GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, JULY 7, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **Rising interest costs could pressure US small cap stocks** (link)
- **Oil prices are back to prewar levels as markets face supply glut** (link)
- **China boosts Hong Kong SAR's offshore bond trading hub** (link)
- **Tech stocks in Asia fall sharply on earnings disappointment** (link)
- **Foreigners continue to sell equities in Brazil** (link)
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Markets on Edge as Geopolitical Fears Return

News of an attack on shipping in the Strait of Hormuz unsettled markets, which had assumed the conflict in the Middle East was no longer a factor. Oil prices increased on the news. Investor disappointment with earnings from Samsung marked an inauspicious start to the Q2 earnings season, hitting technology stocks across Asia and pushing the Nikkei, KOSPI and TAIEX indexes lower. Stocks in Europe held up reasonably well due to their limited exposure to the technology sector, but Nasdaq futures in the US were off by 1%. Samsung earnings hit record levels but investors were not satisfied, sending the company's shares down almost 11% at one point in the trading session before ending 9% lower. Meanwhile, Treasuries and bunds also sold off, pushing interest rates higher, while the dollar appreciated against most major currencies. The Yen stood out as one of the few stronger currencies today, even though short positions have increased significantly.

Key Global Financial Indicators

Last updated: 7/7/26 7:48 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7537	0.7	2	2	21	10
Eurostoxx 50		6364	-0.5	1	5	19	10
Nikkei 225		68257	-2.1	-3	3	72	36
MSCI EM		68	2.8	1	5	41	24
Yields and Spreads					bps		
US 10y Yield		4.50	2.6	3	-4	12	33
Germany 10y Yield		2.97	2.0	11	-7	33	11
EMBIG Sovereign Spread		237	-1	-3	4	-69	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.8	0.1	0	0	2	1
Dollar index, (+) = $ appreciation		100.9	0.1	0	1	4	3
Brent Crude Oil ($/barrel)		72.6	0.8	0	-22	4	19
VIX Index (%, change in pp)		16.0	0.4	-2	-6	-2	1

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: 7/7/26 7:49 AM	Level Last 12m	Latest	Change from Market Close 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		73	0.8	0	-22	4	19
WTI Crude Oil ($/barrel)		69	0.7	-2	-24	2	20
Natural Gas (Netherlands TTF)		46	3	4	-6	36	71
Breakeven Inflation		%	bps				
USD: 2Y		2.3	0.0	-1	-49	-57	3
USD: 5Y		2.4	0.0	2	-17	-21	7
USD: 5Y5Y		2.4	0	3	-4	-14	-7
EUR: 2Y		2.0	2.5	-15	-52	37	37
EUR: 5Y		2.0	2	-3	-25	20	25
EUR: 5Y5Y		2.1	1	2	-5	-3	4

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

Mature Markets

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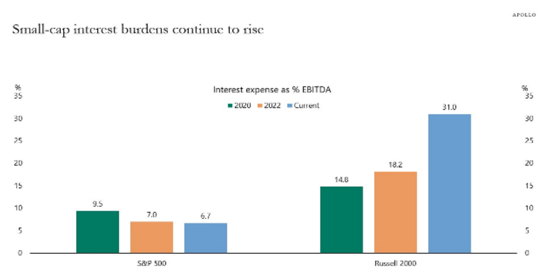
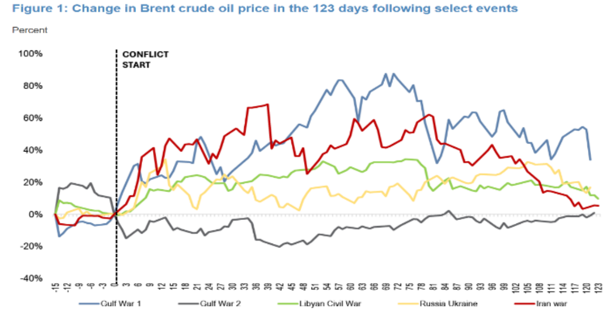
United States



Rising interest costs could put pressure on US small cap stocks. According to analysis by Apollo, interest costs have risen to 31% of earnings before interest, taxes, depreciation, and amortization (EBITDA) for companies in the Russell 2000 small cap index, compared to less than 15% in 2020. The large S&P 500 companies have seen their interest expenses fall as their corporate treasury portfolio holdings bring in more income than their borrowing costs. Interest rates were cut to zero during the pandemic but were raised aggressively in 2022 and 2023, and Treasury yields are currently at the higher end of recent ranges, making it expensive for small cap companies to roll over new debt. 40% of the companies in the index are unprofitable, making the challenge even more intense. However, the index is currently trading near all-time highs, with technology, biotech and energy stocks within the index making the biggest gains. Analysts disagree about future prospects, with the overall consensus leaning more optimistic, but conditions are getting frothier than in previous years.

