GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, JULY 8, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **Optimism about US Q2 corporate profitability is extremely high** (link)
- **AI spending in US crowds out other investments** (link)
- **Stocks in Korea down 20% from recent highs** (link)
- **Government bond auction demand at 10 year high in China** (link)
- **Argentina slows purchase of dollars as peso weakens** (link)
- **Egypt expected to stay on hold at 19%** (link)

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Markets Under Pressure as Middle East Conflict Re-Escalates

Markets are under pressure as the conflict in the Middle East flares up again. Press reports of renewed fighting in the region sent global stocks lower and oil prices higher. Stocks were in the red across the globe, although China stood out as a rare pocket of strength. Treasury and bund yields went up as inflation worries returned. Meanwhile, the selloff in chip stocks intensified, with the KOSPI entering a bear market as it fell 20% from its recent high. This triggered negative reactions in the TAIEX overnight and in US chip/technology stocks in premarket trading. US equity index futures point to a second day of declines. In other news, the Reserve Bank of New Zealand raised its policy rate by 25 bps to 2.5% today and signaled that more hikes could be forthcoming to tackle rising inflationary pressures.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
7/8/26 7:56 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		7504	-0.4	1	1	21	10
Eurostoxx 50		6202	-1.9	-1	2	15	7
Nikkei 225		66819	-2.1	-5	2	68	33
MSCI EM		66	-2.7	-3	0	36	20
Yields and Spreads				bps			
US 10y Yield		4.56	1.2	8	0	16	40
Germany 10y Yield		3.07	8.0	20	1	39	22
EMBIG Sovereign Spread		230	-6	-5	-3	-73	-23
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.5	-0.4	0	-1	1	0
Dollar index, (+) = $ appreciation		101.2	0.2	0	1	4	3
Brent Crude Oil ($/barrel)		78.1	5.3	9	-17	11	28
VIX Index (%, change in pp)		18.3	2.1	2	-1	1	3

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: 7/8/26 7:57 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 ($/barrel)		78	5.3	9	-17	11	28
WTI Crude Oil ($/barrel)		74	5.1	7	-19	8	29
Natural Gas (Netherlands TTF)		49	1	8	-2	43	82
Breakeven Inflation		%	bps				
USD: 2Y		2.4	1.3	10	-41	-48	11
USD: 5Y		2.5	0.9	8	-13	-16	12
USD: 5Y5Y		2.4	1	4	-1	-13	-5
EUR: 2Y		2.1	10.0	13	-41	46	48
EUR: 5Y		2.1	5	9	-19	25	31
EUR: 5Y5Y		2.1	1	2	-3	-1	5

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

Mature Markets

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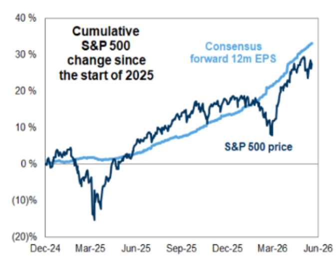
United States

Analysts are extremely optimistic about US Q2 corporate profitability. The consensus forecast is for the S&P 500's earnings-per-share (EPS) to increase by 22%, which is the highest quarterly forecast since 2021. At the beginning of Q1, analysts forecasted a 12% gain in EPS for the S&P 500, but the actual increase was much higher than expected at 27%. The price earnings ratio (P/E) for the index was 27x on February 27, the day before the conflict in the Middle East began, but it stands at just 22x today. This implies that earnings grew faster than equity prices despite the post-conflict rebound in equity markets. While the largest EPS gains are expected in info tech and energy, double digit gains are expected from almost all the sectors in the index, in the expectation that the equity market rally will continue and broaden out from just a few tech and energy stocks, a healthy development. Analysts in other countries are also very optimistic, and disappointing result could be highly disruptive to markets.

