GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, JULY 31, 2026
LEAD EDITOR: SANJAY HAZARIKA

- **Asian tech stocks stage historic rally** (link)
- **Weak data in China raise hopes for more active stimulus measures** (link)
- **US hyperscaler debt draws increasing scrutiny as credit spreads widen** (link)
- **Tech selloff in US neared correction territory before partial recovery** (link)
- **Survey shows dollar is expected to outperform through 2026 as Treasury rates rise** (link)
- **Latam FX remains strong due to significant positive carry** (link)

The GMM is going on summer break starting next week and will return on August 24

Mature Markets | Emerging Markets | Market Tables

Technology Stocks Lead Major Global Rally

Yesterday's bounce in US technology stocks sparked a remarkable response in Asia overnight, as the KOSPI delivered an entire year's return in a single day (+18%), the TAIEX surged by 8% and the Nikkei rose by 4%. These kinds of moves leave market participants scratching their heads, as they seem unsustainable. In response, stocks in Europe extended their gains for the week and US equity index futures were also higher. However, worries persist about Fed policy, as the US yield curve continued its bear steepening and the long bond yield traded near its highest level since 2007. There is a growing perception that the Fed may not move as aggressively as expected to counter inflation. This has resulted in upward pressure on yields in other government bond markets. Meanwhile, the crisis in the Middle East continues to simmer in the background, with the Strait of Hormuz still effectively closed and the volume of traffic through the Red Sea below normal.

Key Global Financial Indicators

Last updated: 7/31/26 7:52 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7438	1.7	0	-1	17	9
Eurostoxx 50		6389	0.7	2	1	20	10
Nikkei 225		64362	4.0	0	-8	58	28
MSCI EM		64	4.1	-2	-7	31	16
Yields and Spreads					bps		
US 10y Yield		4.68	1.0	1	22	31	52
Germany 10y Yield		3.18	2.6	1	32	49	33
EMBIG Sovereign Spread		247	6	5	12	-51	-6
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.6	-0.1	0	0	3	0
Dollar index, (+) = $ appreciation		100.3	0.4	-1	-1	0	2
Brent Crude Oil ($/barrel)		90.3	1.4	-7	24	24	48
VIX Index (%, change in pp)		17.0	-0.1	-2	1	0	2

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: 7/31/26 7:54 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 ($/barrel)		90	1.4	-7	24	24	48
WTI Crude Oil ($/barrel)		85	1.6	-5	22	23	48
Natural Gas (Netherlands TTF)		60	1	-6	37	72	123
Breakeven Inflation		%	bps				
USD: 2Y		2.2	0.0	-6	-8	-72	-4
USD: 5Y		2.4	1.4	1	3	-24	8
USD: 5Y5Y		2.4	2	4	8	-5	-3
EUR: 2Y		2.4	5.4	-6	16	61	69
EUR: 5Y		2.2	2	-4	12	31	40
EUR: 5Y5Y		2.1	1	0	4	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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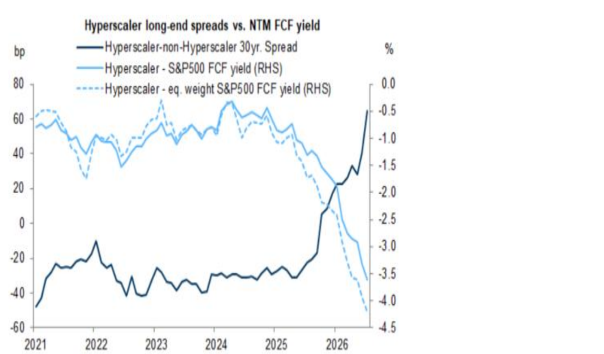
United States