Commodity Markets

Figure 1: Change in Brent crude oil price in the 123 days following select events



Source: Bloomberg Finance L.P., J.P. Morgan Commodity Research

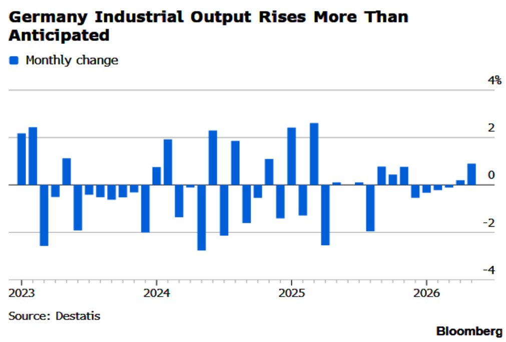
Oil prices have fallen back to prewar levels, with Brent crude trading near $71–72/barrel. Operators are moving rapidly to get stranded oil production out of the Persian Gulf, with volumes reaching 19 million barrels per day, almost back to the prewar level of 22 million barrels per day. Storage backlogs are gradually being eliminated, with oil stored in tankers falling to 20 million barrels and oil in onshore storage tanks falling to $10 million barrels, compared to the peak in stored oil of $350 million barrels back in May. A large queue of tankers has formed to move from east to west back into the Persian Gulf in order to pick up more stored barrels and new production. JP Morgan forecasts a potential glut of oil supplies in an environment where demand is much weaker, potentially putting further downward pressure on oil prices. A key role will be played by China, whose oil purchases were sharply reduced during the conflict. An eventual normalizing of Chinese demand is expected to restore stability to oil markets.

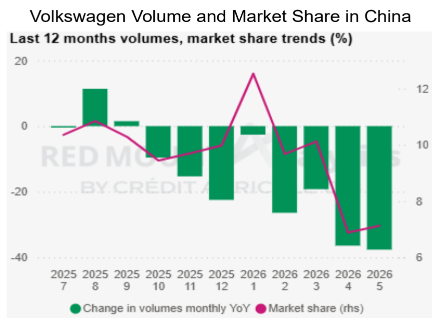
Euro area

European equities edged lower as the Asian tech sell-off weighed on IT stocks. The Euro Stoxx 50 fell 0.4%, with IT stocks down 4% following the Asian tech sell-off; however, the sector's roughly 15% index weight limited the drag on the broader index. Energy stocks rose as Brent climbed above $73/barrel (+1.5%) on reports of attacks on ships in the Strait of Hormuz. European leaders are joining the NATO summit in Ankara today, where efforts to demonstrate progress toward higher defense-spending commitments could have implications for fiscal pressures and defense-sector earnings.

Germany

German industrial production rose 0.9% m/m in May, well above expectations (0.1%), driven by a 3.6% increase in automotive output. The strength contrasts with recent signs of structural pressure in the sector, including Volkswagen's plans to cut 100,000 jobs and BMW's profit warning, which cited disruptions from the Iran war and continued weakness in China, where German automakers have lost market share. European industrials underperformed this morning (-1.8%) as oil prices rose on reports of attacks on shipping in the Strait, underscoring the sector's vulnerability to renewed energy-price shocks.

