GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JULY 23, 2026

LEAD EDITOR: TIMOTHY CHU

- **Oil rally reinforces hawkish repricing in US policy outlook** (link)
- **Refined fuel market strains intensify amid the surge in oil prices** (link)
- **ECB keeps rates on hold** (link)
- **Convertible bond issuance in Japan increases as rates rise** (link)
- **China's CGBs gained as growth softens and equity markets lag** (link)
- **Moody's upgrades Argentina's long-term local and foreign debt rating to B3** (link)

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Oil Climbs, Yields Continue Ascent as Middle East Conflict Expands

Inflation fears are accelerating after oil tanker attacks in the Red Sea pushed Brent futures (+5%) near $100/bbl, leading markets to price back central bank hikes. Global sovereign yields continue their ascent, with the US 10yr (+5bps) hovering at 4.7%. The war's expansion into the Red Sea has renewed energy supply concerns after fresh strikes by both sides in the Iran-US conflict. European natural gas has also risen 5% in recent days to levels last seen in early 2023. While the ECB kept policy rates on hold as expected and market reaction is so far muted, further hawkish rhetoric could reinforce repricing. In the US, Fed funds futures now price the first full hike in September and another by March. Risk assets have come under pressure from higher oil prices squeezing margins, a shifting AI narrative, and companies struggling to meet elevated earnings expectations. Disappointing results from Alphabet and Tesla—with Alphabet weighed down by new capex concerns—dragged the Mag7 lower, though the Philly Semiconductor index saw inflows yesterday. Reports of additional capex supported Asian stocks, led by the KOSPI (+4%). This morning, US equity futures pointed to a much lower open (SPX: -0.9%), major European bourses were negative (STOXX50: -2.6%), and the dollar index was 0.3% higher against G10 currencies.

Key Global Financial Indicators

Last updated: 7/23/26 8:54 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7499	-0.1	-1	2	18	10
Eurostoxx 50		6237	-1.3	-1	0	17	8
Nikkei 225		66423	0.5	-3	-4	59	32
MSCI EM		65	-0.5	-1	-3	30	19
Yields and Spreads					bps		
US 10y Yield		4.71	5.5	16	21	33	54
Germany 10y Yield		3.20	2.8	7	28	56	34
EMBIG Sovereign Spread		237	0	-1	9	-72	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.4	-0.4	0	-1	0	0
Dollar index, (+) = $ appreciation		101.4	0.3	1	0	4	3
Brent Crude Oil ($/barrel)		99.2	5.4	18	29	45	63
VIX Index (%, change in pp)		18.7	2.0	2	-1	3	4

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: 7/23/26 8:18 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		99	4.7	17	28	44	62
WTI Crude Oil ($/barrel)		91	4.3	15	24	39	58
Natural Gas (Netherlands TTF)		62	-2	8	47	88	131
Breakeven Inflation		%	bps				
USD: 2Y		2.3	0.3	7	-3	-63	5
USD: 5Y		2.5	2.0	8	10	-18	14
USD: 5Y5Y		2.4	0	4	7	-8	-3
EUR: 2Y		2.5	5.4	16	27	78	84
EUR: 5Y		2.3	2	8	20	43	49
EUR: 5Y5Y		2.1	0	1	5	3	7

