GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

# Global Markets Monitor

**THURSDAY, JUNE 12, 2025**

**LEAD EDITOR: SANJAY HAZARIKA**

- **US PPI data better than expected** (link)
- **Euro gains on renewed US tariff threats** (link)
- **SOFR futures curve in US poised to steepen** (link)
- **Markets expect US tariff related inflation to be temporary** (link)
- **Leveraged bond trading in China gets a boost** (link)
- **Chilean 30yr credit spread tightens to five-year low on favorable fiscal backdrop** (link)

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## Markets in retreat as sentiment turns negative on new US tariff threats

**Renewed threats of bilateral tariffs from the US made market sentiment turn negative. Stocks are in the red across the globe, while advanced economy government bond yields are lower on safe haven buying.** The dollar is depreciating again, reaching its weakest level against the euro since 2021. In other news, market participants are focused on today's auction of US 30-year long bonds in an environment where worries about the US fiscal situation are gaining ground. The recent rise of the long bond yield above 5% was worrying for investors, although it has subsequently fallen back. There are worries that a weak auction could put upward pressure on Treasury yields. However, the three-year and ten-year auctions earlier this week were very well received. Meanwhile, news of a plane crash in India added to the negative tone.

**Key Global Financial Indicators**

| Last updated: 6/12/25 8:04 AM | Level | | Change from Market Close | | | | |
|---|---|---|---|---|---|---|---|
| | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | YTD |
| **Equities** | | | | % | | | % |
| S&P 500 | | 6022 | -0.3 | 1 | 3 | 11 | 2 |
| Eurostoxx 50 | | 5343 | -0.9 | -1 | -1 | 6 | 9 |
| Nikkei 225 | | 38173 | -0.6 | 2 | 1 | -2 | -4 |
| MSCI EM | | 48 | 0.4 | 3 | 4 | 13 | 14 |
| **Yields and Spreads** | | | | bps | | | |
| US 10y Yield | | 4.38 | -4.3 | -1 | -9 | 6 | -19 |
| Germany 10y Yield | | 2.48 | -5.6 | -10 | -17 | -5 | 11 |
| EMBIG Sovereign Spread | | 317 | 1 | -12 | -28 | -73 | -8 |
| **FX / Commodities / Volatility** | | | | % | | | |
| EM FX vs. USD, (+) = appreciation | | 46.0 | -0.1 | 0 | 2 | 0 | 7 |
| Dollar index, (+) = $ appreciation | | 97.8 | -0.8 | -1 | -4 | -7 | -10 |
| Brent Crude Oil ($/barrel) | | 68.6 | -1.6 | 5 | 6 | -17 | -8 |
| VIX Index (%, change in pp) | | 18.6 | 1.3 | 0 | 0 | 7 | 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

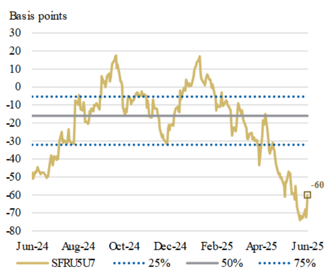
**The US PPI report was better than expected as the numbers were in line with yesterday's benign CPI report.** Treasuries extended their rally and US equity index futures trimmed their early morning losses.

**KEY US ECONOMIC DATA**
**Source: Bloomberg**

| Variable | Consensus Forecast | Actual Data |
|---|---|---|
| PPI | 0.2% | 0.1% |
| Core PPI | 0.3% | 0.1% |
| PPI (annualized) | 2.6% | 2.6% |
| Core PPI (ann.) | 3.1% | 3.0% |
| Initial Jobless Claims | 242K | 248K |

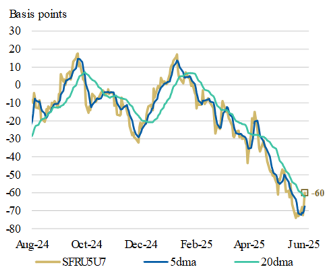
**The short-term interest rate futures curve in the US may be poised to steepen.** The yield spread between the September 2025 Secured Overnight Funding Rate (SOFR) futures contract and the September 2027 contract is highly inverted by historical standards. Analysts at Morgan Stanley think this had occurred because better than expected labor data have reduced market expectations for Fed rate cuts in 2025 from four cuts a month ago to less than two cuts at present. They argue that the market is too optimistic and that the impact of the tariffs is yet to be felt. Once the tariffs do begin to bite, the economy could slow down significantly and unemployment could rise, forcing the Fed to cut rates more rapidly. This would cause the SOFR futures curve to steepen. Other analysts disagree, arguing that the tariffs are likely to cause inflation, forcing the Fed to stay on hold for longer.

