



- **US Treasury term premium is up sharply** ([link](#))
- **Monthly EM bond issuance rebounds to the highest level since January** ([link](#))
- **Risks continue to rise in the US commercial real estate market** ([link](#))
- **Potential defaults in the US high yield market decline as credit profiles improve** ([link](#))
- **IPO acceptances in China hit record in June** ([link](#))
- **Mexican oil exports fall to the lowest level on record in June** ([link](#))

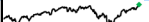





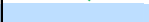



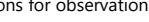
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## Global markets remain cautiously optimistic as US tariff deadline nears

**Stocks were mostly higher across the globe although US equity index futures were mixed ahead of next week's tariff deadline.** Stocks in Japan sold off on renewed tariff threats before regaining some ground by the close. The US President has reiterated that the July 9 deadline will not be postponed, according to press reports. Treasury and euro area government bond yields were higher and the dollar appreciated against most major currencies. Tomorrow's US jobs report will be a key input into investor calculations about future Fed policy, with the Fed Funds futures market almost fully pricing three rate cuts by January 2026. For the ECB, the overnight index swap market is pricing one more rate cut by December, while the BOE is expected to deliver two more rate cuts. Earlier, markets were predicting a December rate hike in Japan, but the odds have subsequently fallen to just 60%.

Last updated: 7/2/25 7:53 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			<b>%</b>				<b>%</b>
S&P 500		6198	-0.1	2	4	13	5
Eurostoxx 50		5314	0.6	1	-1	8	9
Nikkei 225		39762	-0.6	2	6	-2	0
MSCI EM		48	0.2	1	5	13	16
<b>Yields and Spreads</b>			<b>bps</b>				
US 10y Yield		4.28	3.9	-1	-16	-15	-29
Germany 10y Yield		2.63	5.5	6	11	3	26
EMBIG Sovereign Spread		315	-7	-7	-19	-80	-9
<b>FX / Commodities / Volatility</b>			<b>%</b>				
EM FX vs. USD, (+) = appreciation		46.3	-0.1	0	1	1	8
Dollar index, (+) = \$ appreciation		96.9	0.1	-1	-2	-8	-11
Brent Crude Oil (\$/barrel)		68.0	1.3	0	5	-21	-9
VIX Index (% change in pp)		16.9	0.0	0	-2	5	-1

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

## Mature Markets

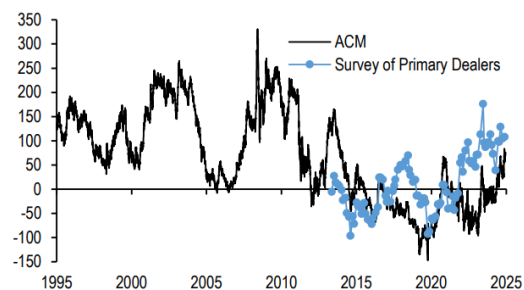
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### United States

The term premium in the US Treasury market is up sharply so far in 2025, according to both the New York Fed survey of primary dealers as well as the NY Fed's widely followed ACM term premium model. The term premium is the amount of compensation demanded by investors to lend money for longer periods of time (e.g., 10 years versus one year), and is viewed as a measure of interest rate risk. The term premium is back to levels last seen during the 2015 Taper Tantrum, although it remains below where it was before the global financial crisis. The 10-year Treasury yield has actually fallen so far this year from 4.56% on December 31 to 4.25% yesterday, although it did spike up to 4.60% back in May. The forward curve predicts that the 10-year yield will be at 4.33% in six months and 4.42% in 12 months. Contacts did not seem worried about a sudden rise in Treasury yields.

Figure 17: Term premium has risen sharply, though it remains somewhat below levels that persisted prior to the GFC

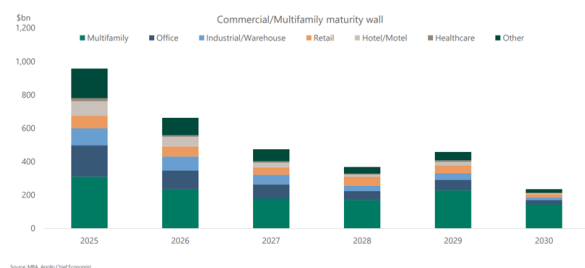
ACM 10-year Treasury term premium compared with term premium estimated from Survey of Primary Dealers\*, bp



