GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JULY 16, 2026

LEAD EDITOR: FABIO CORTES

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- **US banks perform strongly but booming stock trading raises concerns over leverage** (link)
- **Super-long JGBs weaken as GPIF hopes fade; yen remains under depreciation pressure** (link)
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Markets cautious on the ongoing geopolitical concerns

Global stocks retreated after the US struck Iran for a fifth straight day and hit a sanctioned oil tanker near the country's main export terminal. Iran responded to the US's attacks by firing upon American military bases in Jordan, Kuwait and Bahrein. Brent crude traded over $85 a barrel this morning, up +17% month-to-date. A strong earnings beat and raised sales outlook from Taiwan Semiconductor Manufacturing failed to trigger fresh gains in the sector. Market contacts noted that the chipmakers sector's leading role in this year's equity gains is increasingly coming under strain as investors question elevated stock valuations and whether AI hyperscalers are building more capacity than they will need. While the VIX index is trading below historical averages, measures of option implied volatility in the more AI and tech-focused Nasdaq index have decoupled and risen over the past month. This may indicate that investors are increasingly looking to hedge risks in the AI sector. In fixed income markets, US Treasury and euro-area government bond yields traded modestly higher while there was renewed weakness in Japan's super-long government bonds. Elsewhere, the Korean won strengthened after the Bank of Korea hinted at further policy tightening and delivered a 25 bps rate hike, while the Kospi (-6%) underperformed regional peers as the Financial Services Commission announced a temporary halt of new listings of single-stock leveraged ETFs to curb market volatility.

Key Global Financial Indicators

Last updated: 7/16/26 8:21 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7572	0.4	1	1	21	11
Eurostoxx 50		6228	-0.6	-1	0	18	8
Nikkei 225		66836	-2.8	-1	-4	68	33
MSCI EM		66	-0.2	-1	-4	34	20
Yields and Spreads					bps		
US 10y Yield		4.58	3.4	3	14	13	41
Germany 10y Yield		3.15	3.0	7	22	47	30
EMBIG Sovereign Spread		238	1	1	13	-67	-16
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.6	-0.2	0	-2	2	0
Dollar index, (+) = $ appreciation		100.5	0.0	0	1	2	2
Brent Crude Oil ($/barrel)		85.2	0.2	12	8	24	40
VIX Index (%, change in pp)		16.2	0.5	0	0	-1	1

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

Key Global Inflation and Energy Indicators

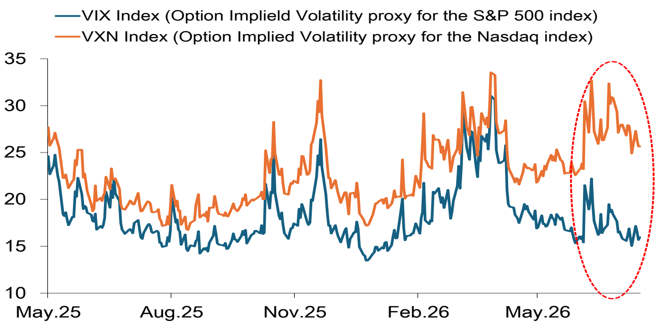
Last updated: 7/16/26 8:19 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas				%			%
Brent Crude Oil ($/barrel)		85	0.2	12	8	24	40
WTI Crude Oil ($/barrel)		80	0.5	11	5	20	39
Natural Gas (Netherlands TTF)		55	1	14	32	58	106
Breakeven Inflation		%		bps			
USD: 2Y		2.3	-0.8	-9	-29	-72	-2
USD: 5Y		2.4	1.6	-2	-8	-28	7
USD: 5Y5Y		2.4	0	0	-3	-17	-7
EUR: 2Y		2.3	2.5	16	-2	62	66
EUR: 5Y		2.2	2	9	3	34	40
EUR: 5Y5Y		2.1	1	1	2	1	6

