GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JULY 3, 2025
LEAD EDITOR: JEFF WILLIAMS

- **US yields rise on stronger than expected nonfarm payroll report** (link)
- **Tariff risks kept market expectations of US inflation elevated even as oil prices tumbled** (link)
- **Gilts retrace some losses after PM comments calm markets** (link)
- **Long-term JGB yields rose on fiscal concerns despite a smooth 30y bond auction** (link)
- **Poland surprises with 25bps rate cut** (link)
- **Ghana's slowing inflation reinforces expectations for rate cut in July** (link)

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Strong US jobs report sends yields higher

This morning's US nonfarm payroll report for June came in better than consensus, with payrolls rising by 147k versus expectations of 106k. The unemployment rate declined to 4.1% from 4.2%. Treasury yields jumped immediately after the data release, with the yield on the 2-year rising as much as 12bp. Market expectations of a Fed rate cut at the July meeting fell to near zero (from about a 20% implied likelihood before the release). Markets now price less than 2 full rate cuts for 2025. Ahead of the jobs report, equities had been little changed while bond yields had been declining after yesterday's rise driven by fiscal concerns in the UK. Speculation yesterday that the UK Chancellor of the Exchequer, Rachel Reeves, was to be replaced sent gilt yields higher, with other advanced economy yields following behind. Those rumors were largely quieted after Prime Minister Starmer publicly supported Reeves in an interview, helping to stabilize bond markets before the US jobs report.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
7/3/25 8:30 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6227	0.5	2	4	12	6
Eurostoxx 50		5314	-0.1	1	-1	7	9
Nikkei 225		39786	0.1	1	5	-3	0
MSCI EM		49	0.4	1	6	12	16
Yields and Spreads					bps		
US 10y Yield		4.26	-2.0	2	-20	-10	-31
Germany 10y Yield		2.61	-5.2	4	9	3	25
EMBIG Sovereign Spread		314	-1	-8	-18	-83	-10
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.4	0.1	0	2	1	8
Dollar index, (+) = $ appreciation		96.9	0.1	0	-2	-8	-11
Brent Crude Oil ($/barrel)		68.9	-0.4	2	5	-21	-8
VIX Index (%, change in pp)		16.8	0.1	0	-1	5	-1

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

Mature Markets

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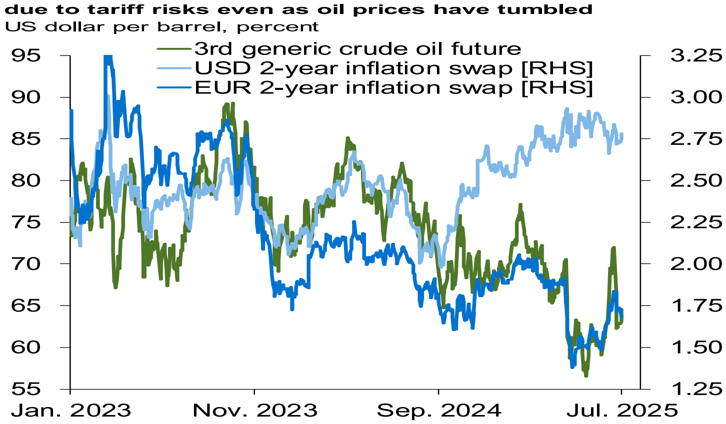
United States

Non-farm payrolls came in better than expected this morning (+147k, 106k exp.) with a modest upward revision to May's data (+144k, 139k prior). The 3-month average change in non-farm payrolls has increased to +150k (+135k prior). The boost was driven by a strong pickup in government hiring (+73k). The unemployment rate declined against expectations of an increase (4.1%, 4.3% exp.). US Treasury yields spiked in reaction to the print with 2-year yields surging as much as 12bp before coming down to below 3.9%. The yield curve bear flattened as investors chipped away some of their policy easing expectations from the Fed. The dollar pared back some of its losses against major currencies (+0.5%).

The Treasury yield curve saw a modest rise as yields in the UK surged. Meanwhile, the S&P 500 continued its upward momentum (+0.4%) setting new record highs. Some analysts attribute the rally to the broad weakening of the dollar, which could boost earnings for companies with significant international revenue exposure. Oil prices rose (+2.7%) following a trade deal announcement between the US and Vietnam where the latter will pay a 20% tariff on its exports to the former. The deal also includes a 40% tariff if the exported goods have originated from another country to discourage transshipping. The deal has been a focus for investors as Vietnam's export share to the US has nearly doubled since 2016. Gold prices also edged higher (+0.5%), nearing back toward their all-time highs.