**Exhibit 9:** SFRU5U7 curve and its 25th, 50th, and 75th percentiles relative to the range over the past 12 months




Source: Bloomberg, Morgan Stanley Research

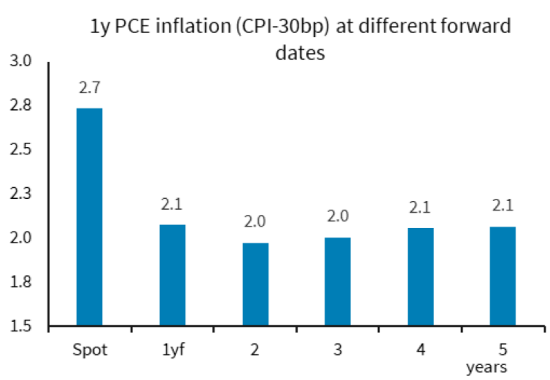
**Exhibit 10:** SFRU5U7 curve and the five-day and 20-day moving averages over recent months




Source: Bloomberg, Morgan Stanley Research

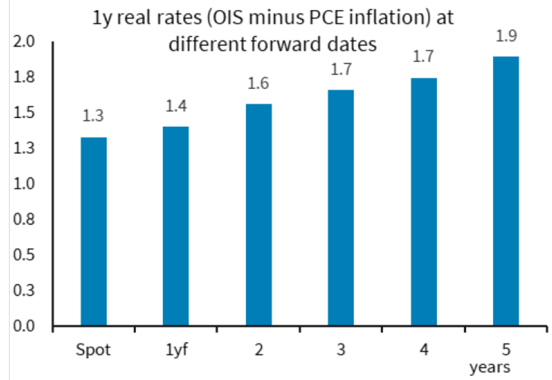
**Markets expect tariff-induced inflation to be temporary and are forecasting that real interest rates will be higher going forward.** This is a more optimistic take on the US economy, as market participants seem to expect that the impact of tariffs on inflation will be short lived and that the US economy will remain strong, justifying the rise in real rates. This positive view on inflation is also being expressed in the market for US Treasury Inflation Protected Securities (TIPS), where the spread between nominal Treasuries and equivalent maturity TIPS (known as the “breakeven yield”) has fallen for both five and ten-year maturities. The TIPS breakeven yields tend to rise when inflation expectations are going up. The recovery in the US equity also supports this optimistic view of the US economy. However, investors have learned to their cost that markets remain highly vulnerable to negative headlines on the trade front. They are also keeping a wary eye on the US budget negotiations currently being held in Congress.

**FIGURE 3.** **Inflation is priced to be temporary...**




Source: Barclays Research

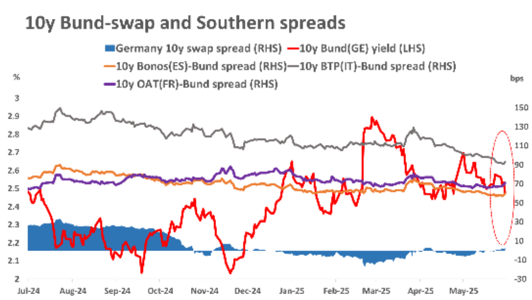
**FIGURE 4.** **...but real rates are priced to remain high**