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

Mature Markets back to top

United States

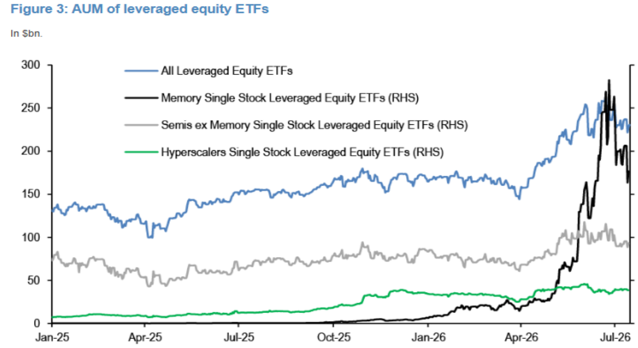
Measures of equity option implied volatility are decoupling as investors question elevated AI valuations. The AI sector's leading role in this year's equity gains is increasingly coming under strain as investors question lofty stock valuations and whether AI hyperscalers are building more capacity than they will need. While the VIX index (a proxy for option implied volatility in the broad S&P 500 index) is trading below historical averages, measures of option implied volatility in the more AI and tech-focused Nasdaq index have decoupled and risen over the past month. This may indicate that investors are increasingly looking to hedge risks in the AI sector.



Source: Bloomberg

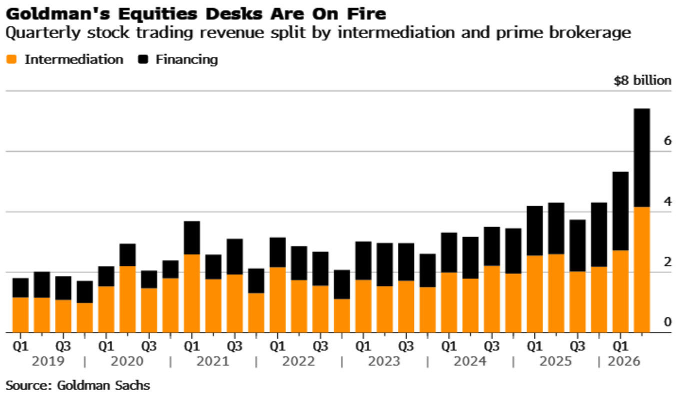
The investor deleveraging that began in June appears to be continuing, with further reductions in leveraged equity ETFs, options, and margin accounts potentially creating a headwind for equities. The rapid growth of leveraged equity ETFs may be self-correcting as more frequent volatility shocks and volatile range-trading could gradually shrink their assets under management (AUM). After peaking in June, the AUM of leveraged memory stock ETFs shrunk by 34% while the assets of all leveraged equity ETFs have shrunk by 13%. Some contacts expect that once the deleveraging eases, longer-term equity demand/supply dynamics should take more prominent role in equity markets.

Figure 3: AUM of leveraged equity ETFs



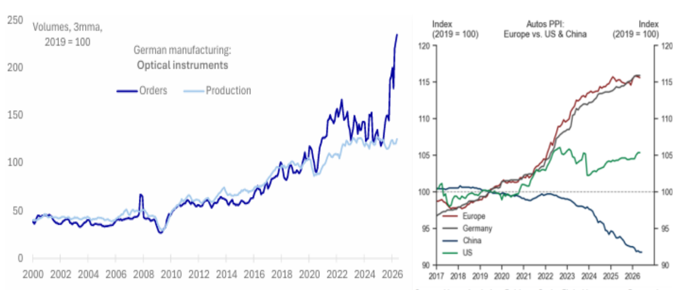
Source: Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

US banks are performing strongly, but booming stock trading raises concerns over leverage. The four major investment banks beat equities revenue expectations, led by Goldman Sachs with $7.4 bn, up 72% year over year. The four big investment banks beat equities revenue expectations. Goldman posted $7.4 bn, up 72% year over year and above its full-year 2019 equities revenue, while JPMorgan reported $6 bn, up more than 85%; Bank of America rose 70% and Citigroup 45%. AI-driven equity issuance, stronger deal activity, and the $75 bn SpaceX IPO boosted fees and trading. The biggest concern is rising leverage: Goldman's equity financing revenue reached $3.3 bn, doubling in just over a year as lending to hedge funds expanded. Heavy borrowing to fund equity bets increases the risk of market corrections, even as bankers and investors remain confident. Given the amount of borrowed money that hedge funds and retail investors are using to bet on shares right now, there are concerns about how unstable markets could become if, or when, a correction begins.



