GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, JULY 9, 2025
LEAD EDITOR: JEFF WILLIAMS

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- **US copper futures surged to record high amid concerns on fresh tariffs** (link)
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- **Uruguay central bank unexpectedly cuts policy rate** (link)
- **EM sovereign issuance in June was the highest on record for the month (Monitor attached)**

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Announcement fatigue

US equity futures and European stock markets are somewhat higher this morning despite further announcements on new tariffs and deadlines. President Trump asserted that there will be no additional extensions after August 1 and also said that he will release updates to the trade status of at least 7 countries this morning. While those annoucements seemingly had little impact on markets, his surprise declaration yesterday that the US will place a 50% tariff on copper imports led to a spike in futures pricing for the metal in US markets, while prices in other jurisdictions fell. The US price of the metal rose as much as 17% on the comments before settling some, but at the end of the day, the US price premium over London-based futures was a record 25%. Despite the turmoil in copper futures, moves in other markets are relatively muted with sovereign bond yields in Europe little changed and the US 10-year higher by 1 bp. Emerging market currencies are broadly weaker as the dollar appears set to rise for a fourth consecutive day.

Key Global Financial Indicators

Last updated: 7/9/25 8:33 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6226	-0.1	0	4	12	6
Eurostoxx 50		5434	1.2	2	0	11	11
Nikkei 225		39821	0.3	0	4	-5	0
MSCI EM		48	0.6	0	2	10	16
Yields and Spreads					bps		
US 10y Yield		4.41	1.2	13	-6	12	-16
Germany 10y Yield		2.68	-0.6	2	11	10	31
EMBIG Sovereign Spread		309	6	-6	-9	-80	-16
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.1	0.0	0	1	0	8
Dollar index, (+) = $ appreciation		97.6	0.1	1	-1	-7	-10
Brent Crude Oil ($/barrel)		70.2	0.1	2	5	-17	-6
VIX Index (%, change in pp)		16.2	-0.6	-1	-1	4	-1

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

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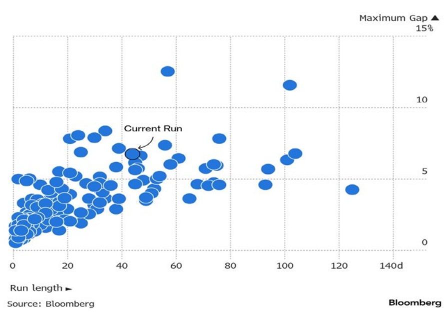
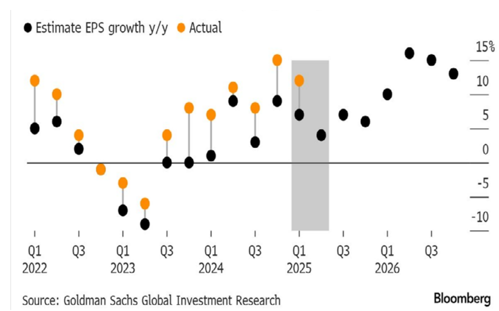
United States

Equity markets eye earnings as trade uncertainty lingers. The Wednesday tariff delay offered only brief relief as stocks hit session lows Tuesday after President Trump ruled out extending the August 1 deadline. While trade frictions remain a structural headwind for the US economy, their impact is expected to unfold gradually, according to analysts. In the interim, equity benchmarks have shown resilience overall, holding steady despite a partial reversal in momentum trades last week. Investor sentiment remains cautious, however. While key macroeconomic indicators continue to support a moderately stable outlook, market positioning is far from overextended. Another catalyst is going to be the earnings cycle, with second-quarter earnings expected next week (approximately two-thirds of S&P 500 constituents are scheduled to report between July 11 and August 1). Goldman Sachs expects quarterly earnings per share to slow in Q2, down to 4 percent growth year-on-year, from 12 percent in the first quarter (*right panel*). Despite the lower bar, markets have shown limited enthusiasm for positive earnings surprises in recent quarters, suggesting that even strong results may not lead to significant stock gains. However, risks appear to be asymmetrically tilted, Bloomberg analysts warn, as EPS underperformance could trigger sharper downside adjustments.

