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- **Dollar could face further depreciation pressure** ([link](#))
- **Volatility surges in Brazil on US tariff threats** ([link](#))
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Renewed US tariff threats unsettle markets

Stocks in Europe declined and US equity index futures were lower in the wake of new tariff threats from the US. There was talk of 35% tariffs on Canada and a minimum baseline of 15–20% on all countries from the 10% level that currently prevails. Government bond yields in the US and Europe were higher and the dollar appreciated against most major currencies. This morning's downturn comes a day after the S&P 500 set yet another new record due to optimism about corporate earnings and the US economy. The impact of new US tariff threats appeared to have dissipated in recent weeks, setting the stage for stronger markets across the globe. However, the recent tariff moves against Brazil and Canada were a stark reminder that markets remain highly vulnerable to political developments.

The Global Markets Monitor will go on summer break starting on July 14 and will return on August 18.

Key Global Financial Indicators

Last updated: 7/11/25 8:04 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6280	0.3	1	4	12	7
Eurostoxx 50		5385	-1.0	2	0	8	10
Nikkei 225		39570	-0.2	-1	5	-4	-1
MSCI EM		48	0.3	0	1	9	16
Yields and Spreads			bps				
US 10y Yield		4.38	3.4	4	-4	17	-19
Germany 10y Yield		2.71	0.6	10	18	25	34
EMBIG Sovereign Spread		309	-2	3	-8	-80	-16
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.9	-0.3	-1	0	-1	7
Dollar index, (+) = \$ appreciation		97.8	0.2	1	-1	-6	-10
Brent Crude Oil (\$/barrel)		69.4	1.1	2	-1	-19	-7
VIX Index (% change in pp)		16.8	1.0	0	-1	4	-1

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

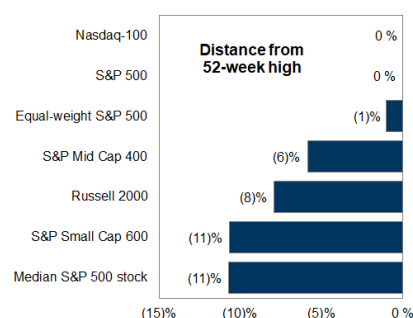
Mature Markets

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United States

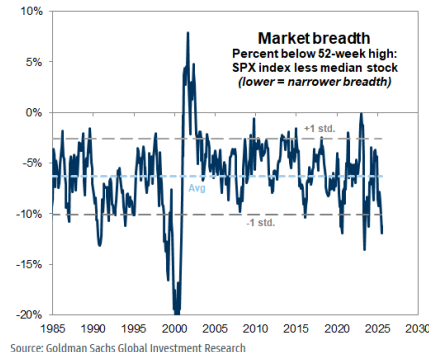
Despite the S&P 500 being at an all-time high, the narrow breadth within the index may be cause for concern. The 25% rally in the index from the bear market low on April 8 is above the ninety-ninth percentile of three month returns over the past 50 years, according to analysis by Goldman. However, the median constituent of the index is still more than 10% below its 52-week high. This suggests that the rally was driven by relatively few stocks, which is confirmed by Goldman's in-house measure of market breadth, which is very low. In past years, low market breadth was either followed by a further rally driven by rising market breadth as other companies catch up to the leaders, or a major selloff as the market leaders readjusted lower to the rest of the index. Contacts leaned toward the former outcome, pointing out that the big US technology companies (with the exception of Apple and Tesla) would be less affected by tariffs, as would the leading US financial stocks. They pointed out that lagging sectors such as consumer staples, energy, and consumer discretionary account for a much smaller part of the index than in previous years and are therefore much less important.

