GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, JULY 20, 2026

LEAD EDITOR: FABIO CORTES

- **Technical correction in semiconductor stocks weighed on broader equity indices last week** (link)
- **Investors turn cautious as equity dispersion trade becomes "extremely crowded"** (link)
- **EM equity funds record their largest weekly inflows in three months** (link)
- **China's National Team steps in to stem equity market declines** (link)
- **The RBI intervenes to support the rupee as it trades near record lows** (link)
- **National Bank of Hungary expected to cut its policy rate by 25 bps to 5.75% tomorrow** (link)

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Tech Sector Recovers to Start the Week

Futures on the tech-heavy Nasdaq 100 index gained +1.1% this morning, with the index set to break a three-day losing streak as investors shifted attention to a flurry of corporate earnings this week. The Q2 earnings season is gathering pace, with AI and big tech remaining in focus as Alphabet, Tesla, Intel, IBM, Texas Instruments, and several AI infrastructure and power companies report results. These earnings releases come at a time when chipmakers, the S&P 500's biggest driver of returns this year, have entered a bear market as investors question elevated stock valuations and whether AI hyperscalers are building more capacity than they need. The Philadelphia Semiconductor Index has tumbled more than -20% from its June peak, reversing part of this year's strong AI-driven rally. In fixed income markets, advanced economy sovereign bond yields were little changed this morning while Brent crude prices fell on reports of a proposal to pause US-Iran strikes. Elsewhere, equities in China and Hong Kong stabilized, outperforming peers, driven by official interventions.

Key Global Financial Indicators

Last updated: 7/20/26 8:03 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		7458	-1.0	-2	-1	18	9
Eurostoxx 50		6255	0.4	0	-1	17	8
Nikkei 225		64141	-4.0	-6	-10	61	27
MSCI EM		63	-1.4	-5	-11	29	16
Yields and Spreads				bps			
US 10y Yield		4.56	1.6	-6	11	15	40
Germany 10y Yield		3.14	0.9	3	15	44	28
EMBIG Sovereign Spread		240	1	7	15	-70	-13
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.5	0.2	0	-1	2	0
Dollar index, (+) = $ appreciation		100.8	0.0	0	0	2	2
Brent Crude Oil ($/barrel)		87.0	-1.2	4	8	26	43
VIX Index (%, change in pp)		17.9	-0.9	1	1	1	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: 7/20/26 8:03 AM	Level Last 12m	Latest	Change from Market Close 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		87	-1.2	4	8	26	43
WTI Crude Oil ($/barrel)		81	-1.9	4	6	20	41
Natural Gas (Netherlands TTF)		59	2	8	39	73	118
Breakeven Inflation		%	bps				
USD: 2Y		2.3	-0.1	-7	-12	-73	2
USD: 5Y		2.4	-0.2	-4	1	-29	8
USD: 5Y5Y		2.4	0	-2	-3	-15	-6
EUR: 2Y		2.4	1.5	20	13	71	76
EUR: 5Y		2.2	1	10	11	38	44
EUR: 5Y5Y		2.1	0	0	1	1	5

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

The **week ahead** features a busy slate of central bank meetings and corporate earnings reports. Policy decisions are due in Hungary (cut), Indonesia (hold), ECB (hold), Türkiye (hold), and South Africa (hike). The Q2 earnings season also gathers pace, with AI remaining in focus as Alphabet, Tesla, Intel, IBM, Texas Instruments, and several AI infrastructure and power companies report results. Investors will closely watch corporate guidance for AI-related spending and chip demand amidst the sharp correction in semiconductor stocks. The economic calendar is relatively light, with inflation from Canada, UK, and Japan as the key highlights.

