GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, JULY 17, 2026

LEAD EDITOR: FABIO CORTES

- **Hyperscaler CDS spreads widen as investors hedge AI risks** (link)
- **Inflation swaps price a benign US CPI outlook but may understate sticky inflation** (link)
- **Euro area stocks fall on the tech selloff, but strategists see a possible rally into year-end** (link)
- **Japanese equities tumble as AI rally unwinds while yen intervention threats lose traction** (link)
- **China equity correction deepens as AI valuation concerns spill into offshore sentiment** (link)
- **The US imposes a new 25% tariff on selected Brazilian goods starting July 22** (link)

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Markets Retreat as the AI Rout Deepens

Global equities retreated this week on concerns about lofty AI valuations and tensions in the Middle East. Nasdaq futures fell sharply this morning as investors appeared to dump some of the biggest stock winners from the AI boom. In Asia, the chip-heavy Japanese Nikkei 225 and Chinese STAR 50 also underperformed, tumbling -4% and -7% today, respectively. Concerns about lofty valuations were reflected in the increasing wedge between the VIX index and measures of option implied volatility in the more AI and tech-focused Nasdaq index. In credit markets, hyperscaler CDS spreads have also widened as investors seek to hedge AI risks. Advanced economy sovereign bond yields were mixed this week, with Treasury yields lower on the softer than expected US CPI release on Tuesday and euro-area sovereign bond yields higher as Brent crude prices jumped to hover at around $85 per barrel and European natural gas prices also rose. Renewed inflation fears have driven traders to increase bets of policy tightening from both the ECB and the Bank of England. Money markets are now fully pricing-in two rate hikes by April 2027 from both central banks, with a first move expected in October for the ECB and in November for the Bank of England. Across the pond, however, expectations for future Fed interest rate hikes retreated a bit, with money markets just pricing over 2.5 bps of a hike for the July FOMC meeting.

Key Global Financial Indicators

Last updated: 7/17/26 8:04 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		7534	-0.5	0	2	20	10
Eurostoxx 50		6236	-0.8	-1	-1	16	8
Nikkei 225		64141	-4.0	-6	-8	61	27
MSCI EM		64	-2.1	-4	-6	30	17
Yields and Spreads				bps			
US 10y Yield		4.52	-3.2	-4	3	7	35
Germany 10y Yield		3.12	-1.9	5	19	44	26
EMBIG Sovereign Spread		239	1	3	12	-72	-14
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.5	-0.1	-1	-2	1	0
Dollar index, (+) = $ appreciation		100.9	0.1	0	1	2	3
Brent Crude Oil ($/barrel)		85.7	1.8	13	8	23	41
VIX Index (%, change in pp)		18.1	1.3	3	0	2	3

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: 7/17/26 8:03 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		86	1.8	13	8	23	41
WTI Crude Oil ($/barrel)		81	2.1	13	5	19	40
Natural Gas (Netherlands TTF)		57	3	17	36	63	113
Breakeven Inflation		%			bps		
USD: 2Y		2.3	0.0	-7	-22	-76	-2
USD: 5Y		2.4	0.3	-3	-4	-33	5
USD: 5Y5Y		2.4	0	0	-1	-17	-7
EUR: 2Y		2.4	2.1	23	1	65	70
EUR: 5Y		2.2	1	12	6	36	41
EUR: 5Y5Y		2.1	0	1	2	1	6

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

Mature Markets

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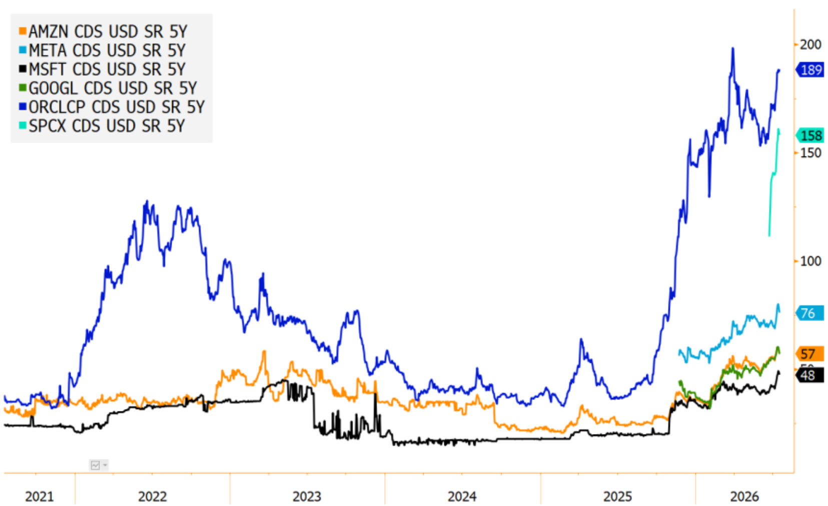
United States