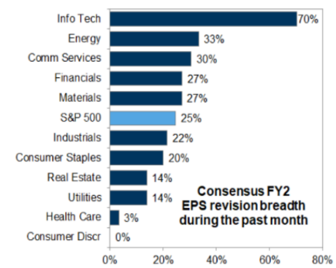
Exhibit 1: The market has appreciated alongside positive earnings revisions



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: Earnings revision breadth has recently been solid in most sectors

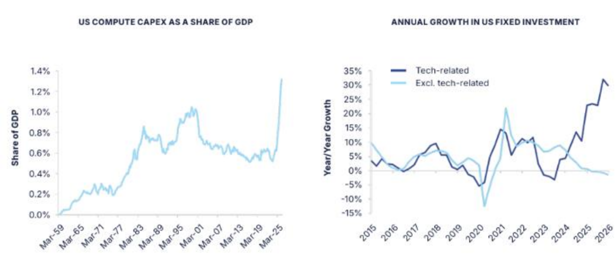
Breadth calculated as [(# pos. revisions - # neg. revisions) / total revisions]



Source: FactSet, Goldman Sachs Global Investment Research

AI-related capital expenditures (capex) could reach $5tn though 2030, and Carlyle projects that AI-related spending could account for nearly all of net capital expenditures by that year. Expenditure on computing resources as a share of GDP has gone vertical and is at the highest level in history. Technology related investments have risen by 30% over the past year, while other investment has actually gone down. The AI boom is crowding out other types of investment, sucking in resources such as construction workers, engineers, building materials, electricity, computer chips, semiconductors, metals, etc. The sector making the largest equity gains this year is semiconductors, with the Philadelphia Semiconductor Index up over 60% this year, compared to a relatively small gain of 9% for the S&P 500. The hyperscalers, the main customers of the semiconductor sector, are underperforming the

AI accounts for virtually all US net investment



Source: Carlyle

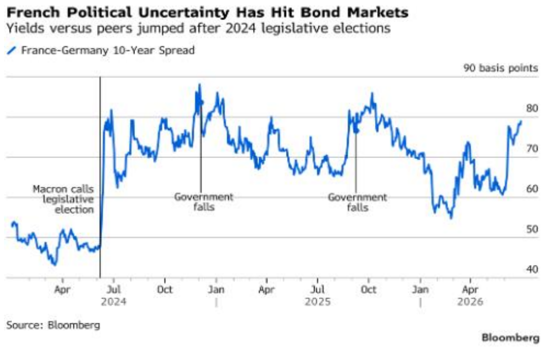
broader equity market, with Meta actually down for the year and Amazon falling behind the S&P 500. The scale of the AI-related expenditures have absorbed all of the hyperscaler cash flow, and it is estimated that 80% of the projected capex will have to be externally financed through debt and equity issuance.

Euro area

European sovereign bond yields rose sharply as the US–Iran conflict escalated further and Brent climbed above $78/barrel. In response to Iranian strikes on ships using the Omani route through the Strait of Hormuz, the US struck Iranian sites in the Strait and suspended its sanctions waiver for Iranian oil exports. The 10-year German Bund yield crossed above 3% (+6 bps to 3.05%), whilst today also sees the issuance of a new 10-year benchmark Bund with a 3% coupon and a planned volume of €6 billion. In the UK, the Office for Budget Responsibility said that the UK would need £120 billion in tax rises or spending cuts to prevent debt from becoming unsustainable. Bloomberg reported that the UK, France, and Germany launched a $50 billion NATO initiative to develop European long-range precision-strike weapons with ranges above 2,000 km without US involvement. Despite this news, European defense stocks underperformed yesterday, falling 2.5%, and underperformed once again this morning (-1.6%). The STOXX Europe 600 index was down 0.6%, reflecting the deterioration in global risk sentiment.