\* We average 10-year zero-coupon yield from Treasury par curve for the two weeks ahead of SPD submission dates and subtract the 10-year average expectation of the Federal funds rate  
Source: Federal Reserve Bank of New York

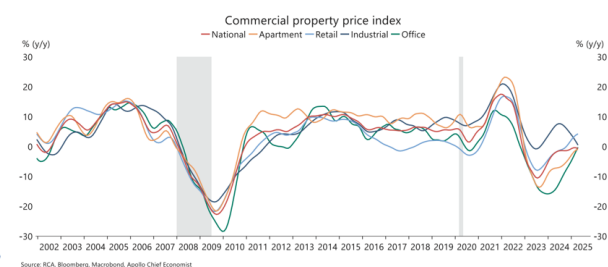
**Risk continues to build in the US commercial real estate (CRE) market.** The maturity wall is steep as many deals reach their maturity dates and need to be repaid or refinanced. Prices on CRE are not rising, and industrial properties are actually seeing further price declines. The overall delinquency rates for CRE loans made by US banks has ticked up to 2% from less than 1% over the past few years. While still low by historical standards, they are headed in the wrong direction with some sectors facing much higher delinquency rates. Credit spreads in the Commercial Mortgage Backed Security (CMBS) market where many CRE loans are securitized are very tight compared to the high yield corporate bond market, making them less attractive to investors. In addition, vacancy rates are rising in many CRE sectors and especially the office sector, where work-from-home trends have permanently reduced demand.

The CRE maturity wall is steep especially for residential and office



Source: NAA, Apollo Chief Economist

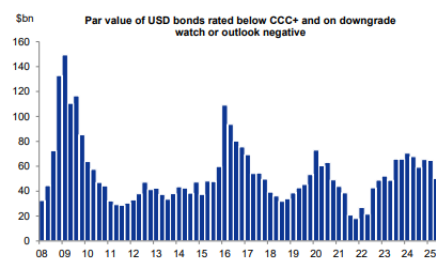
Prices on commercial real estate not going up, and downward pressure on industrial



Source: ICA, Bloomberg, Macrobond, Apollo Chief Economist

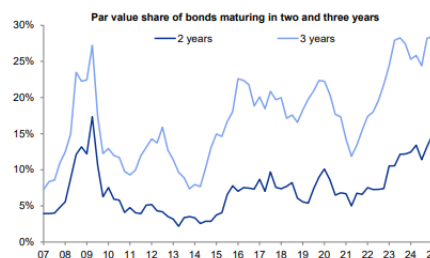
**In contrast to the US CRE market, the number of potential defaults in the US high yield (HY) markets is declining as credit profiles improve.** Few companies rated CCC+ or lower are on downgrade watch or have negative outlooks from the ratings agencies. Improvements in credit quality are evident, as risk measures such as leverage went down and positive measures such as cash balances went up. Spreads in the CCC sector are also attractive, trading in the thirty fifth percentile compared to the fifth percentile for BB-rated bonds and the tenth percentile for B-rated bonds. Although there are challenges ahead due to the size of maturities in the next 2–3 years, Morgan Stanley expects overall the overall default rate of the US HY market to fall to 3% by the end of the year from the current level of 3.5%.

**Exhibit 11: The pipeline of potential imminent defaults in USD HY has dropped to the lowest level in two years**  
Notional amount of USD-denominated bonds rated CCC+ and below on downgrade watch or outlook negative



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 12: The CCC near-term maturity wall remains challenging**  
Notional amount of CCC-rated debt set to mature within 2 years and 3 years

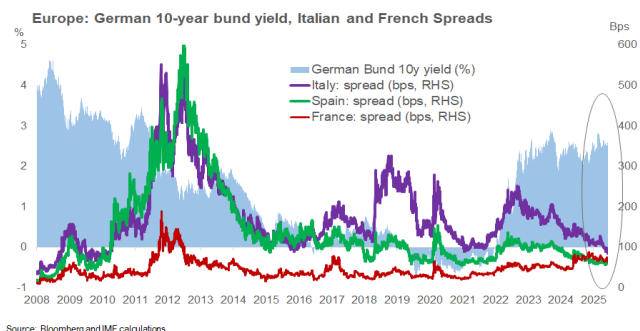


Source: Bloomberg, Goldman Sachs Global Investment Research

## Euro Area

**European equities gained while sovereign bond yields increased and the euro was marginally weaker against the dollar.** The Stoxx 600 index was around 0.5% higher, with mixed performances across sectors, with Bloomberg analysts noting a lack of a clear catalyst. European sovereign bond yields edged higher on longer tenors, with the 10y bund yield at 2.62% (+5bps) and the 30y yield at 3.09% (+2bps), while southern spreads were narrower according to Bloomberg data. French Prime Minister François Bayrou survived a no-confidence vote in parliament, though political analysts note that his position remains fragile. France's 10-yr yield is currently trading roughly 4bps above that of Spain, and roughly 20bps lower than Italy's, reflecting investor sensitivity to the evolving political backdrop. On the data front, eurozone unemployment increased marginally to 6.3% in May, against expectations to remain unchanged at 6.2%.