S&P 500 and its 50-day moving average

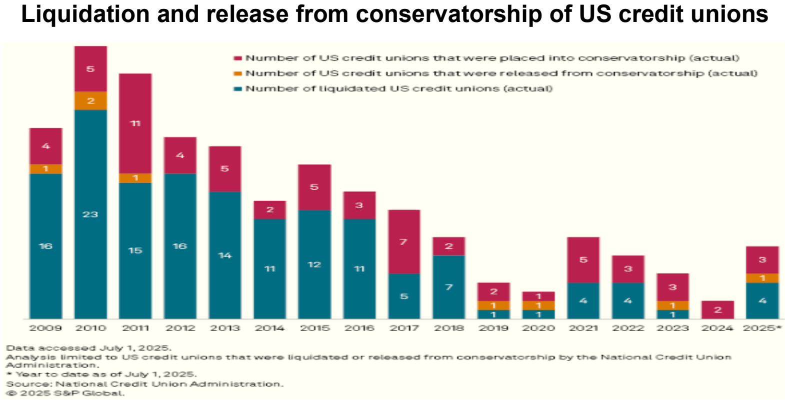


S&P 500 quarterly EPS growth expectations



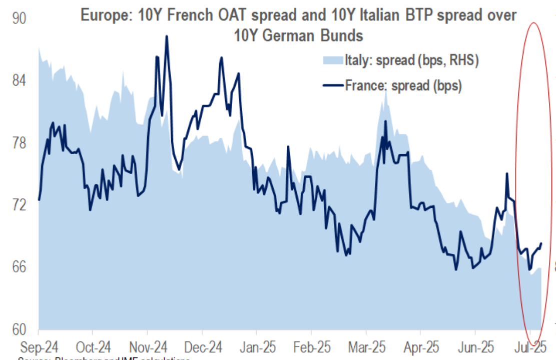
Credit unions face highest liquidation rate in two years. Credit union liquidations in the US are rising in 2025, with four failures recorded by mid-year—already as many as in 2021 and 2022, and twice as much as the number of US-based bank failures recorded so far this year, new research by S&P Capital IQ shows. This marks a significant uptick following a period of relative stability in liquidations up until mid-June. Conservatorships are also increasing, with three institutions placed under supervision. Of the institutions placed into conservatorship, two were ultimately liquidated. Despite some institutions appearing well-capitalized on paper, subsequent assessments revealed insolvency and unsafe operating conditions, the National Credit Union Administration (NCUA) said in a statement. Contributing factors included governance issues, inefficient operations, and concentrated unsecured loan exposure.

Liquidation and release from conservatorship of US credit unions



Euro Area

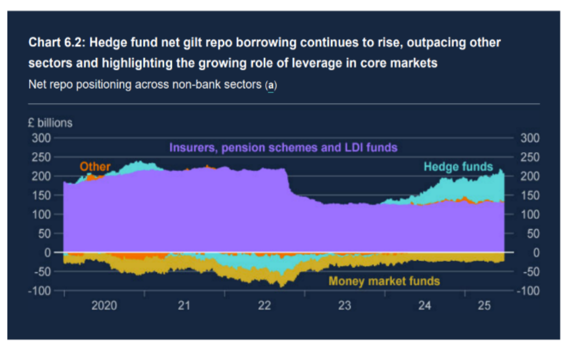
European equities are higher while government bond yields are slightly lower. The Stoxx 600 index rose (+0.8%), led by the financial sector, while regional bourses were also in the green. The banking sector index was outperforming (+1.6%) with shares in Commerzbank rising 2.3% in early trading on news that UniCredit has increased its equity stake in Commerzbank to 20%. European government bond yields were trading marginally lower with the 10Y German bund yield at 2.68%. Intra-EMU spreads were also broadly unchanged, while the euro was fractionally weaker (-0.1%) against the dollar to trade at 1.1715.