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

Mature Markets

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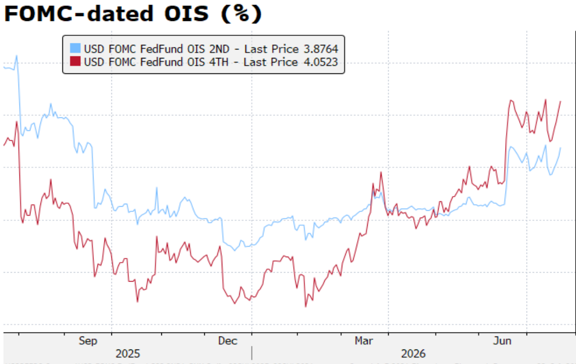
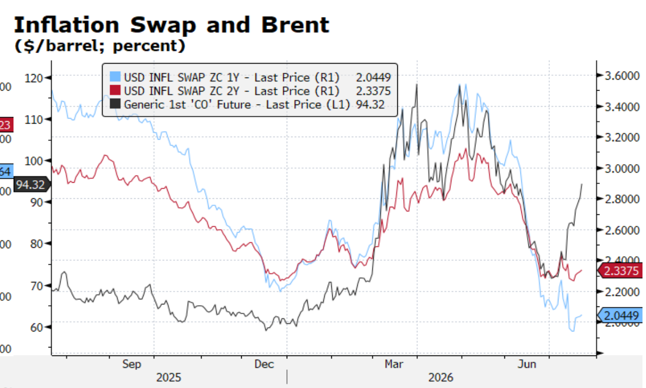
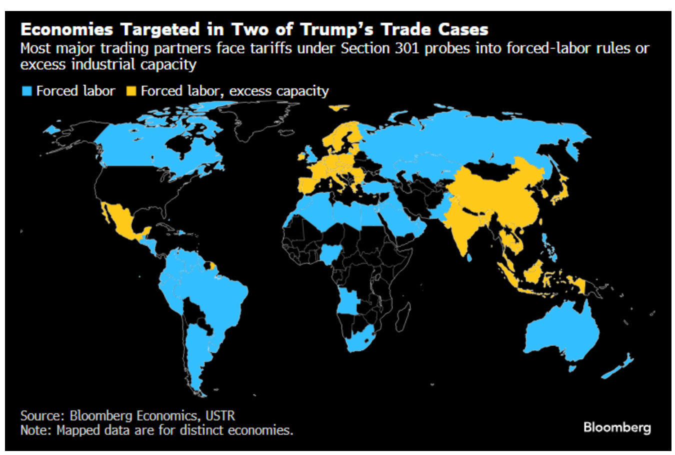
United States

Treasury yields resumed their ascent amid resurging oil prices. Month-to-date, the 2yr yield has risen 13 bps to 4.3% and the 10-year yield has risen 20 bps to 4.67%, with short rates accelerating over the past two weeks. Meanwhile, FOMC-dated OIS rates have also returned to levels seen after the June FOMC meeting, implying a first rate hike in September and a second by March 2027. However, inflation expectations have remained broadly stable, with the 1-year inflation swap still down 10 bps this month and the 2-year swap little changed. Some investors argue that markets have already priced in much of the expected central bank response to higher oil prices, with current elevated-but-not-extreme crude levels insufficient to materially alter the inflation outlook.





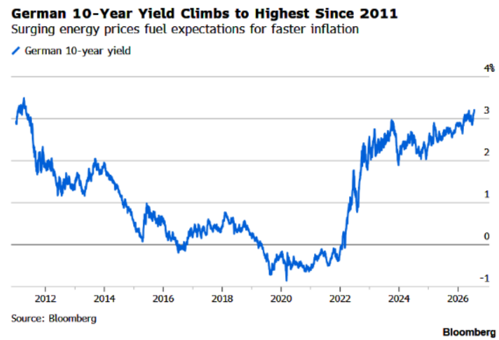
The US is expected to replace the temporary 10% global tariff under Section 122, which expires on Friday, with a new set of tariffs, starting with differentiated Section 301 tariffs tied to alleged forced-labor practices. Imports from 15 economies, including Canada, Mexico, the EU, and Taiwan POC, would face 10% duties, while others, including China, India, South Korea, and Japan, would be subject to 12.5% tariffs under the current proposal. A separate Section 301 investigation into excess industrial capacity remains ongoing and could lead to additional tariffs at a later date.



Separately, President Trump has threatened to impose a 100% tariff on generic drugs starting in 2028 under Section 232 if manufacturers do not shift production to the US, with the rate rising to 200% a year later.