Tariff risks kept market expectations of US inflation elevated even as oil prices tumbled. Inflation prints since "Liberation Day" have come broadly in line with expectations and investors think the tariff impact will be more visible in the upcoming prints through the summer. However, the broader trade policy uncertainty may keep inflation expectations above target according to market pricing of near-term inflation swaps. The strong correlation between oil prices and near-term market inflation pricing appears to have broken since the fall of last year as trade policy uncertainty surged. Meanwhile, in the euro area, market inflation expectations have fallen below the ECB's target in line with oil prices. Investors seem to be pricing the trade policy shock to the euro area as more of a growth shock than an inflationary one, as the euro's broad-based appreciation and a decline in commodity prices will help the ECB keep inflation near its target.

Short-term US inflation swaps have remain stuborrnly high due to tariff risks even as oil prices have tumbled

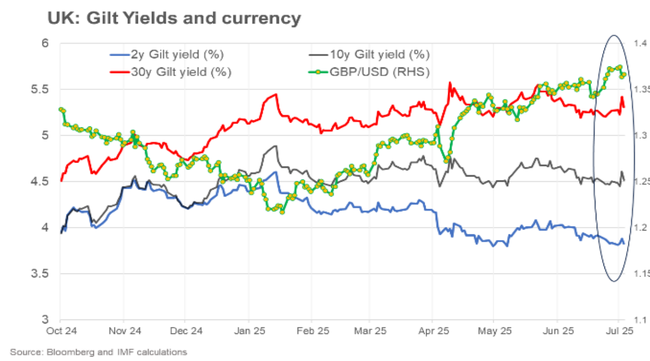


Source: Bloomberg, IMF Staff Analysis.

Euro Area

European equities were marginally higher and sovereign bond yields were lower ahead of the US payroll report due later today. The Stoxx 600 index was around 0.1% higher, with mixed performances across sectors. European sovereign bond yields were lower, retracing some of yesterday's moves, with the 10y bund yield (-4bp) trading at 2.62%. The euro was marginally weaker against the dollar (-0.1%). With the currency now roughly 14% stronger against the dollar YTD, several members of the ECB's Governing Council have expressed concern about the strength of the euro in recent days.

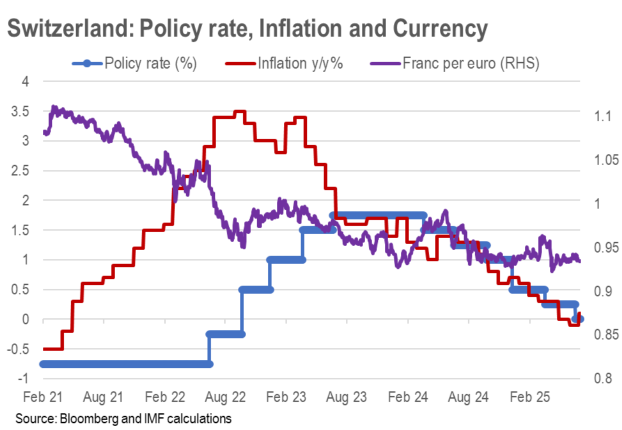
United Kingdom



Gilts rally and the sterling recovers somewhat after PM comments calms markets. Gilt yields surged and the sterling weakened yesterday amid speculation about Chancellor Reeves's position—UK 10y yields jumped 16bp to 4.61%, 30y yields rose nearly 20bp to 5.42% and the pound fell 0.9% against the US dollar. This followed PM Starmer's comments in the House of Commons, where he stopped short of explicitly confirming Reeves would remain Chancellor, fueling market concerns over fiscal stability. However, PM Starmer later issued a full endorsement of Reeves, helping to stabilize sentiment. This morning, sterling is retracing some of its losses, up 0.2% to 1.3664 against the dollar, while gilt yields are down across the curve (10y -8bp to 4.53%; 30y -10bp to 5.32%). Looking ahead, analysts at Morgan Stanley note that recent changes to welfare reform plans and other policy choices, alongside likely OBR growth downgrades, mean that without tax hikes or alternative spending cuts, the government risks breaching its fiscal rules this autumn. In their view, tax increases now appear the most likely outcome.