Source: Bloomberg and IMF calculations

October budget discussions seen as next key event risk for France. Analysts at Morgan Stanley believe that discussions on the 2026 budget which are expected in October will present the next key event risk for France. Ahead of those discussions, fiscal consolidation measures are expected to be debated in parliament next week where Morgan Stanley analysts believe a budget deficit of 5.1% of GDP could be achieved for 2026, down from 5.4% in 2025. In the near-term, the analysts think rating downgrade risks are relatively contained, although they note that heavy net supply until October could leave French OATs exposed to political uncertainty. In addition, the analysts note that an early election scenario or failure to agree on a fiscal consolidation path would prompt underperformance of France versus other EMU countries. A scenario where the budget is approved could see stable spreads or further modest tightening. This morning, the 10Y OAT-Bund spread was relatively steady around 68bp, and around 14bp tighter YTD, while the 10Y BTP-Bund spread is around 30bp tighter YTD and trading steady around 85bp this morning.

United Kingdom



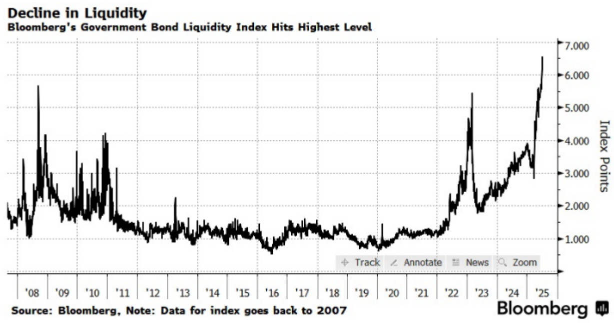
Sources: Sterling money market data (SMMD) and Bank calculations.

(a) Latest data are as of 26 June 2025. SMMD data and the sector classification are reviewed on an ongoing basis in order to continuously improve the quality and coverage of the data set.

Bank of England warns of financial stability risks from leveraged hedge fund trades in gilt market. The latest BoE Financial Stability Report (FSR) highlights that financial stability risks from leveraged hedge fund strategies in the gilt market are growing with the opaque nature of hedge funds' trading activity exacerbating the risk. According to the FSR, hedge funds net repo borrowing has risen to a record £77bn with a "small number" of hedge funds accounting for 90% of that borrowing. The report warns that "simultaneous deleveraging by large numbers of similarly positioned funds could trigger forced selling and feedback loops" which could negatively impact core UK funding markets. The BoE is expected to release a discussion paper on potential reforms to the UK repo market which includes a proposal for greater central clearing for repos, like US regulatory requirements. This morning, the 10Y UK gilt yield was broadly steady at 4.63% while pound sterling was flat against the dollar at 1.3600.

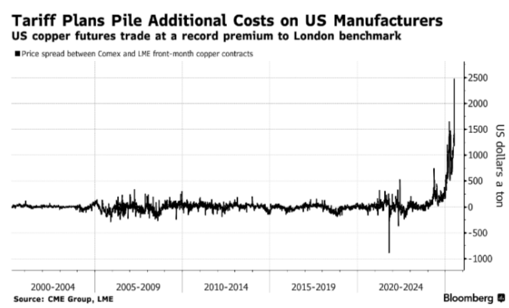
Japan

Liquidity in the Japanese government bond market has deteriorated to the worst level in decades. A Bloomberg gauge that examines how far intraday yield levels deviate from fair value has surged since early April and is now well above the previous peak set during the global financial crisis in 2008. The gauge has risen by a further 12% since the end of June, despite the reduction of long-term bond issuance announced last month by the Ministry of Finance. Trading volume of longer-term bonds has dropped, leaving yields more susceptible to sharp spikes even on small trades. Benchmark yields held relatively steady today, 10-yr yield +1 bp and 30-yr yield unchanged, ahead of the 20-yr bond auction on Thursday. Yen weakness continued amidst political uncertainty, down 0.1% today to $/146.66. Equities rose for a second consecutive day (Nikkei 225: +0.3%) as the weaker yen boosted automakers (Honda: +3.4%; Toyota: +0.9%). Copper-related shares like cable makers Furukawa Electric Co. (-3.0%) and Fujikura Ltd. (-1.3%) fell Wednesday after President Trump threatened higher tariffs on the industry.



