GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, JULY 24, 2026
LEAD EDITOR: TIMOTHY CHU

- **US Treasury yields climb to new highs for the year** (link)
- **Yen remains near 164 level despite firmer inflation reinforcing normalization expectations** (link)
- **Chinese markets await Politburo signals as the PBOC boosts liquidity support** (link)
- **Rand extends losses after South Africa Reserve Bank's surprise hold** (link)
- **Total emerging market bond issuance increased week over week** (link)

Mature Markets | Emerging Markets | Market Tables

Iran Conflict and AI Fears Push Markets Negative for the Week

Inflation fears rose again this week as strikes escalated and the conflict expanded to the Red Sea, while disappointing AI results further suppressed sentiment. Although European and US equities are staging a rally this morning as oil eases slightly, Brent exceeded $100/bbl yesterday and is still up 11% this week. Elevated rhetoric, attacks on shipping by Iran-backed Houthis in the Red Sea, and much wider crack spreads have led some market participants to raise stagflation concerns. Global yields are meaningfully higher, adding to market pressure, with 10yr Treasury and Bund yields up 13 bps and 6 bps, respectively, so far this week. Real yields led most of the increase, with the 10yr US real yield at its highest level since October 2023. Central bank repricing has driven much of the rates recalibration, as markets link renewed energy-price gains to a higher probability of hikes, particularly by the Fed. With the ECB on hold but hawkish and seen as likely to hike in September, markets will look to next week's FOMC meeting to confirm a hawkish Fed reaction function. Beyond geopolitics and energy shocks, markets had hoped AI results would beat lofty expectations and lift sentiment, but disappointing earnings from Mag7 stalwarts Tesla and Alphabet weighed on equities. Investors are growing more concerned about dwindling free cash flow and additional capex for AI buildouts, though Intel's strong results late Thursday offered glimmers of hope. On the week, the S&P 500 is down 1.7%, credit spreads are wider, and the dollar is 0.6% stronger.

Key Global Financial Indicators

Last updated: 7/24/26 8:16 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7408	-1.2	-2	1	16	8
Eurostoxx 50		6254	0.7	0	1	17	8
Nikkei 225		64611	-2.7	-3	-7	56	28
MSCI EM		65	-0.6	1	-4	30	18
Yields and Spreads					bps		
US 10y Yield		4.68	-1.4	13	29	28	51
Germany 10y Yield		3.19	-1.6	6	32	49	33
EMBIG Sovereign Spread		242	5	3	10	-63	-12
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.3	0.1	0	-1	1	0
Dollar index, (+) = $ appreciation		101.4	0.0	1	0	4	3
Brent Crude Oil ($/barrel)		97.8	-2.9	11	33	41	61
VIX Index (%, change in pp)		18.7	0.0	0	0	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: 7/24/26 8:15 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		98	-2.8	11	33	41	61
WTI Crude Oil ($/barrel)		90	-2.6	9	28	36	56
Natural Gas (Netherlands TTF)		64	2	11	56	97	138
Breakeven Inflation		%	bps				
USD: 2Y		2.3	-1.6	2	3	-67	4
USD: 5Y		2.4	-0.4	1	10	-26	9
USD: 5Y5Y		2.4	0	1	6	-14	-6
EUR: 2Y		2.4	-7.8	3	29	70	77
EUR: 5Y		2.2	-5	2	21	36	45
EUR: 5Y5Y		2.1	-2	1	5	0	6

