



- Swedish krona weakens after Riksbank cuts 25 bps with dovish guidance ([link](#))
- China unveiled measures to boost market infrastructure and cross-border RMB usage ([link](#))
- Oil futures curve remains downward sloping ([link](#))
- Investment grade credit spreads remain tight amid strong investor demand ([link](#))
- Analysts expect the dollar to remain under pressure as the economy slows ([link](#))

[Mature Markets](#)



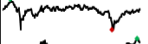






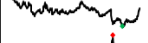
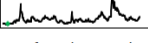
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Hurry Up & Wait: Caution prevails before FOMC as tariff and war uncertainty linger

Global equities were mixed this morning and price moves were limited as investors remained in a holding pattern. Oil prices rose as high as \$77 per barrel late yesterday before partially retracing amid reports that the US could increase its involvement in the Middle East. Treasury yields were down slightly alongside the dollar ahead of the FOMC meeting this afternoon. US equity futures were modestly higher this morning while jobless claims were in line with expectations, with initial claims at 245k. Housing starts were somewhat weaker than expected. The market reaction was muted. Elsewhere, Japanese stocks outperformed on the day, up 0.9%. Elsewhere, Sweden's Riksbank cuts its policy rate by 25 bps as expected, while Bank Indonesia left its policy rate unchanged at 5.5%. US markets will be closed tomorrow for the Juneteenth holiday.

Key Global Financial Indicators

Last updated: 6/18/25 8:36 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities							
			%				%
S&P 500		5983	-0.8	-1	0	9	2
Eurostoxx 50		5277	-0.2	-2	-3	7	8
Nikkei 225		38885	0.9	1	4	1	-3
MSCI EM		47	-1.3	-2	1	9	11
Yields and Spreads			bps				
US 10y Yield		4.37	-2.4	-6	-11	14	-20
Germany 10y Yield		2.52	-1.5	-2	-7	12	15
EMBIG Sovereign Spread		323	7	6	-5	-72	-2
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.9	0.1	0	1	-1	7
Dollar index, (+) = \$ appreciation		98.6	-0.3	0	-3	-6	-9
Brent Crude Oil (\$/barrel)		76.6	0.2	10	17	-10	3
VIX Index (% change in pp)		21.3	-0.4	4	4	9	4

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

Mature Markets

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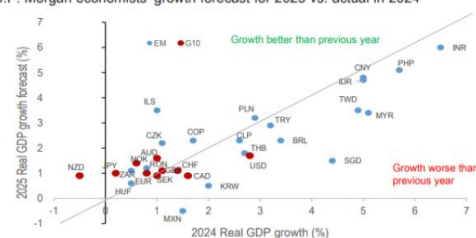
United States

Jobless claims were in line with expectations, with initial claims at 245k (vs 245k expected, 248k previous) and continuing claims at 1.945 mn (vs 1.941 mn expected, 1.951 mn previous). Housing starts were below expectations at 1.256 mn (vs 1.35 mn expected). The market reaction was muted.

Some analysts expect the dollar to remain under pressure as the domestic economy slows. JP Morgan analysts highlighted that headwinds from tariffs will further slow the economy going forward. Moreover, they expect growth in some other economies—both EMs and AEs—to accelerate this year, supporting their currencies against the dollar. The latest US economic data, such as yesterday's retail sales report, are coming in weaker than expected, apparently confirming that the economy is indeed slowing down. The Bloomberg Economic Surprise Index turned negative and fell to its lowest level since October. In addition, the Fed is expected to continue its rate cuts some time this year and into 2026, making short term interest differentials even less favorable for the dollar.

Growth is projected to decline in the US and several countries in 2025, but there are several winners as well: Antipodeans, NOK, EUR and JPY in DM and EMEA in EM

J.P. Morgan economists' growth forecast for 2025 vs. actual in 2024



Uses consensus for CHF.

Source: J.P. Morgan Economics Research, Bloomberg LLP.

A USD-negative cocktail: the terminal rate priced for the Fed has declined simultaneous with term premium going up

US OIS 2Yx1M rate vs. ACM term premium (%)



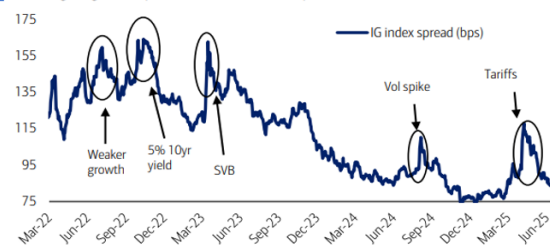
Source: J.P. Morgan

US investment grade (IG) corporate bond spreads remain tight amid strong investor demand.

Despite the recent geopolitical shocks, the primary market continues to perform well, with new issuances oversubscribed amid strong demand. Market selloffs have been brief in recent years, lasting just 1.6 months on average, according to research by Bank of America. The new crisis in the Middle East has revived the fortunes of one of the few weak sectors in the market, the energy sector. Investors in the US IG market have become accustomed to taking these risk events in stride and simply buying the dip. Strong corporate fundamentals and high absolute yields have helped the market retain its attractiveness for credit investors. However, investors remain worried that a trade war could cause a US recession, causing the market to sell off on a more sustained basis and inflicting heavy losses.