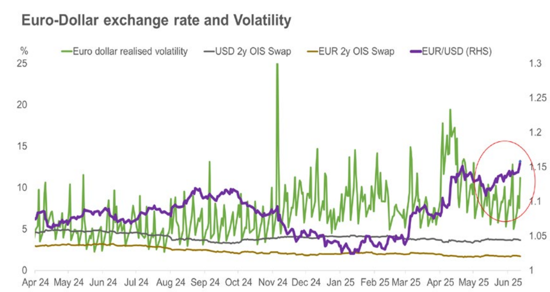

Source: Barclays Research

**Euro Area**

**European equities traded in the red this morning on renewed tariffs fears and heightened geopolitical tensions, while the euro advanced on the dollar and European sovereign bond yields edged lower, especially on longer tenors.** The Stoxx 600 index was down by -0.7%. Analysts at Bloomberg continue to see room for further appreciation of the euro, noting that traders in the options market are bullish on the currency with futures positioning suggesting that fund managers are similarly upbeat; analysts stress the sound overall position of the euro, with the ECB close to concluding its rate cuts and the fiscal outlook improved across the region as witnessed by Moody's recent improved take on Italy's credit rating. Southern spreads were tighter amidst the euro area bond market rally.



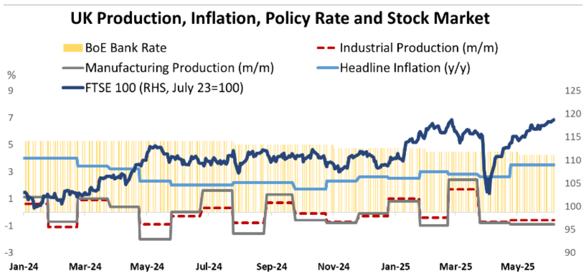

Source: Bloomberg and IMF calculations



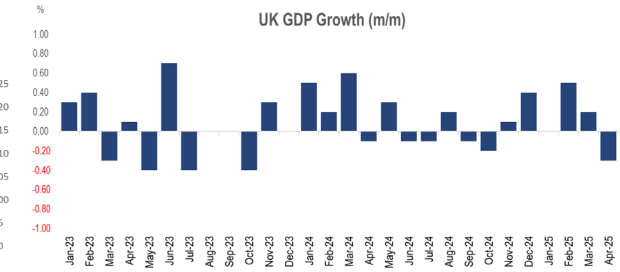

Source: Bloomberg and IMF calculations

**United Kingdom**

**The pound sterling continued to trade firm against the dollar while gilts yields edged slightly lower after today's data GDP data were weaker than expected.** GDP declined in April by -0.3%m/m (vs. est. -0.1%), from prior growth of 0.2%m/m, while industrial production fell by -0.6m/m (vs. est. -0.5%). Analysts at ING stress that GDP and production figures have been volatile recently due to frontloading activity ahead of tariffs. UBS expects UK GDP to grow by 0.8% in 2025 and 1.1% in 2026, although it sees significant headwinds from the uncertain global trade environment, with the UK still facing a higher average US tariff of 9.1% compared to about 1% before April 2 and negatively affected by spillovers from tariffs imposed on other US trading partners, particularly the EU.



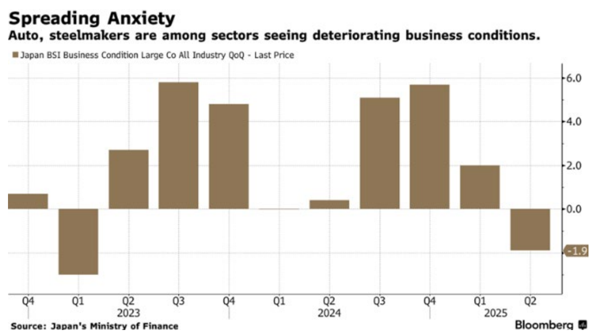
Source: Bloomberg and IMF calculations



Source: Bloomberg and IMF calculations

### Japan

**Large companies see business climate deteriorating as tariffs upend key sectors.** The business sentiment index for large firms (capital JPY10 mn or more) was -1.9 for Apr-Jun 2025, negative for the first time since 2024Q1. Sentiment among large manufacturers dropped to -4.8, driven by sharp declines in the automotive, auto parts, and steel industries. According to Bloomberg Intelligence, while the costs of auto tariffs are typically spread out evenly among suppliers, carmakers, and consumers, a 10% tariff would induce gradual price increases of 2%-3% annually, while higher tariffs such as 25% would likely leave two or more automakers in need of assistance. Sentiment may be even worse for small firms which form the backbone of the automotive sector. The weak overall sentiment is also likely to inject a degree of caution into policy deliberations during the Jun 16-17 BOJ meeting. Today, the stock market declined (Nikkei 225: -0.65%) and the yen strengthened (+0.5%) against the dollar.