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

Mature Markets

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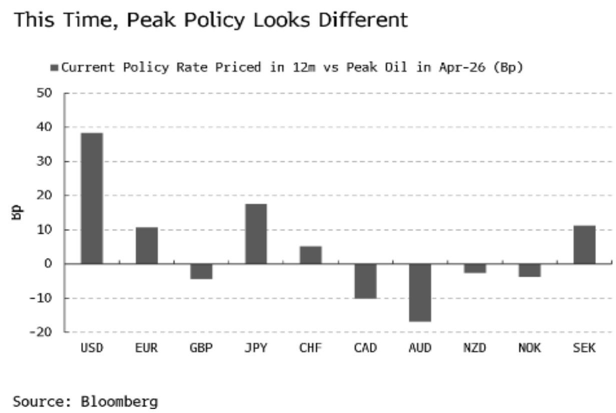
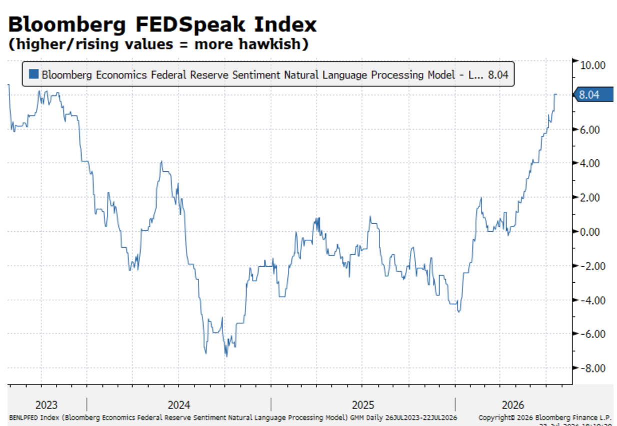
United States

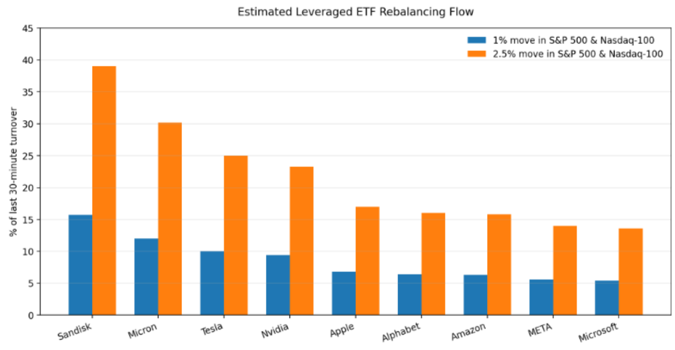
Treasury yields climbed to new highs for the year, weighing on equities. As Brent crude rose above $100/barrel, Treasury yields increased 3–6 bps across the curve. Markets continued to edge toward a more hawkish Fed outlook, although a hold remains the consensus for next week's FOMC meeting. Compared with April, when Brent approached $120/barrel, the current oil shock has prompted a much larger repricing of the US policy path than elsewhere. Markets now price the US as having the largest increase in the expected policy rate over the next year among major central banks, according to Bloomberg. This likely reflects both the Fed's recent hawkish shift and the perception that policymakers are less inclined to provide forward guidance, according to some market participants. The S&P 500 (-1.4%) came under pressure following disappointing earnings from Alphabet (-7%) and Tesla (-14%), with higher yields adding to weakness in growth sectors. The Magnificent 7—seen as a relative safe haven during the recent semiconductor correction—posted its steepest decline since April 2025 (-4.8%).





Separately, the US administration finalized details of new section 301 tariffs as was expected. Most large trading partners, including the EU, UK, Canada, and Mexico will face 10% tariffs. Others, including Japan, South Korea, and Australia will see tarrifs of 12.5%.

Leveraged ETF rebalancing is unlikely to be a major market driver under normal conditions but can amplify late-session price moves during periods of heightened volatility. For the Magnificent 7 and major semiconductor stocks, SocGen estimated that the rebalancing flows amount to less than 2% of average daily turnover. However, because these funds typically rebalance near the market close, when roughly 30% of daily trading volume takes place, rebalancing demand can account for 5–10% of trading in the final 30 minutes. The effect becomes more pronounced during periods of elevated volatility, when larger market moves and higher downside beta among technology stocks can lift rebalancing flows to more than 20% of closing turnover, potentially reinforcing late-session market momentum.

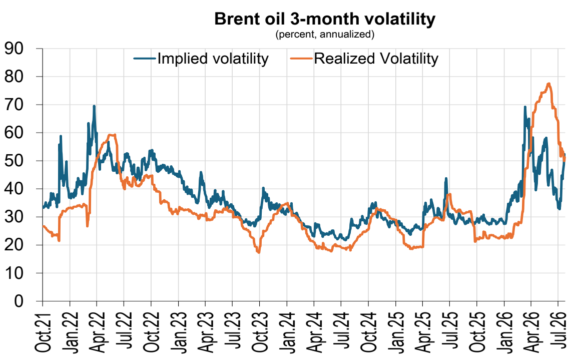


Source: SocGen.