Switzerland

Swiss inflation accelerates unexpectedly. Data released this morning showed Switzerland's headline inflation increasing to +0.1%y/y in June, versus consensus expectations at -0.1%. Contacts note that the data supports the Swiss National Bank's (SNB) relatively hawkish messaging in its June meeting, when it cut its policy rate to 0%, but signaled that negative rates would only be considered in exceptional circumstances. While noting that negative rates remain a possibility, UBS analysts do not expect any further rate cuts this year.



Japan

Long-term JGB yields rose (30y: +6bp to 2.94%; 40y: +3bp to 3.10%) despite a smooth 30y bond auction today. Renewed concerns over Japan's fiscal outlook have been fueled by an overnight surge in UK gilt yields, driven by worries about the government's ability to finance its substantial budget deficit. Tax revenues reached a record ¥75.2tn ($524bn) in the fiscal year ended March, surpassing government forecasts by ¥1.8tn ($12.5bn). However, the government's proposed cash handouts—estimated to cost around ¥3.5tn ($24.3bn)—have raised questions about funding, with economists doubting the availability of a sufficient surplus this year. Meanwhile, the closely watched 30y JGB auction was better than expected, with the bid-to-cover ratio at 3.58—the strongest since February—well above the 2.92 in June and higher than the 12-month average of 3.33. However, the minimum bid price (99.55) came in below expectations (99.75), signaling lingering investor caution. Overall, strategists view the auction results as reassuring, suggesting the MOF's reduced issuance of long-term JGBs is helping to stabilize the market. Analysts believe the severe liquidity shortage in the ultra-long end may have peaked, with the supply-demand dynamics gradually improving. Today, the stock market was little changed (Nikkei 225: +0.1%), while the yen depreciated slightly (-0.1%) against the dollar.

Emerging Markets

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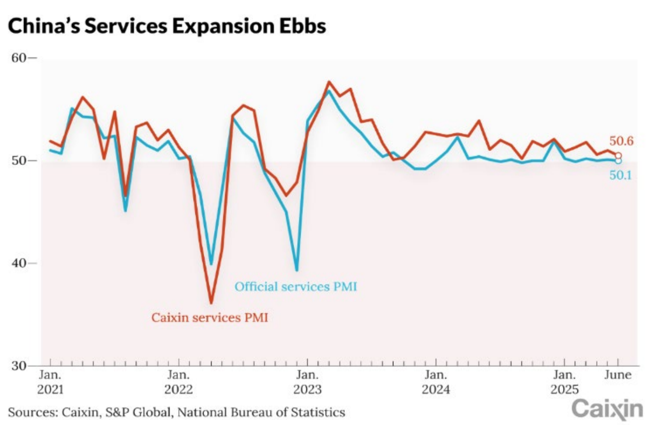
EM Asian currencies broadly appreciated (EM Asia: +0.2%) against the dollar, and stocks mostly gained (EM Asia: +0.2%) on trade deal optimism, except for Hong Kong SAR (HSI: -0.6%). Vietnam reportedly signed a tariff agreement with the US, imposing a 20% levy on all Vietnamese exports and a 40% duty on transshipped goods. Market contacts note that while the deal removes uncertainty and aids corporate planning, there are concerns over the higher-than-expected tariff and potential spillovers to other countries and sectors. The Vietnamese dong depreciated (-0.2%) against the dollar, and the stock market declined (-0.2%). **Latin American currencies were mixed Wednesday while most equities gained.** The Colombian peso (+0.8%) outperformed, appreciating to levels last seen almost a year ago. The Brazilian real (+0.6%) and Chilean peso (+0.3%) followed behind while the Argentine peso (-0.8%) and Mexican peso (-0.3%) depreciated against the dollar. Equities rallied across the region led by Argentina (+1.6%) and Colombia (+1.1%), although Brazil (-0.4%) experienced losses.

