GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, JUNE 11, 2025

LEAD EDITOR: TIMOTHY CHU

- **US CPI prints softer-than-expected, leading to initial risk-on reaction** (link)
- **Chinese equities post modest gains on US-China framework announcement** (link)
- **Analysts warn that US trade steepener strategies may be overcrowded** (link)
- **Resistance to JGB buyback expectations puts BOJ purchases in focus** (link)
- **Gilt yield curve bear steepens ahead of UK government spending review** (link)
- **Special Feature: Corporate Earnings Monitor Q1 2025** (attached)

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Markets React Sharply to US CPI Print and Little to US-China Talks

US Treasury yields fell by up to 7 bps in the short end, the dollar index was about 0.2% weaker, and equity futures were higher by 0.4% on softer-than-expected CPI prints this morning, with core CPI printing at 0.1% m-o-m (0.3% exp). Ahead of CPI, headlines yesterday that US-China talks had concluded with a framework deal left markets with sparse details and highlighted that negotiations would be long running between the US and its trading partners. US equity futures and European bourses were relatively muted in response to the announcement and before the CPI data, while Chinese equities posted only modest gains. Looking ahead, market participants will be focused on US Treasury's auction of $39 billion in 10y notes, set to take place at 1:00PM, which will be another test for investor appetite for duration. Headlines this morning that Hong Kong pension funds are forming a plan to sell down Treasuries should the US lose its last recognized credit rating further underscored focus on foreign demand and fiscal deficits. Nonetheless, Treasuries and other G7 sovereign debt have mostly traded range bound this week, except notably for gilts, which reacted strongly to soft data and has oscillated as traders await details of the UK budget review.

Key Global Financial Indicators

Last updated: 6/11/25 8:50 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6039	0.5	1	7	12	3
Eurostoxx 50		5421	0.1	0	2	9	11
Nikkei 225		38421	0.5	2	2	-1	-4
MSCI EM		48	0.6	4	6	14	14
Yields and Spreads					bps		
US 10y Yield		4.42	-4.6	7	5	2	-14
Germany 10y Yield		2.52	-0.5	-1	-4	-10	15
EMBIG Sovereign Spread		317	-4	-10	-28	-69	-8
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.0	0.1	1	1	0	7
Dollar index, (+) = $ appreciation		98.7	-0.4	0	-2	-6	-9
Brent Crude Oil ($/barrel)		67.8	1.4	5	6	-17	-9
VIX Index (%, change in pp)		16.4	-0.5	-1	-5	4	-1

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

Mature Markets

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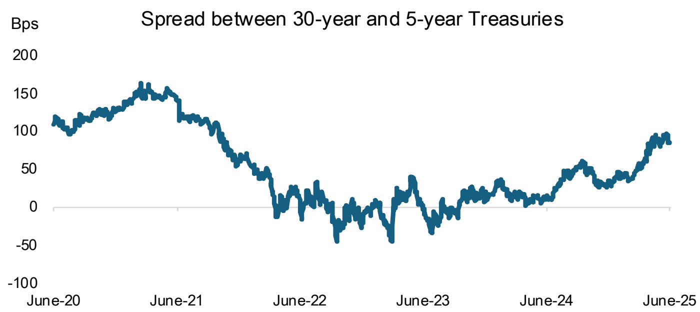
United States

CPI inflation decelerated in May. Headline CPI came in at 0.1% (vs. 0.2% expected, 0.2% prior) and was up by 2.4% from a year ago (vs. 2.4% expected, 2.3% prior). Core CPI rose 0.1% for the month (vs. 0.3% expected, 0.2% prior) and was up by 2.8% from a year ago (vs. 2.9% expected, 2.8% prior).