Euro Area

European markets stabilized after recent losses, with the STOXX 600 rising 0.5%, supported by stronger-than-expected July PMIs in the euro area and the UK and gains in technology shares following solid SAP earnings. Today's gains partially offset yesterday's losses (-1.2%). European sovereign bonds rebounded modestly as Brent fell below $100/bbl, with yields declining by around 5 bps across curves. The flash S&P Global Eurozone Composite PMI for July came in at 51.9, versus 50.2 expected and 50.0 prior. In addition, ECB survey-based inflation expectations came down more than expected, with one-year expectations at 3.0%, versus 3.2% expected and 3.5% prior. The euro was stable against the US dollar this morning, trading just below $1.14.

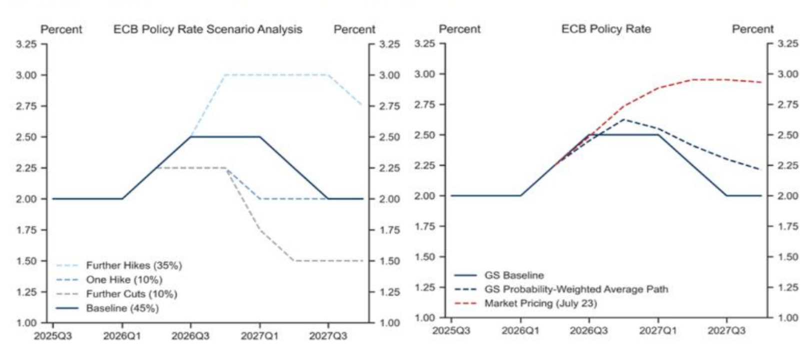
Oil price volatility, in addition to elevated oil prices, is increasingly shaping monetary policy expectations. Bank of America argues that repeated supply disruptions through the Strait of Hormuz and Bab el-Mandeb could make inflation more persistent by generating asymmetric pass-through into core prices, as many prices rise with higher energy costs but adjust downward only slowly when oil prices fall. In a world of more frequent geopolitical supply shocks, the bank argues that central banks may be less willing to "look through" energy-driven inflation, helping explain why markets have repriced further policy tightening despite the absence of clear second-round effects.



Source: Bloomberg, IMF staff calculations. Volatility is annualized, based on active futures contract price.

Markets reinforced expectations of further ECB tightening as renewed Middle East tensions and higher energy prices revived the ECB's earlier hawkish baseline. The ECB left rates unchanged yesterday but acknowledged that some Governing Council members had considered a hike, while President Lagarde stressed that policymakers would closely monitor incoming data ahead of September. Markets continued to price in almost two further 25bp hikes by

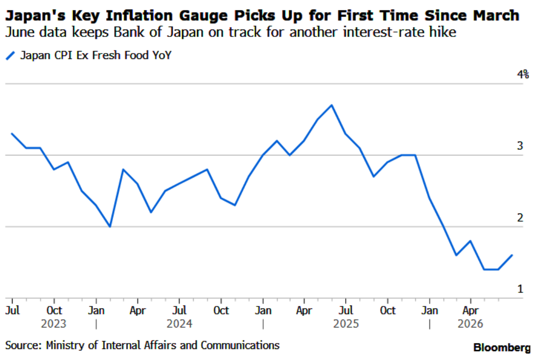
Exhibit 3: More Upside Risks to Rates but Still Less Than Priced

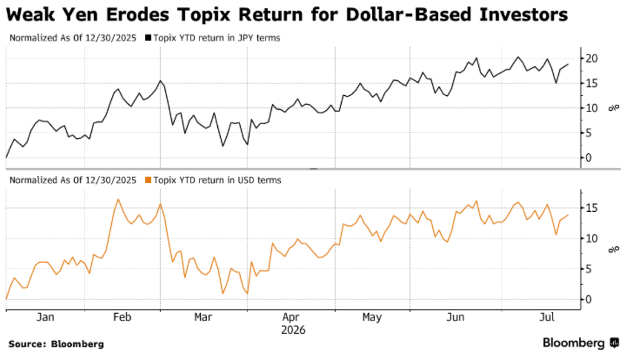


Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities, Haver Analytics year-end, while Goldman Sachs argues that a September hike now looks very likely and sees a lower hurdle for a further increase if energy prices remain elevated and core inflation strengthens. Higher oil prices pushed European sovereign yields higher, the euro lower against the dollar, and European equities lower.