China

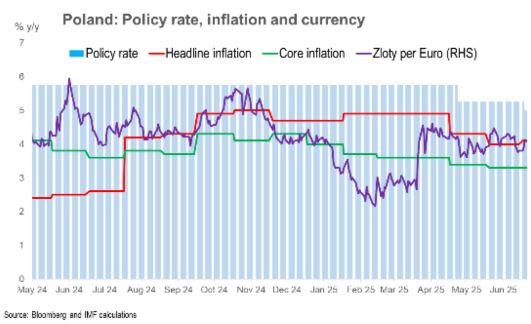


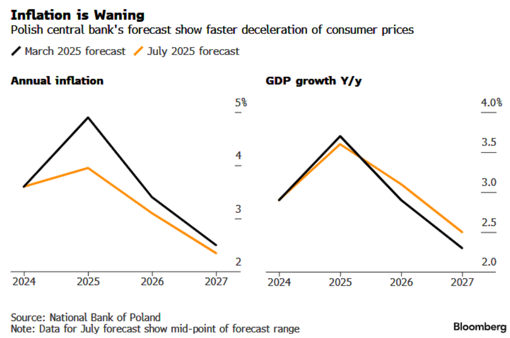
The Caixin services Purchasing Managers' Index (PMI) fell to 50.6 in June—a nine-month low and below the median forecast of 50.9. The private survey has a greater focus on small and medium-sized non-state firms. The official services PMI, released on Monday by the National Bureau of Statistics, also dropped to 50.1, hovering around the 50 threshold that separates expansion from contraction since the start of the year. The survey indicates that service providers continue to face margin pressure, with rising input costs and falling sales prices. Although the service sector accounted for about 61% of GDP in Q1, it remains constrained by weak domestic demand. JP Morgan estimates that services consumption makes up just 18% of China's economic output—less than half the share in the US—contributing to subdued consumption growth. Today, the stock market gained (CSI 300: +0.6%) after the US lifted export license requirements for chip design software sales to China, as part of a trade deal aimed at easing restrictions on critical technologies. The yuan appreciated slightly (+0.1%) against the dollar after the PBOC set a stronger RMB fixing at 7.1523 per dollar.

Poland

The zloty rebounded this morning (+0.3) **against the euro after yesterday's surprise cut by the central bank where it reduced the policy rate by 25bp to 5%.** Consensus expectations were for a hold after CPI printed at 4.1%y/y (vs. est. 4%) in June. The latest staff projections of the central bank (NBP) released yesterday revised the inflation forecast lower for this year and next (inflation is projected to average 4% for 2025, from 4.9% previously, and to decline by 0.3% to 3.1% in 2026). In the statement, the

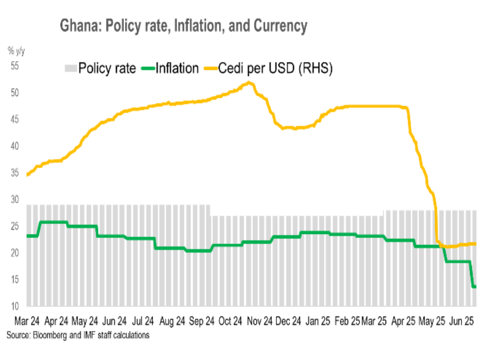
NBP said that headline inflation is now expected to fall below the upper limit of its inflation tolerance range (2.5% +/-1%) in the coming months. The NBP also dropped the sentence that described the current level of interest rates as supportive for achieving the inflation goal, with analysts at Erste Bank seeing this as signaling confidence that inflation will approach 2.5% in July and expecting another cut in September. JPMorgan analysts remain skeptical that the NBP will begin a series of rate cuts soon, given Poland's expansionary fiscal stance. The analysts continue to expect the next cut in November, with three more in 2026, bringing the policy rate down to 4%. NBP's Governor Glapinski had earlier warned that loose fiscal policy and jittery oil markets could pose a risk to inflation.

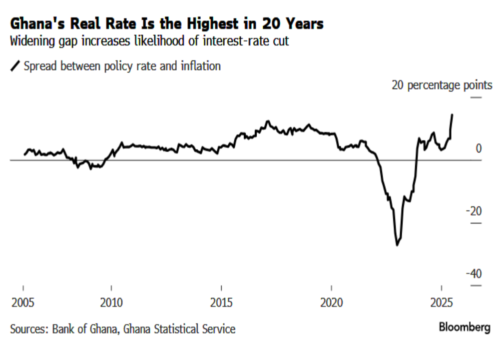




Ghana

The cedi remained steady against the dollar after yesterday's data saw headline inflation slowing in Ghana to 13.7%y/y in June from prior 18.4%. Bloomberg highlights that, as the central bank (BoG) kept its policy rate unchanged at 28% in May, Ghana's real benchmark rate hovers currently at 14.3%, the largest since 2005. Standard Chartered believes that the rapid slowdown in the inflation rate, helped by the strength of the cedi (+29.5% YTD versus the dollar) on the back of higher FX reserves after the surge in gold price, will enable a significant easing by the BoG in the second half of 2025. Oxford Economics expects the BoG to lower rates by 100 bp at the upcoming July 23 MPC meeting, followed by another 200 bp cut before the end of 2025. According to Bloomberg, Ghana intends to raise 3bn cedis ($290m) in the domestic market using medium-term notes between September and December to refinance more costly Treasury bills; the issuance would be its first since the country defaulted in 2022.