Mature Markets

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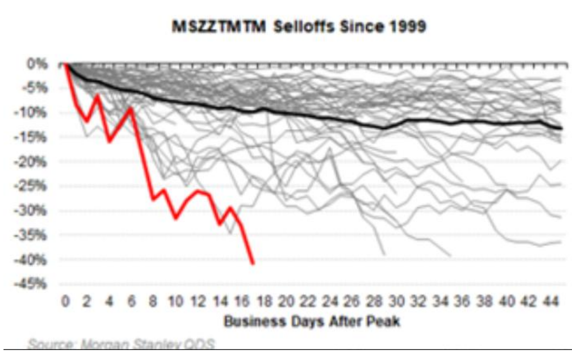
United States

US equities weakened last week as a sharp correction in semiconductor stocks weighed on broader technology shares. The Philadelphia Semiconductor Index entered a bear market after falling more than -20% from its June peak, reversing part of this year's strong AI-driven rally. The selloff was triggered in part by the launch of a Chinese AI model that reportedly rivals leading US models at lower cost, renewing questions about AI competition and the sustainability of the current investment cycle. However, market participants noted that recent corporate earnings and commentaries have yet to show any slowdown in demand for AI chips and computing infrastructure. The correction also triggered a sharp unwind in momentum strategies, with technology momentum experiencing its fastest and deepest drawdown at this stage on record outside of the dot-com bust, according to Morgan Stanley.



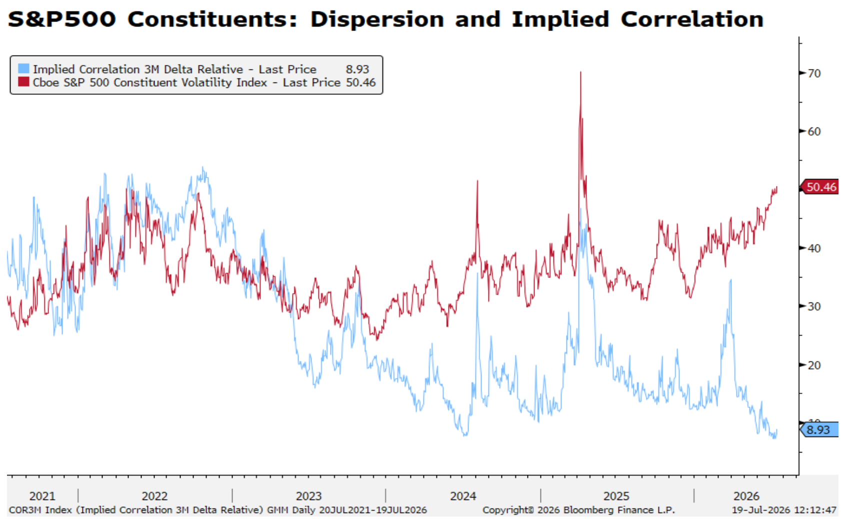
45 MSZZTMTM Selloffs < -10% Since 1999

	Long Leg Return	Short Leg Return	Net Factor Return	# Days
Current	-29%	18%	-41%	17
Rank	7	29	4	3
%ile	13%	65%	5%	5%
Min	-54%	-23%	-52%	10
Median	-9%	8%	-16%	46
Max	41%	102%	-10%	171

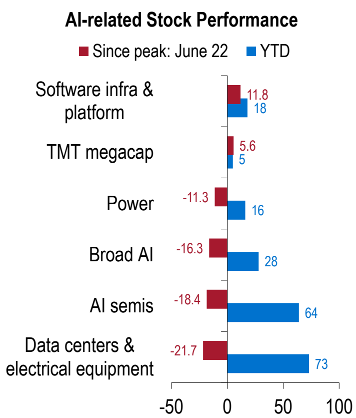
Source: Morgan Stanley QDS

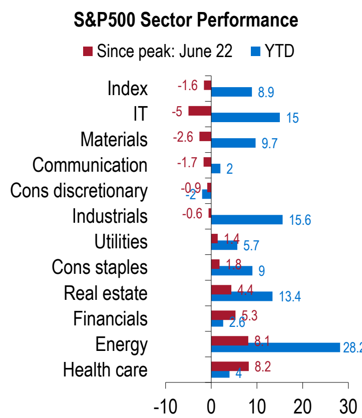
The recent selloff has also exposed unusually large divergences beneath the index. Dispersion across US equities has risen to historical levels, with 1-month expected single-stock volatility at its highest level since 2020 while implied correlation among the S&P 500's largest constituents is near record lows.