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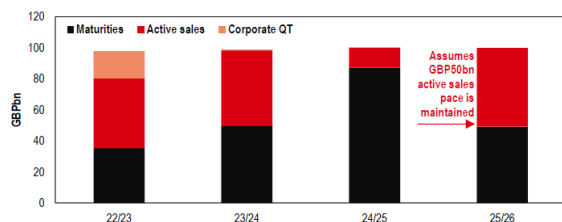
Source: Bloomberg and IMF calculations

## United Kingdom

**Expectations build that the BoE could change the pace or structure of its quantitative tightening.**

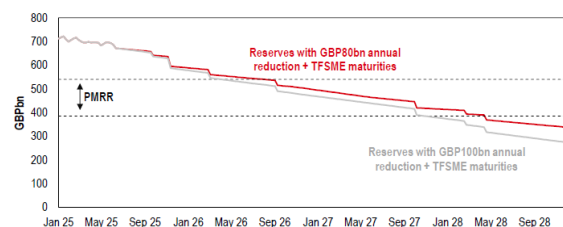
The BoE's MPC is expected to announce its next decision on quantitative tightening (QT) in September, covering the 12-month period beginning in October. Market contacts see the decision as crucial, with HSBC analysts pointing to expectations that the BoE's balance sheet could reach its steady state in the next 12 months. BoE Governor Bailey yesterday described the QT envelope as a "live decision," with all options "on the table," and pointed to the recent steepening in the yield curve and illiquidity in long-dated debt as factors under consideration. According to the BoE's June 2025 Market Participants Survey, market expectations are shifting toward a reduced QT envelope of £75bn (from the current £100bn), implying approximately £25bn in active sales. Some market participants interpret the lack of official pushback as a sign that a reduction is likely.

Figure 2. Split of active and passive gilt sales in previous years



Source: BoE, DMO, HSBC. Note: periods from October to September. All amounts in purchase proceeds terms, i.e., carrying value on the BoE's balance sheet.

Figure 3. Assessing when the PMRR could be reached in a couple of scenarios



Source: BoE, HSBC. Based on Figure 10, "Learning by doing", speech by Victoria Saporta, 11 June 2025.

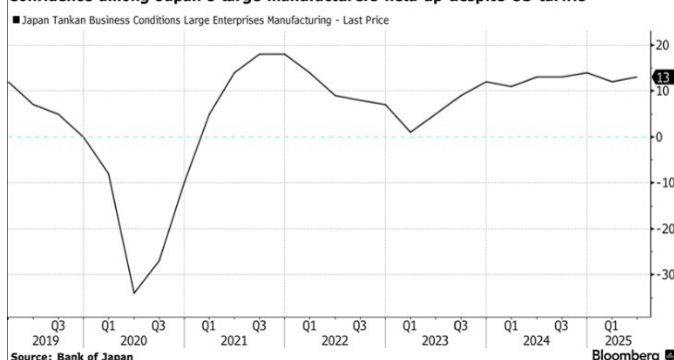
## Japan

### The Nikkei 225 dropped -1% in the morning session after the US President threatened Japan with tariffs of up to 35%, a worst-case scenario among market players.

The losses were partly recovered during the day, closing with a modest decline (Nikkei 225: -0.56%) as traders perceived such comments as part of negotiation tactics. For economic readings, the sentiment index for large manufacturers improved to 13 from 12 in Q1, according to the BOJ's quarterly Tankan report, beating expectations (10), led by steel and paper makers. Economists view the surprise pickup in business sentiment as suggesting resilience despite tariff pressure, supporting the case for another BOJ rate hike this year. However, during the ECB's annual forum last night, the BOJ governor indicated more data would be needed before making another monetary policy decision, suggesting a wait-and-see approach. Meanwhile, sentiment among big automakers fell to 8 from 13, likely reflecting strain from the US 25% auto tariff. The yen depreciated against the dollar (-0.29%) and the 10y JGB yield increased +4bps to 1.43%.