Euro area

European stocks fell this morning against a backdrop of resurged tensions in the Middle East and lingering concerns on AI lofty valuations. The Stoxx 600 index was down -0.3%, with losses widespread across sectors with utilities (-1.1%) and energy (-1%) underperforming. Yesterday's **May industrial production data disappointed in the euro area** (output declined by -1.2% y/y, vs. est. -0.4%, from +0.4% in April), with analysts at **Goldman Sachs** (GS) pointing to Germany's automobile sector prolonged downturn. GS noted that, compared with its 2017/18 peak, production in the auto sector remains about 30% lower and employment has fallen by almost 20%. The slowdown cut German GDP growth by about 0.3% per year in 2018–2025 and may further erode 0.1% of GDP growth per year until 2030. German carmakers have lost market share in China and in other markets. Looking at the short-term, **Deutsche Bank** (DB) keeps a more constructive view on German manufacturing in H2, noting that weak production despite strong orders reflects supply bottlenecks, especially in defense sectors and for chipmaking. DB expects bottlenecks to ease in 2H26, potentially creating a catch-up boost.



The euro was little changed and euro area government bond yields continued to edge marginally lower across the curve. Spain sold today €1.6bn of 30y bonds at yield of 4.28%, reporting a bid-to-cover of 1.92 times in the auction. ECB Governing Council member Nagel reaffirmed yesterday the ECB's cautious monetary stance, stating that borrowing costs are "appropriate" and future decisions will be data-driven.

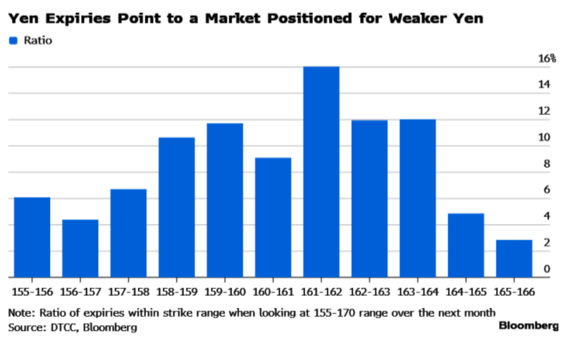
United Kingdom

The **pound edged lower** (-0.3%) this morning, to trade at $1.35/£, only partly paring **yesterday's 1% surge**

following news that Shabana Mahmood will become the next UK Chancellor within the upcoming Andy Burnham's government, easing investors' concerns as she is associated with the fiscally conservative "Blue Labour". The relief spurred a small rally in gilts yesterday afternoon, that has however mostly reversed today as gilt yields moved along global peers (about +2 bps higher across the curve: 2-year at 4.32% and 10-year at 4.96%). Today's data showed the **UK's GDP ticking up in May** (+0.1% m/m, vs. 0% est. from prior -0.1%m/m), although the industrial production came weaker than expected at +1% y/y (vs. est.+1.3%) after being flat in April. **JP Morgan** sees May GDP data as a modest upside surprise, lifting Q2 forecasts to +1.5% (annualized) from a prior +1%, noting that growth is not strong, but is resilient and above the Bank of England's April forecast. **UBS** said that April-May's data point to 0.4%q/q GDP growth in Q2, above its 0.1% forecast, but keeps its 2026 growth forecast at 1% expecting impacts from political uncertainty in H2. **ING** sees the recent pound strength reflecting short-position unwinding after speculators built the largest GBP bearish positions since 2017.

Japan

Renewed weakness in Japan's super-long government bonds dominated market trading, as investors scaled back expectations of imminent support from domestic pension fund reallocations and reassessed the implications of the government's fiscal agenda. The JGB yield curve steepened (10-year +2 bps to 2.71%; 30-yearr +6 bps to 3.82%) as FM Katayama reiterated that she has no authority to step into Government Pension Investment Fund's (GPIF) investment decisions. Bloomberg economists believe that recent rises in long-term JGB yields are increasingly being interpreted as reflecting stronger growth expectations and a revival of classic crowding-out dynamics following the BOJ's exit from ultra-loose monetary policy, rather than mounting concerns over fiscal sustainability. Today, the yen strengthened slightly to $/162.14 on safe-haven demand after renewed US strikes on Iran. However, options markets continue to indicate investor tolerance for further yen depreciation toward $/165 before authorities are likely to intervene. Persistent US-Japan rate differentials and carry-trade incentives remain key drivers of currency weakness. Equities declined (Nikkei 225: -2.8%) as investors took profits in AI-related shares (Kioxia -15%; Ibiden -10%).