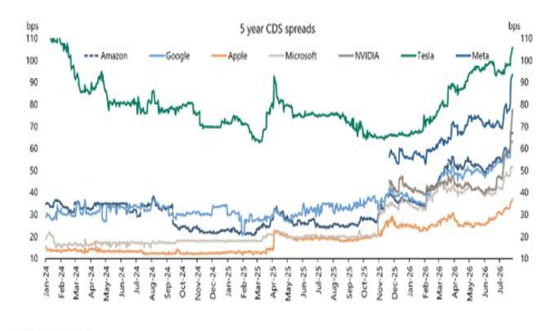
The bonds of the US hyperscalers are drawing increasing scrutiny as debt levels soar and credit spreads widen. These companies have issued hundreds of billions of new bonds to fund their AI-related investments, whose sheer size has depleted their free cash flows. For example, Alphabet/Google recently reported its first negative cash flow quarter since its IPO in 2004. Microsoft reported that its capital expenditure for fiscal year 2026 would be $190 bn or more. Market participants are growing increasingly worried that these enormous AI expenditures to build data centers, computing power and chips will fail to generate the level of profits required to justify the outlays. In addition, the intricate web of circular financing connecting the AI-related companies and the hyperscalers has revived uncomfortable memories of the dotcom crash, when similar financing measures came to grief and had a very negative impact on financial stability. In addition, the scale of the bond issuance is raising funding costs for other issuers in the corporate bond market, threatening their profitability, and increasing the risk of them being crowded out. However, so far, investors have eagerly snapped up all the new hyperscaler bond supply, taking advantage of the higher spreads on offer.

Exhibit 3: Hyperscaler credit has sold off as the aggregate free cash flow yield advantage has eroded

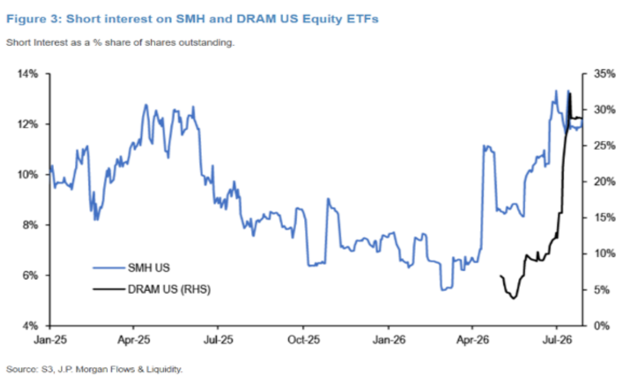


Source: iBoxx, Bloomberg, Goldman Sachs Global Investment Research

CDS spreads widening out



The selloff in US technology stocks was neared correction territory this week before staging a partial recovery. The Nasdaq was down by 9.5% from its June 2 record close on Wednesday, not far from a 10% correction, before bouncing back on Thursday. JP Morgan reported that equity hedge funds which had taken large, long positions in semiconductor and memory stocks had reversed rapidly and gone short, sending the share prices of companies such as chipmakers SK Hynix and Micron down 35–38% from their peaks. ETFs such as the semiconductor ETF SMH and the memory ETF DRAM have seen a surge in short interest from investors as they aggressively short these instruments. DRAM is believed to be the fastest growing ETF in history, with a market capitalization that has grown to $81 bn since its launch in April as the technology trade gained momentum. These moves are part of the wider trend of growing worries about an AI-related bubble. Market participants worry that a renewed selloff in these stocks could destabilize the broader market and cause financial stability problems. However, investors remain quite long equities worldwide, especially in Europe.

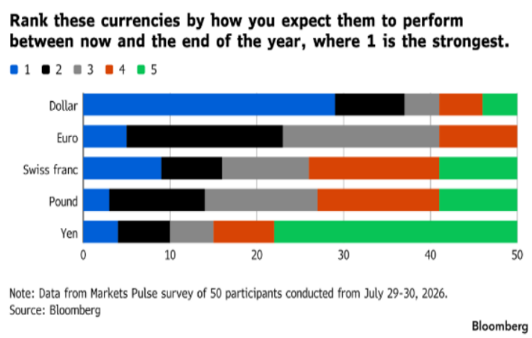


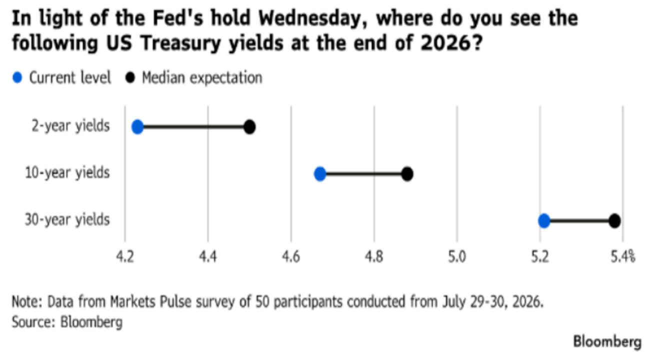
Cross Asset Positioning Monitor

Current level shows the latest percentile, Min is denoted by 0 and Max by 1.