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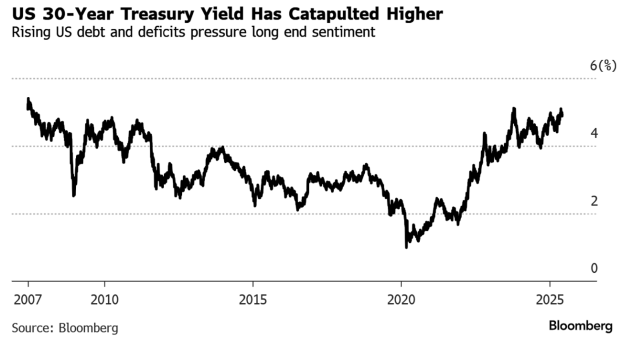
**Markets in EMEA joined the global retreat.** Local currencies were weaker. **Asian stocks were mostly lower as US tariffs loom.** Hong Kong SAR led the decline (HSI: -1.4%), followed by Thailand (SET: -1%) on reportedly record-low consumer confidence. **Latin American currencies rallied against a weaker dollar, led by the Mexican peso (+0.8%) and the real (+0.7%).** Equities were mixed, as Chile gained 1.1% while Mexican stocks were down 0.6%.

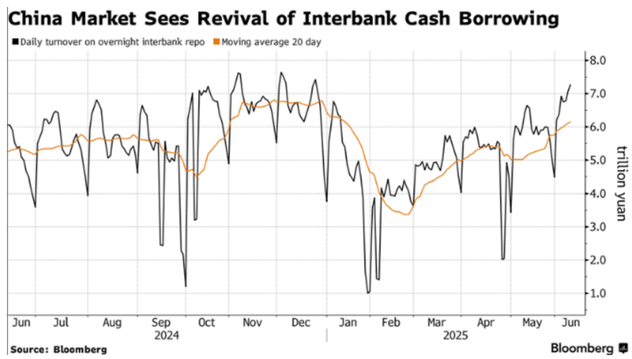
### Chile

**Chilean 30yr sovereign spreads have tightened to just 100bps over US Treasuries (left chart), the narrowest since January 2020, reflecting optimism about the country's fiscal positioning.** With debt at only 41.7% of GDP compared to over 120% in the US, Chile stands out as a fiscal outlier among peers. Yields on 30yr Chilean sovereigns stand at 5.9%, below Peru's 6.3% and Mexico's 7.4%. Presidential hopefuls for the November 2025 election are signaling a commitment to fiscal discipline while long-term yields in the US and other advanced economies rise (right chart). Still, skepticism lingers over President Boric's goal of cutting the deficit from 2.8% to 1.4% of GDP, with doubts about his proposed $2bn in spending cuts, 2.5% growth forecast, and the economic drag from tariffs.