South Korea

The **Korean won strengthened** (+0.4%) **after the Bank of Korea hinted at further policy tightening and delivered a 25 bps rate hike, as expected.** The unanimous decision marked the first rise in over 3 years, with the central bank citing inflation staying above target and growth strengthening. In separate news, **the Kospi (-6%) underperformed regional peers as the Financial Services Commission announced a temporary halt of new listings of single-stock leveraged ETFs to curb market volatility after a surge in popularity of funds tied to Samsung Electronics and SK Hynix.** The Financial Services Commission will increase on August 5 the minimum deposit requirement for leveraged ETF trading to 30 mn won from 10 mn won and raise the mandatory training requirement for leveraged ETF investors. The measures are aiming to curb a retail trading frenzy that has transformed the domestic equity market into one of the most volatile, with authorities saying they will consider further measures if markets do not stabilize.

Emerging Markets

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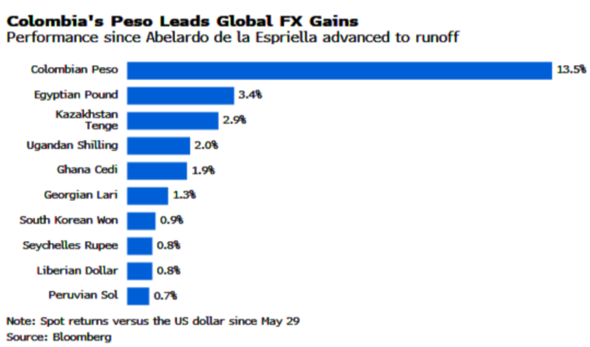
In **Asia**, currencies appreciated modestly on net while equities declined (EM Asia: -2.1%) on another semiconductor selloff. In **EMEA**, risk assets were mixed and currencies were little changed. Bloomberg reported that **Senegal** has appointed a financial advisor, a move it views as a sign the government may be exploring a debt restructuring. In **Nigeria**, June's CPI came in lower than expected at 15.9% y/y, unchanged from May. Bloomberg noted that this could support the central bank keeping its policy rate unchanged at 26.5% at its July 21 meeting. In **Latam**, markets posted modest moves on Wednesday. Equities declined in Brazil (-0.4%) and Chile (-0.7%). In currencies, the Colombian peso (+0.7%) outperformed.

China

Chinese markets were broadly stable today, as the People's Bank of China delivered its largest (CNY 616 bn) 7-day reverse-repo net injection since January 2025 to keep short-term liquidity ample. Both onshore CNY and offshore CNH were little changed, after the yuan was fixed at $/6.7909. Government bond yields were also little changed (10-year 1.73%; 30-year 2.25%), while the 7-day repo rate has risen five consecutive days to 1.43%. **Monetary policy discussions pointed to a supportive but targeted stance rather than a shift toward broad-based easing.** PBOC deputy governor Zou Lan said at a briefing yesterday that the yuan's current level of around 6.8 was a median level over the past few years, and factors exist that could lead to either a stronger or weaker yuan. Zou also pushed back against expectations that the newly introduced overnight reverse repo would replace the 7-day reverse repo rate as the key policy benchmark. Policymakers also moved to address distortions in the bank rediscount bills market by discouraging transactions below 0.5%, seeking to curb artificial credit expansion and encourage lending to the real economy. At the same time, the central bank also highlighted the growing role of structural monetary tools, having provided more than CNY760 bn in low-cost funding this year to support private enterprises, technological innovation, and equipment upgrading.

Colombia

Local markets have rallied sharply since president-elect Abelardo de la Espriella won in the first round of the presidential election in late May and advanced to the runoff. Local government bonds gained nearly +10% since late May. Meanwhile the Colombian peso appreciated almost +14% to its strongest level since 2019. Boosted by a hawkish central bank, the peso is one of the world's most attractive carry-trade currencies with a 22% carry return against the dollar this year. Investors are betting that De la Espriella will restore fiscal discipline after years of widening deficits. by tightening fiscal policy, cutting taxes, and refinancing government debt. Many investors believe that even modest progress on fiscal consolidation, combined with continued monetary tightening, should sustain positive market sentiment and support Colombian assets.