As of 28-Jul-26	MIN	MAX	Current percentile
Equities			0.59
Govt Bonds			0.64
Credit			0.27
Dollar			0.81
Commodities ex Gold			0.64
Gold			0.54
Bitcoin			0.55
EM Equities			0.69
EM Bonds/FX			0.24
Japan Equities			0.60
Europe Equities			0.88

The latest Bloomberg survey finds 58% of respondents think that the dollar will outperform other major currencies through end of 2026. The yen came in last. Investors expect dollar strength to be driven by rising Treasury yields, with the two-year yield expected to reach 4.5%, 10-year yield expected to hit 4.90% by year end and the long bond yield expected to reach 5.4%, a bear flattening move by the yield curve. According to Bloomberg, the respondents took the view that the Fed is relying on the markets to tighten financial conditions, which puts the Fed's "inflation fighting credibility is in question." Higher Treasury rates are expected to put pressure on other government bond markets, with the advanced economies facing the greatest risk.

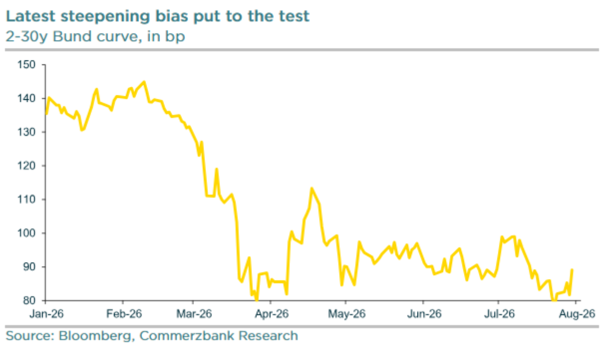


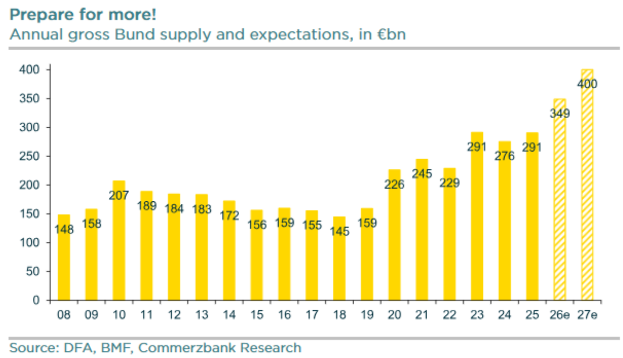


Europe

European markets weathered a volatile global week relatively well, despite post-FOMC rate repricing, large swings in technology stocks, and continued tensions in the Middle East. European sovereign curves modestly re-flattened today after steepening earlier this week. Technology volatility also remained in focus, with the sharp Asia-led semiconductor selloff giving way to a strong overnight recovery. European equities were relatively insulated from these swings, with the STOXX Europe 600 rising 0.9% today and 1.7% week-to-date, compared to South Korea's KOSPI's amazing surge of 17.9% earlier today. In FX markets, the euro remains around 1.2% stronger against the US dollar after this week's FOMC meeting, despite easing 0.2% this morning. Brent crude fell 1.5% to $87.6/bl as the impasse over the Strait of Hormuz continues. Euro area flash CPI rose by 2.5% y/y in July, above expectations of 2.4%, confirming the upside signal from earlier national inflation releases in the Netherlands, France, and, yesterday, Spain and Germany.