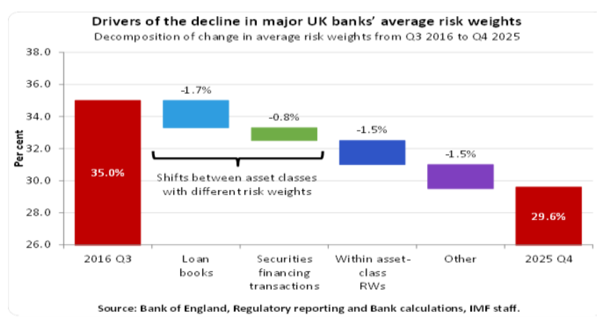




Source: CACIB

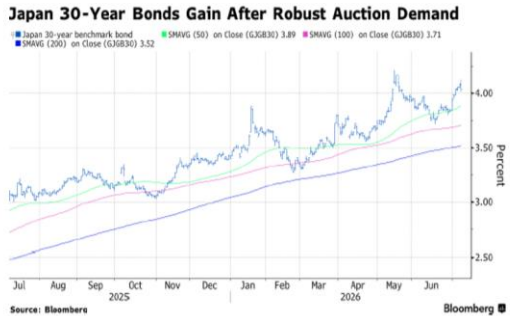
United Kingdom

The Financial Policy Committee (FPC) proposed changes to its leverage ratio framework. The FPC plans to consult on reforms to make the UK leverage ratio framework more proportionate and better targeted, while preserving its role as a backstop against risk-weighting errors and excessive leverage. The leverage ratio had become increasingly binding for UK banks, whilst at the same time, average risk weights declined. The BoE argues that much of that decline was driven by a shift of bank allocations between asset classes, rather than a within-asset-class drift. The proposed package would remove the countercyclical leverage buffer (CCLB), align the additional leverage ratio buffer (ALRB) with Basel standards at 50% of systemic risk-weighted buffers, and replace part of the current 3.25% minimum with a 3% minimum plus a new releasable 25 bps general leverage ratio buffer. Lower leverage constraints could increase banks' capacity to support repo and other low-risk-weighted market activity. The FPC also released its Financial Stability Report, which flags growing risks stemming from private markets, stretched AI valuations, cyber risk, and geopolitical tensions.



Japan

The yen remained under pressure, with hedge funds turning the most bearish since 2007 as carry-trade incentives stayed strong. Leveraged funds increased net short-yen positions to nearly 138,000 contracts as of June 30, while JPY traded around 161.9/$ today. The wide US-Japan rate differential remained the key driver, keeping traders alert to possible FX intervention after authorities' earlier large-scale yen support. Meanwhile, **Japan's 30-year JGB auction drew the strongest demand since 2019, briefly supporting super-long bonds.** The bid-to-cover ratio rose to 4.55 from 2.94 at the previous sale and above the 12-month average of 3.41, while the tail narrowed to 0.04 from 0.38 and the cut-off price of 100.05 exceeded the 99.75 survey estimate. The Nikkei fell 2.1% as Asian tech stocks sold off on weak earnings from Samsung.



Emerging Markets

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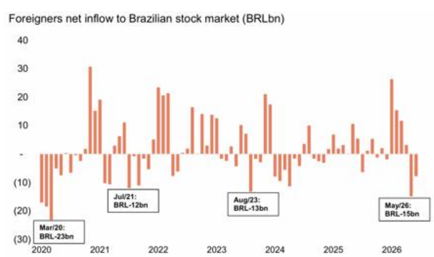
Asian equity markets took heavy losses (EM Asia -2.4%) after weaker than expected earnings from Samsung triggered a rotation out of AI chip trades. Korea fell by nearly 5% and the TAIEX was off 2.3%. **Latam markets were mixed;** most currencies depreciated while several local bourses made gains. **EMEA markets were mixed as global events weighed on sentiment.** Bloomberg reported that Latvia's Swiss-Franc denominated seven-year bond priced at mid-swaps SARON+68 bps, a favorable level. Bulgaria may issue more euro denominated bonds.

Brazil

Nonresidents extended their retreat from Brazilian equities for a second consecutive month. Morgan Stanley analysts noted that foreign investors sold BRL 7.8 billion of Brazilian equities in June, about half the BRL 14.9 billion outflow recorded in May—the largest monthly outflow since 2020 (*left chart*). Analysts attributed the shift in sentiment to the renewed strength of the AI trade, which has redirected flows toward US and selected Asian markets; higher global inflation and policy rate expectations; and rising domestic political uncertainty. In contrast, domestic institutions turned marginal buyers in May after eight consecutive months of net outflows, while retail investors and domestic funds also increased exposure, partially offsetting foreign selling. Despite the recent nonresident retreat, cumulative YTD flows remain positive, with total flows approaching full-year 2023 levels (*right chart*).