Japan

Japan's inflation data rose for the first time in three months, driven by energy costs and yen-related import pressures. June headline CPI rose to 1.7% y/y (consensus: 1.7%; May: 1.5%), while core CPI (excl. fresh food) rose to +1.6% y/y (consensus: 1.6%; May: 1.4%). Against this backdrop, the yen remained near the 164 level, strengthening (+0.1%) today to $/163.75, but still on track for its largest weekly decline (-0.8%) since mid-May. Finance Minister Katayama reiterated today that authorities stand ready to act decisively against excessive FX volatility, while a US Treasury report highlighted substantial yen undervaluation and pointed to further BOJ normalization as a means of reducing exchange-rate volatility. Today, JGB yields rose (10yr +3bp to 2.80%; 30yr +6bp to 3.97%) as investors priced in persistent inflation pressures and the possibility of another Bank of Japan rate hike later this year. Equities retreated today (Nikkei 225: -2.7%), although they still ended the week positive, supported by foreign inflows and stronger exporter earnings. Strategists warned that prolonged yen weakness could eventually deter unhedged overseas investors by eroding dollar-based returns.





Korea

South Korean equities snapped a three-day winning streak as Samsung Electronics and SK Hynix led a broad technology-driven selloff. The KOSPI fell sharply (-5.7%), as sentiment was hit by overnight weakness in US chip stocks, as well as by portfolio reallocation ahead of Chinese memory-chip maker CXMT's market debut. The Korea Exchange briefly halted program selling as futures plunged, while the Financial Services Commission moved forward with the implementation of tighter eligibility requirements for single-stock leveraged ETFs to curb volatility linked to major chipmakers. In contrast, the Korean won outperformed regional peers (+0.6%), strengthening to its strongest level since early May, supported by stronger-than-expected GDP data, exporter dollar sales, and resilient semiconductor earnings.

Emerging Markets

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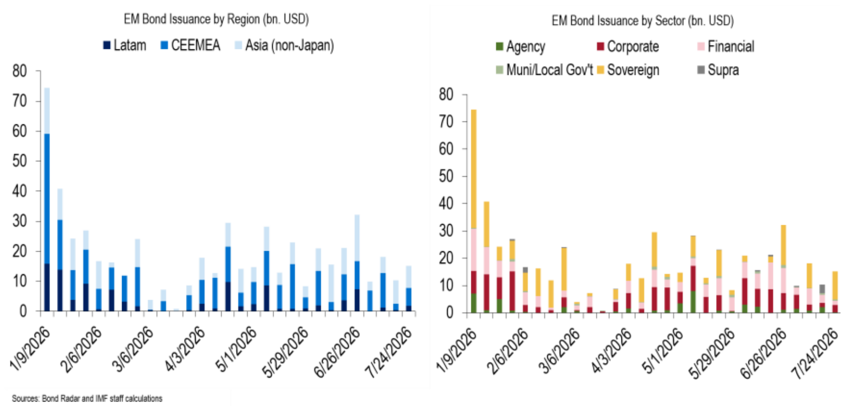
EMEA equities edged mostly higher this morning as oil prices eased, **while currencies traded mixed**. CEE equities rose, led by Poland (0.6%), while currencies firmed against the euro, with the Hungarian forint up 0.5% to HUF362.93/€. The tenge fell 1.7% to KZT475.35/$ after Kazakhstan's central bank unexpectedly cut its policy rate by 25bps to 16.75%. The rand extended losses (-0.2%) to ZAR16.85/$, while South African equities regained 0.2% after yesterday's selloff. In Türkiye, the lira edged lower (-0.2%) to TRY47.34/$, while equities rose 0.5%.

Asian currencies appreciated (EM Asia: +0.1%) against the US dollar, led by the Korean won (+0.6%) and Thai baht (+0.3%). The Philippine peso (-0.2%) fell to a fresh record low as oil prices climbed. Asian equities declined (EM Asia: -3.8%) as technology stocks followed US shares lower. Korea (KOSPI: -5.7%), Taiwan POC (TAIEX: -2.7%), and Indonesia (Jakarta Composite: -1.9%) led the declines.