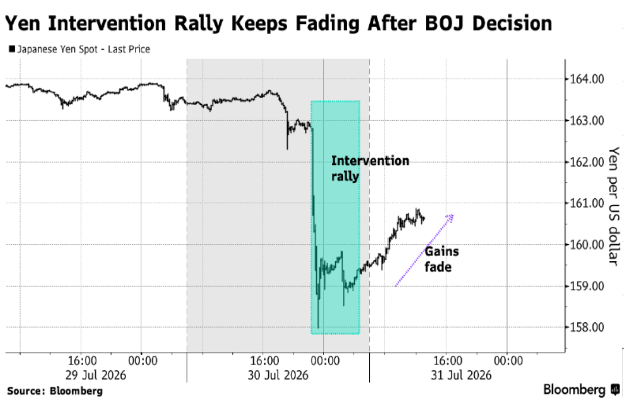
The recent steepening bias in euro area yield curves is likely to be put to the test in the short run, but to persist over the medium term. This week's FOMC meeting triggered global curve steepening, but curves remain far from steep by recent standards after the significant bear flattening during the March-April escalation in the Middle East. Commerzbank argues that today's euro area inflation data (see above) could challenge this week’s post-FOMC steepening. In the medium term, however, the bank expects further steepening as markets may increasingly conclude that the ECB will be done hiking after September. While the front end should benefit from the end of the hiking cycle, record Bund issuance next year is expected to keep upward pressure on longer-dated yields.

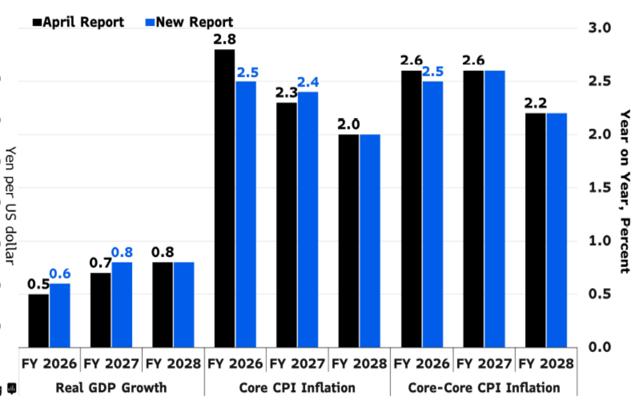




Japan

The BOJ kept its policy rate unchanged at 1%, while the Japanese yen weakened despite FX intervention shortly before the decision. This was in line with expectations, but the 8–1 vote, with one board member dissenting in favor of a hike to 1.25%, and a relatively hawkish Outlook Report kept markets focused on the timing of the next rate increase. Yesterday, the yen rallied by as much as 3.3% following reported intervention but later gave back more than half of those gains, trading around 160.8/$ after the BOJ decision (left panel), before rebounding to 160.2/$ at the close. Market analysts noted that depreciation pressure could persist without clearer BOJ guidance toward faster normalization. The BOJ’s Outlook Report signaled greater concern about upside inflation risks (right panel), including from yen weakness and AI-related semiconductor demand, while market expectations for the next hike remain split between October and December. The Nikkei rallied by more than 4%.





Emerging Markets

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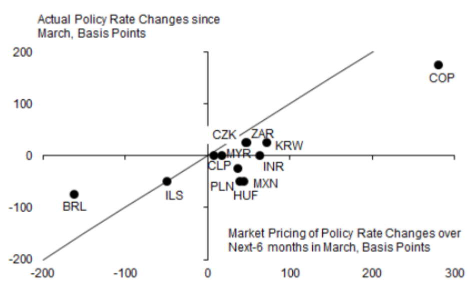
EMEA equity markets were mixed but have remained relatively insulated from the volatility in Asian semiconductor stocks throughout the week. Bloomberg reports that Angola has completed a €340 million ($400 million) debt-for-education swap, refinancing 13 high-interest loans and reducing borrowing costs from 9–10% to 3.8%. **Markets in Asia saw a remarkable session, with the KOSPI staging an astonishing 18% rally and the Taiwan POC TAIEX surging by 8%.** Local currencies appreciated. **Latam equities extended gains**, led by Brazil (+1.9%) and Colombia (+1.6%). Latam currencies rallied as the dollar weakened after the Fed held rates.