### Standing Firm

#### Confidence among Japan's large manufacturers held up despite US tariffs



Source: Bank of Japan

Bloomberg

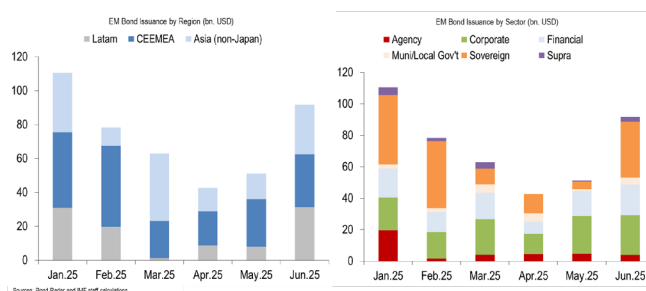
## Emerging Markets

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**EMEA equities and currencies were mixed.** Kazakhstan's central bank is expected to stay on hold at 16.5% this year due to persistent inflation. In contrast, inflation expectations in South Africa declined. **EM Asian currencies and equities were mixed.** Indonesia's finance minister signaled that the budget deficit is expected to be 2.78% of GDP this year, up from the initial target of 2.5%. This marks the nation's largest budget deficit in two decades, excluding the pandemic period, and approaches the 3% legal cap, raising concerns about fiscal prudence. **Latin American currencies were also mixed but equities mostly gained.** The Colombian peso (+1.8%) outperformed major EM currencies as markets reopened following a public holiday on Monday. Argentina (+1.8%) led the regional equity advance.

### EM Bond Issuance

**Monthly EM bond issuance rebounded to the highest level since January.** Total issuance in June increased to \$91.8bn from \$51.1bn in May. The share was relatively equal across regions, with Latam and CEEMEA accounting for about 34% each and Asia ex-Japan with 32% of the total. Sovereign (39%), Corporate (28%), and Financial (21%) accounted for most of the sectoral decomposition. Sovereign issuance experienced a major increase m/m (\$35.5bn from \$4.8bn). The majority of June issuance came in the second half of the month, with over 75% being issued after June 15, and 47% in the week of June 23–26.



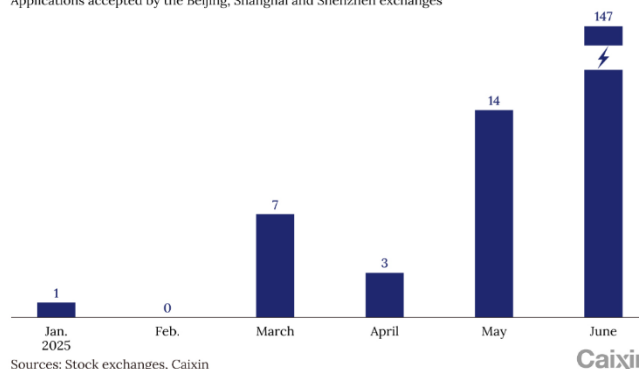
## China

**Stock exchanges in Shanghai, Shenzhen and Beijing accepted around 150 new applications for initial public offering (IPO) in June, hitting a monthly record this year,**

according to the Securities Times. Caixin reported that the spike in June was partly due to companies filing to meet the mid-year financial reporting cutoff, as submissions by June 30 only require data as of December, avoiding the need for newer financial data. Also, expectations that the secondary market will remain relatively stable in the near term may have reduced regulators' concerns that an increase in IPOs could drain liquidity and weigh on stock prices. The total number of IPO applications jumped to 177 in H1, compared to 29 in the same period last year. Most of the applicants are manufacturers of computers, telecommunications and other electronic equipment, chemical materials, etc. Local newspapers reported that the focus would be on innovative firms as authorities guide the capital market to support technological breakthroughs. Notably, there are four unprofitable applicants, all in the semiconductor industry.