Copper

US copper futures surged to a record high amid fears of fresh import tariffs. Prices on the Comex jumped as much as 17% to an all-time high of $5.8955 per pound, before paring gains to close 8.2% higher on the day (*left chart*). In contrast, equivalent contracts on the London Metal Exchange settled 0.4% lower. The price rally was triggered by comments that the US administration is considering a 50% tariff on copper imports starting August 1. This drove a sharp divergence in pricing, with US copper trading at a record 25% premium over London futures (*right chart*). Bloomberg analysts noted that the industry has been bracing for potential tariffs since February, with traders already shipping record volumes of copper to the US in anticipation. Nonetheless, the latest price spike is expected to further accelerate these front-loading of purchases, as traders rush before the anticipated imposition of levies.

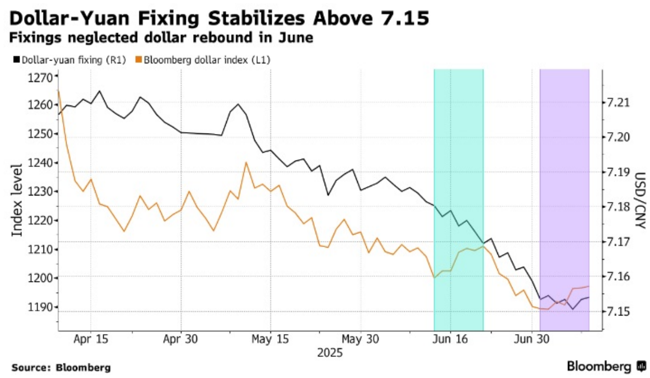


Emerging Markets back to top

Asian currencies weakened Wednesday, led by the Thai baht (-0.5%), Philippine peso (-0.4%) and Taiwanese dollar (-0.4%), after Trump's threat that there will be "no extensions" granted to the new August 1 deadline. Asian equities declined (EM Asia: -0.7%), led by Hong Kong SAR (Hang Seng: -1.1%) on worries about China's deflationary trend becoming more entrenched. **EMEA equities edged mostly higher this morning, while currencies were little changed**. In CEE, equities were mostly higher with Hungary outperforming (+0.6%) to retrace yesterday's losses, while currencies were relatively rangebound against the euro. In Türkiye, equities gained (0.7%) while the lira was firm against the dollar. Meanwhile, the rand lost ground (-0.3%) against the dollar while stocks traded sideways (+0.1%) in South Africa this morning. **LatAm markets were mixed Tuesday as investors weigh the impact of fresh US tariffs and amidst idiosyncratic local developments.** Regional currencies were mix, with the Brazilian real outperforming

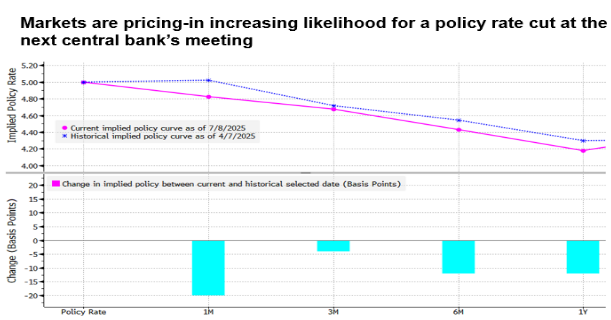
(+0.7%) while the Peruvian sol (+0.5%) and Chilean peso (+0.1%) rose following a rise in metal prices. Meanwhile, the Colombian peso underperformed (-0.1%), after inflation in June declined more than anticipated. Local bond markets were marginally weaker, led by Mexico (+5 bp in the 5-year). Equity markets were mixed, with the Argentina MERVAL index rebounding (+3.9%) while Peruvian equities underperformed (-0.7%).