## China

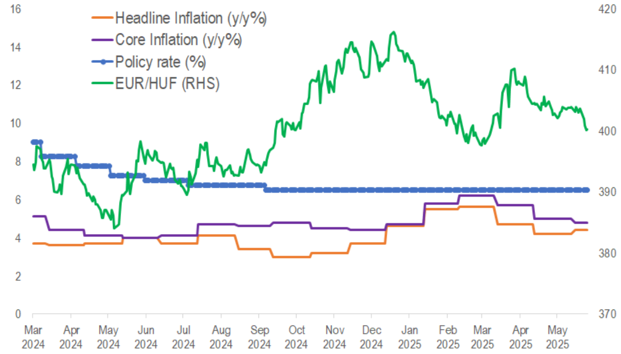
**Increased interbank lending following lower funding costs suggests renewed interest in leveraged bond trades.** The daily volume of overnight repurchase contracts, a key funding tool for leveraged bond purchases, reached its highest level this year on Wednesday, according to China Foreign Exchange Trade System data. Overnight funding costs fell to a year-to-date low (DR001: 1.37%) after the PBOC injected RMB 1tn ($139bn) via outright reverse repo operations last Friday, which analysts believe would benefit leveraged bond buyers. Bloomberg estimates that the profit from borrowing overnight funds to invest in 10y CGBs is around 30bps, a margin that had disappeared earlier this year when the PBOC tightened liquidity to curb market speculation and limit yuan weakness amid US trade tensions. However, the potential for leveraged bond trades may be constrained by an anticipated 30bps drop in the 10y yield to 1.4% by year-end, should deflationary pressures persist and the PBOC resume bond purchases. Today, the stock market declined (CSI300: -0.06%) despite reports of a trade deal between the US and China which includes easing export controls. The yuan appreciated slightly (+0.1%) against the dollar after the PBOC set a stronger fixing for the third consecutive session at 7.1803 per dollar.




## Hungary

**The Hungarian reached a two-month high against euro yesterday following an upside inflation surprise**. Data released yesterday showed headline inflation accelerating to 4.4%y/y in May (versus expected 4.3% from 4.2% the previous month), while core inflation eased to 4.8%y/y. The forint is up nearly 3% YTD versus the euro. Goldman Sachs analysts argue that inflation dynamics in Hungary—and more broadly, the CEE region—appear increasingly shaped by external factors. They highlight that the recent appreciation of the Hungarian forint is contributing to a more favorable inflation trajectory, while they expect the recent decline in global commodity prices to exert additional downward pressure on prices. UBS analysts expect the National Bank of Hungary to keep its policy rate on hold at 6.5% in the coming monetary policy meetings but forecast a 25bps rate cut in August.

Hungary: Interest rate, Inflation and Currency




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) and Sheheryar Malik (Deputy Division Chief). Timothy Chu (Financial Sector Expert), 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 Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), 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

| | Level | | Change | | | | |
|---|---|---|---|---|---|---|---|
| 6/12/25 7:18 AM | Last 12m | Latest | 1 Day | 7 Days | 30 Days | 12 M | YTD |
| **Equities** | | | | | % | | % |
| United States | | 6,022 | -0.3 | 0.9 | 3.0 | 11.1 | 2 |
| Europe | | 5,343 | -0.9 | -1.2 | -0.9 | 6.1 | 9 |
| Japan | | 38,173 | -0.6 | 1.6 | 1.4 | -1.8 | -4 |
| China | | 3,892 | -0.1 | 0.4 | 0.0 | 9.8 | -1 |
| Asia Ex Japan | | 82 | 0.6 | 3.0 | 4.9 | 14.1 | 13 |
| Emerging Markets | | 48 | 0.4 | 2.7 | 4.2 | 13.0 | 14 |
| **Interest Rates** | | | | | basis points | | |
| US 10y Yield | | 4.4 | -4 | -1 | -9 | 6 | -19 |
| Germany 10y Yield | | 2.5 | -6 | -10 | -17 | -5 | 11 |
| Japan 10y Yield | | 1.5 | -2 | -2 | 0 | 47 | 35 |
| UK 10y Yield | | 4.5 | -5 | -12 | -14 | 37 | -7 |
| **Credit Spreads** | | | | | basis points | | |
| US Investment Grade | | 129 | 0 | -2 | -15 | 8 | 9 |
| US High Yield | | 349 | 2 | -14 | -46 | -5 | 21 |
| **Exchange Rates** | | | | | % | | |
| USD/Majors | | 97.8 | -0.8 | -0.9 | -3.9 | -6.5 | -10 |
| EUR/USD | | 1.16 | 0.9 | 1.3 | 4.6 | 7.3 | 12 |
| USD/JPY | | 143.6 | -0.7 | 0.0 | -3.3 | -8.4 | -9 |
| EM/USD | | 46.0 | -0.1 | 0.2 | 1.6 | -0.1 | 7 |
| **Commodities** | | | | | % | | |
| Brent Crude Oil ($/barrel) | | 68.6 | -1.6 | 5.1 | 6.3 | -11.8 | -6 |
| Industrials Metals (index) | | 143.4 | -0.3 | -1.4 | 0.9 | -7.4 | 2 |
| Agriculture (index) | | 55.9 | 0.0 | -0.6 | -2.4 | -6.0 | -2 |
| Gold ($/ounce) | | 3382.5 | 0.8 | 0.9 | 4.5 | 45.5 | 29 |
| Bitcoin ($/coin) | | 107191.5 | -1.6 | 1.2 | 4.4 | 57.4 | 14 |
| **Implied Volatility** | | | | | % | | |
| VIX Index (%, change in pp) | | 18.6 | 1.3 | 0.1 | 0.2 | 6.5 | 1.2 |
| Global FX Volatility | | 8.1 | 0.0 | -0.6 | -0.4 | 0.9 | -1.1 |
| **EA Sovereign Spreads** | | | | | 10-Year spread vs. Germany (bps) | | |
| Greece | | 75 | 3 | 3 | -4 | -35 | -11 |
| Italy | | 93 | 2 | -1 | -10 | -46 | -22 |
| France | | 71 | 2 | 4 | 3 | 10 | -12 |
| Spain | | 60 | 2 | 2 | -3 | -19 | -9 |