EMEA Central Banks

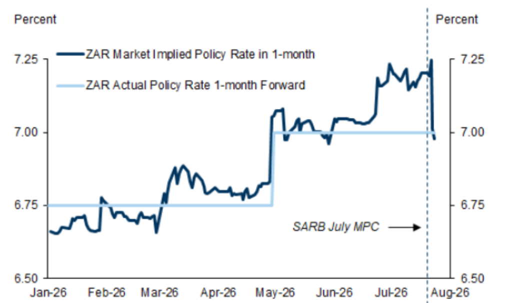
EMEA central banks are increasingly pushing back against market expectations for further tightening, Goldman Sachs (GS) writes. The South African Reserve Bank surprised markets by holding rates steady despite expectations for a hike, while Poland's central bank has signaled a September rate cut even as markets continue to price around 30bps of tightening over the next year. Hungary has already begun easing, with GS expecting Hungarian rates to outperform as restrictive real policy rates and the potential adoption of a lower inflation target create room for further policy accommodation. Overall, GS argues that many EMEA central banks remain comfortable looking through the inflationary impact of the Iran war, with restrictive real rates allowing them to wait for greater clarity rather than respond with pre-emptive tightening.

Exhibit 12: EM central banks have moved by less than the market expected at the start of the energy shock …



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

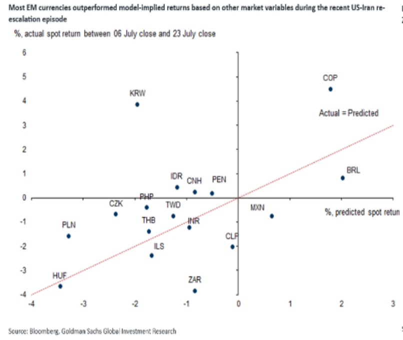
Exhibit 13: … with the SARB dovishly surprising the market at its July MPC

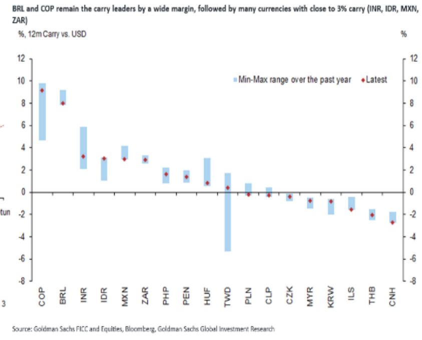


Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

Latam FX

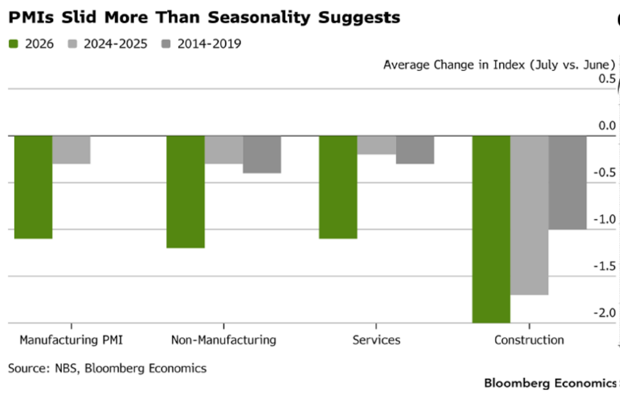
The Brazilian real and Colombian peso outperformed model-implied FX returns during the recent Iran War re-escalation, while the Mexican peso and Chilean peso lagged, according to Goldman Sachs research. The bank's regression model, which links spot moves to oil shocks and broader market variables, found most EM currencies beat model-implied returns this round (left chart), reversing underperformance seen in early March. Copper price resilience limited the terms-of-trade hit to the Chilean peso, according to GS analysts, though not enough to lift it out of underperformance. The Brazilian real and Colombian peso remain the region's strongest carry propositions by a wide margin, with the peso preferred with the roughly 3% carry basket on rising carry-to-vol versus the euro (right chart). The Mexican peso remains exposed to Fed rate hikes given low-rate differentials, a risk that could extend its underperformance.