Exhibit 6: Large stocks have driven the recent market rebound
as of July 3, 2025



Source: Goldman Sachs Global Investment Research

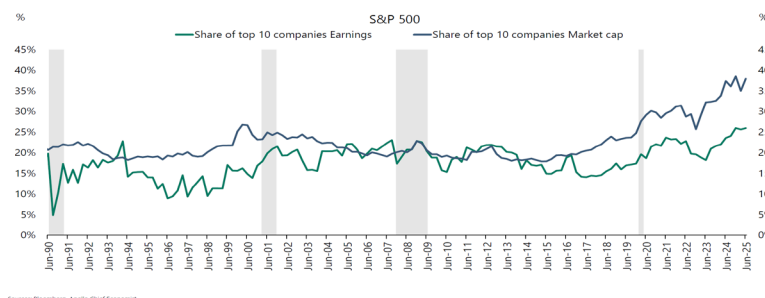
Exhibit 7: Market breadth has narrowed sharply in recent weeks
as of July 3, 2025



Source: Goldman Sachs Global Investment Research

However, the lack of breadth is compounded by the increased concentration within the index. The top ten companies account for 25% of all profits and almost 40% of the market capitalization, according to analysis by Apollo. Even a minor selloff in these larger stocks could have a very large impact on the overall equity market.

Concentration in the S&P 500 rising again



Sources: Bloomberg, Apollo Chief Economist

Euro Area

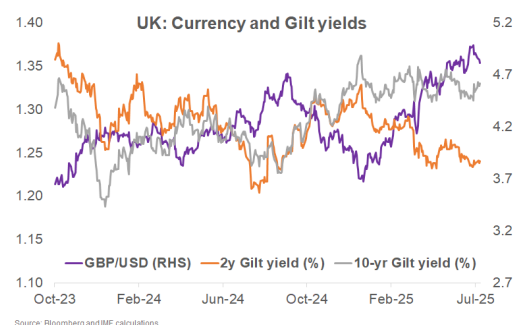
European equities were trading lower on the latest tariff-related developments. The Stoxx 600 index was trading in the red (-0.9%) led by declines in the information technology (-1.2%) and financials sector (-1.2%) with stocks in the luxury goods sector also trading sharply lower. European government bond yields were trading higher, led by the longer end of the curve with the 10Y German bund yield (+3bp) at 2.73%

and the 30Y bund yield (+3bp) at 3.23%, trading near a 14-year high on elevated bond supply. Intra-EU spreads held steady. Hawkish commentary from ECB Executive Board member Schnabel saw money markets pare back ECB easing expectations with a final -25bp rate cut now priced at 80%, versus being fully priced earlier in the week.

United Kingdom

Sterling weakened as UK monthly GDP surprised to the downside.

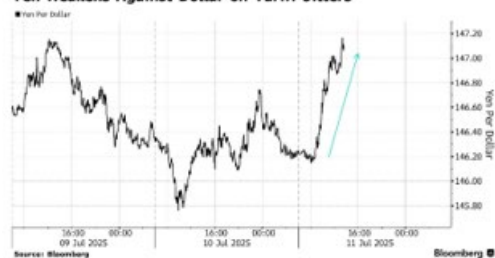
Data released this morning showed May monthly UK GDP printed at -0.1% m/m (+0.1% exp, -0.3% prior). Separate data showed monthly industrial production for May also declined by -0.9% m/m (-0.1% exp, -0.6% prior). Today's GDP report marks the second consecutive month that output declined with Deutsche Bank analysts noting that the impact of trade tariffs are becoming more evident in the data, particularly in manufacturing output where auto production, pharmaceuticals and metals registered large declines. The analysts expect the MPC will likely opt to look through some of the weakness in activity, while analysts at ING note that the weakness in the labor market is likely to "force the MPC to rethink the pace of rate cuts" particularly if the June employment data is as bad as May's. In addition, ING highlight that a deteriorating labor market would likely make tax rises more inevitable, with additional employer taxation likely to prove challenging given the current hiring backdrop. Money market pricing for BoE rate cuts through the end of this year was broadly unchanged relative to a week ago with around 53bps of easing expected by December.