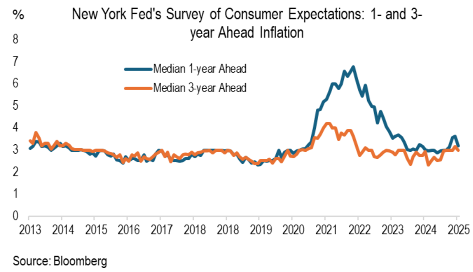
	Actual	Consensus	Prior
Headline CPI, MoM	0.1%	0.2%	0.2%
Headline CPI, YoY	2.4%	2.4%	2.3%
Core CPI, MoM	0.1%	0.3%	0.2%
Core CPI, YoY	2.8%	2.9%	2.8%

Investors favor Treasury curve steepeners though analysts caution against overcrowding. Many traders expect yields to stay elevated due to widening fiscal deficits, persistent trade uncertainty, reduced foreign demand, and the Fed's cautious stance on rate cuts. This has led to a popular "curve steepener" trade—shorting long-term bonds in favor of going long on shorter maturities. However, some analysts warn that this trade is becoming overcrowded. BNP strategists argue that current long-term yields already reflect fiscal concerns and could have plenty of room to fall if demand for duration returns or deficit fears ease. They also note that concern around weak foreign purchases has been overblown, given strong indirect demand at recent 10- and 30-year auctions, suggesting foreign interest remains steady. Markets are now watching upcoming auctions for further signals, including at today's 10-year auction and tomorrow's 30-year auction.



Source: Bloomberg

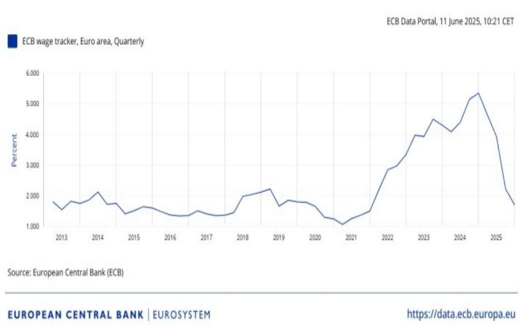
The latest Survey of Consumer Expectations suggests that consumers are growing more optimistic about inflation and broader economic outlook. According to the survey results released by the New York Fed on Monday, the one-year-ahead inflation expectations fell 0.4 percent in May to 3.2%, while five-year-ahead expectations edged down 0.1 percentage points to 2.6%. The decline followed the Trump administration's decision to pause some of the steep tariffs announced in early April, and coincided with further cooling in the CPI, which eased to 2.3% for the year through April. Survey respondents also expressed greater confidence in the economy, supported by the recent stock market rebound. Their expectations for unemployment over the next year declined significantly in May, while their outlook for earnings growth improved.

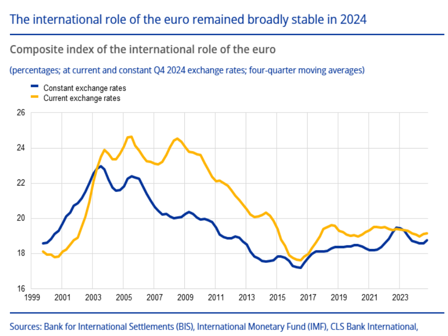


Euro Area

European equities continued to trade sideways, Euro area sovereign yields edged slightly higher, and the euro was firm against the dollar this morning. The Stoxx 600 index was little changed with mixed performances across sectors, while all European bourses were marginally up except for Spain, where the IBEX 35 index lost 0.5% after the central bank released its revised projections yesterday. The Bank of Spain expected the economy to grow at its slowest pace in almost two years, with the GDP rising by just 0.5%–0.6% in Q2 and by 2.4% this year, down from the March forecast of 2.7%. The euro traded steady against the dollar at $1.1419/€. In its annual assessment of the euro, the ECB reported that international use of the euro remained flat in 2024 at 20% of global foreign-exchange reserves, a third of that for the US dollar, highlighting a persistent gap with other reserve currencies, such as the Canadian and Australian dollars, which have gained on search for diversification.

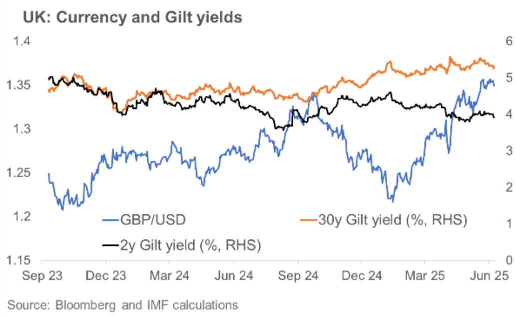
The ECB predicts inflation will moderate, though some analysts disagree on extent. ECB Chief Economist Philip Lane said today that the ECB's latest cut mitigates the risk that inflation may undershoot the 2% target in the medium term by supporting the "pricing pressure needed to generate target-consistent inflation." ECB policymakers also highlighted that negotiated wage growth is set to ease, in line with the ECB's updated wage tracker, which predicts that salaries will rise by 1.7%y/y in Q4, far below last year's 5.4%y/y peak. Last week's ECB staff projections also revised their inflation forecasts downward, with core inflation now projected at 2.4% and 1.9% for 2025 and 2026, respectively. However, analysts at Credit Agricole disagree with the ECB's staff views that US tariffs will be disinflationary, arguing that EU retaliation is likely leading to a 40–80bps rise in core goods inflation and 10–20bps in headline inflation. They also see German fiscal expansion as modestly supporting inflation via tighter labor conditions, in contrast to ECB expectations, and see limited room for further easing from the ECB besides market-implied bets for just one more cut this year.