France

French sovereign spreads were little changed after the appeals court cleared Marine Le Pen to run in the 2027 presidential election. The verdict reduced her election ban to 15 months, which has already passed. Le Pen subsequently confirmed that she will run, but the muted market reaction suggests little immediate change in the political or fiscal risk outlook, with her candidacy already broadly reflected in polling and market expectations. Bloomberg noted that whether Marine Le Pen runs or cedes to Jordan Bardella is unlikely to materially alter current market pricing, given similar polling, and limited evidence of meaningful differences in their fiscal stance. Looking ahead, strategists remain divided: UBS expects the 10-year spread to tighten toward a 65–75bp range over the next two months, citing constrained near-term fiscal risks, stabilizing net OAT supply and supportive risk sentiment. In contrast, Morgan Stanley has moved to short 10-year France against an equal-weighted basket of Italy and Germany, arguing that valuations do not fully compensate for renewed fiscal and political risks and that these concerns are likely to remain a source of relative pressure.



Emerging Markets

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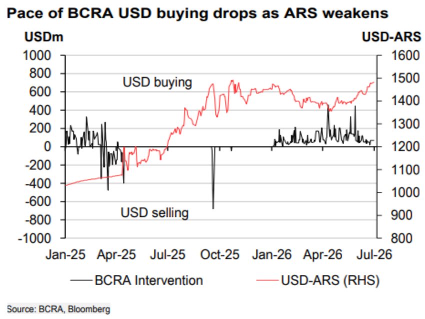
Higher oil prices and an escalation in tensions in the US-Iran conflict weighed on EMEA equities and risk sentiment. CEE equity markets were all trading in negative territory in early morning trade with CEE currencies fractionally weaker against the euro. On the monetary policy front, the National Bank of Poland is expected to keep its policy rate unchanged at 3.75% later today, while the National Bank of Romania is also expected to keep rates on hold at 6.50%. **Renewed tensions in the Middle East hit markets in Asia.** Currencies depreciated, most equity markets fell and bond yields were higher. **In Latin America, regional markets also declined as investors reassess the implications of renewed geopolitical tensions.** Currencies traded mixed, with the Colombian Peso outperforming (+0.78%) alongside higher oil prices, while the Mexican Peso declined -0.7%.

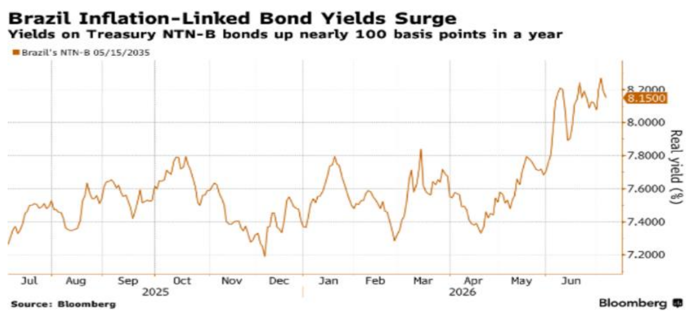
Argentina

Central bank slowed dollar reserve accumulation as the peso weakened. HSBC analysts noted that strong foreign exchange inflows earlier this year enabled the central bank to purchase dollars to rebuild reserves while maintaining relative exchange rate stability and helped to contain inflationary pressures. Consequently, gross international reserves have risen to nearly $50 billion. Nevertheless, analysts caution that further progress is needed, as net reserves remain negative. In recent weeks, however, the pace of reserve accumulation has moderated alongside a weaker peso. RBC BlueBay analysts observed that the currency's gradual depreciation is consistent with a seasonal slowdown in agricultural export inflows and the resumption of dividend repatriation by foreign firms. Similarly, HSBC analysts also expect these flows to ease into third quarter and expect a gradual weakening of the currency to persist for the remainder of the year.



Brazil

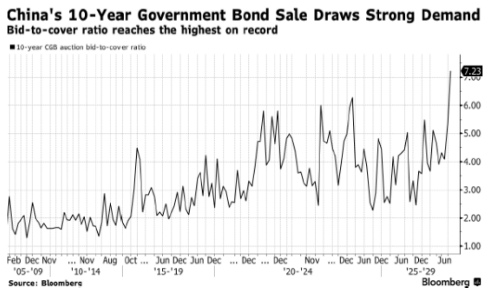
The Brazilian Treasury stands ready to ease stress in the inflation-linked bond market. Treasury Secretary Daniel Leal and Public Debt Undersecretary Francisco Segundo stated that the government is prepared to take additional measures to support the BRL 2.3 trillion inflation-linked bond market should market conditions deteriorate. Measures already taken include reducing auction sizes and canceling bond sales to preserve market liquidity, while buybacks remain an option if demand-supply imbalances persist. Bloomberg analysts noted that real yields have risen in recent weeks amid concerns over Brazil's fiscal outlook. Separately, the Treasury plans to increase the share of foreign-currency debt to diversify its investor base, including through a potential inaugural panda bond issuance, which could also help establish offshore pricing benchmarks for Brazilian corporate issuers.