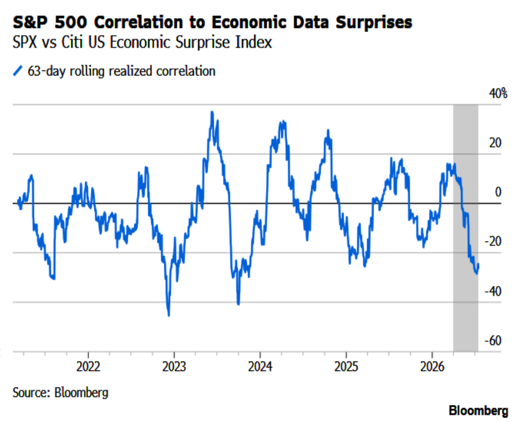
Although higher dispersion is typical during earnings season, market participants noted that recent shifts within the AI ecosystem have amplified differentiation across companies, while the options market is also pricing significantly larger earnings reactions for individual companies than for the broader index. Investors also noted that the popular dispersion trade—long single-stock volatility and short index volatility—has become “extremely crowded,” with some turning more cautious given already stretched positioning.



Despite heightened stock-level volatility, index volatility has remained subdued as rotations across sectors and within the AI ecosystem have helped contain broader market losses. Market participants noted that investor attention remains squarely focused on AI-related news flow and corporate earnings, reducing the influence of macroeconomic data on broad equity performance. Consistent with this, the correlation between the S&P 500 and US economic surprises has fallen to multi-year lows.

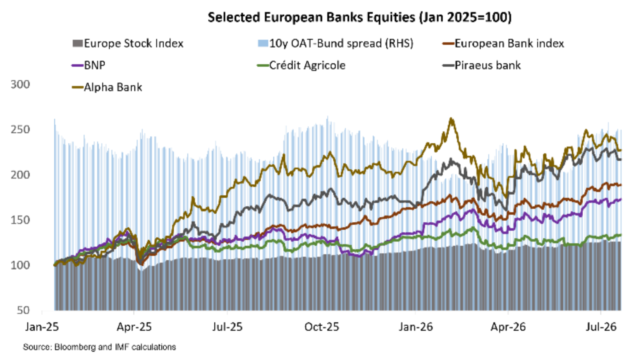


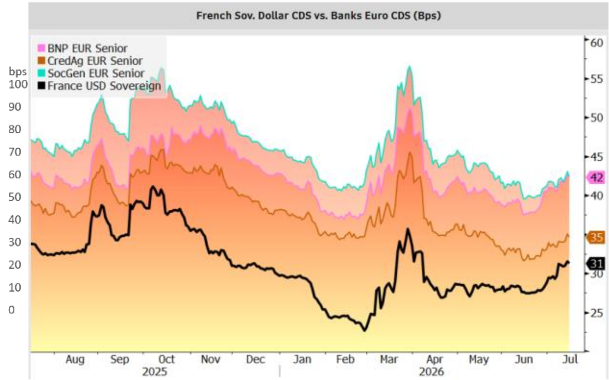




Euro Area

Euro area stocks trod water this morning, with the Stoxx 600 index little changed and regional bourses mixed. The European banking sector was up +0.4% earlier today and continues to outperform the market since the beginning of the year. The Stoxx 600 bank index has gained +15% year-to-date, compared to +8% for the broader Stoxx 600 index. Analysts at **Bloomberg** see banks’ earnings supported by higher rates and trading fees, with contained credit costs, in the ongoing Q2 reporting season. They noted, however, that **banks’ risk remains tied to domestic sovereign risk,** especially in France (and the UK), and expect European banks’ 5-year (senior) CDS to trade wider vs sovereign CDS in H2 as rising fiscal stress may affect banks through bond holdings, taxes and rating constraints. Bloomberg sees French banks' CDS sensitive to the 2027 presidential election, while Italian banks remain tightly linked to Italy's credit profile after S&P stated in February that only an upgrade of Italy would remove the current rating constraints for both UniCredit and Intesa. **UBS** highlighted that Greek banks have benefitted from improving sovereign risk, strong corporate credit growth, and better asset quality. Elsewhere, **BNP** noted that the Bank of France announced an increase of the Livret A rate to 1.7% from 1.5%. While it expected a larger hike, this is seen as positive for French banks' NII as the smaller increase should limit deposits mix shifts from current accounts to Livret A.