Exhibit 2: Risk-off events over the past three years have been short

The average length of the past five risk off events for IG spreads have been 1.6 months.



Source: Bloomberg

BofA GLOBAL RESEARCH

Exhibit 3: The average length of risk-off events since 2022 has been 1.6M

We assume the event starts at the preceding tightens and ends when the widening is re-traced.



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Commodities Markets

The Brent oil futures curve remains downward sloping despite the surge in oil prices sparked by the new conflict in the Middle East. Oil prices have gone up across all maturities, but market participants expect oil prices to decline in the future, with the implication that the current rise in oil prices is temporary. “Backwardation” is the normal situation for the oil futures market, where the curve is downward sloping. However, if the conflict escalates, future oil prices could rise above the spot price as market participants expect supply to be significantly disrupted for an extended period. In this situation, the futures curve would be upward sloping (a condition known as a “contango”). Morgan Stanley analysts noted that while the US has become a small net oil exporter, Asian economies are significant importers and could be vulnerable.

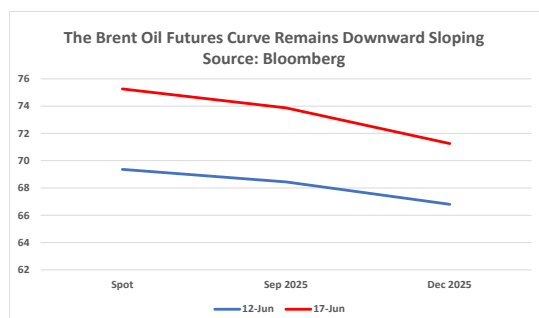
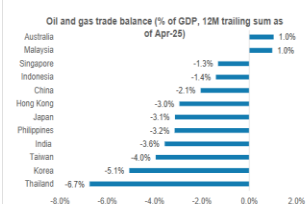
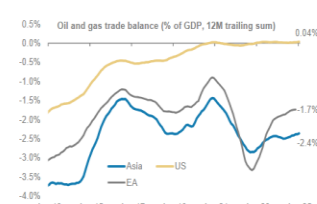


Exhibit 1: Thailand, Korea and Taiwan run the largest oil and gas trade deficits in the region



Source: Haver, Morgan Stanley Research

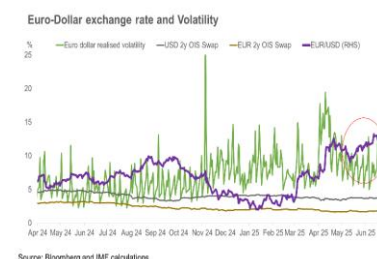
Exhibit 2: Asia is the most oil import-dependent region



Source: Haver, Morgan Stanley Research

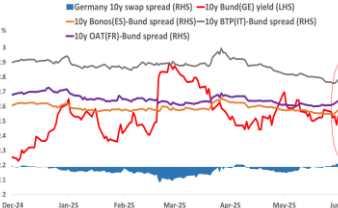
Europe

European equities were down slightly (-0.2%) while the euro edged higher (+0.2%). The Stoxx 600 index pared early morning gains, with the banking sector outperforming (+0.4%) after falling 0.9% over the last week and 1.6% month to date. Sovereign bond yields also edged lower, though the 10y BTP-Bund spread inched higher. ING analysts expect the euro to hover around the \$1.14/€ level in the short term, as geopolitical events are causing a temporary dislocation from macro-driven pricing of the euro. They also highlighted a structural bearish view on the dollar, noting that a growing risk premium reflects US portfolio outflows and investor worries on US deficits and growth. **ECB President Christine Lagarde highlighted a "global euro moment"**, while warning about the challenges posed by slow growth, fragmented capital markets, and limited supply of high-quality safe assets. ECB Governing Council member Stournaras remarked that while the Eurozone has reached an "equilibrium" with inflation and interest rates at 2%, this might not last, leaving room for further rate cuts if inflation weakens. ECB member Villeroy de Galhau highlighted the uncertainty from fluctuations in oil prices and exchange rates, while Governing Council member Panetta also noted the substantial and “difficult to quantify” risks from tariffs and the conflict in the Middle East.