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

# Emerging Market Financial Indicators

| Last updated: 6/12/2025 7:21 AM | Exchange Rates: Level | | Change (in %) | | | | | Local Currency Bond Yields (GBI EM): 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 | 0.2 | 0.0 | 0.4 | 0.9 | 1.7 | | 1.7 | -1 | -3 | 2 | -52 | 3 |
| Indonesia | | 16243 | 0.1 | 0.3 | 2.2 | 0.3 | -0.7 | | 6.7 | -2 | -7 | -10 | -27 | -35 |
| India | | 86 | -0.1 | 0.2 | -0.3 | -2.4 | 0.0 | | 6.8 | -2 | 14 | -1 | -46 | -51 |
| Philippines | | 56 | 0.1 | -0.3 | -0.5 | 5.0 | 3.9 | | 4.9 | -3 | -2 | -5 | -61 | 4 |
| Thailand | | 32 | 0.7 | 0.7 | 3.1 | 13.2 | 6.0 | | 1.9 | 1 | -6 | -13 | -99 | -47 |
| Malaysia | | 4.22 | 0.4 | 0.2 | 1.9 | 11.8 | 6.0 | | 3.5 | 0 | 3 | 0 | -31 | -27 |
| Argentina | | 1182 | 0.5 | 0.3 | -4.3 | -23.7 | -12.7 | | 29.1 | -11 | 16 | -32 | -1573 | -3 |
| Brazil | | 5.54 | 0.7 | 1.8 | 2.5 | -3.1 | 11.5 | | 14.1 | 2 | -3 | 18 | 235 | -185 |
| Chile | | 934 | 0.6 | 0.3 | 1.3 | -1.2 | 6.6 | | 5.5 | -3 | -3 | -3 | -24 | -15 |
| Colombia | | 4182 | 0.6 | -1.7 | 1.1 | -4.6 | 5.4 | | 12.5 | 7 | 42 | 60 | 173 | 68 |
| Mexico | | 18.93 | -0.1 | 1.2 | 3.8 | -1.0 | 10.0 | | 9.3 | 4 | 4 | -9 | -123 | -106 |
| Peru | | 3.6 | 0.2 | -0.3 | 0.9 | 4.1 | 3.6 | | 6.8 | -7 | 35 | 43 | -21 | 20 |
| Uruguay | | 41 | 0.8 | 1.1 | 1.6 | -4.8 | 6.2 | | 9.0 | -1 | -20 | -52 | -24 | -67 |
| Hungary | | 346 | 0.7 | 1.8 | 5.6 | 5.7 | 14.9 | | 6.7 | 5 | 9 | 18 | -5 | 32 |
| Poland | | 3.68 | 0.6 | 1.7 | 4.0 | 8.9 | 12.3 | | 5.1 | 0 | 11 | 18 | -40 | -44 |
| Romania | | 4.3 | 0.9 | 1.7 | 6.1 | 6.2 | 10.8 | | 7.4 | 1 | -3 | -90 | 77 | 15 |
| Russia | | 80.0 | -0.6 | -3.9 | 1.2 | 11.3 | 41.9 | | | | | | | |
| South Africa | | 17.8 | -0.6 | -0.5 | 2.4 | 3.1 | 5.7 | | 10.4 | 3 | 7 | -39 | -134 | -7 |
| Türkiye | | 39.31 | -0.4 | -0.1 | -1.3 | -17.8 | -10.1 | | 33.2 | -6 | -54 | -157 | 401 | 352 |
| US (DXY; 5y UST) | | 98 | -0.8 | -0.9 | -3.9 | -6.5 | -9.8 | | 3.98 | -5 | -2 | -13 | -34 | -41 |