Hyperscaler credit default swap (CDS) volumes are rising, and spreads are widening as investors hedge hyperscaler and neocloud risks. Spreads for Amazon, Meta, Microsoft, and Alphabet are 20–35 bps wider over six months despite their high AA/AAA ratings, as issuance rises and borrowing needs grow. BBB-rated Oracle and SpaceX widened more sharply over the past month, though this could ease as bond issuance slows in the second half of 2026. Tech bond issuance hit a record in 2025 amid costly AI buildouts, with nearly $225 bn sold in 1H alone.



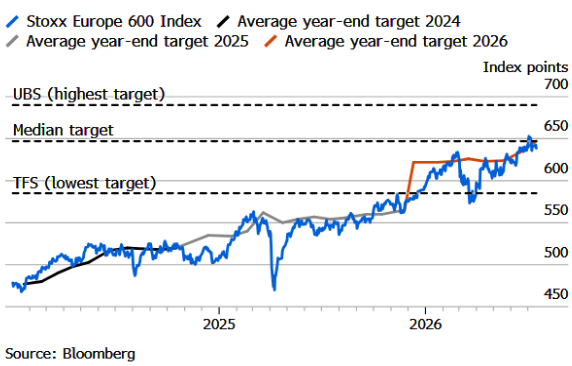
Source: Bloomberg

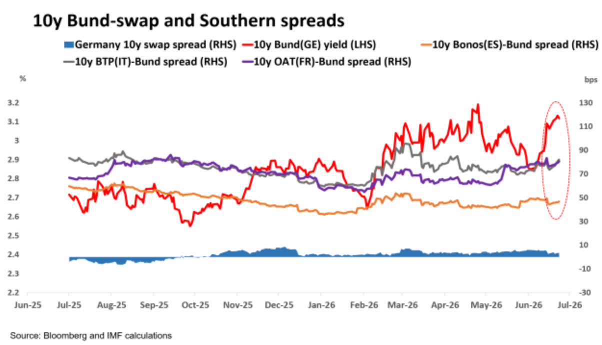
Inflation swaps are pricing a benign US CPI one year ahead, but there's a risk that inflation could remain stickier and that swaps are underpricing this risk. Lower crude prices have led markets to price a sharp fall in headline inflation, with 1-year inflation swaps implying CPI at 1.95% next year. But inflation may prove stickier: core pressures remain, lower energy costs could support non-energy spending, and swaps have often lagged actual inflation trends. If swap pricing is realized, the Fed's preferred PCE deflator could approach 2% by mid-2027, aided by a normalization of the CPI-PCE deflator wedge toward its 2009–19 average of 25 bps. That would clear the way for rate cuts, but risks from sticky core inflation and renewed energy-price increases suggest policy is likely to stay on hold for now.

Source: Bloomberg

Euro area

European stocks extended losses this morning, with the Stoxx 600 index down by -0.5%, dragged by the selloff in the tech sector (-2.5%), and **set to close the week flat.** All regional bourses traded in the red (DAX -0.7%, CAC 40 index -0.8%). Still, a Bloomberg's survey shows strategists turning more positive on European equities as the earnings momentum improves, with UBS having reportedly raised its Stoxx 600 year-end target to 690 (current level is 640), implying a 8% upside, and with Bank or America and Deutsche Bank also lifting their targets (only few strategists in the survey expected declines). Support comes from stronger earnings revisions and fiscal stimulus, while risks remain as Societe Generale warned that a prolonged crisis in the Middle East, US elections, tariffs, and higher yields could disrupt the equity rally into year-end.