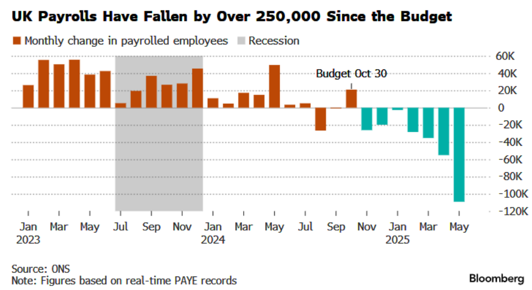




United Kingdom

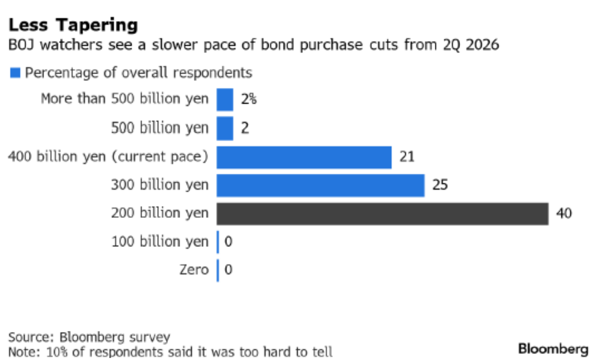
Ahead of the UK's government spending review later today, the gilt curve bear steepened, rising by up to 5bps in 10- and 30y tenors, paring back yesterday's strong gains. The pound sterling meanwhile traded a touch lower against the dollar this morning, at $1.3493/£. The spending review will outline how the £600bn set out in the Spring Budget will be allocated across departments in the three years until 2029 and for investments until 2030. Analysts at Bloomberg believe that yesterday's data, which reported employment declining by the most in five years in May and slowing wage growth, can be partially attributed to elements of austerity in the budget, including a £26bn hike in the national insurance payroll tax. Despite the poor data yesterday, Bloomberg analysts do not expect new spending projects in the review given the UK government's reluctance to issue additional debt. Relatedly, ING analysts see fiscal risks continuing to keep upward pressure on gilt yields, especially as these have remained subject to spillover from US Treasuries. ING expects the UK government to eventually increase taxes given the tight fiscal headroom.





Japan

MOF resistance to JGB buyback expectations puts BOJ's bond purchase schedule in focus. A record high in long-dated JGB yields in late May had raised expectations that the Ministry of Finance (MOF) would buy back super-long government bonds as early as July. However, the MOF noted in an email today that such speculation is "unrealistic" and "not envisioned". Accordingly, market attention has shifted back to possible revisions to the MOF's issuance schedule as well as the Bank of Japan (BOJ) bond buying schedule. A majority of those surveyed by Bloomberg expect the BOJ to slow the pace of its quantitative tightening and keep the policy rate unchanged at next week's policy meeting. Moreover, about 65% of survey respondents expect the BOJ to slow the pace of quantitative tightening from next April. The BOJ has reduced the pace of its JGB purchases by ¥400 bn ($2.8 bn) per quarter since August of last year. By Bloomberg's estimate, at the current pace, BOJ purchases would total ¥2.9 tn per month in the first quarter of 2026, compared to around ¥6 tn before the cuts began. Super-long JGB yields were little changed on the day, with the 30- and 40-year bond yields holding steady at 2.91% and 3.09%, respectively.