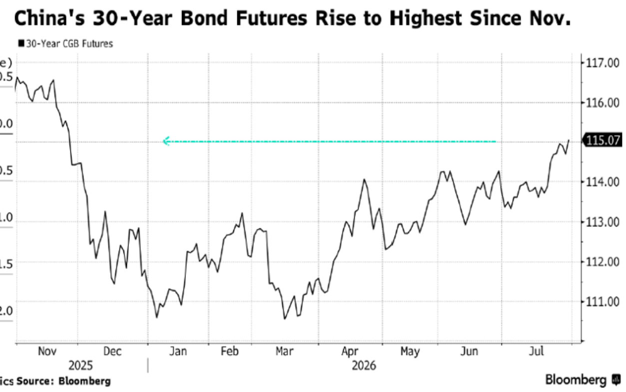




China

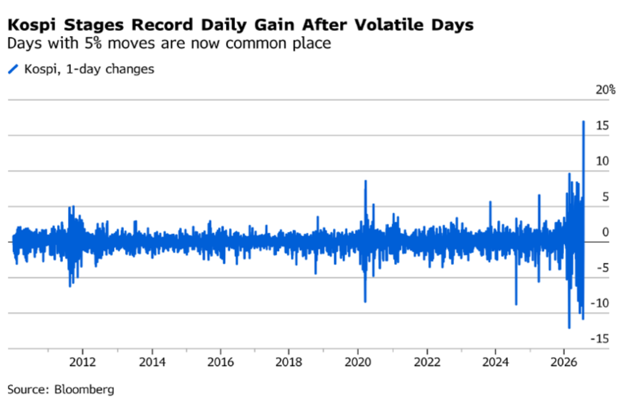
July PMIs weakened more than expected, reinforcing growth concerns and expectations for more active stimulus measures after the Politburo meeting. The official manufacturing PMI fell to 49.2, below the 50.1 consensus, while the non-manufacturing PMI dropped to 49.0 and construction activity slumped to 47.0, its lowest level since early 2020. The weakness appeared to be driven more by domestic demand, as new export orders softened only modestly while high-tech and equipment manufacturing remained in expansion. The Politburo yesterday pledged to accelerate fiscal spending, expand domestic demand, stabilize property, support private and platform firms, promote “AI Plus,” deepen capital market reforms, and address “involution-style” competition, but stopped short of a large new stimulus package. Market expectations shifted toward targeted easing, including possible modest rate cuts. The yuan stayed near a three-year high despite a weaker-than-expected PBOC fixing that signaled caution against rapid appreciation.

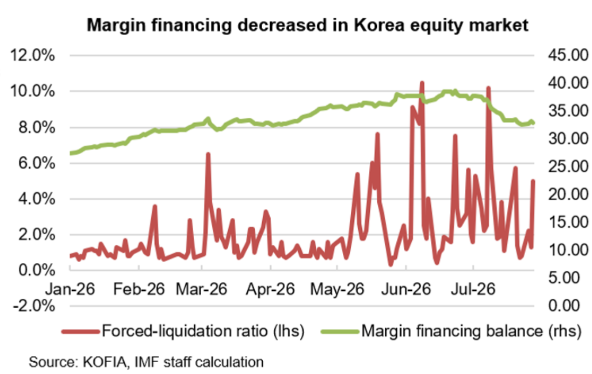




Korea

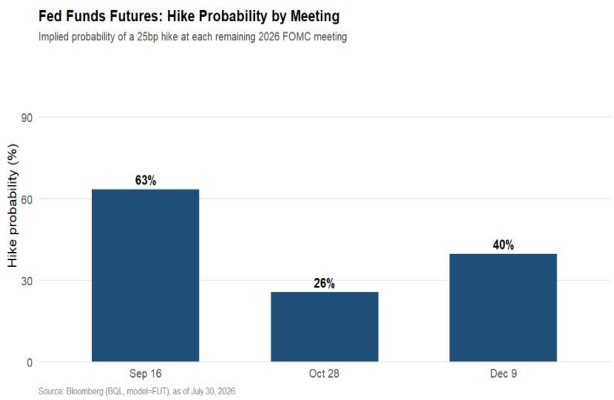
Korean equities surged in an unprecedented rebound from this week’s AI-related rout, but the won weakened despite the equity rally. The KOSPI rose as much as 17.9%, its largest intraday gain on record, after falling more than 17% over the previous three sessions; SK Hynix gained 30% and Samsung Electronics rose 21%, helping lift broader Asian tech shares. The rebound was supported by renewed confidence in global AI capex, solid earnings from Korean chipmakers, government measures to stabilize markets, and expectations that forced deleveraging may be ending. Foreign investors bought a net KRW 7.2 tn ($4.9 bn) of KOSPI stocks today, while retail investors sold a record KRW 8.2 tn ($5.6 bn). Margin-related pressure has eased somewhat; outstanding margin financing declined to KRW 33 tn ($23.0 bn) from a recent peak of KRW 38.63 tn ($26.8 bn) in June. The authorities tightened rules on single-stock leveraged ETFs and announced plans to inject KRW 20 tn ($13.9 bn) into a sovereign wealth fund account for AI, data centers, and infrastructure.