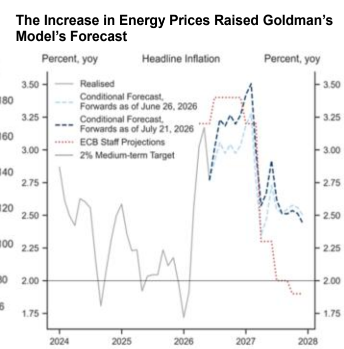
Euro Area

Brent crude rose more than 5.5% to above $99/bbl this morning after the Houthis claimed attacks on two Saudi oil tankers near the Bab al-Mandab Strait. Any disruption to shipping through the Red Sea would further tighten oil flows from the Gulf. European sovereign yields rose by 3–4 bps across curves and maturities, with increases concentrated at the front end. Bloomberg notes that the 10-year Bund yield stands at its highest level since 2011. Risk assets weakened this morning, with the Euro STOXX 50 falling 2.6%, while European energy stocks outperformed, gaining 2.6%.



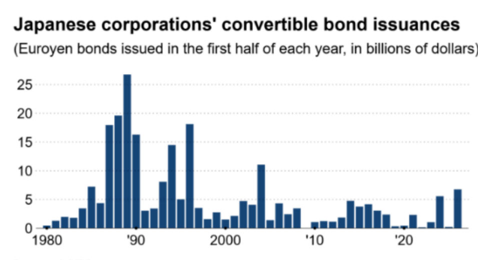
The European Central Bank kept its policy rates on hold, as expected. The deposit rate, which remains the ECB's key policy rate for steering money market rates, was left unchanged at 2.25%. The decision stated that the outlook for energy prices, while highly volatile, currently stands close to the baseline in the June Eurosystem staff projections and well above the levels recorded before the conflict in the Middle East. The ECB also reiterated that it will follow a data-dependent and meeting-by-meeting approach. The market reaction to the policy announcement was muted. The euro weakened by 0.3% today against the US dollar, to below $1.14, but these moves occurred before the policy decision and reflected broader US dollar strength. ECB President Lagarde will elaborate on the Governing Council's assessment and the rationale behind today's policy decision at the press conference later today (2:45pm CET).

Higher energy prices have undone recent inflation progress, Goldman Sachs writes. The recent rebound in oil and natural gas prices has largely erased the improvement in the inflation outlook that followed softer price data and cooling price surveys. Their model suggests inflation is now back on track to peak broadly in line with the ECB's June baseline projections, despite earlier indications that both headline and core inflation could undershoot. While there is still no convincing evidence of second-round effects on wages or longer-term inflation expectations, the renewed energy shock reinforces their expectation of a second ECB rate hike in September, with risks tilted toward additional tightening if energy prices remain elevated.



Japan

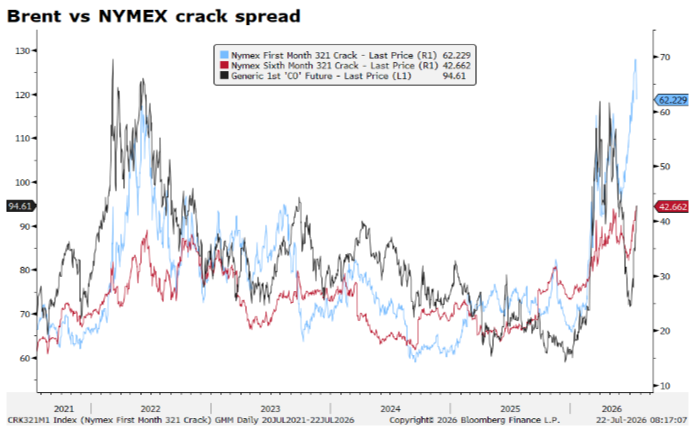
Convertible bond issuance in Japan increased amid rising interest rates. Euroyen convertible bond issuance by Japanese companies reached $6.8 bn in the first half of the year, according to LSEG. Issuance for the year is the highest since the first half of 2004, when the total reached $11 bn. Convertible bonds come with lower interest rates than other corporate bonds, allowing borrowers to raise funds at a lower cost when interest rates are rising, but they can dilute earnings