Source: B3 and Morgan Stanley Research

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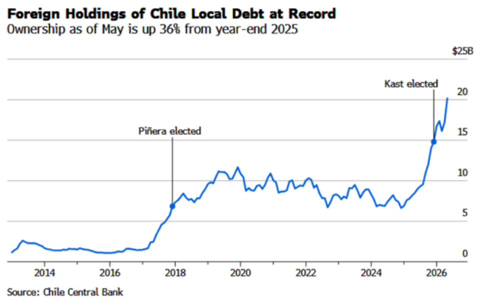
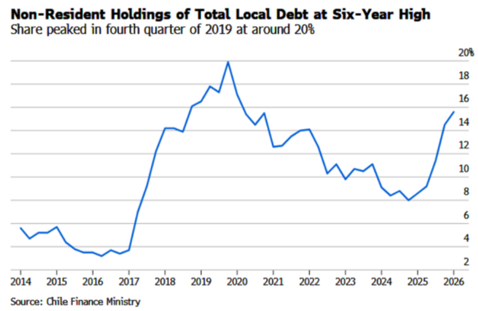
Chile

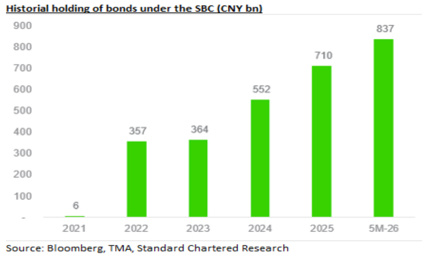
Nonresident investors are increasing local currency Chilean government bond holdings. Foreign investors are rapidly returning to Chile's local sovereign bond market, with nonresident holdings of peso-denominated government bonds rising by a record \$2.9 billion in May to \$20.2bn in May (*left chart*), with overall nonresident holdings at near six-year high (*right chart*). The surge reflects expectations that the market-friendly administration will pursue fiscal consolidation and pro-growth reforms, alongside a weaker peso and growing expectations of monetary easing. Chile has outperformed regional peers, where nonresident participation has been flat or declining. According to Bloomberg analysts, the surge in inflows also mark a sharp reversal from 2019 to 2024, when political uncertainty, constitutional reform attempts, and pension withdrawals reduced the “depth” of the local markets. Despite the improved outlook, Standard Chartered analysts remain cautious, noting that fiscal consolidation will take time, inflation remains above target, and the central bank is on hold.

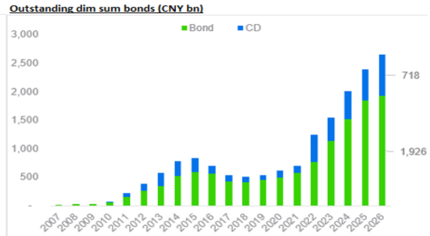




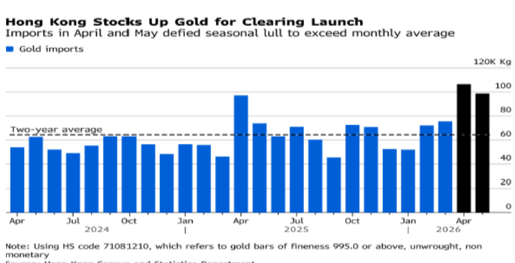
China

China announced measures to strengthen Hong Kong’s offshore RMB and fixed-income markets, including raising the annual Southbound Bond Connect (SBC) quota to CNY 800 bn ($118 bn) from CNY 500 bn ($74 bn). The RMB Business Facility (RBF) will be expanded to CNY 500 bn ($74 bn) from CNY 200 bn ($29 bn), with the maximum tenor extended to three years from one year. Regulators will also broaden eligible SBC products, allow eligible bonds to be used as repo collateral, and support more RMB-denominated commodity and offshore bond products. Market participants viewed the SBC quota increase as supportive of outbound fixed-income investment and offshore RMB bond issuance, though capital controls, liquidity, hedging tools, and price transparency remain constraints on broader RMB internationalization. The HKMA is also studying a new bidding mechanism to provide 7-day offshore RMB liquidity, which would add a channel to meet short-term CNH funding demand.