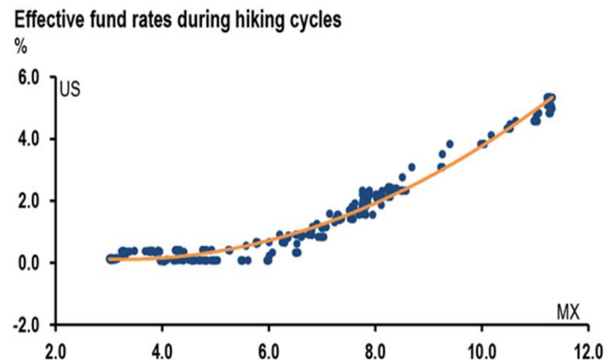




Mexico

Mexico's central bank is expected to hold its policy rate at 6.50% on August 6, extending the pause since the last rate cut in May, as the peso firmed +0.7% this week to 17.33/USD. Headline inflation stood at 3.1% y/y in H1 July, within Banxico's 2–4% band but 10bps above the 3% midpoint, while a favorable 2Q26 GDP print left the output gap negative. J.P. Morgan analysts expect the Board’s tone to turn hawkish, incorporating Fed hike risk futures now price at 63% for September versus 40% for December (left chart). A narrower rate differential could pressure the peso and complicate inflation risk, raising the bar for renewed easing (right chart).





Source: J.P. Morgan with data from Banxico and FOMC. Weekly data

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: 7/31/26 7:56 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,438	1.7	0.4	-0.8	17.3	9
Europe		6,389	0.7	1.7	1.0	20.1	10
Japan		64,362	4.0	-0.4	-7.7	57.8	28
China		4,588	0.8	-1.3	-5.2	13.2	-1
Asia Ex Japan		110	4.0	-2.1	-8.0	31.2	18
Emerging Markets		64	4.1	-1.6	-7.0	31.0	16
Interest Rates					basis points		
US 10y Yield		4.7	1	1	22	31	52
Germany 10y Yield		3.2	3	1	32	49	33
Japan 10y Yield		2.8	-1	-1	12	125	74
UK 10y Yield		5.0	3	-1	26	45	54
Credit Spreads					basis points		
US Investment Grade		120	-2	0	6	0	12
US High Yield		323	-6	0	16	-9	-13
Exchange Rates					%		
USD/Majors		100.3	0.4	-1.2	-0.9	0.3	2
EUR/USD		1.15	-0.3	1.0	0.6	0.6	-2
USD/JPY		160.2	0.4	-2.2	-1.4	6.3	2
EM/USD		46.6	-0.1	0.5	-0.1	2.9	0
Commodities					%		
Brent Crude Oil ($/barrel)		90.3	1.4	-6.7	23.7	32.6	50
Industrials Metals (index)		176.7	-0.1	1.0	3.3	27.5	8
Agriculture (index)		58.3	0.2	-3.1	6.1	8.6	9
Gold ($/ounce)		4052.9	-1.2	0.0	1.1	23.2	-6
Bitcoin ($/coin)		63756.0	-1.5	-1.3	8.7	-45.3	-27
Implied Volatility					%		
VIX Index (%, change in pp)		17.0	-0.1	-1.6	0.5	0.3	2.1
Global FX Volatility		6.4	0.0	0.1	-0.2	-1.4	-0.5
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		71	1	-2	3	4	12
Italy		82	1	-1	4	0	12
France		79	1	0	0	14	8
Spain		45	0	-1	-4	-13	1