### Surge in Accepted IPO Applications

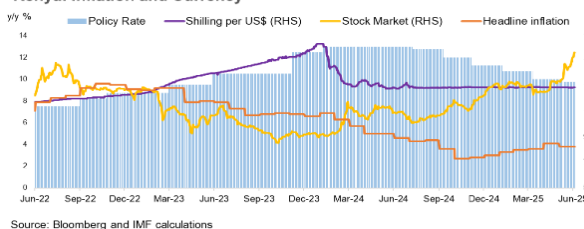
Applications accepted by the Beijing, Shanghai and Shenzhen exchanges



## Kenya

**The shilling continued to trade steady against the dollar this morning, at around KES129.20/\$, after data released Monday showed that headline inflation remained unchanged in June in Kenya at 3.8%y/y (on a sequential basis at 0.5%m/m), a touch higher than the central bank's projection of 3.7%, with core inflation inching up to 3%y/y from 2.8%y/y in May. Increases in transport and food prices were partly offset by lower utilities costs. The Central Bank of Kenya's (CBK) Governor Kamau Thugge reportedly forecasted inflation to remain below the midpoint of CBK's target range (5% +/- 2.5%) through March 2026, after it has been at the lower end of the range for the past year, enabling the CBK to lower its benchmark rate by 325bps to 9.75% since June 2024. Analysts at Bloomberg see another cut possible at the next MPC meeting in July although the central bank cut its policy rate by only 25bps in June, delivering a hawkish surprise to consensus expectations for a 50bps cut. Goldman Sachs continues to expect the CBK to cut its policy rate down to 8.50% by 1Q 2026, due to lower inflation and subdued private sector credit growth.**

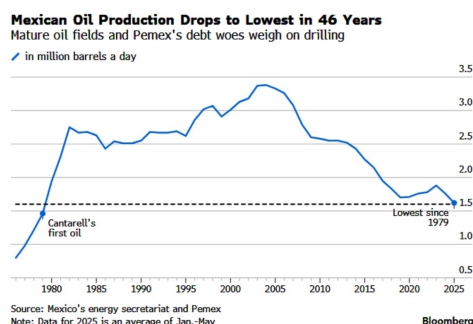
### Kenya: Inflation and Currency





## Mexico










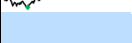











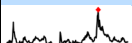
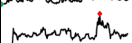
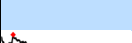
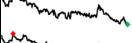


**Mexican oil exports fall to the lowest level on record in June.** According to Bloomberg analysts, oil exports fell to 529k bpd, down 30% and 37% m/m and y/y, respectively. Exports to the US fell 24% mom, exports to Europe dropped to the lowest level in a year, and exports to Asia declined to a five-month low. Analysts revealed that oil output from January to May averaged 1.62mn bpd, which is on track to be the lowest since 1979, before the Cantarell field started. They also highlighted that the continuing struggle for Pemex to make debt payments is contributing to the production slowdown, although President Sheinbaum is set to announce a restructuring plan to support the company in the next few weeks.



*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Timothy Chu (Financial Sector Expert), Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Jeremie Benzaken (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators

7/2/25 7:54 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,198	-0.1	1.7	4.4	12.5	5
Europe		5,314	0.6	1.2	-0.8	8.3	9
Japan		39,762	-0.6	2.1	6.2	-2.0	0
China		3,944	0.0	-0.4	2.4	13.9	0
Asia Ex Japan		83	0.2	0.6	5.9	14.1	15
Emerging Markets		48	0.2	0.9	5.4	12.9	16
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	4	-1	-16	-15	-29
Germany 10y Yield		2.6	6	6	11	3	26
Japan 10y Yield		1.4	4	4	-8	35	33
UK 10y Yield		4.5	7	4	-15	27	-5
<b>Credit Spreads</b>			basis points				
US Investment Grade		127	-2	-5	-8	1	7
US High Yield		340	-4	-14	-32	-18	12
<b>Exchange Rates</b>			%				
USD/Majors		96.9	0.1	-0.8	-1.8	-8.3	-11
EUR/USD		1.18	-0.4	0.9	2.8	9.4	14
USD/JPY		144.1	0.4	-0.8	0.9	-10.8	-8
EM/USD		46.3	-0.1	0.5	1.3	1.4	8
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		68.0	1.3	2.3	6.5	-15.1	-6
Industrials Metals (index)		149.0	0.4	2.0	3.1	-1.3	6
Agriculture (index)		54.6	0.2	-0.2	-1.9	-5.1	-4
Gold (\$/ounce)		3343.1	0.1	0.3	-1.1	43.5	27
Bitcoin (\$/coin)		107604.3	1.6	0.4	2.5	73.8	15
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		16.9	0.0	0.1	-1.5	4.8	-0.5
Global FX Volatility		8.7	0.0	0.3	-0.2	1.2	-0.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		68	-3	-6	-5	-44	-17
Italy		83	-4	-8	-14	-62	-32
France		64	-3	-5	-2	-7	-18
Spain		60	-4	-6	2	-24	-9