Japan

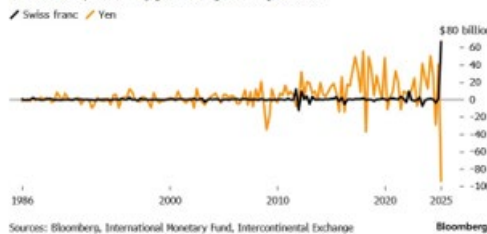
The Japanese yen underperformed G-10 peers as the dollar strengthened after tariff threats. It weakened (-0.5%) to \$/147.03 today, while benchmark bond yields rose slightly (10-yr +2 bp to 1.51%; 30-yr unchanged at 3.05%). Analysts believe the yen may weaken further if trade deals fail to get signed or if the incumbent government polls poorly. Bloomberg reported today that global foreign-exchange reserve managers made an unprecedented switch from the Japanese yen to the Swiss franc in Q1 2025, highlighting the yen's eroding appeal as a haven asset. However, according to PIMCO, Japan has emerged as a prime destination for global investors as the trade war triggers a reassessment of capital flows into the US. PIMCO expects investors to plow more money into the world's third-biggest bond market as it is an "attractive investment diversification from a large Treasury allocation – especially when swapped into the dollar." Global funds bought a record ¥9.16 tn (\$62.6 billion) of stocks and bonds in April, according to government data.

Yen Weakens Against Dollar on Tariff Jitters



Global FX Reserves Shift From Yen to Swiss Franc

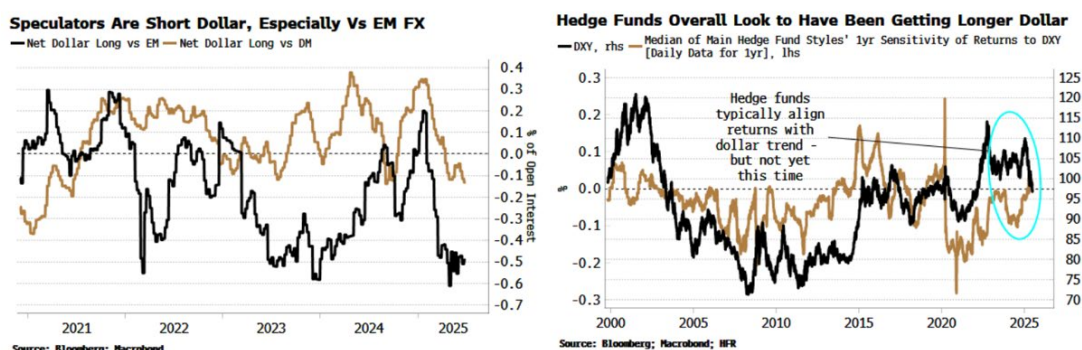
Estimated net purchases by global foreign exchange reserves



Foreign Exchange Markets

The dollar faces significant headwinds that could lead to even further depreciation. The dollar has had its worst start to the year since 1973, the year the Bretton Woods system ended. The DXY dollar index is down more than 10% so far this year. However, there are multiple factors that could cause the dollar to

weaken even further. Data from the US Commodity Futures Trading Commission (CFTC) show that investors are short the dollar, especially against emerging market currencies, but they are much less short the dollar in advanced economy currencies. If tariff induced volatility returns, investors may seek refuge in other major currencies and push the dollar even lower. Furthermore, the CFTC data also show that hedge funds have been increasing their long dollar positions, so a reversal of this trend could be highly negative. However, the biggest risk to the dollar probably comes from FX hedging flows. Many foreign investors with large holdings of US bonds, equities and other dollar denominated assets may be forced to sell dollars to hedge against further weakness in the currency.