European government bonds yields inched up across tenors, with the bund yield curve bear-steepening slightly on the (very) long-end. Still, **Crédit Agricole** foresees upward pressure on European government bond yields fading this week in the 10-30-year segment, helped by negative near-term net supply.

Emerging Markets

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In **Asia**, Chinese and Hong Kong bourses stabilized and gained, driven by official interventions. In currencies, the Indonesia rupiah (-0.3%) underperformed. In **EMEA**, In **Latam,** currencies weakened while equities were mixed last Friday. The Chilean peso (-1.2%), Colombian peso (-0.8%), and Mexican peso (-0.6%) led regional currencies weaker. Equities gained in Colombia (+0.6%) and Argentina (+0.5%) while Chile (-0.5%) underperformed.

EM Fund Flows

EM equity funds recorded their largest weekly inflows in three months. Last week, EM equity funds attracted $3.8 bn inflows, rebounding from -$1.4 bn outflows the previous week and marking the strongest weekly inflow since mid-April, following the initial Middle East ceasefire. ETF inflows (+$5.9 bn) more than offset non-ETF outflows (-$2.2 bn). Regionally, Asia ex-Japan (+$2.4 bn) and EMEA (+$46 mn) recorded inflows, while Latam (-$405 mn) experienced outflows. EM bond funds extended their positive momentum with inflows rising to $898 mn from $715 mn the previous week. Both hard-currency (+$459 mn) and local-currency (+$438 mn) funds contributed to the increase. Combined, EM equity and bond funds recorded net inflows after two consecutive weeks of net outflows.

Figure 1: Weekly cross-asset flows

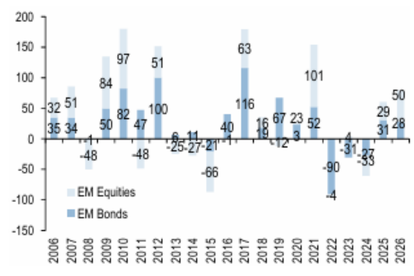
USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		4.7	78.5
EM Bonds		0.9	28.5
Hard Ccy		0.5	13.3
Local Ccy^		0.4	15.2
o.w. EM ex-China		0.4	14.2
o.w. China		0.0	-0.7
EM Equities		3.8	50.0
US HG		4.9	223.6
US HY		0.1	5.3
Global Equities		19.7	316.6
EM Bond and Equity ETFs		6.5	95.6
EM Bond ETFs		0.6	5.6
EM Equity ETFs		5.9	90.1
Non-resident EM flows*		-3.0	-144.1