Emerging Markets

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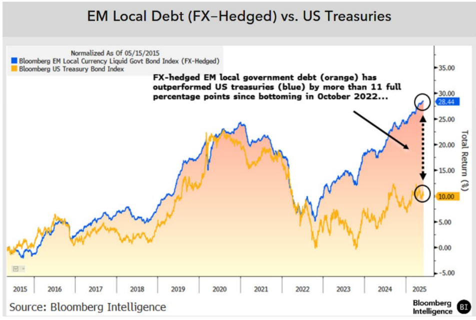
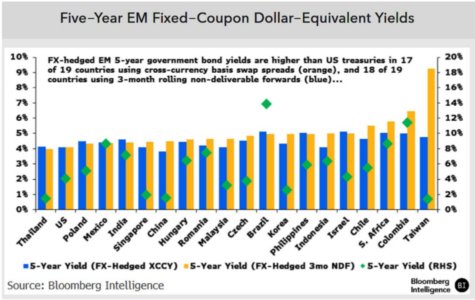
Asian shares posted modest gains overnight. While the conclusion of the US-China trade negotiation eased tension, it nonetheless offered little details to help sustain recent market gains. The Korean Kospi outperformed, rising 1.2% to its highest since January 2022, led by chip stocks. Meanwhile, the yen weakened a touch (-0.15%) following news of the US-China détente and a modest bounce in risk sentiment. **EMEA** equities and currencies were mixed**.** In CEE, equities in Poland underperformed (-1.0%) this morning while the Polish zloty was marginally weaker against the euro to trade at 4.26/€ ahead of today's scheduled vote of no confidence in parliament. Elsewhere, stronger than expected inflation in Hungary saw the forint strengthen (+0.2%) against the euro as investors expect rates to be kept on hold. Meanwhile, the South African rand was weaker (-0.4%) against the dollar while the Turkish lira was broadly unchanged. **Latin American** equities rose in line with broader EM gains, with Chile (+0.7%), Mexico (+0.5%), and Brazil (+0.5%) all advancing. Colombia outperformed (+0.8%) on stronger consumer confidence data, though the Colombian peso slumped 1.5% after an announcement that its fiscal rule will be suspended. Meanwhile, the US and Mexico are reportedly closer to a trade deal that would remove the 50% tariffs on steel imports; the Mexican peso was flat on the day.

Emerging Market Bond Flows

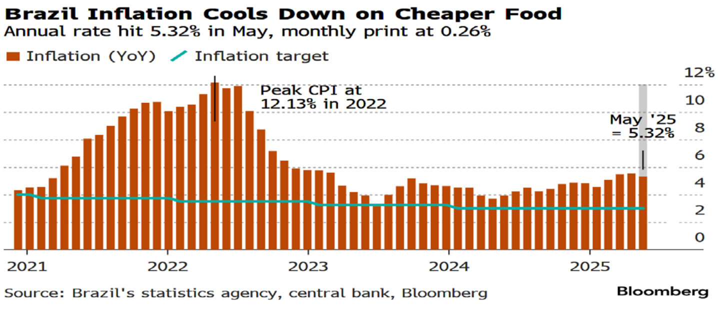
Analysis shows that FX-hedged EM local currency debt improves diversification and can deliver higher absolute and risk-adjusted returns. Bloomberg analysts highlight that the Bloomberg EM Local Currency Liquid Government Bond Index has returned 28.4% since 2015, beating the Bloomberg US Treasury Bond Index by roughly 18 ppts. FX-hedged EM local debt has also delivered a higher Sharpe ratio, which measures risk-adjusted returns, of 0.63 versus -0.04 for Treasuries. On the country level, five-year sovereign yields exceeded those of Treasuries in 17 countries using cross-currency basis swap spreads and 18 when hedging via non-deliverable forwards.





Brazil

Brazil's inflation rate cooled more than expected in May, easing to 5.32% y/y from 5.53%, after three straight increases. The slowdown may give the Banco Central do Brazil (BCB) space to pause its tightening cycle, through policymakers are likely to remain cautious with inflation still above their 4.5% upper target band. Interest rate swaps due January 2027 fell by over 11bps following the data print. The central bank will meet next Wednesday, June 18, to decide its next move, with Monday's economic activity report expected to help shape the policy outlook. Markets reacted positively to the news, with the Sao Paulo stock index rising by 0.5% while the real depreciated by 0.3%.