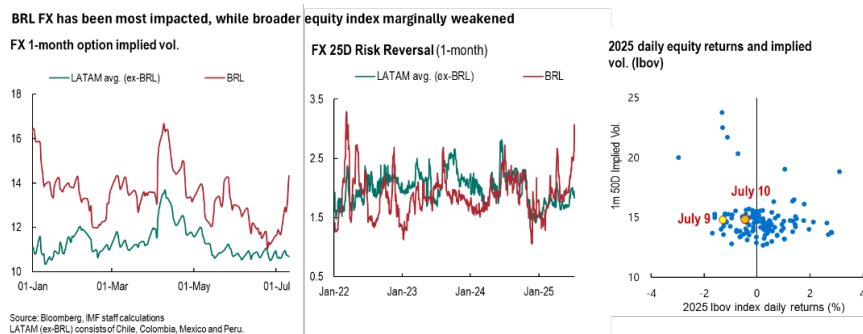
Emerging Markets

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EMEA markets sold off along with other markets on this morning's risk aversion trade. However, Bosnia & Herzegovina debuted its €350 mn 5-year bond at a 5.5% yield, drawing orders of more than €1.7 bn. Meanwhile, Türkiye also issued a €1.5 bn 6-year bond at 5.2% yield. **Asian currencies were mixed today (EM Asia: +0.1%), with Thai baht appreciating the most (+0.5%).** Asian equities were mostly higher (EM Asia: +0.2%), with the noticeable exception of India (SENSEX: -0.8%) which fell on poor earnings and trade deal uncertainties. India is planning to allow international investors to access its domestic bond market by allowing banks such as HSBC and Standard Chartered to offer total return swaps on local bonds. **Latin American markets were mixed as market participants weighed the impact of the latest US tariffs.** In Mexico, the central bank minutes indicated that the pace of rate cuts was likely to slow down due to rising inflation concerns.

Brazil

Implied volatility for BRL surged following threats of higher tariffs on Brazilian exports to the US. The one-month implied FX volatility for BRL jumped to its highest level since May (*left chart*), while the one-month 25-delta risk reversal spiked to the highest level since early 2022 (*center chart*), reflecting increased demand for downside protection. The spot market also saw some volatility intraday, with the BRL weakening as much as -0.8% at the open but ending the day marginally stronger (+0.7%). Meanwhile, the broader equity index declined slightly (-0.5%) and implied volatility remained relatively stable (*right chart*). Exporters such as Embraer SA (-3.7%) were more adversely impacted but these losses were offset by gains in mining and steel stocks that have limited exposure to the US. In local rates, benchmark government bond yields traded marginally lower, with five- and 10-year yields declining -6 and -7 bps, respectively. In hard currency markets, benchmark spreads held steady at +200 bps (YTD tight at +198 bps), while the 5-year Brazil CDS traded at +148 bps (YTD tight at +141 bps).



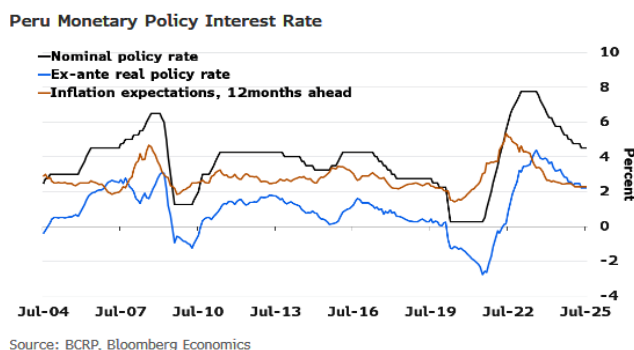
China

Yuan strengthened for the second consecutive day after the People's Bank of China set a stronger currency fixing. Both onshore CNY and offshore CNH appreciated (+0.1%), after yuan was fixed at 7.1475, past the 7.15 mark for the first time since November 2024. Bloomberg reported today that, according to traders, Chinese state-owned banks have gradually shifted from wanting dollars to reducing their demand. The dollar's premium over the yuan, as reflected in 12-month swap points, has narrowed by 25% since end-December, reflecting decreasing demand for the dollar and optimism about the yuan. Analysts believe that swaps might have also gained support from easing expectations of interest rate cuts in China. Foreign exchange swaps have surged in popularity, with more companies and banks now using them to hedge risks and manage dollar holdings for operations or investment needs.



Peru

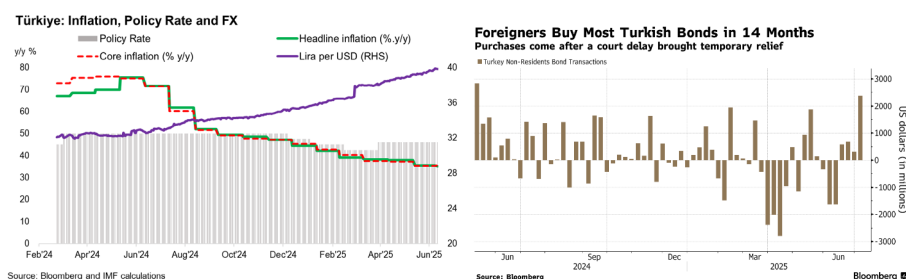
Peru held policy rates steady at 4.5% for the second consecutive meeting, as expected by 14 out of 16 analysts surveyed by Bloomberg. The central bank continues to expect inflation to stay below its midpoint target (2%) for some months, before rising later in the year. Forward guidance also remained unchanged, emphasizing that future decisions will depend on incoming data. However, the central bank was more cautious about its growth outlook, noting that activity indicators and growth expectations have worsened since its previous meeting in June. Additionally, they also assessed that the external growth outlook has weakened due to trade restrictions and uncertainties over its implications.