China

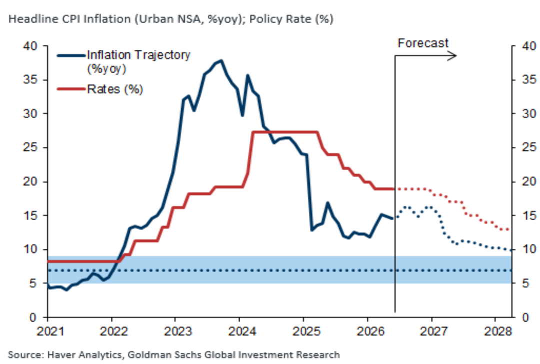
Chinese equities in Hong Kong SAR rallied, led by technology shares, as investors rotated into laggards and lower-valuation markets despite a broader pullback in crowded semiconductor trades. The Hang Seng China Enterprises Index (HSCEI: +4.0%) recorded its largest intraday gain since May 2025, while the Hang Seng Tech Index advanced (HSTECH: +4.9%). Alibaba jumped more than 12%, supported by earnings optimism, expectations of improved cloud growth on AI demand, and signs that losses in its instant-commerce segment are narrowing faster than expected. Sentiment was also boosted by reports that Chinese AI model developers, including DeepSeek and Zhipu, are considering or developing domestic AI chips, reinforcing confidence in China's technology ecosystem. Despite the rebound, Chinese technology shares remain weak year-to-date.

Demand for China's benchmark 10-year sovereign bonds remained strong despite a modest rise in yields. The bid-to-cover ratio at the 10-year bond auction reached 7.23, the highest on record in Bloomberg data going back to 2004, with an average auction yield of 1.7249%. The secondary-market 10-year yield was little changed around 1.73%.



Egypt

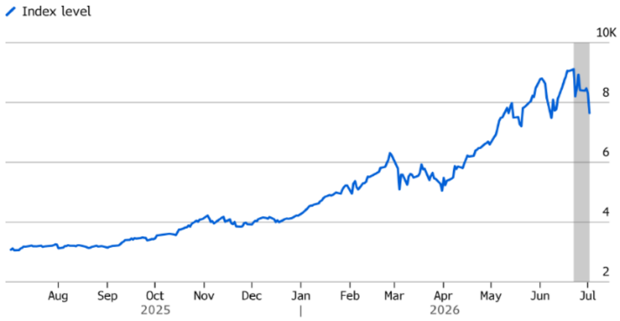
The Central Bank of Egypt (CBE) is expected to keep the policy rate on hold at Thursday's meeting. In line with consensus expectations, Goldman Sachs analysts expect that the CBE will keep the deposit rate unchanged at 19.0% at tomorrow's policy meeting. The analysts further expect rates to be kept on hold for the remainder of the year, whereas previously they had been projecting a 200bp hike in Q3. They say upside risks to inflation have eased. In addition, the analysts note that the Egyptian pound has rallied close to 4% against the US dollar since the 14th of June. Taken together, in addition to an improvement in the external outlook, the analysts expect disinflation to accelerate into Q1 2027 with the CBE resuming its easing cycle. Goldman currently projects around 500bp of cuts in 2027, taking the policy rate to 14.0% by Q1 2028.