China



China's producer prices fell the most in nearly two years, overshadowing a modest improvement in consumer prices. Factory deflation persisted for a 33rd consecutive month, with the producer price index down 3.6% y/y, the most since July 2023 and below any economist estimate. Global trade headwinds weighed on export-heavy sectors such as computer, communications and other electronic equipment. Prices for coal mining and washing industry fell 22% y/y, attributed to the increasing use of renewable energy sources. The consumer price index unexpectedly rose 0.1% and ended a four-month losing streak, thanks to a recovery in the prices of oil and other industrial consumer goods, although the increase likely also reflected the short-term effect of government subsidies. The still-weak inflation may keep pressure on policymakers to ramp up stimulus to escape a vicious cycle of falling prices, business profits and wages. The China Securities Journal reports that insufficient demand from the real economy is putting pressure on loan growth, forcing smaller banks to hunt for more borrowers among small and micro-sized enterprises. The interest rates on business loans at several banks have decreased to as low as 2%. Both onshore CNY (-0.1%) and offshore CNH (-0.1%) extended weakening on the inflation data and trade tensions. The yuan was fixed at 7.1541 today, a seventh consecutive fixing at the 7.15 level.

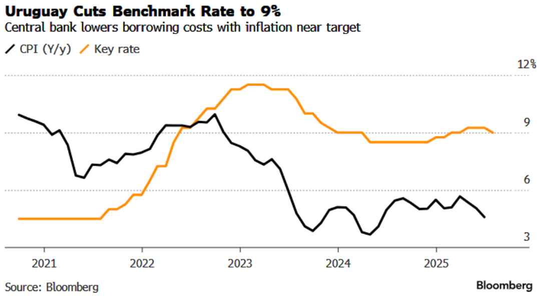
Chile



Easing inflationary pressures could pave the way for a rate cut in Chile later this month. Headline CPI declined much more than anticipated in June (-0.4% m/m vs of -0.2% m/m expected), with the annual rate easing to 4.1% y/y (central bank's target is 3%). Following the release, JP Morgan analysts noted that the latest inflation reading will create room for monetary policy to ease and now expect a 25 bp cut this month, followed by another 25 bp cut in September. Analysts at Capital Economics also expect the central bank to resume its easing cycle later this month. Market pricing also reflects growing expectations for a cut within the next month, with further reductions likely over the coming year. In its June meeting, the central bank considered cutting policy rates but held off due to heightened uncertainty stemming from the Middle East conflict.

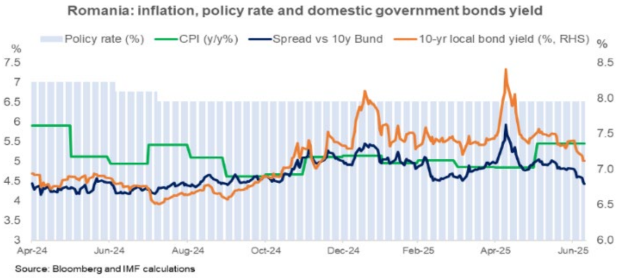
Uruguay

Uruguay central bank unexpectedly cuts policy rate. Against expectations for a hold, the central bank cuts its benchmark interest rate by 25 bp to 9%. This marks the first rate cut since April 2024. Between December 2024 and April 2025, the central bank had raised rates by a total of 75 bp to steer inflation toward its 4.5% target. In its statement, the central bank signaled that further cuts are possible if inflation and inflation expectations continues to converge toward the target, noting that "there could be room to continue lowering the policy rate as long as inflation evolves as expected." The move comes amid signs of easing price pressures, as inflation slowed to 4.59% y/y in June, the lowest in a year, while the local currency has appreciated over 8% against the dollar YTD, helping reduce the cost of imported goods. Bloomberg analysts highlight that market participants had not anticipated the cut, with banks and pension funds surveyed by the central bank expecting rates to remain unchanged through November.