Fund Flows

Figure 2: EM bond and equity fund flows

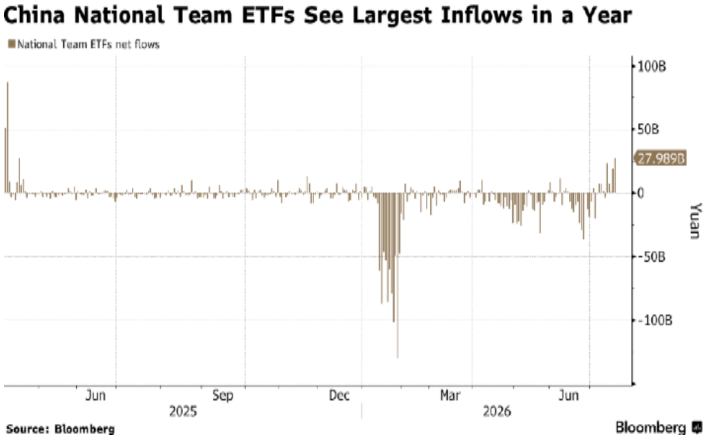
USD billion



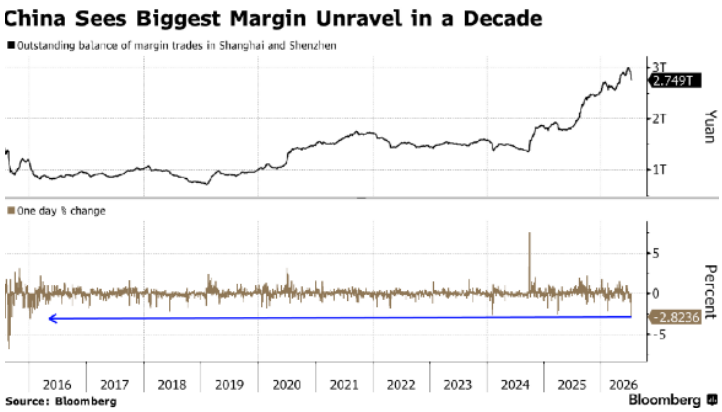
*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

Sources for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

China



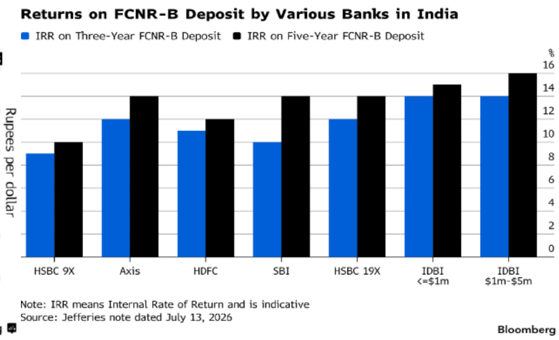
China's National Team stepped in to stem equity market declines. Two state-backed firms—China Reform Holdings and China Chengtong Holdings—bought a total of RMB 60 bn ($8.9 bn) in equities to limit market declines, according to company statements released over the weekend. The firms also indicated that they would continue to buy both stocks and ETFs tied to central government-owned enterprises and tech companies. These purchases took place amid the selloff in Chinese stocks in the past few weeks. The CSI index is down -11% from its peak on June 22 while the tech-heavy Shanghai Stock Exchange (SSE) Science and Technology Innovation Board (also known as Star Market 50 Index) fell about -28% from a record high on June 30. The China Securities Regulatory Commission is reportedly meeting today with representatives from listed companies, brokerages and mutual fund firms to discuss stabilizing the stock market, according to local media reports.



Meanwhile, **leveraged equity positions were unwound at the fastest pace since the 2015–2016 market crash**. The outstanding balance of margin debt in the Shanghai and Shenzhen indices fell -2.8% to RMB 2.75 tn ($405 bn) on Friday, the fastest decline since January 2016, according to data from Bloomberg. The combined leveraged bets on Chinese equities total RMB 2.9 tn (US$428.6 bn), or 2.9% of the market capitalization, compared with 4.7% in the run-up to the market crash in 2015. Earlier this year, the authorities raised the margin requirement to 100% from 80% to help contain market exuberance.

India

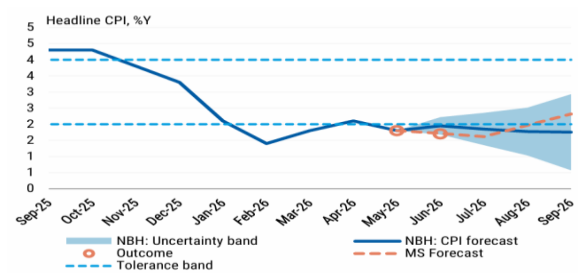
The RBI intervened to support the rupee as the currency trades near record lows. The RBI sold dollars in both offshore and onshore markets, according to Bloomberg, though RBI has not provided any confirmation. The rupee weakened as much as -0.2% to INR 96.4575/$ on the day, near its record low of INR 96.9650/$ seen in late May. It subsequently pared its losses to end the day modestly weaker at -0.1%. The authorities have taken steps to support the currency in recent weeks but a rebound in oil prices once again weighed on the rupee. Early in June, policymakers eased rules for investments in domestic bonds and encouraging dollar deposits from non-resident Indians. However, foreign currency bank deposits from non-residents (or FCNR) have been lower than expectations. Barclays estimates FCNR-related inflows of $25 bn to $30 bn over the coming months under its base-case scenario, below market expectations of about $40 bn to $50 bn. Meanwhile, with support from the RBI, **banks in India are offering leverage on savings deposits** to attract FCNRs. Banks are allowing customers to borrow against their deposits, then place both their own money and the borrowed funds with the banks, earning more than they pay on the loan. The RBI has reopened a special window for the first time in 13 years, offering to absorb the full hedging cost for banks while allowing them to lend against the deposits. Returns on these savings products can be as high as +15%, according to Jefferies, compared to +6.5% for the 5-year IGB currently.