Türkiye

The lira depreciated (-0.2%) against the dollar this morning, trading at around TRY 40.17/\$ (-0.7% week-to-date), with Turkish government bonds also poised to close this week lower, after three weeks of strong gains, as local political risks and global risk aversion resurfaced. Yields on two-year

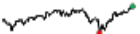

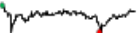


















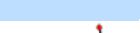
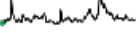
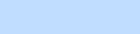



domestic government bonds rose by 58bps to 36.97% this week, while five-year yields climbed 56bps to 33.17% and 10y yields were up 73bps to 29.45%. According to Bloomberg, foreign investors bought \$2.4bn of domestic bonds last week, the biggest inflow since May 2024, after a court postponed a ruling on a case regarding the main opposition party leader to September. JP Morgan and Morgan Stanley saw this move as providing temporary relief from political risk in the country and set forth constructive views on Turkish bonds and the lira last week, expecting investors to focus on prospects of interest-rate cuts as inflation slowed to 35.05%/y/y in June. After the central bank (TCMB) kept its policy rate on hold at 46% in June, JPMorgan and Morgan Stanley expect the TCMB to cut its policy rate by 250bps on July 24, followed by similar-magnitude reductions in each of the remaining three MPC meetings in 2025. **Today's data showed that retail sales grew by 17.7%/y/y in May in Türkiye, from prior 11.7%.**



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Global Financial Indicators

7/11/25 8:05 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,271	0.3	-0.1	4.1	12.3	7
Europe		5,385	-1.0	1.8	-0.1	8.2	10
Japan		39,570	-0.2	-0.6	4.6	-3.9	-1
China		4,015	0.1	0.8	3.9	15.6	2
Asia Ex Japan		83	0.5	-0.2	1.2	10.5	15
Emerging Markets		48	0.3	-0.2	1.3	9.2	16
Interest Rates			basis points				
US 10y Yield		4.4	3	4	-4	17	-19
Germany 10y Yield		2.7	1	10	18	25	34
Japan 10y Yield		1.5	2	9	6	43	42
UK 10y Yield		4.6	1	5	5	53	3
Credit Spreads			basis points				
US Investment Grade		126	-2	3	-3	0	6
US High Yield		335	1	5	-15	-20	6
Exchange Rates			%				
USD/Majors		97.8	0.2	0.6	-0.8	-6.4	-10
EUR/USD		1.17	-0.1	-0.8	1.7	7.5	13
USD/JPY		147.0	0.5	1.7	1.7	-7.5	-6
EM/USD		45.9	-0.3	-1.0	-0.2	-1.0	7
Commodities			%				
Brent Crude Oil (\$/barrel)		69.4	1.1	1.6	0.7	-12.0	-4
Industrials Metals (index)		153.1	-1.1	2.3	6.5	1.4	9
Agriculture (index)		54.2	-0.1	-2.4	-3.0	-4.3	-5
Gold (\$/ounce)		3348.6	0.7	0.3	-0.2	38.6	28
Bitcoin (\$/coin)		117987.3	3.9	8.5	8.3	105.0	26
Implied Volatility			%				
VIX Index (% change in pp)		16.8	1.0	0.4	-0.5	3.8	-0.6
Global FX Volatility		8.1	0.0	-0.1	0.0	1.3	-1.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		69	-1	0	-3	-32	-17
Italy		86	0	2	-6	-47	-30
France		69	-1	2	0	3	-14
Spain		61	-1	-1	2	-16	-9