Romania

The leu was little changed against the euro, **after the central bank of Romania (NBR) kept its policy rate on hold yesterday at 6.5% in line with expectations.** Inflation rose by more than expected in May to 5.45%y/y, well above the NBR's tolerance range (2.5%+/-1.5%), with consensus expecting it to inch up to 5.5%y/y in June (data to be released on July 11). In the statement, the NBR said that inflation will pick up "considerably" in the coming months due to efforts to contain the public deficit, such as ending electricity price caps. Still, the NBR sees the fiscal package as disinflationary over the longer term, including by reducing the current account deficit with positive impacts on financing costs and the currency. Romanian 10y domestic government bonds have rallied following the release of the plan, with 10y yields extending their decline today to trade at around 7.11% (-35 bp on the month). Separately, Bloomberg reports that Romania is selling dollar-denominated bonds across several maturities, tapping international debt markets for the third time this year.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), 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 John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (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). Javier Chang (Senior Administrative Coordinator), Jeremie Benzaken (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

7/9/25 8:33 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,234	-0.1	0.6	3.8	11.8	6
Europe		5,434	1.2	2.2	0.2	10.8	11
Japan		39,821	0.3	0.1	4.2	-4.8	0
China		3,991	-0.2	1.2	3.3	16.4	1
Asia Ex Japan		83	0.7	0.0	2.1	11.6	14
Emerging Markets		48	0.6	0.3	2.2	10.4	16
Interest Rates					basis points		
US 10y Yield		4.4	1	13	-6	12	-16
Germany 10y Yield		2.7	-1	2	11	10	31
Japan 10y Yield		1.5	1	8	4	42	41
UK 10y Yield		4.6	0	2	0	47	7
Credit Spreads					basis points		
US Investment Grade		126	0	1	-3	0	6
US High Yield		332	-2	-6	-19	-24	3
Exchange Rates					%		
USD/Majors		97.6	0.1	0.8	-1.3	-7.1	-10
EUR/USD		1.17	-0.2	-0.8	2.5	8.2	13
USD/JPY		146.7	0.1	2.1	1.4	-9.1	-7
EM/USD		46.1	0.0	-0.4	0.5	-0.3	8
Commodities					%		
Brent Crude Oil ($/barrel)		70.2	0.1	1.6	6.0	-11.0	-3
Industrials Metals (index)		153.2	-1.0	3.3	5.8	0.5	9
Agriculture (index)		54.1	-0.1	-0.8	-3.8	-5.0	-5
Gold ($/ounce)		3293.7	-0.2	-1.9	-1.0	39.3	25
Bitcoin ($/coin)		109519.3	0.8	1.6	0.7	89.1	17
Implied Volatility					%		
VIX Index (%, change in pp)		16.2	-0.6	-0.6	-1.0	3.7	-1.1
Global FX Volatility		8.4	0.0	-0.2	0.0	1.5	-0.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		69	0	0	-1	-36	-16
Italy		85	0	0	-7	-51	-31
France		68	0	2	1	1	-15
Spain		62	0	0	4	-16	-8