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

Emerging Market Financial Indicators

7/31/2026 7:58 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		6.75	0.0	0.3	0.5	6.6	3.5		1.8	-2	-2	-4	-1	-16
Korea*		1442	-1.3	1.1	7.4	-3.4	0.1		4.4	2	-10	20	170	112
Indonesia		18022	0.5	-0.3	-0.6	-8.7	-7.4		7.3	2	-2	14	82	127
India		95	0.3	1.2	-0.8	-8.2	-5.8		7.9	0	2	24	114	82
Philippines		61	0.5	1.0	0.1	-4.8	-3.8		6.1	4	2	24	131	146
Thailand		33	0.0	0.7	-0.7	-2.1	-5.9		2.2	1	2	4	58	47
Malaysia		4.09	0.1	0.1	0.0	4.5	-0.6		3.7	-1	1	10	33	20
Argentina		1489	0.4	0.0	-0.4	-11.6	-2.5		0.0	0	0	0	-3676	-3237
Brazil		5.06	1.2	0.5	2.0	10.1	8.6		14.4	-11	-37	19	46	87
Chile		926	0.8	2.3	-0.3	6.1	-2.7		5.6	1	-1	25	19	31
Colombia		3117	2.8	2.8	10.0	34.2	21.1		12.2	-11	-26	20	55	-67
Mexico		17.36	-0.1	0.7	0.7	8.7	3.7		9.1	-5	-11	10	-21	11
Peru		3.4	0.2	0.2	0.4	5.1	-1.0		6.0	0	1	-5	-43	26
Uruguay		40	0.0	-0.1	-0.2	-0.2	-2.7		7.5	1	11	5	-82	-1
Hungary		317	-0.8	0.2	-1.8	10.5	3.2		5.5	-1	-12	44	-128	-107
Poland		3.76	-0.5	1.2	0.2	-0.2	-4.4		5.2	-6	-12	45	30	59
Romania		4.6	-0.4	0.5	0.5	-2.6	-5.1		6.7	3	3	14	-50	4
Russia		79.6	0.0	-2.1	-1.3	1.2	-1.0							
South Africa		16.6	-0.4	1.7	-1.1	10.0	0.0		9.0	-3	-21	34	-119	36
Türkiye		47.53	-0.1	-0.4	-1.8	-14.5	-9.6		35.6	-11	-44	191	350	600
US (DXY; 5y UST)		100	0.5	-1.1	-0.9	0.3	2.0		4.40	1	-2	17	43	68

	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		4,588	0.8	-1.3	-5.2	13.2	-0.9		90	5	5	-13	15
Korea*		6,595	17.9	-1.4	-18.5	111.4	56.5		23	0	1	1	1
Indonesia		6,236	0.8	0.6	6.1	-17.3	-27.9		120	10	17	36	34
India		78,095	0.8	2.7	0.4	-3.1	-8.4		90	-3	2	7	0
Philippines		6,236	-1.1	-0.7	0.8	-1.1	3.0		97	4	13	26	22
Thailand		1,624	1.6	-1.0	0.8	33.3	28.9						
Malaysia		1,725	0.3	1.4	2.7	12.5	2.7		63	6	12	-6	4
Argentina		3,304,918	2.2	-0.4	4.3	42.5	8.3		450	10	18	-274	-119
Brazil		177,159	1.9	0.2	3.0	33.1	10.0		189	9	3	-21	-14
Chile		11,030	0.9	1.1	1.8	34.7	5.2		94	8	7	-12	3
Colombia		2,342	1.6	3.0	3.2	32.1	13.3		202	3	0	-103	-75
Mexico		67,290	1.2	1.5	0.5	17.2	4.6		208	2	7	-46	-9
Peru		3,449	4.7	4.3	4.4	74.4	33.5		90	2	0	-29	-19
Hungary		146,609	0.1	2.2	4.8	44.8	32.0		114	5	9	-33	-25
Poland		146,753	0.0	2.2	8.2	36.0	25.2		94	5	9	-3	3
Romania		35,946	0.0	0.0	10.6	78.0	47.1		181	-3	1	-25	5
South Africa		111,865	0.0	2.3	1.4	13.5	-3.4		213	6	10	-76	-5
Türkiye		13,258	-0.3	-4.9	-6.1	23.4	17.7		267	2	18	-13	33
EM total		64	2.8	-1.6	-7.0	31.0	16.2		275	6	11	-79	4

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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