| | Equity Markets: Level | | Change (in %) | | | | | Bond Spreads on USD Debt (EMBIG): 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 | | 3,892 | -0.1 | 0.4 | 0.0 | 9.8 | -1.1 | | 104 | -6 | -12 | -31 | 8 |
| Indonesia | | 7,204 | -0.3 | 2.3 | 5.4 | 5.2 | 1.8 | | 95 | -12 | -15 | -4 | 4 |
| India | | 81,692 | -1.0 | 0.3 | -0.9 | 6.6 | 4.5 | | 103 | -5 | -21 | 12 | 17 |
| Philippines | | 6,381 | 0.0 | -0.5 | -2.8 | -0.1 | -2.3 | | 78 | -9 | -9 | -10 | -1 |
| Thailand | | 1,129 | -1.1 | -1.1 | -6.8 | -14.3 | -19.4 | | | | | | |
| Malaysia | | 1,527 | 0.2 | 0.6 | -1.3 | -5.1 | -7.0 | | 75 | -4 | -14 | -3 | 5 |
| Argentina | | 2,171,273 | -1.4 | 2.1 | -2.7 | 38.5 | -14.3 | | 676 | -20 | -12 | -855 | 39 |
| Brazil | | 137,128 | 0.5 | 0.1 | 0.4 | 14.3 | 14.0 | | 217 | -7 | -8 | -7 | -30 |
| Chile | | 8,320 | 1.1 | 1.8 | -0.1 | 27.3 | 24.0 | | 113 | -7 | -7 | -9 | 0 |
| Colombia | | 1,659 | 0.6 | 0.2 | 0.2 | 20.2 | 20.3 | | 347 | 13 | -21 | 41 | 21 |
| Mexico | | 57,767 | -0.6 | 0.5 | 1.8 | 9.0 | 16.7 | | 278 | -15 | -40 | -36 | -34 |
| Peru | | 32,559 | 0.3 | 2.2 | 6.9 | 9.7 | 12.4 | | 127 | -8 | -12 | -29 | -14 |
| Hungary | | 95,011 | -0.9 | -1.7 | 1.4 | 35.3 | 19.8 | | 155 | -3 | -4 | 0 | 0 |
| Poland | | 100,244 | -1.4 | 0.0 | -3.2 | 17.8 | 26.0 | | 110 | -6 | 1 | 8 | -2 |
| Romania | | 18,489 | -0.1 | -0.5 | 12.3 | 3.9 | 10.6 | | 231 | -19 | -83 | 39 | -4 |
| South Africa | | 96,487 | 0.1 | 0.1 | 4.7 | 25.2 | 14.7 | | 295 | -16 | -36 | -34 | 2 |
| Türkiye | | 9,580 | -1.1 | 3.3 | -1.7 | -5.8 | -2.5 | | 301 | -14 | -17 | 13 | 42 |
| EM total | | 48 | -1.0 | 2.7 | 4.2 | 13.0 | 14.3 | | 368 | -12 | -25 | -17 | 4 |

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

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