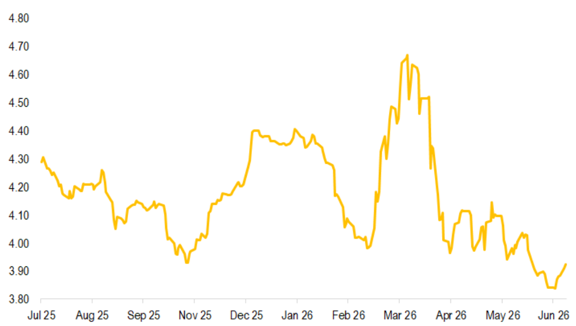
Hong Kong began trial operations of its new gold central clearing and settlement system, advancing its push to become a regional gold trading and price-reference hub. Authorities launched the HAU price ticker, and initial deposits, trades, and settlements were completed by major banks including ICBC (Asia), HSBC, and BOC Hong Kong under the first phase of Delivery Connect with Shanghai.



Hungary

Hungary's Eurobond issuance attracts significant investor interest. According to Bloomberg, Hungary sold €3bn, split equally across two notes due in 2032 and 2037 yesterday. The combined order books for the sale exceeded €8bn, according to Bloomberg, reflecting significant investor interest in the issue with pricing tightening significantly. Initial price talk had suggested that the 2032 bond would price at around mid-swaps + 115bp with the 2037 bond expected to price around mid-swaps + 160bp. The €1.5bn 2032 bond launched at mid-swaps + 80bp, while the 2032 bond launched at mid-swaps + 125bp, reflecting around 35bp of tightening. Hungary's bonds have rallied since April when elections in the country led to the appointment of a more pro-EU leadership. The country's existing euro-denominated notes due in 2035 have declined from a peak of 4.67% in mid-March of this year, to a low of 3.84% at the end of June. Raiffeisen analysts expect the National Bank of Hungary to continue easing policy given favorable inflation dynamics and forecast around 150bp of rate cuts this year, taking the policy rate to 5.0% by year-end.

Hungary: 10Y euro-denominated bond yield (%)



Source: Bloomberg and IMF calculations

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.

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Global Financial Indicators

Last updated: 7/7/26 7:50 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,537	0.7	2.5	2.1	21.0	10
Europe		6,364	-0.5	0.6	5.0	19.1	10
Japan		68,257	-2.1	-2.6	2.5	72.4	36
China		4,792	-1.0	-3.8	1.7	19.9	4
Asia Ex Japan		118	3.2	0.6	4.9	43.3	26
Emerging Markets		68	2.8	0.6	4.6	40.6	24
Interest Rates					basis points		
US 10y Yield		4.5	3	3	-4	12	33
Germany 10y Yield		3.0	2	11	-7	33	11
Japan 10y Yield		2.9	3	18	19	140	79
UK 10y Yield		4.8	1	5	-10	22	33
Credit Spreads					basis points		
US Investment Grade		113	0	-2	5	-10	5
US High Yield		305	-1	-15	-12	-24	-31
Exchange Rates					%		
USD/Majors		100.9	0.1	-0.2	0.8	3.5	3
EUR/USD		1.14	-0.1	0.1	-0.9	-2.4	-3
USD/JPY		161.9	-0.1	-0.4	1.1	10.9	3
EM/USD		46.8	0.1	0.3	-0.3	1.5	1
Commodities					%		
Brent Crude Oil ($/barrel)		72.6	0.8	-0.5	-20.1	9.8	21
Industrials Metals (index)		171.5	-0.1	1.2	-6.0	16.8	5
Agriculture (index)		57.8	0.0	6.2	6.2	6.5	8
Gold ($/ounce)		4150.7	-0.3	3.6	-4.1	24.4	-4
Bitcoin ($/coin)		63306.2	-0.8	2.9	2.4	-41.3	-28
Implied Volatility					%		
VIX Index (%, change in pp)		16.0	0.4	-1.7	-5.6	-1.8	1.0
Global FX Volatility		6.4	0.0	-0.3	-0.2	-2.0	-0.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		68	0	0	-3	-1	9
Italy		77	0	0	1	-8	8
France		79	0	-1	13	11	8
Spain		48	0	-1	4	-14	4