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

## Emerging Market Financial Indicators

Last updated: 7/2/2025 7:56 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	0.0	0.1	0.4	1.4	1.8		1.7	-1	0	-5	-48	2
Indonesia		16247	-0.3	0.3	0.0	0.9	-0.7		6.6	-3	-9	-15	-38	-43
India		86	-0.2	0.4	-0.4	-2.6	-0.1		6.7	2	-8	-1	-60	-62
Philippines		56	-0.1	0.6	-1.2	4.3	2.8		4.8	1	-6	-10	-45	-3
Thailand		32	0.0	0.3	0.3	13.5	5.9		1.7	-3	-11	-29	-110	-66
Malaysia		4.23	-0.7	0.2	0.7	11.7	5.8		3.5	-1	-5	-3	-38	-32
Argentina		1219	-1.3	-3.7	-3.2	-25.1	-15.4		33.4	90	293	441	-1097	421
Brazil		5.46	-0.5	1.0	3.9	3.7	13.1		13.6	2	-34	-46	138	-230
Chile		929	0.2	0.6	1.1	1.7	7.2		5.5	-1	-2	-12	-53	-21
Colombia		4029	1.5	1.2	3.2	3.0	9.4		12.1	3	5	3	133	29
Mexico		18.75	-0.1	0.9	2.5	-2.6	11.1		9.2	-2	-9	-17	-93	-116
Peru		3.6	-0.6	0.5	1.7	7.7	5.5		6.4	-3	-15	-14	-72	-25
Uruguay		40	-0.2	0.8	4.0	-0.4	9.2		8.8	-2	-12	-47	-82	-81
Hungary		340	-0.4	1.2	3.8	8.2	17.0		6.6	-2	-7	-3	-16	21
Poland		3.62	-0.4	0.8	2.8	10.9	14.2		5.0	-2	-7	3	-53	-61
Romania		4.3	-0.3	0.7	2.6	7.5	11.5		7.4	1	8	-5	70	9
Russia		78.6	-0.2	-0.5	0.5	11.7	44.3							
South Africa		17.7	-0.4	0.5	1.1	5.3	6.7		10.2	-9	-7	-32	-110	-30
Türkiye		39.80	0.1	-0.1	-1.6	-18.2	-11.2		30.9	-34	-194	-297	265	122
US (DXY; 5y UST)		97	0.2	-0.7	-1.7	-8.2	-10.6		3.87	4	2	-13	-52	-51

	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		3,944	0.0	-0.4	2.4	13.9	0.2		108	-2	1	-30	12	
Indonesia		6,881	-0.5	0.2	-2.3	-4.4	-2.8		98	-4	-5	0	7	
India		83,410	-0.3	0.8	3.3	4.3	6.7		102	-3	-7	2	16	
Philippines		6,419	-0.1	1.5	0.1	-0.5	-1.7		85	-2	0	3	6	
Thailand		1,116	0.5	0.7	-2.9	-13.8	-20.3							
Malaysia		1,550	0.6	2.4	3.1	-4.0	-5.6		77	1	-4	-10	7	
Argentina		2,031,093	1.8	-1.6	-7.9	24.3	-19.8		708	18	22	-807	71	
Brazil		139,549	0.5	1.7	2.0	11.8	16.0		212	-10	-13	-18	-35	
Chile		8,212	-0.4	0.9	2.0	28.6	22.4		113	-1	-6	-6	0	
Colombia		1,675	0.4	0.2	4.1	21.0	21.4		339	-5	0	23	13	
Mexico		57,814	0.6	1.9	0.2	11.3	16.8		270	-13	-34	-52	-42	
Peru		32,686	-0.1	1.8	2.6	10.4	12.9		125	-6	-7	-18	-16	
Hungary		97,989	0.6	0.2	1.9	37.1	23.5		160	-7	-1	13	5	
Poland		104,581	0.4	3.3	3.6	19.5	31.4		107	-3	-6	9	-5	
Romania		18,678	-0.9	0.9	0.8	2.5	11.7		236	1	-27	51	1	
South Africa		96,613	-0.3	1.4	1.5	21.6	14.9		299	-3	-20	-12	6	
Türkiye		10,251	1.7	8.8	13.8	-1.9	4.3		293	-20	-35	5	34	
EM total		48	-0.5	0.9	5.4	12.9	15.6		364	-9	-21	-46	0	

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

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