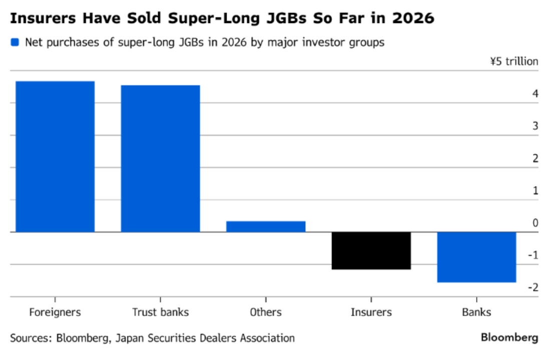




T**he euro weakened modestly** (-0.1%), trading at around $1.1428/€. Bank of America (BofA) is cautious on the euro near term, forecasting EUR/USD at 1.12 by end-Q3, but it is bullish over the medium term, expecting the pair near 1.20 by year-end 2027. BofA's constructive medium-term view reflects partial US-euro area growth convergence, supported by Germany's fiscal push and possible structural reforms. It also noted that as investor expectations for Germany remain low, domestic data could positively surprise after the summer, although risks on spending quality remain. TD bank sees the euro undervalued against the pound, possibly driven too low after the recent UK political risk unwind pushed EUR/GBP to the 0.84 area. If ECB's president Lagarde sounds hawkish for the rest of 2026, TD sees room for EUR/GBP to rebound.

Japan

Japanese financial markets were marked by a sharp equity selloff and persistent yen weakness this week, highlighting investor skepticism toward both the durability of the AI-driven equity boom and the authorities' ability to support the currency. The Nikkei 225 tumbled (-4.0%) today, moving into technical-correction territory, led by semiconductor and technology stocks. Investors appeared increasingly concerned that elevated AI-related valuations had outpaced fundamentals, triggering a broad "sell-the-news" reaction despite strong earnings and investment plans from major chipmakers globally. The yen was little changed at $/162.40 today, trading near a four-decade low even after FM Katayama delivered her strongest intervention warning in weeks, pledging to take "decisive action" if necessary. Markets largely discounted the rhetoric, reflecting the limited and temporary impact of previous interventions and continued focus on Japan's wide interest-rate differential. Adding to bearish sentiment, Bloomberg's top-ranked dollar-yen forecaster projected the currency could weaken toward $/170 next year, arguing that carry-trade dynamics and the BOJ's gradual approach to tightening would continue to weigh on the yen. The **JGB yield curve continued to steepen today** (10-year -2 bps at 2.69%; 30-year +3 bps at 3.85%) despite this week's strong 20-year auction and policy efforts to encourage greater domestic investment. Investors remain unconvinced that the recent rally can be sustained, as life insurers continue to sell low-coupon off-the-run bonds and have yet to return as significant buyers. While overseas investors and pension-related accounts have helped support demand, persistent concerns over insurer selling and duration supply continued to weigh on the long-end of the curve.



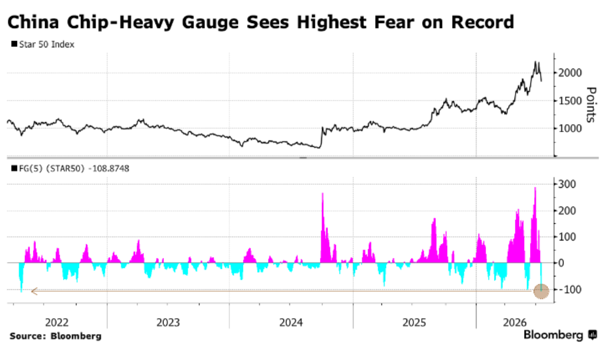
Emerging Markets back to top

In **Asia**, most currencies weakened. The Indonesian rupiah was the notable outlier (+0.5%), extending its winning streak to four days since Monday's S&P rating affirmation. Asian equities continued their decline on the semiconductor selloff, with Taiwan POC (TAIEX: -6.5%) and China (CSI 300: -3.6%) underperforming. In **EMEA**, risk assets sold off as the global risk sentiment deteriorated following a tech-stock rout and further escalation around the Strait of Hormuz. Türkiye (-1.9%) and UAE (-1.6%) equities underperformed, while CEE markets were relatively resilient. The South African rand weakened by -0.6% this morning, while the Hungarian forint and Polish zloty also depreciated by around -0.5%. Meanwhile, traffic through the Strait of Hormuz came to a halt as strikes were reported across several Gulf states. Brent rose above $85/bbl, while natural gas prices increased even more sharply. Bloomberg reported that Qatar's exports have been effectively shut in since March, with lost supply equivalent to around 8% of Europe's LNG imports and an even larger share of imports for key Asian buyers. In **Latam**, assets declined on Thursday. Equities fell in Brazil (-1.2%), Peru (-2.3%) and Argentina (-3.2%). In currencies, the Brazilian real (-0.5%) underperformed.