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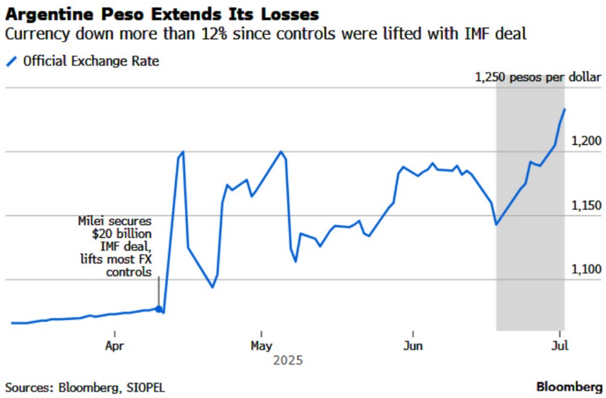
Argentina

The Argentine peso continues decline amid seasonal demand for dollars. The peso (-0.8%) fell for the third consecutive day, bringing its total weekly decline to 3.3%, underperforming other Latin American currencies which have mostly appreciated against the dollar. Bloomberg reports that seasonal demand for dollars picks up around this time of year as employees receive mid-year bonuses and rush to exchange pesos ahead of booking trips abroad for South American winter holidays. The peso has fallen over 10% since Argentina lifted most FX restrictions in April as part of an IMF deal, underperforming EM currencies.



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Global Financial Indicators

7/3/25 8:30 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,230	0.5	1.4	4.3	12.5	6
Europe		5,314	-0.1	1.3	-1.1	7.0	9
Japan		39,786	0.1	0.5	5.4	-2.8	0
China		3,968	0.6	0.6	2.6	15.2	1
Asia Ex Japan		83	0.3	0.6	6.1	12.9	15
Emerging Markets		49	0.4	1.2	5.6	11.7	16
Interest Rates					basis points		
US 10y Yield		4.3	-2	2	-20	-10	-31
Germany 10y Yield		2.6	-5	4	9	3	25
Japan 10y Yield		1.4	1	2	-5	34	34
UK 10y Yield		4.5	-7	7	-10	37	-3
Credit Spreads					basis points		
US Investment Grade		125	0	-8	-4	1	6
US High Yield		338	0	-14	-22	-24	10
Exchange Rates					%		
USD/Majors		96.9	0.1	-0.3	-2.4	-8.1	-11
EUR/USD		1.18	-0.1	0.7	3.7	9.3	14
USD/JPY		143.9	0.2	-0.4	0.0	-11.0	-8
EM/USD		46.4	0.1	0.5	1.6	1.1	8
Commodities					%		
Brent Crude Oil ($/barrel)		68.9	-0.4	3.2	6.0	-14.9	-5
Industrials Metals (index)		150.1	-0.2	0.8	4.1	-2.4	7
Agriculture (index)		55.9	0.8	2.4	0.3	-2.8	-2
Gold ($/ounce)		3349.5	-0.2	0.6	-0.1	42.2	28
Bitcoin ($/coin)		109626.8	0.4	2.2	3.6	84.1	17
Implied Volatility					%		
VIX Index (%, change in pp)		16.8	0.1	0.2	-0.9	4.7	-0.6
Global FX Volatility		8.6	0.0	0.0	-0.2	1.3	-0.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		69	1	-1	-4	-38	-16
Italy		85	0	-3	-12	-54	-30
France		67	2	-1	1	1	-16
Spain		63	1	-2	4	-17	-7