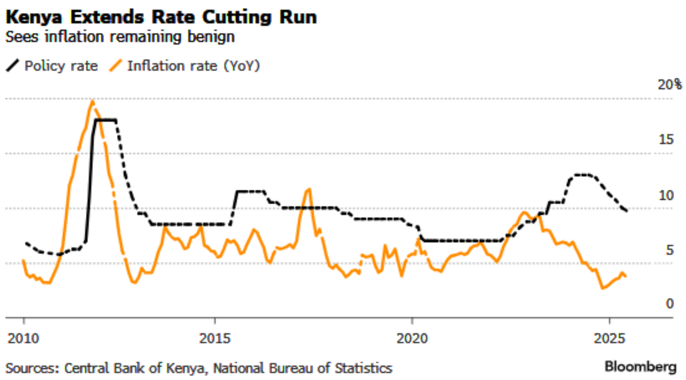


China

Chinese equities posted modest gains on preliminary US-China plan to ease trade tensions. Bloomberg reported that both sides have agreed on a framework for implementing agreements reached in early May, and critical issues around the shipments of rare earth minerals and magnets are reportedly resolved. That said, Saxo Markets noted that the absence of further scheduled meetings suggests ongoing uncertainty. By Bloomberg's calculations, after front loading of exports earlier in the year, China's exports to the US fell 34%, y/y, in May, the most since February 2020, during the first wave of the Covid-19 pandemic. The CSI index (+0.7%) remains little changed relative to levels reached in late May while both the onshore and offshore RMB held steady on the day.

Kenya

Kenya surprises with smaller than anticipated rate cut. Yesterday the central bank of Kenya delivered a 25bps rate cut to take the policy rate to 9.75% against consensus expectations for a 50bps reduction. This was the sixth consecutive rate cut, with rates now 325bps lower than in August. The accompanying statement noted that the decision to further ease monetary policy, though at a more moderate pace compared to the 75bps reduction in April and the 50bps cut in February, was underpinned by the inflation rate remaining below the central bank's medium-term target range, alongside persistently weak private sector credit growth. The MPC also cited Kenya's strengthened external position, including record-high foreign exchange reserves ($10.8bn) and a narrowing current account deficit (1.3% of GDP), as factors that provided space to adjust the policy stance while maintaining exchange rate stability. Goldman Sachs analysts expect the easing cycle to continue until the monetary policy rate reaches 8.5%.



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), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior 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), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

6/11/25 8:50 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,052	0.5	1.4	6.9	12.6	3
Europe		5,421	0.1	0.3	2.1	9.2	11
Japan		38,421	0.5	1.8	2.1	-1.2	-4
China		3,895	0.8	0.7	0.1	9.9	-1
Asia Ex Japan		81	0.6	3.9	7.1	14.8	13
Emerging Markets		48	0.6	3.5	6.0	13.7	14
Interest Rates					basis points		
US 10y Yield		4.4	-5	7	5	2	-14
Germany 10y Yield		2.5	-1	-1	-4	-10	15
Japan 10y Yield		1.5	-1	-4	10	44	37
UK 10y Yield		4.6	1	-6	-2	28	-2
Credit Spreads					basis points		
US Investment Grade		128	0	-2	-16	8	8
US High Yield		349	2	-15	-46	-6	21
Exchange Rates					%		
USD/Majors		98.7	-0.4	-0.1	-1.7	-6.2	-9
EUR/USD		1.15	0.4	0.4	3.4	6.8	11
USD/JPY		144.5	-0.2	1.2	-2.6	-8.0	-8
EM/USD		46.0	0.1	0.6	1.3	-0.1	7
Commodities					%		
Brent Crude Oil ($/barrel)		67.8	1.4	4.5	6.9	-12.4	-7
Industrials Metals (index)		144.5	-0.1	-0.3	2.0	-5.0	3
Agriculture (index)		56.3	0.4	0.6	-1.5	-5.3	-1
Gold ($/ounce)		3350.4	0.8	-0.7	3.5	44.6	28
Bitcoin ($/coin)		109589.1	-0.4	4.8	5.1	62.9	17
Implied Volatility					%		
VIX Index (%, change in pp)		16.4	-0.5	-1.2	-5.5	3.6	-0.9
Global FX Volatility		8.4	0.0	-0.4	-0.8	1.0	-0.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		70	1	-3	-10	-45	-15
Italy		90	-1	-6	-14	-55	-25
France		68	0	0	-2	8	-15
Spain		58	0	-2	-7	-21	-12