China

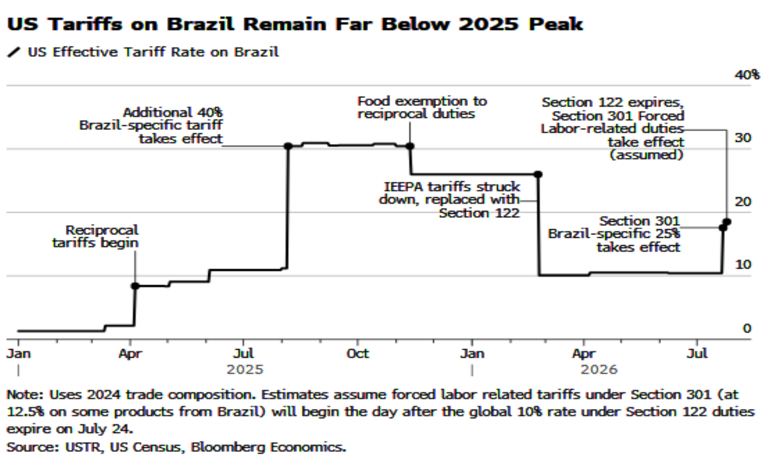
Chinese financial markets came under pressure as a sharp selloff in technology and growth shares weighed on broader risk sentiment. The CSI 300 Index fell (-3.6%), extending losses for a third consecutive session. The chip-heavy STAR 50 Index fell -7% today, extending its decline from end-June to -22%, as investors unwound positions in AI and semiconductor stocks. Despite preliminary earnings reports showing exceptionally strong profit growth across parts of the AI supply chain, markets appeared increasingly concerned that stretched valuations had already priced in much of the good news. Sentiment was further dented after President Xi's AI speech emphasized long-term strategic ambition and global cooperation but offered no immediate sector support. Offshore markets faced added pressure, as Hong

Kong's valuation discount to mainland shares widened to largest in 10 months amid liquidity strains, lockup expiries, capital-outflow controls, and weaker foreign participation, even after July's +7% rebound in the Hang Seng index. Today, government bond yields fell slightly (10-year -0.5 bps at 1.73%; 30-year -1 bps at 2.24%) while the 7-day repo rate climbed for a sixth consecutive session to 1.44%. Both onshore CNY and offshore CNH weakened (-0.1%), in line with the weaker fixing at $/6.7934. At a briefing today, State Administration of Foreign Exchange officials emphasized broadly balanced FX flows since July, regular Qualified Domestic Institutional Investor (QDII) quota issuance, and readiness to use counter-cyclical adjustments and expectation management if needed.



Brazil

The US will impose a new 25% tariff on selected Brazilian goods starting July 22. This will raise the effective US tariff rate on Brazilian imports to 17.6% from 10.4% and affect more than $11 bn in exports. However, the overall economic impact is expected to be limited. Key exports such as coffee and beef are exempt, and Brazilian firms may redirect goods to other markets. The Brazilian real weakened only slightly after the announcement, suggesting limited concerns about Brazil's external account, inflation, and monetary policy. The political impact may be greater ahead of October's presidential election. Currently the US is Brazil's second-largest trading partner. Brazil imported more than $45 bn in US goods in 2025, up 11% from a year earlier, while its exports to the US fell nearly 7%.