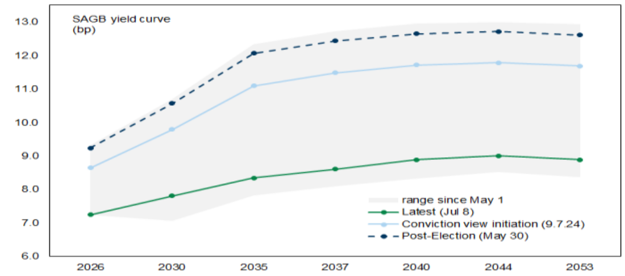


South Africa

Goldman Sachs (GS) **argues that the steep South African government bond yield curve, elevated long-dated real yields, and wide asset-swap spreads continue to reflect a large fiscal credibility**

premium. GS expects the authorities to meet or slightly outperform their fiscal targets, supported by stronger growth, with potential credit rating upgrades over the next year that are not yet reflected in market pricing, leaving scope for government bond yields to decline further despite the recent rally.

Exhibit 5: SAGB Curve Remains Steep and Real Yields Elevated, Despite Recent Rally



Source: Bloomberg, Goldman Sachs Global Investment Research

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Global Financial Indicators

Last updated: 7/16/26 8:20 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,544	0.4	0.0	0.4	20.4	10
Europe		6,228	-0.6	-0.9	-0.5	17.5	8
Japan		66,836	-2.8	-1.3	-4.4	67.5	33
China		4,698	-1.8	-3.6	-4.7	16.5	1
Asia Ex Japan		114	-0.1	-1.2	-4.5	35.3	22
Emerging Markets		66	-0.2	-1.0	-4.5	34.1	20
Interest Rates					basis points		
US 10y Yield		4.6	3	3	14	13	41
Germany 10y Yield		3.2	3	7	22	47	30
Japan 10y Yield		2.7	2	-16	8	113	65
UK 10y Yield		5.0	4	8	19	34	50
Credit Spreads					basis points		
US Investment Grade		116	-1	1	8	-10	8
US High Yield		304	-1	2	-9	-38	-32
Exchange Rates					%		
USD/Majors		100.5	0.0	-0.4	1.0	2.2	2
EUR/USD		1.15	0.0	0.3	-1.2	-1.5	-2
USD/JPY		162.2	0.0	-0.1	1.1	9.7	4
EM/USD		46.6	-0.2	-0.4	-2.2	1.8	0
Commodities					%		
Brent Crude Oil ($/barrel)		85.2	0.2	11.6	8.2	29.2	42
Industrials Metals (index)		175.1	1.0	0.8	-3.6	14.9	7
Agriculture (index)		59.1	-0.5	1.4	7.9	7.6	11
Gold ($/ounce)		4024.9	-0.9	-2.4	-7.1	20.2	-7
Bitcoin ($/coin)		64093.9	-1.3	-0.4	-2.6	-46.6	-27
Implied Volatility					%		
VIX Index (%, change in pp)		16.2	0.5	0.3	-0.2	-1.0	1.2
Global FX Volatility		6.1	0.0	-0.2	-0.3	-2.3	-0.9
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		71	2	5	5	2	12
Italy		81	2	5	11	-5	11
France		80	1	3	7	11	9
Spain		46	0	1	4	-15	3