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

Emerging Market Financial Indicators

Last updated: 7/3/2025 8:31 AM	Exchange Rates: Level, Last 12m	Exchange Rates: Level, Latest (vs. USD)	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Latest (% p.a.)	Change (in basis points) 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.16	0.0	0.0	0.3	1.5	1.9		1.7	-1	-2	-6	-48	0
Indonesia		16195	0.3	0.1	0.7	1.1	-0.4		6.6	0	-5	-15	-41	-43
India		85	0.5	0.5	0.3	-2.1	0.3		6.7	2	-4	5	-56	-60
Philippines		56	0.2	0.6	-1.0	4.4	3.1		4.8	0	-6	-10	-57	-3
Thailand		32	-0.4	0.1	0.6	13.0	5.8		1.7	1	-7	-27	-110	-65
Malaysia		4.22	0.1	0.2	0.5	11.8	5.9		3.5	3	1	0	-34	-28
Argentina		1229	-0.8	-3.3	-3.9	-25.6	-16.1		32.4	-101	203	314	-1193	319
Brazil		5.44	-0.3	0.8	3.6	2.0	13.4		13.7	2	-35	-49	143	-227
Chile		929	-0.2	0.3	1.4	1.4	7.3		5.5	0	-3	-11	-56	-21
Colombia		3995	0.8	1.7	4.1	3.2	10.3		12.1	-3	-8	-1	126	26
Mexico		18.81	-0.1	0.4	2.3	-3.4	10.7		9.2	-1	-6	-19	-99	-118
Peru		3.6	0.3	0.6	2.0	7.5	5.8		6.4	-1	-11	-15	-70	-25
Uruguay		40	-0.3	0.4	3.8	0.0	8.9		8.8	-2	-15	-50	-85	-83
Hungary		341	-0.4	0.3	4.3	7.4	16.7		6.7	3	-6	-3	-15	24
Poland		3.62	-0.3	0.0	3.8	10.0	14.0		4.9	-7	-12	-7	-59	-68
Romania		4.3	-0.5	0.5	3.1	7.0	11.3		7.3	-8	-1	-15	63	1
Russia		78.8	0.1	-0.2	0.4	11.5	44.1							
South Africa		17.6	-0.2	1.4	1.5	4.6	7.0		10.2	-1	-6	-38	-112	-31
Türkiye		39.85	-0.2	-0.2	-1.8	-18.3	-11.3		30.9	-7	-208	-315	273	114
US (DXY; 5y UST)		97	0.1	-0.3	-2.4	-8.1	-10.7		3.98	11	18	-4	-35	-41

	Equity Markets: Level, Last 12m	Level, Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Latest (basis points)	Change (in basis points) 7 Days	30 Days	12 M	YTD
								basis points					
China		3,968	0.6	0.6	2.6	15.2	0.8		108	-3	-1	-31	12
Indonesia		6,878	0.0	0.7	-2.7	-4.7	-2.9		95	-5	-7	-10	4
India		83,239	-0.2	-0.6	2.8	4.0	6.5		102	-2	-5	2	16
Philippines		6,469	0.8	2.2	1.4	-0.6	-0.9		80	-7	-3	-9	1
Thailand		1,127	1.0	1.9	-0.4	-13.4	-19.5						
Malaysia		1,549	-0.1	1.9	2.7	-4.2	-5.7		77	-1	-5	-9	7
Argentina		2,063,027	1.6	1.9	-7.3	28.7	-18.6		709	12	28	-830	72
Brazil		139,051	-0.4	2.4	1.1	10.7	15.6		210	-12	-14	-23	-37
Chile		8,268	0.7	1.1	1.9	26.6	23.2		110	-6	-7	-8	-3
Colombia		1,694	1.1	1.3	3.1	22.6	22.8		336	-9	-1	21	10
Mexico		58,347	0.9	2.5	1.2	10.5	17.8		269	-15	-30	-49	-43
Peru		32,895	0.6	2.5	3.0	9.5	13.6		125	-8	-7	-19	-16
Hungary		98,883	0.7	1.2	3.1	37.8	24.7		157	-10	1	6	2
Poland		105,731	1.1	2.3	5.8	20.2	32.9		106	-5	-8	4	-6
Romania		18,673	0.8	1.0	0.8	2.3	11.7		224	-11	-38	35	-11
South Africa		97,087	0.5	1.2	2.3	20.2	15.4		297	-6	-21	-21	4
Türkiye		10,285	1.0	10.6	10.9	-3.7	4.6		293	-29	-26	3	34
EM total		49	-0.2	1.2	5.6	11.7	16.1		364	-10	-20	-48	0

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

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