Latin American currencies mostly weakened, while equities declined. The Colombian peso (+0.3%) continued its upward march and bucked the regional trend, while the Chilean peso (-1.1%), Mexican peso (-0.7%), and Brazilian real (-0.6%) led losses. Equities broadly declined, with Argentina (-1.8%), Mexico (-1.6%), and Chile (-0.8%) underperforming. On the monetary policy front, Paraguay's central bank held its benchmark rate at 5.5%, while the Costa Rica Central Bank cut its benchmark rate to 3% from 3.25%.

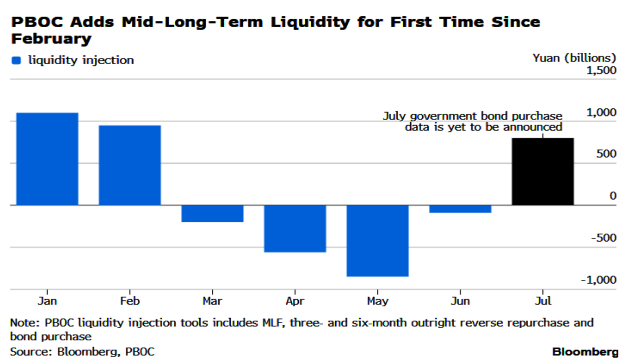
EM Bond Issuance

Total emerging market bond issuance increased week-over-week. Through Thursday, just over $15 billion of bonds had been issued, up from $10.4 billion the previous week. Regionally, issuance was concentrated in Asia ex-Japan (49%) and CEEMEA (39%). By sector, sovereign issuance accounted for most of the total (68%), followed by corporates (17%) and financials (11%). Sovereign issuers this week included Kuwait, Honduras, and Malaysia. Across this week's issuance, maturities ranged from three to 20 years. Year to date, total emerging market bond issuance has reached approximately $561 billion.



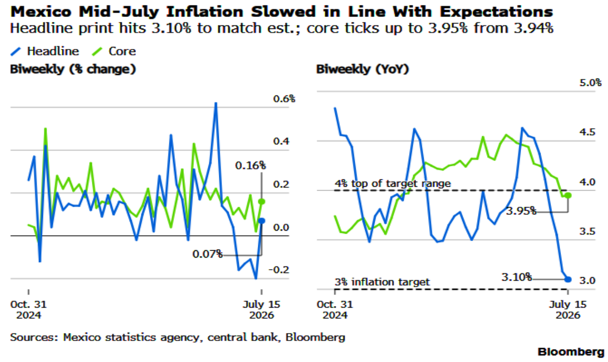
China

The People's Bank of China front-loaded liquidity support through its largest medium- to long-term cash injection in five months. The injection includes a net CNY100 billion addition via the one-year medium-term lending facility (MLF), helping accommodate stronger government bond issuance and signaling ample liquidity conditions ahead. This oversized MLF rollover in July has reduced market expectations for a cut in the reserve requirement ratio. The government bond yield curve shifted lower (10-year -0.5bp to 1.72%; 30-year -2bp to 2.18%) as traders awaited policy guidance. Strategists generally expect policymakers to accelerate the deployment of existing fiscal resources and monetary tools while stopping short of a September 2024-style stimulus package. Reflecting this view, investors remained constructive on financials, technology, healthcare, and AI-related sectors that could benefit from faster fiscal spending and continued policy support for innovation and industrial upgrading. Today, both onshore CNY and offshore CNH strengthened slightly, despite a weaker fixing at $/6.7936. The US Treasury again cited concerns over China's exchange-rate transparency but retained China on its monitoring list rather than labeling it a currency manipulator.