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

Emerging Market Financial Indicators

7/16/2026 8:18 AM	Exchange Rates: Level, Last 12m	Level, Latest	Change (in %), 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Level, Latest	Change (in basis points), 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.77	0.0	0.3	-0.2	6.0	3.2		1.8	0	0	-2	9	-13
Korea*		1480	0.4	1.8	1.9	-6.2	-2.4		4.4	-2	3	24	164	110
Indonesia		17986	0.5	0.8	-1.5	-9.4	-7.3		7.2	-4	-6	23	68	117
India		96	-0.1	-1.0	-1.9	-10.8	-6.7		7.8	-2	9	22	96	72
Philippines		62	0.1	0.0	-2.1	-7.4	-4.4		6.0	0	2	9	121	137
Thailand		34	0.0	-0.6	-3.2	-3.4	-6.2		2.2	-2	5	-4	50	41
Malaysia		4.07	0.1	0.1	-0.1	4.2	-0.3		3.6	1	2	5	20	13
Argentina		1476	-0.4	0.8	-3.2	-14.5	-1.7		0.0	0	0	0	-3349	-3237
Brazil		5.09	-0.2	0.5	0.0	9.4	8.0		14.3	1	-22	-8	13	71
Chile		925	0.2	0.8	-3.5	4.5	-2.7		5.5	1	13	9	3	20
Colombia		3227	0.7	3.5	7.4	25.0	17.0		11.9	-9	-16	-38	15	-100
Mexico		17.44	-0.3	0.6	-1.3	7.3	3.3		9.0	0	-4	10	-32	1
Peru		3.4	0.2	0.7	0.1	5.2	-0.7		6.0	0	-11	-4	-54	23
Uruguay		40	0.0	0.3	0.4	0.6	-2.6		7.4	-1	-4	-5	-119	-13
Hungary		315	-0.5	-0.8	-4.5	9.0	3.9		5.3	6	15	15	-136	-122
Poland		3.78	-0.2	0.3	-3.3	-3.3	-5.0		4.9	4	5	-6	-5	30
Romania		4.6	0.0	0.2	-1.5	-4.7	-5.2		6.7	2	5	-4	-50	-1
Russia		78.1	-0.7	-2.3	-7.0	0.0	0.8							
South Africa		16.4	-0.4	-0.4	-1.2	8.7	1.1		8.7	-1	4	2	-154	9
Türkiye		47.06	0.0	-0.3	-1.6	-14.5	-8.7		35.1	0	34	134	287	553
US (DXY; 5y UST)		101	0.0	-0.4	1.0	2.2	2.2		4.29	3	1	13	30	57

	Equity Markets: Level, Last 12m	Level, Latest	Change (in %), 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Level, Latest	Change (in basis points), 7 Days	30 Days	12 M	YTD
								basis points					
China		4,698	-1.8	-3.6	-4.7	16.5	1.5		88	2	4	-15	13
Korea*		6,821	-6.4	-6.5	-24.7	113.9	61.8		23	0	1	-2	1
Indonesia		6,108	1.1	3.3	-1.8	-16.2	-29.4		111	6	11	30	25
India		77,187	1.1	0.6	0.0	-6.2	-9.4		92	2	6	-4	2
Philippines		6,325	0.4	1.6	3.4	0.5	4.5		92	5	11	24	17
Thailand		1,635	0.3	1.7	3.0	36.5	29.8						
Malaysia		1,722	0.5	2.7	0.7	13.2	2.5		54	3	5	-15	-5
Argentina		3,291,246	1.9	0.7	1.1	62.3	7.9		412	-3	-19	-330	-157
Brazil		176,011	-0.4	3.1	3.8	29.9	9.2		182	-6	-3	-21	-21
Chile		10,947	-0.7	0.0	1.3	33.3	4.4		88	2	1	-15	-3
Colombia		2,292	-0.3	-0.9	-3.3	34.7	10.8		199	-1	6	-114	-78
Mexico		66,400	-0.2	-0.3	-3.0	17.5	3.3		201	-1	8	-58	-16
Peru		3,386	0.1	5.7	-0.7	78.4	31.1		84	-3	1	-26	-25
Hungary		142,044	0.8	-0.4	2.4	42.3	27.9		110	5	8	-37	-29
Poland		143,832	0.3	3.1	3.1	36.4	22.7		91	2	2	-1	0
Romania		34,706	1.4	2.0	15.0	78.9	42.0		189	9	18	-23	13
South Africa		110,988	0.6	1.4	-4.0	14.3	-4.2		202	2	11	-92	-16
Türkiye		14,206	0.9	0.1	-2.0	40.4	26.2		255	3	6	-31	21
EM total		66	-1.8	-1.0	-4.5	34.1	19.9		263	-4	14	-95	-8

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

*Not an EM Under IMF Classification.

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