Hungary

The National Bank of Hungary is expected to cut its policy rate by 25 bps to 5.75% tomorrow, according to Morgan Stanley, supported by subdued inflation and easing underlying price pressures. However, policymakers are likely to adopt a more cautious forward guidance, as higher oil and gas prices and recent HUF depreciation increase upside inflation risks. Over the longer term, Morgan Stanley continues to expect gradual policy easing to 5.0% by end-2026 and 4.5% by mid-2027, while forecasting somewhat higher inflation than the NBH as it assumes a gradual phase-out of government-imposed profit margin caps on selected retail goods. The caps have artificially suppressed consumer prices. The bank views the recent HUF weakness as primarily driven by geopolitical rather than domestic factors, supporting a constructive view on the currency and further compression in Hungarian risk premia.

Exhibit 4: Inflation printed 30bp below the NBH forecast in June



Source: NBH forecasts, Morgan Stanley Research forecasts

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), 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 Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

Last updated: 7/20/26 8:04 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,482	-1.0	-0.4	-0.2	18.8	9
Europe		6,255	0.4	-0.3	-0.6	16.7	8
Japan		64,141	-4.0	-6.4	-10.0	61.1	27
China		4,598	1.5	-2.1	-6.9	12.5	-1
Asia Ex Japan		110	-1.3	-5.5	-10.9	29.8	18
Emerging Markets		63	-1.4	-5.4	-10.6	29.0	16
Interest Rates					basis points		
US 10y Yield		4.6	2	-6	11	15	40
Germany 10y Yield		3.1	1	3	15	44	28
Japan 10y Yield		2.7	0	-9	4	116	63
UK 10y Yield		5.0	3	1	14	30	50
Credit Spreads					basis points		
US Investment Grade		117	-1	1	10	-7	10
US High Yield		316	-4	16	9	-23	-20
Exchange Rates					%		
USD/Majors		100.8	0.0	-0.5	-0.1	2.3	2
EUR/USD		1.14	-0.1	0.4	0.0	-2.3	-3
USD/JPY		162.4	0.0	0.0	0.5	10.2	4
EM/USD		46.5	0.2	-0.1	-1.5	1.5	0
Commodities					%		
Brent Crude Oil ($/barrel)		87.0	-1.2	4.5	8.7	30.8	45
Industrials Metals (index)		173.2	0.3	0.1	-4.1	11.5	6
Agriculture (index)		59.6	0.6	2.0	9.0	7.4	11
Gold ($/ounce)		4015.6	0.0	0.3	-4.2	18.2	-7
Bitcoin ($/coin)		64765.6	0.4	-0.3	1.4	-45.2	-26
Implied Volatility					%		
VIX Index (%, change in pp)		17.9	-0.9	0.7	1.1	1.5	3.0
Global FX Volatility		6.1	0.1	-0.2	-0.5	-2.2	-0.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		72	-1	4	4	3	13
Italy		81	-1	5	10	-4	11
France		79	-1	2	4	9	8
Spain		45	-1	0	-2	-16	2