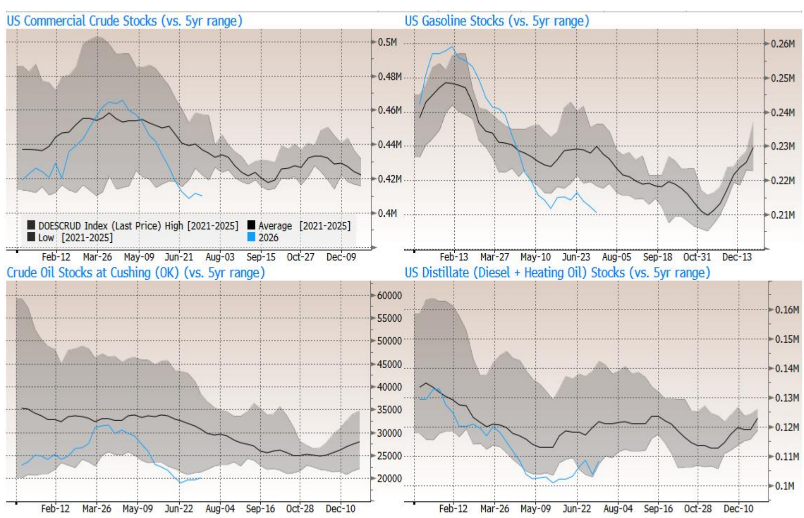


per share upon conversion, making them less attractive when share prices are down. In a rising-rate environment and with a buoyant TOPIX, the current environment for convertible bonds is the most attractive since the GFC, according to Eagle's View Japan Management. Nomura notes that investment in Japanese convertible bonds has been driven primarily by hedge funds. Global issuance of convertible bonds has also increased. In the first half of the year, issuance totaled $129.6 bn, according to LSEG, the highest on record since 1980; US companies accounted for 63% of the total. The TOPIX gained 0.5% on the day, while the yen weakened further (-0.2%) to ¥163.42/$, a fresh four-decade low.

Commodities

Brent crude rose around 30% in July to near $95/barrel as geopolitical tensions re-escalated, fueling strains in refined fuel markets. US retail gas prices have climbed back above $4/gallon and diesel above $5/gallon, while crude, gasoline and distillate inventories have fallen below their five-year averages. At the same time, diesel and gasoline crack spreads have returned to record or near-record highs amid refinery outages and persistent disruptions to refined product supplies. The renewed rise in oil prices now significantly increases the risk that persistently elevated fuel prices feed through inflation and eventually weigh on economic activities.





Emerging Markets back to top

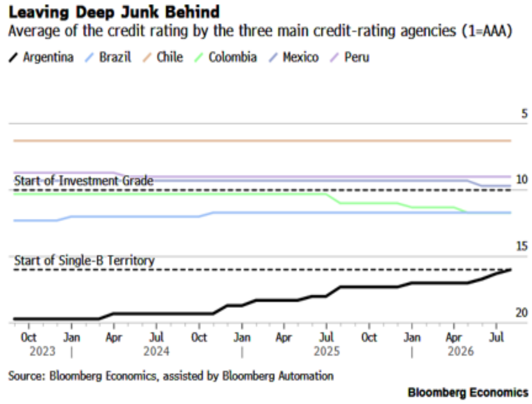
EMEA equities and currencies edged lower this morning, as oil extended its rally. In CEE, equities traded mostly lower, led by Czechia (-0.5%), while currencies were marginally weaker against the euro. Romania (+0.7%) rose on news that Parliament will soon debate draft laws tied to more than €4bn in EU recovery funds. In Türkiye, equities were flat and the lira was little changed. In South Africa, the rand slipped 0.2% to ZAR16.46/$ and equities fell 0.7% as gold prices declined; the SARB is expected to raise its policy rate by 25 bps to 7.25% later today. Gulf equities were mixed, with Dubai (+0.5%) and Abu Dhabi (+0.7%) up, Qatar (-0.2%) lower, and Saudi Arabia flat. Elsewhere, Kuwait raised $6bn through 3-, 5-, and 10-year dollar Eurobonds against about $14bn in demand, with spreads tightening to 70–85 bps over USTs. Tanzania is reportedly testing investor demand in London for its first hard-currency bond since 2013 to help fund infrastructure projects.