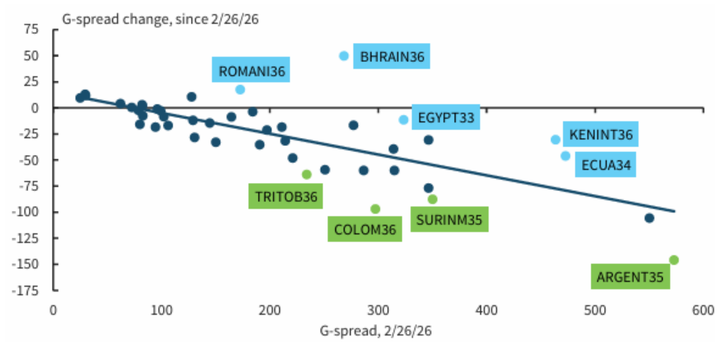


Romania

Romania raised less debt than planned at two domestic bond auctions, according to Bloomberg. This week, the debt office sold RON 240 mn of 2034 bonds versus a RON 400 mn target and RON 708 mn of 2028 bonds versus a RON 800 mn target. Demand for the longer-dated bonds was weak (RON 250 mn), while shorter-dated bonds attracted RON 943 mn in bids. The auctions took place amid continued political uncertainty ahead of Fitch's scheduled review later this month, with the interim finance minister stating that

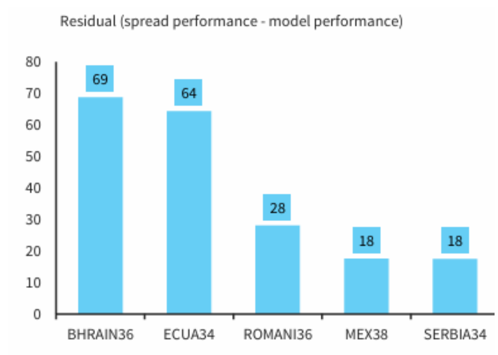
Romania has already covered nearly 50% of its annual funding needs and remains focused on preserving its investment-grade rating. Barclays writes that Romania's bonds' recent underperformance can partially be attributed to its oil-import dependence, with residual underperformance tied to country-specific political developments.

FIGURE 3. **In a single-variable regression, oil exporters systematically outperform oil importers**



Source: Bloomberg, Barclays Research

FIGURE 5. **EM sovereign underperformers**



Source: Bloomberg, Barclays Research

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Global Financial Indicators

Last updated: 7/17/26 8:02 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,534	-0.5	-0.1	1.5	19.6	10
Europe		6,236	-0.8	-0.5	-1.0	16.0	8
Japan		64,141	-4.0	-6.4	-8.2	60.7	27
China		4,529	-3.6	-5.3	-8.2	12.3	-2
Asia Ex Japan		111	-2.2	-4.3	-6.5	31.6	20
Emerging Markets		64	-2.1	-3.9	-6.4	30.5	17
Interest Rates					basis points		
US 10y Yield		4.5	-3	-4	3	7	35
Germany 10y Yield		3.1	-2	5	19	44	26
Japan 10y Yield		2.7	-2	-4	10	113	63
UK 10y Yield		4.9	-3	6	18	28	46
Credit Spreads					basis points		
US Investment Grade		116	-1	1	8	-10	8
US High Yield		305	0	3	-8	-37	-31
Exchange Rates					%		
USD/Majors		100.9	0.1	-0.1	0.8	2.1	3
EUR/USD		1.14	-0.1	0.1	-0.6	-1.4	-3
USD/JPY		162.3	0.0	0.4	1.0	9.3	4
EM/USD		46.5	-0.1	-0.5	-2.0	1.5	0
Commodities					%		
Brent Crude Oil ($/barrel)		85.7	1.8	12.8	8.2	28.8	42
Industrials Metals (index)		172.1	-1.5	-0.6	-5.4	12.9	5
Agriculture (index)		58.7	0.4	0.3	6.3	6.6	10
Gold ($/ounce)		3994.2	0.4	-3.1	-6.2	19.6	-8
Bitcoin ($/coin)		63144.9	-1.5	-1.6	-1.9	-47.2	-28
Implied Volatility					%		
VIX Index (%, change in pp)		18.1	1.3	3.0	-0.4	1.5	3.1
Global FX Volatility		6.0	0.0	-0.3	-0.2	-2.3	-0.9
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		73	2	8	7	4	14
Italy		82	1	8	12	-4	12
France		80	1	4	7	10	9
Spain		47	0	2	5	-15	3