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

Emerging Market Financial Indicators

7/7/2026 7:52 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		6.79	0.0	-0.1	-0.2	5.6	2.9		1.8	-1	3	2	12	-12
Korea*		1515	0.9	2.3	0.8	-9.0	-4.6		4.3	3	4	6	157	102
Indonesia		17980	0.1	-0.4	1.2	-9.7	-7.2		7.1	1	-2	22	58	110
India		95	0.5	-0.3	0.8	-9.6	-5.4		7.6	-6	-1	-2	89	57
Philippines		61	0.1	-0.2	0.4	-7.7	-4.0		6.0	0	10	-14	116	132
Thailand		33	0.0	-0.2	-1.3	-1.9	-5.4		2.1	-4	-7	-22	38	35
Malaysia		4.07	0.3	0.3	0.1	4.0	-0.3		3.6	1	2	5	18	12
Argentina		1486	0.2	-0.3	-2.7	-15.1	-2.3		0.0	0	0	0	-3255	-3237
Brazil		5.13	0.8	0.9	1.3	7.0	7.2		14.4	-7	5	-42	63	80
Chile		928	-0.8	-0.7	-0.6	1.6	-3.0		5.3	-1	-6	-16	-15	1
Colombia		3351	-0.5	3.1	7.2	20.7	12.7		11.9	6	-12	-62	-3	-93
Mexico		17.42	-0.2	0.4	0.3	7.2	3.4		9.0	0	9	-11	-22	1
Peru		3.4	-0.2	0.1	1.5	4.6	-1.3		6.1	2	-1	-15	-28	31
Uruguay		40	0.0	-0.1	0.7	0.2	-2.7		7.5	-3	4	1	-135	-7
Hungary		310	-0.2	0.5	-0.4	10.3	5.6		5.0	0	-1	-44	-161	-152
Poland		3.76	-0.2	0.2	-2.1	-3.3	-4.4		4.7	2	-7	-59	-16	10
Romania		4.6	-0.1	0.2	-0.7	-5.5	-5.3		6.6	0	-1	-12	-65	-10
Russia		76.1	1.4	3.2	-3.8	3.3	3.5							
South Africa		16.2	-0.2	0.9	1.7	10.0	2.0		8.5	-4	-5	-52	-159	-10
Türkiye		46.84	0.0	-0.4	-1.6	-14.7	-8.3		34.1	13	50	-140	293	451
US (DXY; 5y UST)		101	0.1	-0.2	0.8	3.5	2.6		4.23	3	0	-4	27	50

	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		4,792	-1.0	-3.8	1.7	19.9	3.5		87	-1	7	-19	12
Korea*		7,656	-4.9	-9.7	2.3	145.8	81.7		22	0	-1	-3	0
Indonesia		5,986	1.2	6.1	12.1	-13.3	-30.8		105	-6	4	18	19
India		78,181	1.2	2.2	6.3	-6.6	-8.3		91	-4	14	-8	1
Philippines		6,247	0.4	3.5	6.3	-2.9	3.2		87	-5	2	11	12
Thailand		1,604	-0.8	0.8	2.7	43.8	27.3						
Malaysia		1,683	0.0	1.1	0.2	10.0	0.2		52	-3	5	-23	-7
Argentina		3,267,482	2.2	2.9	5.9	59.4	7.1		417	-23	-84	-271	-152
Brazil		172,448	-0.9	-0.4	2.0	23.6	7.0		187	-6	8	-18	-16
Chile		10,879	0.5	1.1	5.9	31.8	3.8		88	-8	1	-18	-3
Colombia		2,296	0.0	1.2	4.7	36.3	11.0		201	-6	-8	-115	-76
Mexico		67,466	0.6	-0.3	2.0	17.5	4.9		202	-6	4	-60	-15
Peru		3,317	0.9	1.3	8.2	67.2	28.4		92	-6	2	-27	-17
Hungary		142,454	-0.8	1.8	6.6	43.2	28.3		107	-3	1	-40	-32
Poland		139,222	-0.3	2.6	3.4	32.0	18.7		90	-1	0	-8	-1
Romania		33,921	-0.5	4.4	12.9	82.1	38.8		181	0	6	-24	5
South Africa		110,976	-0.2	0.6	-0.3	14.0	-4.2		200	-11	-8	-89	-18
Türkiye		14,545	0.8	3.0	6.2	43.9	29.2		252	-6	-6	-30	18
EM total		68	-2.8	0.6	4.6	40.6	23.5		266	-1	10	-88	-5

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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