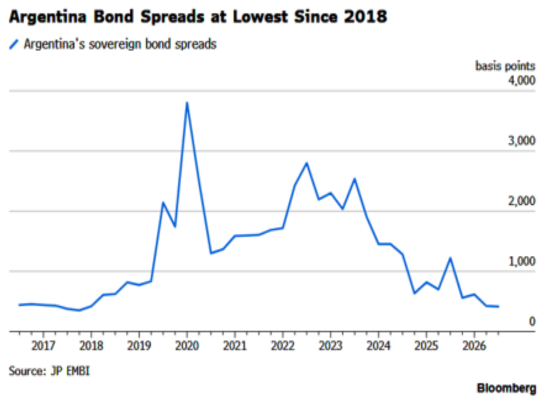
Asian equities gained broadly overnight amid a rebound in regional chipmakers. The Korean Kospi led overall gains (+4.4%) while the TOPIX and Taiwan TAIEX were little changed. In its State of the Economy report for July, the **Reserve Bank of India** (RBI) reiterated that the economy remains resilient but has downside risks from the war in the Middle East. The RBI is widely expected to keep interest rates unchanged at its August 5 policy meeting. In currencies, the **Korean won strengthened** (+0.7%) to its strongest level in more than 10 weeks after the release of a better-than-expected Q2 GDP report (+3.7%, y/y, vs expectations of 3.5%, y/y). Bloomberg Economics expects that the latest GDP report will likely raise the probability of a rate hike from the BOK in August.

Latin American currencies were mixed yesterday, while equities mostly rallied. The Colombian peso (+0.5%) again outperformed its emerging market peers, strengthening to its highest level since 2018. The Brazilian real (+0.4%) also appreciated, while the Argentine peso (-0.3%) and Chilean peso (-0.1%) weakened. Equities posted broad gains, led by Argentina (+3%) and Brazil (+2.4%), and followed by Mexico (+0.9%) and Chile (+0.5%).

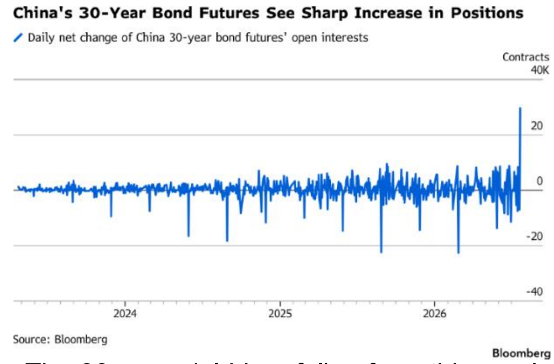
Argentina

Moody's upgraded Argentina's long-term local- and foreign-currency debt rating to B3, with a positive outlook. Moody's raised Argentina's rating by one notch from Caa1, citing materially stronger credit fundamentals driven by fiscal discipline, declining inflation, and continued economic liberalization. The agency also highlighted stronger exports, rising foreign direct investment, and improved access to external financing as factors supporting the country's external position. Moody's noted that the positive outlook reflects the potential for further improvements in Argentina's credit profile as external finances strengthen and macroeconomic stabilization continues. The upgrade follows similar moves by Fitch Ratings and S&P Global Ratings in May and June, respectively, lifting the average sovereign credit rating across the three major agencies above the highly distressed category (left chart). Bloomberg analysts noted that the upgrades broaden the pool of investors eligible to hold Argentina's sovereign debt. Consistent with the improved credit outlook, Argentina's sovereign bond spreads over U.S. Treasuries have narrowed to their lowest level in nearly eight years (right chart).