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 7/11/2025 7:52 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		7.17	0.1	0.0	0.3	1.3	1.8		1.7	2	2	-2	-48	2	
Indonesia		16218	0.0	-0.2	0.3	-0.1	-0.5		6.5	-3	-5	-16	-44	-49	
India		86	-0.2	-0.5	-0.3	-2.6	-0.2		6.8	2	2	-7	-42	-56	
Philippines		56	0.0	-0.1	-1.1	3.2	2.6		4.8	0	-2	-9	-57	-3	
Thailand		32	0.5	-0.2	0.5	11.4	5.9		1.7	0	-6	-20	-108	-68	
Malaysia		4.25	-0.1	-0.7	-0.3	10.3	5.2		3.4	-1	-8	-14	-44	-40	
Argentina		1256	-0.1	-2.0	-5.4	-26.9	-17.9		30.2	-245	-181	101	-1464	108	
Brazil		5.53	0.7	-2.2	0.8	-2.1	11.6		14.0	15	28	-8	243	-195	
Chile		951	-0.1	-2.1	-1.1	-4.1	4.8		5.4	2	-3	-12	-54	-25	
Colombia		4011	-0.1	-0.6	4.9	-1.0	9.8		11.9	-5	-13	-51	108	10	
Mexico		18.69	-0.4	-0.3	1.2	-4.9	11.4		9.2	2	5	0	-80	-110	
Peru		3.5	0.1	0.0	2.5	6.7	6.0		6.4	1	3	-44	-60	-22	
Uruguay		41	-0.1	-1.1	2.3	-1.4	7.8		8.7	-2	-14	-32	-93	-98	
Hungary		342	-0.3	-0.8	1.8	6.0	16.2		6.6	-2	1	-4	4	23	
Poland		3.64	-0.2	-1.1	1.7	7.7	13.4		4.9	0	2	-26	-60	-71	
Romania		4.3	-0.2	-1.1	0.7	5.4	10.6		7.2	3	-7	-23	64	-10	
Russia		78.1	-5.2	0.8	1.8	12.3	45.3								
South Africa		17.9	-0.9	-1.8	-1.0	0.5	5.2		10.2	-6	7	-22	-88	-31	
Türkiye		40.17	-0.2	-0.7	-2.5	-18.3	-12.0		31.8	5	68	-153	386	206	
US (DXY; 5y UST)		98	0.1	0.6	-0.9	-6.4	-9.9		3.96	2	2	-6	-18	-42	

	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		4,010	0.5	1.1	3.0	15.8	1.9		107	-1	3	-34	11
Indonesia		7,005	0.9	1.9	-3.0	-4.0	-1.1		93	-2	-3	-10	2
India		83,190	-0.4	-0.1	0.8	4.1	6.5		98	-4	-4	-1	12
Philippines		6,463	-0.6	-0.1	1.3	-2.2	-1.0		81	1	3	-7	2
Thailand		1,110	0.0	-0.5	-2.7	-16.5	-20.7						
Malaysia		1,537	0.5	-0.8	0.8	-5.3	-6.4		74	-3	-2	-9	4
Argentina		2,073,165	-2.7	0.5	-5.9	22.7	-18.2		700	-9	7	-797	63
Brazil		136,918	-0.4	-2.8	0.4	7.6	13.8		210	0	-7	-12	-37
Chile		8,327	0.0	0.4	1.2	28.8	24.1		111	1	-1	-7	-2
Colombia		1,681	0.4	-0.2	1.9	23.1	21.9		321	-15	-25	14	-5
Mexico		56,726	0.1	-2.0	-2.4	4.5	14.6		263	-6	-25	-49	-49
Peru		32,735	0.0	-0.8	0.8	8.4	13.0		119	-6	-11	-24	-22
Hungary		99,998	-0.1	0.1	3.4	39.8	26.1		154	-3	8	3	-1
Poland		104,924	-1.3	-1.2	2.8	19.9	31.9		103	-3	-4	-2	-9
Romania		18,890	0.7	1.2	1.5	2.5	13.0		216	-8	-11	27	-19
South Africa		97,364	0.1	0.4	0.7	21.0	15.8		302	5	6	0	9
Türkiye		10,331	1.6	1.0	7.0	-3.8	5.1		294	1	-8	8	35
EM total		48	0.4	-0.3	1.7	9.9	15.8		361	-3	-13	-41	-3

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

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