0.8	14.3	46.0							
South Africa		17.8	0.3	-1.5	-0.4	2.0	6.0		10.2	-3	5	-19	-86	-26
Türkiye		40.07	0.0	-0.6	-2.2	-18.0	-11.8		31.7	4	86	-199	402	201
US (DXY; 5y UST)		98	0.0	0.8	-1.6	-7.2	-10.1		3.91	1	-2	-17	-32	-47

	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		3,991	-0.2	1.2	3.3	16.4	1.4		106	-2	3	-35	10
Indonesia		6,944	0.6	0.9	-4.0	-4.7	-1.9		88	-10	0	-19	-3
India		83,536	-0.2	0.2	1.4	4.5	6.9		101	-1	-2	1	15
Philippines		6,504	1.1	1.3	2.5	0.2	-0.4		76	-9	8	-13	-3
Thailand		1,110	-0.5	-0.5	-2.7	-16.5	-20.7						
Malaysia		1,529	-0.1	-1.4	0.8	-5.5	-6.9		75	-2	-1	-8	5
Argentina		2,129,786	3.9	4.9	-3.3	26.0	-15.9		711	3	13	-799	74
Brazil		137,381	-1.4	-1.2	1.2	8.1	14.2		208	-4	-6	-14	-39
Chile		8,301	-0.2	0.4	1.6	28.3	23.7		108	-5	-2	-10	-5
Colombia		1,674	-0.9	-1.2	2.3	21.9	21.3		325	-14	-16	22	-1
Mexico		56,637	-1.0	-2.9	-2.0	6.2	14.4		268	-2	-19	-41	-44
Peru		32,742	-0.4	-0.5	0.7	8.6	13.1		121	-4	-7	-21	-20
Hungary		100,050	1.1	1.9	3.7	40.6	26.1		150	-10	7	-2	-5
Poland		106,354	0.3	1.7	6.0	20.6	33.6		99	-8	-4	-7	-13
Romania		18,754	0.4	1.2	-0.3	2.3	12.2		210	-26	-23	21	-25
South Africa		97,230	0.0	0.6	0.8	20.6	15.6		298	-1	5	-3	5
Türkiye		10,167	1.7	-0.2	7.2	-5.8	3.4		290	-3	-10	7	31
EM total		48	-0.3	-0.1	2.1	10.2	15.5		361	-3	-11	-40	-3

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

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