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

Emerging Market Financial Indicators

7/20/2026 7:59 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		6.77	0.1	0.2	0.1	5.9	3.2		1.8	-1	0	-1	9	-13
Korea*		1479	0.6	1.2	3.9	-6.6	-2.3		4.4	0	5	27	160	109
Indonesia		17948	-0.2	0.9	-0.6	-9.1	-7.1		7.2	0	-2	20	68	118
India		96	-0.2	-0.9	-1.8	-10.5	-6.8		7.9	4	12	1	106	78
Philippines		62	-0.2	-0.2	-0.9	-7.3	-4.4		6.0	0	2	7	122	137
Thailand		34	0.1	-0.3	-1.9	-4.1	-6.3		2.1	0	2	-4	47	39
Malaysia		4.09	0.1	-0.5	1.4	3.5	-0.8		3.6	1	2	5	22	14
Argentina		1479	-0.2	0.6	-2.5	-13.8	-1.8		0.0	0	0	0	-3359	-3237
Brazil		5.11	-0.2	-0.1	0.0	8.5	7.5		14.5	20	29	-14	42	96
Chile		937	-1.2	-1.3	-4.9	2.8	-3.9		5.5	0	10	12	5	20
Colombia		3257	-0.8	-0.3	5.8	23.5	15.9		12.0	7	14	-16	44	-84
Mexico		17.46	0.4	0.4	-0.6	6.9	3.1		9.0	2	5	-1	-32	1
Peru		3.4	-0.4	-0.5	-0.9	4.4	-1.4		6.0	1	-6	-8	-54	26
Uruguay		40	0.0	0.1	-0.3	0.4	-2.7		7.4	2	-2	-6	-104	-11
Hungary		315	0.7	0.4	-2.2	8.4	3.9		5.4	6	30	30	-122	-109
Poland		3.79	0.2	0.5	-1.3	-4.2	-5.2		4.9	4	25	7	-1	38
Romania		4.6	-0.1	0.3	0.0	-5.4	-5.4		6.7	-1	9	4	-50	2
Russia		78.5	-0.6	-2.3	-5.7	-0.3	0.4							
South Africa		16.4	0.5	0.2	-0.2	7.2	0.7		8.8	8	25	27	-148	25
Türkiye		47.18	0.0	-0.3	-1.5	-14.4	-9.0		35.3	26	61	141	293	568
US (DXY; 5y UST)		101	0.0	-0.4	-0.1	2.3	2.5		4.27	-1	-11	4	32	54

	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		4,598	1.5	-2.1	-6.9	13.3	-0.7		87	2	6	-19	12
Korea*		6,516	-4.5	-12.8	-28.0	104.4	54.6		23	0	1	-1	1
Indonesia		6,232	0.9	3.2	0.9	-14.8	-27.9		110	6	6	24	24
India		77,709	0.9	0.1	1.2	-5.0	-8.8		94	4	3	-4	4
Philippines		6,416	0.2	2.4	4.6	1.8	6.0		92	11	6	20	17
Thailand		1,646	0.4	1.1	4.7	36.4	30.7						
Malaysia		1,722	-0.5	1.4	0.6	12.9	2.5		59	7	10	-8	0
Argentina		3,199,935	0.5	-0.1	-2.8	54.2	4.9		424	13	-12	-352	-145
Brazil		173,714	-0.1	-2.3	3.2	30.2	7.8		183	-1	0	-21	-20
Chile		10,888	-0.5	-1.2	0.0	33.0	3.9		90	3	4	-17	-1
Colombia		2,298	0.6	0.2	-8.2	31.9	11.1		191	-8	1	-125	-86
Mexico		66,634	0.4	0.2	-1.6	18.4	3.6		203	2	5	-71	-14
Peru		3,305	0.2	-1.4	-3.5	71.3	27.9		87	-1	2	-27	-22
Hungary		141,699	0.5	0.3	3.0	39.9	27.6		109	6	8	-41	-30
Poland		142,791	0.7	0.2	2.8	31.7	21.8		89	0	4	-6	-2
Romania		34,629	-0.7	1.6	12.8	75.2	41.7		184	10	13	-30	9
South Africa		109,364	-0.2	-0.6	-2.9	10.8	-5.6		207	11	11	-90	-11
Türkiye		14,118	1.0	-1.4	-4.2	36.2	25.4		261	13	16	-31	27
EM total		63	1.4	-5.4	-10.6	29.0	15.7		265	4	17	-100	-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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