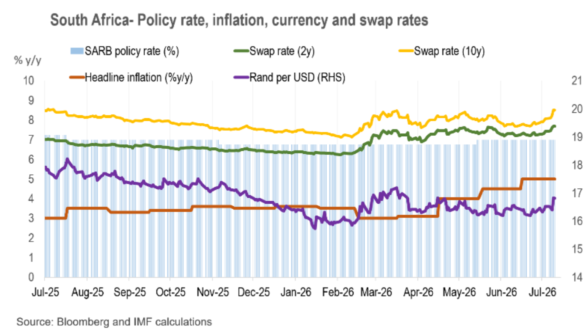
Mexico

Mexico's mid-July inflation slowed to its lowest level since 2020. Biweekly inflation data released yesterday showed annual headline inflation eased to 3.1%, in line with expectations and its lowest level since the end of 2020. Annual core inflation rose slightly to 3.95%, marginally above both the consensus forecast and the previous reading of 3.94%. Bloomberg analysts note that the latest data support Banxico's decision in June to keep the benchmark policy rate unchanged at 6.5%, as policymakers await clearer evidence that inflation is converging sustainably toward target. Both headline and core inflation remain within the central bank's target range of 3% plus or minus one percentage point. Despite this progress, one- and two-year inflation swap rates have trended higher in recent weeks amid the escalation of the conflict in the Middle East.



South Africa

The **rand extended losses** (-0.2%) **against the dollar this morning** (ZAR16.85/$) following the **South African Reserve Bank's (SARB) surprise decision to keep its policy rate unchanged at 7%.** Markets had expected a 25bps hike. Policymakers justified the hold by citing growth concerns amid weaker domestic demand, while noting that June's 5% y/y inflation print mainly reflected temporary fuel cost increases. The SARB now forecasts average inflation at 4% in 2026 and growth of 1.4% in 2026. According to Reuters, four MPC members supported the hold while two preferred a hike. Analysts at Bloomberg expect the policy rate to remain at 7% through 2026, arguing that subdued food and declining underlying core inflation, together with the May rate increase, should allow the SARB to look through the oil shock; they see rate cuts restarting in 2027 once disinflation becomes clearer. Goldman Sachs also sees rates unchanged in 2026 as its baseline, but with the caveat of another possible September hike if oil prices rise further or the rand weakens. JP Morgan has a more hawkish view, expecting a hike to 7.25% as its September baseline unless oil prices fall quickly and services inflation stabilizes; it estimates the short-term fair value of the rand at ZAR17.30/$. The 10yr government bond yield rose by 16bps yesterday and added 2bps this morning to 8.96%, while the 2yr yield stayed around 7.55% (+1bp). Equities advanced (0.2%) this morning after losing 1.2% yesterday.



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: 7/24/26 8:15 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,418	-1.2	-0.5	0.8	16.6	8
Europe		6,255	0.7	0.4	0.6	16.8	8
Japan		64,611	-2.7	-3.3	-6.8	55.9	28
China		4,649	-1.7	2.7	-4.5	12.6	0
Asia Ex Japan		112	-0.5	0.8	-4.2	31.0	21
Emerging Markets		65	-0.6	0.6	-3.9	30.1	18
Interest Rates					basis points		
US 10y Yield		4.7	-1	13	29	29	51
Germany 10y Yield		3.2	-2	6	32	49	33
Japan 10y Yield		2.8	3	12	14	121	75
UK 10y Yield		5.1	-4	11	37	44	58
Credit Spreads					basis points		
US Investment Grade		120	1	2	12	-1	13
US High Yield		323	0	3	5	-5	-13
Exchange Rates					%		
USD/Majors		101.5	0.0	0.7	-0.2	4.2	3
EUR/USD		1.14	0.0	-0.5	0.2	-3.2	-3
USD/JPY		163.8	0.0	0.9	1.3	11.4	5
EM/USD		46.3	0.1	-0.2	-0.9	0.7	0
Commodities					%		
Brent Crude Oil ($/barrel)		97.7	-2.9	10.9	32.3	46.8	62
Industrials Metals (index)		175.4	0.2	1.6	4.0	10.7	7
Agriculture (index)		59.7	-1.0	1.0	10.1	8.4	12
Gold ($/ounce)		4056.9	0.2	1.0	1.4	20.4	-6
Bitcoin ($/coin)		65024.9	-0.1	0.8	6.8	-45.3	-26
Implied Volatility					%		
VIX Index (%, change in pp)		18.7	0.0	-0.1	0.1	3.3	3.8
Global FX Volatility		6.3	0.0	0.3	-0.7	-1.7	-0.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		73	-1	1	5	4	14
Italy		83	-2	1	11	-2	13
France		80	-1	0	4	13	9
Spain		46	-1	0	-1	-14	3