Korea

Korean equities fell sharply as investors reassessed the sustainability of the AI-led semiconductor rally. The Kospi plunged by 5.4%, extending Monday's 5% decline, taking its fall from last month's record high to more than 20%, while SK Hynix fell as much as 6.5% and Samsung Electronics declined 7.6%. Samsung is down almost 17% in two days. The sharp intraday swings tested dip-buying sentiment, with the index trading around its 50-day moving average and the exchange activating a sidecar mechanism to halt program selling. Korea's high index concentration in major chipmakers amplified the move, while leveraged ETFs that magnify both gains and losses added to market volatility; market reports noted that a SK Hynix 2x leveraged product had fallen about 50% from its June highs. Market commentary suggested that stabilization may depend partly on whether SK Hynix's planned ADR listing, reportedly oversubscribed, helps offset recent foreign outflows and restores confidence in Korea's AI-related equity exposure. **However, the Korean won strengthened despite the equity selloff.** The Korean won appreciated (KRW: +0.2%). The currency was supported by authorities' pledge to strengthen around-the-clock FX monitoring following the start of 24-hour won trading, as well as expectations of exporter dollar sales and potential spillovers from concerns over yen intervention. At the same time, market reports noted that corporate dollar demand and foreign investors' repatriation-related FX demand could limit further won gains.

Korea's Kospi Index Falls 20% From All-Time High



Source: Bloomberg

Testing Times

Kospi dip buyers are running out of patience

Bloomberg Source: Bloomberg

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Global Financial Indicators

Last updated: 7/8/26 7:58 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities				%			%
United States		7,504	-0.4	0.9	1.3	20.5	10
Europe		6,202	-1.9	-1.3	2.3	15.5	7
Japan		66,819	-2.1	-5.2	2.1	67.8	33
China		4,756	-0.8	-4.1	-1.0	19.1	3
Asia Ex Japan		114	-2.8	-2.7	-0.1	38.3	23
Emerging Markets		66	-2.7	-2.5	0.0	35.9	20
Interest Rates				basis points			
US 10y Yield		4.6	1	8	0	16	40
Germany 10y Yield		3.1	8	20	1	39	22
Japan 10y Yield		2.9	1	16	14	137	81
UK 10y Yield		4.9	9	18	-1	31	46
Credit Spreads				basis points			
US Investment Grade		114	1	1	6	-12	6
US High Yield		297	-8	-9	-20	-38	-39
Exchange Rates				%			
USD/Majors		101.2	0.2	0.0	1.1	3.8	3
EUR/USD		1.14	-0.1	0.2	-1.2	-2.8	-3
USD/JPY		162.5	0.3	0.0	1.5	10.9	4
EM/USD		46.5	-0.4	-0.2	-0.9	0.8	0
Commodities				%			
Brent Crude Oil ($/barrel)		78.1	5.3	9.1	-15.4	17.1	30
Industrials Metals (index)		169.9	-1.0	-0.7	-7.2	9.7	4
Agriculture (index)		58.0	0.4	5.6	6.6	7.2	9
Gold ($/ounce)		4063.6	-1.0	0.8	-6.2	23.1	-6
Bitcoin ($/coin)		62248.8	-2.2	-0.7	-1.9	-42.7	-29
Implied Volatility				%			
VIX Index (%, change in pp)		18.3	2.1	1.8	-0.6	1.5	3.3
Global FX Volatility		6.3	0.0	-0.4	-0.4	-2.1	-0.6
EA Sovereign Spreads				10-Year spread vs. Germany (bps)			
Greece		71	2	2	-1	2	12
Italy		80	2	2	3	-5	11
France		83	3	2	5	15	12
Spain		49	1	-1	5	-13	6