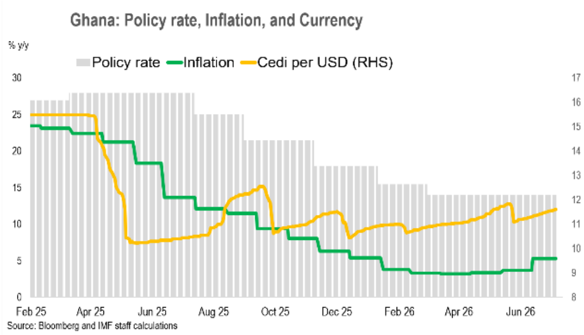


China



Central government bonds (CGBs) gained as growth softened and equity gains lagged. In addition to soft economic data and recent lackluster equity market performance, speculation about a possible deposit rate cut for some banks and expectations for additional monetary policy easing ahead of the Politburo meeting also lifted bonds, with longer-dated maturities leading overall gains. Futures contracts for the 30-year bond climbed as much as 0.3% on the day, extending gains from their March low to more than 4%. Meanwhile, open interest in the 30-year bond surged by 15% on Wednesday alone to a record high. The 30-year yield has fallen from this year's high of 2.39%—reached in mid-March—to 2.21% currently, while the benchmark 10-year yield also resumed its decline this week, falling 2 bps to 1.73%, compared with this year's high of 1.89%, reached in early January. Recent bond auctions underscored the increase in demand. The bid-to-cover ratio at a sale of the 10-year note on Wednesday jumped to 7.41x, a record high dating back to 2004, according to Bloomberg. Both the onshore and offshore RMB were unchanged on the day.

Ghana



The Bank of Ghana kept its policy rate unchanged yesterday at 14%, in line with expectations. The cedi was little changed against the dollar this morning, at around GHS11.61/$. The hold extended a pause that began in May, following a cumulative 700 bps of easing since July 2025. Governor Asiamah stressed that the disinflation phase had ended, after inflation rose for three consecutive months to 5.3% y/y in June from 3.7% in May, driven by higher oil and utility prices. The MPC concluded that the "current policy stance remains appropriate to guide inflation into the medium-term target" tolerance band of 8% +/-2%. Goldman Sachs expects no rate change through end-2026, with inflation rising moderately on a weaker cedi and unfavorable base effects, while GDP growth increased to 6.4% in Q1 this year from 5.8% y/y in Q4 2025. Analysts at Bloomberg highlighted external pressures weighing somewhat on the currency, as reserves fell from $14.2bn in March to $12.9bn at end-June due to higher oil imports and Eurobond repayments, although the trade surplus widened to $8.8bn in the first half of 2026, supported by gold exports.

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: 7/23/26 8:50 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,431	-0.1	-1.4	0.9	16.9	9
Europe		6,237	-1.3	-0.7	0.1	16.7	8
Japan		66,423	0.5	-3.4	-4.0	58.8	32
China		4,728	0.2	0.6	-4.3	14.0	2
Asia Ex Japan		113	-0.8	-0.9	-3.4	31.0	21
Emerging Markets		65	-0.5	-0.9	-3.2	30.2	19
Interest Rates					basis points		
US 10y Yield		4.7	6	16	21	33	54
Germany 10y Yield		3.2	3	7	28	56	34
Japan 10y Yield		2.8	3	7	11	120	72
UK 10y Yield		5.1	6	13	34	46	61
Credit Spreads					basis points		
US Investment Grade		119	2	3	13	-3	12
US High Yield		315	-1	9	3	-15	-22
Exchange Rates					%		
USD/Majors		101.4	0.3	0.6	0.0	4.3	3
EUR/USD		1.14	-0.3	-0.5	0.0	-3.3	-3
USD/JPY		163.7	0.3	0.8	1.3	11.7	4
EM/USD		46.4	-0.4	-0.4	-0.9	0.4	0
Commodities					%		
Brent Crude Oil ($/barrel)		99.3	5.5	17.9	29.3	49.7	65
Industrials Metals (index)		176.3	-0.3	0.9	1.5	10.8	8
Agriculture (index)		60.6	0.3	3.8	11.5	10.7	13
Gold ($/ounce)		4064.6	-1.6	2.2	-1.3	20.0	-6
Bitcoin ($/coin)		65117.9	-1.2	0.7	4.4	-44.8	-26
Implied Volatility					%		
VIX Index (%, change in pp)		18.7	2.0	1.9	-0.8	3.3	3.7
Global FX Volatility		6.1	0.0	0.1	-0.7	-2.0	-0.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		74	1	3	5	7	15
Italy		84	2	3	11	1	14
France		81	1	1	4	14	10
Spain		47	0	0	-1	-12	3