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

Emerging Market Financial Indicators

7/17/2026 8:01 AM	Exchange Rates: Level Last 12m	Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level Last 12m	Latest	Change (in basis points) 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.78	-0.1	0.0	-0.3	5.9	3.1		1.8	0	0	-1	10	-13
Korea*		1486	-0.4	0.8	1.9	-6.4	-2.8		4.4	-1	3	22	163	109
Indonesia		17921	0.4	0.8	-0.9	-8.8	-6.9		7.2	1	-4	24	70	118
India		96	0.1	-1.0	-1.8	-10.6	-6.7		7.8	2	12	19	100	74
Philippines		62	0.1	-0.1	-1.9	-7.0	-4.3		6.0	0	1	6	121	137
Thailand		34	-0.1	-1.0	-2.8	-3.3	-6.3		2.1	-3	1	-7	48	39
Malaysia		4.10	-0.6	-0.6	-0.8	3.7	-0.9		3.6	2	3	6	22	14
Argentina		1476	0.0	0.8	-2.7	-14.5	-1.6		0.0	0	0	0	-3278	-3237
Brazil		5.10	-0.5	0.3	-0.2	9.2	7.7		14.3	5	-16	-6	11	76
Chile		925	0.0	0.3	-4.3	4.6	-2.7		5.5	0	12	13	3	20
Colombia		3230	-0.1	2.0	6.0	24.3	16.9		12.0	9	-1	-13	23	-91
Mexico		17.47	-0.3	0.0	-0.9	7.5	3.1		9.0	-1	2	12	-32	0
Peru		3.4	-0.4	0.0	-0.4	4.5	-1.0		6.0	3	-8	-7	-52	26
Uruguay		40	0.0	0.2	0.0	0.5	-2.7		7.4	-1	-3	-7	-121	-13
Hungary		318	-0.5	-2.0	-4.0	8.2	3.0		5.4	7	23	30	-126	-115
Poland		3.80	-0.4	-0.5	-2.8	-3.4	-5.5		4.9	4	20	2	-4	34
Romania		4.6	-0.1	0.0	-0.7	-4.6	-5.4		6.7	4	8	4	-47	3
Russia		78.1	0.0	-1.4	-6.7	0.0	0.8							
South Africa		16.5	-0.6	-1.1	-0.6	8.1	0.4		8.8	7	8	8	-149	16
Türkiye		47.16	-0.2	-0.4	-1.7	-14.5	-8.9		35.0	-10	25	111	263	542
US (DXY; 5y UST)		101	0.0	-0.2	0.7	2.1	2.5		4.24	-3	-7	-2	25	51

	Equity Markets: Level Last 12m	Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level Last 12m	Latest	Change (in basis points) 7 Days	30 Days	12 M	YTD
									basis points				
China		4,529	-3.6	-5.3	-8.2	12.3	-2.2		88	1	4	-18	13
Korea*		6,821	0.0	-6.5	-24.7	113.9	61.8		23	1	1	-1	1
Indonesia		6,176	1.1	4.2	0.0	-15.5	-28.6		110	4	5	23	24
India		78,151	1.1	0.8	1.8	-4.4	-8.3		83	14	-5	-4	-7
Philippines		6,404	1.2	1.9	4.4	1.6	5.8		90	3	3	17	15
Thailand		1,639	0.2	1.1	4.2	35.8	30.1						
Malaysia		1,731	0.5	2.4	1.1	13.5	3.1		56	4	5	-12	-3
Argentina		3,185,257	-3.2	-1.2	-3.2	54.2	4.4		416	4	-27	-339	-153
Brazil		173,825	-1.2	0.6	3.2	28.2	7.9		181	-2	-3	-26	-22
Chile		10,947	-0.7	0.0	1.3	33.3	4.4		90	5	2	-16	-1
Colombia		2,285	-0.3	-0.3	-3.9	30.9	10.5		197	-4	4	-118	-80
Mexico		66,356	-0.1	0.4	-2.9	17.0	3.2		204	2	9	-66	-13
Peru		3,300	-2.5	-0.3	-4.6	71.4	27.7		88	0	2	-27	-21
Hungary		141,097	-0.7	-1.0	1.6	40.2	27.1		110	4	5	-42	-29
Poland		141,468	-1.1	-0.5	0.8	32.6	20.7		92	1	1	-4	1
Romania		34,938	-0.3	1.2	14.3	77.5	43.0		186	8	12	-31	10
South Africa		109,189	-1.0	-1.1	-5.9	12.2	-5.7		205	7	7	-94	-13
Türkiye		13,965	-2.0	-1.0	-3.2	34.7	24.0		257	6	3	-40	23
EM total		64	-2.9	-3.9	-6.4	30.5	17.3		265	0	14	-102	-6

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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