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

Emerging Market Financial Indicators

7/8/2026 8:00 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		6.80	-0.1	-0.1	-0.3	5.6	2.8		1.8	0	1	2	12	-12
Korea*		1510	0.3	2.7	1.1	-9.1	-4.3		4.3	2	11	7	158	103
Indonesia		18014	-0.2	-0.3	1.0	-10.0	-7.4		7.2	3	1	25	62	113
India		96	-0.6	-0.3	0.2	-10.3	-6.0		7.7	5	1	3	94	62
Philippines		62	-0.1	0.2	0.3	-8.4	-4.2		6.0	0	6	-14	116	132
Thailand		33	-0.4	-0.3	-1.9	-2.6	-5.9		2.1	0	-8	-22	41	35
Malaysia		4.08	-0.2	0.4	-0.1	4.0	-0.4		3.6	2	2	3	20	13
Argentina		1492	-0.4	-0.6	-3.1	-15.4	-2.7		0.0	0	0	0	-3328	-3237
Brazil		5.17	-0.2	0.8	0.5	5.4	6.3		14.4	5	17	-37	58	85
Chile		930	-0.2	-0.8	-0.8	1.5	-3.1		5.3	1	-4	-15	-14	2
Colombia		3329	0.6	3.0	7.9	21.4	13.4		11.9	-4	-11	-66	-16	-97
Mexico		17.59	-0.4	-0.2	-0.7	5.8	2.4		9.0	2	3	-9	-23	4
Peru		3.4	0.2	0.2	1.7	4.8	-1.1		6.1	0	2	-2	-29	33
Uruguay		40	0.0	-0.2	0.7	0.2	-2.7		7.4	-2	-2	0	-132	-9
Hungary		314	-0.8	-0.5	-1.8	8.7	4.2		5.0	3	2	-40	-157	-148
Poland		3.78	-0.3	-0.2	-2.8	-4.3	-5.1		4.7	7	3	-52	-14	18
Romania		4.6	-0.2	0.0	-1.1	-5.8	-5.7		6.6	0	0	-12	-65	-10
Russia		76.5	-0.6	1.7	-4.3	2.6	3.0							
South Africa		16.4	-0.6	0.1	0.7	8.4	1.0		8.5	3	-8	-49	-165	-7
Türkiye		46.86	0.0	-0.4	-1.6	-14.5	-8.3		34.2	3	46	-136	247	454
US (DXY; 5y UST)		101	0.2	0.0	1.2	3.8	2.9		4.30	1	7	1	33	58

	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		4,756	-0.8	-4.1	-1.0	19.1	2.7		87	2	7	-20	12
Korea*		7,247	-5.3	-12.7	-10.5	131.3	72.0		23	0	-1	-3	1
Indonesia		5,873	-1.9	3.1	2.2	-15.4	-32.1		101	-2	0	17	15
India		76,504	-1.9	-0.5	3.5	-8.4	-10.2		88	0	11	-10	-2
Philippines		6,276	0.5	3.4	5.6	-3.5	3.7		82	-2	-3	10	7
Thailand		1,576	-1.7	-0.8	-0.5	42.0	25.1						
Malaysia		1,684	0.0	1.6	0.5	10.1	0.2		49	-2	2	-25	-10
Argentina		3,223,998	-1.3	1.7	3.6	51.4	5.6		411	-21	-90	-296	-158
Brazil		172,021	-0.3	0.0	2.0	23.5	6.8		184	-2	5	-21	-19
Chile		11,025	1.3	2.0	8.5	32.6	5.2		84	-3	-3	-20	-7
Colombia		2,294	-0.1	1.5	4.6	35.9	11.0		199	-3	-10	-118	-78
Mexico		66,675	-1.2	-0.4	1.6	16.6	3.7		199	-2	1	-65	-18
Peru		3,249	-2.0	-1.6	5.2	64.9	25.7		87	-3	-3	-30	-22
Hungary		140,325	-1.0	0.6	4.9	41.8	26.4		102	-3	-4	-44	-37
Poland		138,233	-0.7	1.1	2.2	30.4	17.9		84	-1	-6	-14	-7
Romania		33,472	-0.8	1.2	11.4	79.2	37.0		173	-7	-2	-31	-3
South Africa		108,573	-1.6	-0.9	-2.3	11.6	-6.3		195	-8	-13	-96	-23
Türkiye		14,281	-1.5	-0.5	3.0	42.8	26.8		246	-3	-12	-43	12
EM total		66	-0.5	-2.5	0.0	35.9	20.1		263	0	6	-86	-8

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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