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

Emerging Market Financial Indicators

7/23/2026 8:22 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.77	0.0	0.0	0.3	5.7	3.2		1.8	-2	-2	-2	4	-15
Korea*		1473	0.3	0.5	4.1	-6.6	-2.3		4.5	7	13	29	179	123
Indonesia		17915	-0.2	0.4	-0.4	-9.1	-6.8		7.2	1	4	9	80	121
India		97	0.0	-0.2	-1.9	-10.5	-6.9		7.9	5	14	18	116	86
Philippines		62	0.0	-0.2	-0.6	-7.9	-4.7		6.1	0	7	15	128	144
Thailand		34	0.0	-0.8	-2.0	-4.9	-6.8		2.2	1	0	-5	54	42
Malaysia		4.09	-0.1	-0.4	1.3	3.4	-0.7		3.6	-7	-3	-2	18	9
Argentina		1482	-0.3	-0.4	-1.4	-15.3	-2.1		0.0	0	0	0	-3675	-3237
Brazil		5.08	-0.5	0.5	2.0	8.7	7.8		14.7	6	39	-6	63	110
Chile		937	-0.1	-1.2	-3.2	1.5	-3.9		5.6	2	11	21	19	31
Colombia		3208	0.5	0.4	7.0	27.0	17.7		12.3	8	42	19	72	-58
Mexico		17.48	-0.5	-0.3	0.4	6.1	3.0		9.1	5	13	23	-21	14
Peru		3.4	0.0	-0.5	-0.4	4.5	-1.1		6.0	-1	2	-6	-52	25
Uruguay		40	0.2	0.2	-0.5	-0.2	-2.8		7.4	1	-2	-4	-110	-14
Hungary		320	-0.5	-1.3	-2.5	5.7	2.1		5.5	7	14	25	-118	-108
Poland		3.80	-0.3	-0.5	-1.0	-5.0	-5.6		5.1	7	24	22	24	54
Romania		4.6	-0.2	-0.4	0.3	-6.4	-5.8		6.7	1	2	1	-51	1
Russia		78.4	-0.2	-0.4	-4.8	0.0	0.4							
South Africa		16.5	-0.4	-0.3	0.6	6.5	0.6		9.0	11	29	35	-124	38
Türkiye		47.24	0.0	-0.3	-1.6	-14.4	-9.1		35.5	12	37	139	384	589
US (DXY; 5y UST)		101	0.1	0.5	-0.1	4.2	3.0		4.45	4	18	18	52	72

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,728	0.2	0.6	-4.3	14.0	2.1		84	-4	2	-23	9
Korea*		7,097	4.4	-2.6	-16.2	122.4	68.4		23	0	0	-1	1
Indonesia		6,315	-0.3	3.4	7.3	-16.1	-27.0		109	-2	6	18	23
India		76,391	-0.3	-1.0	-0.8	-7.0	-10.4		89	-3	-2	-7	-1
Philippines		6,283	0.2	-0.7	4.9	-2.5	3.8		92	0	8	15	17
Thailand		1,641	0.1	0.4	6.0	35.3	30.3						
Malaysia		1,715	0.2	-0.4	1.9	11.3	2.1		56	2	6	-10	-3
Argentina		3,379,772	3.0	2.7	4.0	62.2	10.8		417	5	-10	-366	-152
Brazil		177,548	2.4	0.9	3.7	31.2	10.2		180	-2	-4	-31	-23
Chile		11,009	0.5	-0.1	2.2	35.2	5.0		87	-1	1	-22	-4
Colombia		2,297	-0.2	0.2	-2.1	33.8	11.1		194	-5	2	-117	-83
Mexico		67,304	0.9	1.4	0.7	19.2	4.7		200	-1	-1	-68	-17
Peru		3,502	2.3	3.4	7.6	74.1	35.5		87	3	-2	-30	-22
Hungary		144,258	-0.3	1.5	3.6	43.0	29.9		106	-4	4	-47	-33
Poland		144,305	-0.6	0.9	5.0	33.6	23.1		86	-5	0	-16	-5
Romania		36,234	0.3	3.4	16.8	83.6	48.3		180	-9	9	-35	4
South Africa		108,326	-1.2	-1.8	-3.0	8.1	-6.5		201	-1	-1	-94	-17
Türkiye		14,141	-0.1	-0.8	-2.7	33.5	25.6		257	2	11	-37	23
EM total		65	0.6	-0.9	-3.2	30.2	18.8		262	-1	8	-104	-9

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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