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

Emerging Market Financial Indicators

7/24/2026 8:17 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	0.1	0.1	0.6	5.6	3.2		1.8	0	-2	-3	3	-15
Korea*		1462	0.8	1.7	5.5	-6.1	-1.5		4.5	-1	13	29	178	122
Indonesia		17943	-0.2	-0.3	0.0	-9.2	-7.0		7.3	7	10	9	87	128
India		97	0.0	-0.3	-2.0	-10.5	-6.9		7.9	-6	6	19	109	80
Philippines		62	-0.2	-0.4	-0.5	-8.4	-4.9		6.1	-1	6	14	127	143
Thailand		34	0.4	-0.2	-0.8	-4.2	-6.5		2.2	3	6	-1	57	45
Malaysia		4.09	0.0	0.1	1.1	3.1	-0.7		3.7	-1	2	4	25	16
Argentina		1489	-0.5	-0.9	-1.2	-15.5	-2.5		0.0	0	0	0	-3604	-3237
Brazil		5.08	0.1	0.7	2.3	8.7	7.8		14.8	14	48	20	77	124
Chile		947	-1.1	-2.2	-3.4	0.2	-4.9		5.6	1	12	21	20	31
Colombia		3200	0.3	0.9	6.8	26.4	18.1		12.5	18	51	35	86	-40
Mexico		17.48	0.2	0.3	0.7	6.1	3.0		9.2	8	22	25	-12	21
Peru		3.4	0.0	-0.5	-0.4	4.5	-1.1		6.0	-1	-2	-5	-50	24
Uruguay		40	-0.3	0.0	-0.2	-0.4	-3.1		7.4	2	0	-6	-95	-13
Hungary		318	0.8	-0.3	-1.6	6.3	2.9		5.6	13	20	45	-106	-95
Poland		3.79	0.4	0.0	-0.6	-4.5	-5.4		5.3	17	37	40	41	71
Romania		4.6	0.0	-0.5	0.2	-6.2	-5.8		6.7	1	-1	0	-52	2
Russia		77.8	0.7	0.3	-3.8	1.7	1.2							
South Africa		16.9	-0.2	-2.0	-1.8	4.6	-1.8		9.2	19	41	51	-100	57
Türkiye		47.35	-0.2	-0.4	-1.8	-14.0	-9.3		36.0	54	101	176	441	643
US (DXY; 5y UST)		101	0.0	0.7	-0.2	4.2	3.2		4.43	-2	15	25	47	70

	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		4,649	-1.7	2.7	-4.5	12.6	0.4		85	-3	2	-20	10
Korea*		6,691	-5.7	-1.9	-20.5	109.3	58.8		23	0	1	0	1
Indonesia		6,196	-1.9	0.3	5.1	-17.9	-28.3		110	0	4	23	24
India		76,060	-1.9	-2.7	-1.3	-6.6	-10.7		93	10	-2	-1	3
Philippines		6,281	0.0	-1.9	3.4	-2.1	3.8		93	3	6	19	18
Thailand		1,644	0.2	0.3	6.6	35.1	30.5						
Malaysia		1,701	-0.8	-1.8	2.0	10.9	1.2		57	1	5	-10	-2
Argentina		3,319,522	-1.8	4.2	6.7	55.5	8.8		440	24	0	-340	-129
Brazil		176,724	-0.5	1.7	3.6	32.1	9.7		180	-1	-6	-27	-23
Chile		10,917	-0.8	-0.3	2.3	34.1	4.2		86	-4	-2	-19	-5
Colombia		2,283	-0.6	-0.1	0.5	33.5	10.4		199	2	1	-105	-78
Mexico		66,266	-1.5	-0.1	0.0	16.2	3.0		206	2	3	-58	-11
Peru		3,373	-3.7	2.2	3.6	67.7	30.6		88	0	-3	-28	-21
Hungary		144,479	0.2	2.5	4.1	42.5	30.1		109	-1	6	-40	-30
Poland		144,206	0.4	1.6	7.1	32.7	23.0		89	-3	2	-9	-2
Romania		36,118	-0.3	3.6	16.2	82.5	47.8		184	-2	8	-26	8
South Africa		109,279	0.9	-0.3	-0.5	9.3	-5.7		207	2	-1	-85	-11
Türkiye		13,961	-0.8	-0.1	-2.6	30.6	24.0		265	8	12	-19	31
EM total		65	0.2	0.6	-3.9	30.1	18.1		269	4	11	-93	-2

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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