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

Emerging Market Financial Indicators

Last updated: 6/11/2025 8:51 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		7.19	0.0	-0.1	0.3	0.9	1.6		1.7	0	-3	3	-52	4
Indonesia		16260	0.1	0.2	1.6	0.2	-1.0		6.7	0	-5	-8	-21	-33
India		86	0.1	0.5	-0.2	-2.3	0.1		6.9	2	16	1	-44	-49
Philippines		56	-0.1	-0.2	-0.7	5.0	3.5		4.9	1	0	-2	-60	6
Thailand		33	0.1	0.2	1.2	12.6	4.5		1.9	-2	-11	-13	-100	-48
Malaysia		4.24	0.1	0.2	1.5	11.4	5.6		3.5	2	2	0	-32	-27
Argentina		1188	-0.2	-0.3	-4.8	-24.1	-13.2		29.2	191	7	-21	-1555	8
Brazil		5.55	0.5	1.6	2.3	-3.3	11.4		14.1	-13	-7	16	229	-187
Chile		938	0.3	-0.1	0.9	-1.6	6.1		5.6	0	-3	0	-22	-12
Colombia		4206	-1.5	-2.3	0.5	-6.4	4.8		12.4	4	33	53	170	61
Mexico		18.95	0.6	1.3	3.6	-2.0	9.9		9.2	2	-7	-13	-106	-110
Peru		3.6	0.0	-0.3	0.7	4.0	2.9		6.9	-1	41	34	-19	26
Uruguay		41	0.2	0.6	1.1	-5.3	6.4		9.0	-4	-23	-50	-22	-66
Hungary		349	0.6	1.3	4.7	5.5	13.9		6.7	-4	2	13	-11	27
Poland		3.71	0.4	0.9	3.1	8.8	11.3		5.1	-3	11	19	-42	-44
Romania		4.4	0.5	0.9	5.0	5.7	9.6		7.4	-3	-9	-91	77	13
Russia		79.6	-1.5	-0.4	1.8	12.1	42.6							
South Africa		17.7	0.0	0.6	3.1	5.0	6.4		10.4	-3	-9	-41	-148	-10
Türkiye		39.18	0.0	0.0	-1.0	-17.4	-9.8		33.3	-41	-50	-150	444	359
US (DXY; 5y UST)		99	-0.4	-0.1	-1.6	-6.2	-9.0		4.02	-7	9	2	-40	-36

	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		3,895	0.8	0.7	0.1	9.9	-1.0		101	-7	-15	-33	5
Indonesia		7,222	-0.1	2.2	5.7	5.4	2.0		92	-8	-18	0	1
India		82,515	0.1	1.9	0.1	7.7	5.6		101	-7	-23	9	15
Philippines		6,381	0.5	-0.5	-2.8	-0.1	-2.3		75	-9	-12	-7	-4
Thailand		1,142	0.2	0.8	-5.7	-13.3	-18.5						
Malaysia		1,524	0.5	1.1	-1.5	-5.3	-7.2		73	-7	-16	-4	3
Argentina		2,202,667	4.3	-1.0	4.2	42.6	-13.1		662	-14	-26	-833	25
Brazil		136,436	0.5	-0.8	-0.1	12.2	13.4		212	-8	-13	-6	-35
Chile		8,227	0.7	0.7	-0.1	25.8	22.6		112	-2	-8	-7	-1
Colombia		1,650	0.8	-0.1	0.3	18.8	19.6		347	18	-21	46	21
Mexico		58,099	0.5	0.8	2.7	9.3	17.3		284	-8	-34	-25	-28
Peru		32,470	-0.1	1.7	6.0	10.5	12.1		130	1	-9	-22	-11
Hungary		96,249	-0.5	0.3	2.3	37.9	21.3		147	-5	-12	0	-8
Poland		101,557	-0.5	0.2	-1.6	21.1	27.6		107	-4	-2	12	-5
Romania		18,520	-0.5	0.0	12.4	4.5	10.8		227	-27	-87	43	-8
South Africa		96,460	-0.2	0.8	5.0	26.8	14.7		294	-18	-37	-35	1
Türkiye		9,702	0.4	7.7	3.3	-3.5	-1.3		298	-13	-20	16	39
EM total		48	1.3	3.5	6.0	13.7	13.8		367	-9	-26	-13	3

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

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