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

Emerging Market Financial Indicators

Last updated: 7/9/2025 8:33 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		7.18	0.0	-0.3	0.0	1.3	1.6		1.7	1	-1	-4	-51	1
Indonesia		16258	-0.3	-0.1	0.2	0.0	-0.8		6.6	2	-3	-13	-39	-46
India		86	0.0	0.0	-0.1	-2.6	-0.1		6.8	1	5	-4	-46	-57
Philippines		57	-0.4	-0.3	-1.3	3.3	2.5		4.8	0	0	-9	-42	-3
Thailand		33	-0.4	-1.1	-0.1	11.4	5.0		1.7	-2	-1	-21	-111	-67
Malaysia		4.25	-0.3	-0.6	-0.5	10.7	5.2		3.4	1	-6	-9	-41	-37
Argentina		1255	0.6	-2.8	-5.5	-26.9	-17.8		32.7	-59	-68	449	-1213	353
Brazil		5.47	-0.3	-0.8	1.7	-0.8	12.9		13.8	0	20	-43	205	-210
Chile		944	-0.2	-1.8	-0.8	-1.3	5.6		5.4	-2	-4	-12	-55	-24
Colombia		4051	-0.2	-0.5	2.3	0.0	8.8		12.0	-1	-6	-28	128	23
Mexico		18.59	0.1	1.1	2.4	-3.6	12.0		9.3	3	9	3	-84	-107
Peru		3.5	0.4	0.4	2.4	6.7	5.9		6.4	-1	1	########	-64	-23
Uruguay		41	-0.6	-1.3	2.4	-1.3	7.8		8.8	1	-7	-26	-86	-88
Hungary		342	-0.2	-0.8	2.9	6.5	16.3		6.7	5	5	-6	-6	25
Poland		3.62	-0.1	-0.2	3.2	8.6	14.0		4.9	4	-6	-22	-61	-67
Romania		4.3	-0.2	-1.1	1.8	6.0	10.7		7.2	-7	-19	-26	64	-10
Russia		78.1	0.4	1.0	1.3	12.5	45.3							
South Africa		17.8	-0.3	-1.6	-0.6	1.7	5.6		10.3	7	7	-10	-81	-23
Türkiye		40.05	0.0	-0.7	-1.9	-17.9	-11.7		31.7	0	75	-203	423	197
US (DXY; 5y UST)		98	0.1	0.8	-1.3	-7.1	-10.0		3.98	1	12	-10	-26	-40

	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		3,991	-0.2	1.2	3.3	16.4	1.4		106	-2	3	-35	10
Indonesia		6,944	0.6	0.9	-4.0	-4.7	-1.9		88	-10	0	-19	-3
India		83,536	-0.2	0.2	1.4	4.5	6.9		101	-1	-2	1	15
Philippines		6,504	1.1	1.3	2.5	0.2	-0.4		76	-9	8	-13	-3
Thailand		1,110	-0.5	-0.5	-2.7	-16.5	-20.7						
Malaysia		1,529	-0.1	-1.4	0.8	-5.5	-6.9		75	-2	-1	-8	5
Argentina		2,129,786	3.9	4.9	-3.3	26.0	-15.9		711	3	13	-799	74
Brazil		139,303	-0.1	-0.2	2.7	9.6	15.8		208	-4	-6	-14	-39
Chile		8,317	0.7	0.6	1.8	28.5	23.9		108	-5	-2	-10	-5
Colombia		1,688	0.2	-0.3	3.2	23.0	22.4		325	-14	-16	22	-1
Mexico		57,183	-0.4	-1.1	-1.1	7.2	15.5		268	-2	-19	-41	-44
Peru		32,877	-0.7	0.6	1.2	9.0	13.5		121	-4	-7	-21	-20
Hungary		99,435	0.5	1.3	3.0	39.7	25.3		150	-10	7	-2	-5
Poland		106,257	0.2	1.6	5.9	20.5	33.5		99	-8	-4	-7	-13
Romania		18,763	0.4	1.3	-0.3	2.3	12.2		210	-26	-23	21	-25
South Africa		97,045	-0.2	0.5	0.7	20.4	15.4		298	-1	5	-3	5
Türkiye		10,132	1.3	-0.6	6.8	-6.2	3.1		290	-3	-10	7	31
EM total		48	-0.2	0.3	2.2	10.4	15.7		361	-3	-11	-40	-3

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

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