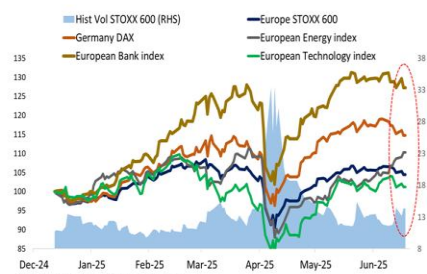
Source: Bloomberg and IMF calculations

10y Bund-swap and Southern spreads



Source: Bloomberg and IMF calculations

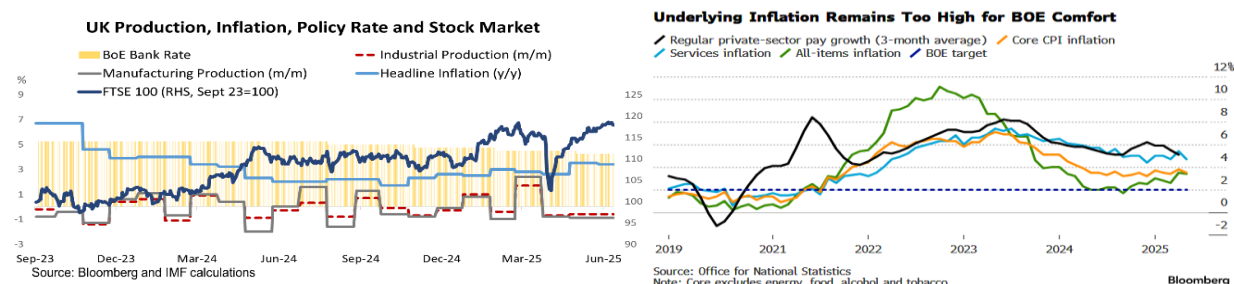
European Stocks (Dec 2024= 100)



Source: Bloomberg and IMF calculations

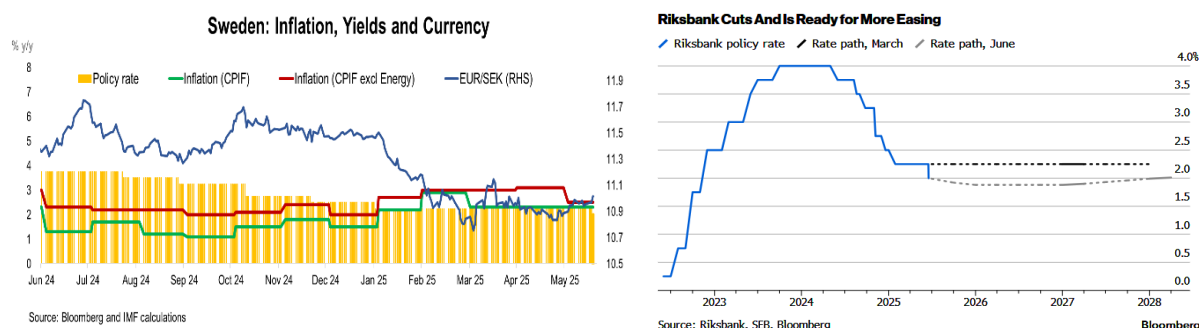
United Kingdom

The pound sterling edged higher (+0.2%) while gilt yields declined slightly (-2 bps) after inflation softened in May to 3.4% y/y (vs 3.3% expected, 3.5% previous). Equities were up modestly. Core inflation was in line with expectations at 3.5% y/y (vs 3.8% previous), while services inflation declined to 4.7% y/y (vs. 4.8% expected, 5.4% previous). Money markets were little changed and continue to price in less than a 5% probability of a rate cut at tomorrow's Bank of England (BoE) meeting. Nevertheless, a cut is fully priced in by September's meeting, and nearly two cuts (49 bps) are priced in by December. KPMG highlighted additional inflationary risks from higher oil prices, while Bloomberg noted that although services inflation eased, headline inflation remains at its highest level in over a year and the BoE is likely to remain cautious.



Sweden

The krona weakened (-0.3%) and bond yields declined by 2–3 bps after the Riksbank cut its policy rate by 25 bps to 2% in line with expectations. The Riksbank cited concerns about softening economic growth (GDP at -0.2% q/q in Q1) and high unemployment (9.7% in May), as it cut its 2025 growth forecast to 1.2% from 1.9%. It also lowered its projections for CPI inflation (which excludes the effects of interest rate changes) to 2.4% this year and 1.7% in 2026. Bloomberg analysts highlighted the surprisingly dovish tilt of today's meeting and believe another cut in September is likely if activity fails to rebound. Policymakers also stated that the "forecast for the policy rate entails some probability of another cut this year". However, HSBC expects growth to improve in the coming months while inflationary pressures persist given recent corporate surveys. They expect no cut through the remainder of 2025. Market pricing suggests a slightly higher probability of another rate cut in November, up from 55% to 68%.



Japan

Japanese exports fell for the first time in eight months (-1.7% y/y vs -3.7% expected) in value terms, led by cars, steel, and mineral fuel. Given that volumes expanded (+1.8% y/y), the decline suggests exporters have largely absorbed tariffs by lowering prices. Notably, car exports to the US, which make up about a quarter of shipments to the US, fell 24.7% in value, but only 3.9% by volume. The drop in exports

and the larger trade deficit (imports fell 7.7%) added to concerns that the economy could contract again in the second quarter. Meanwhile, US-Japan tariff negotiations remained unsettled following the meeting between PM Ishiba and President Trump at the G7 Summit on June 16th. If no agreement is reached, the 10% tariff is set to revert to 24% on July 9th, as previously announced in April. The yen edged higher (+0.2%), outperforming its Asian peers on the day while the Topix equity index gained modestly (+0.8%).



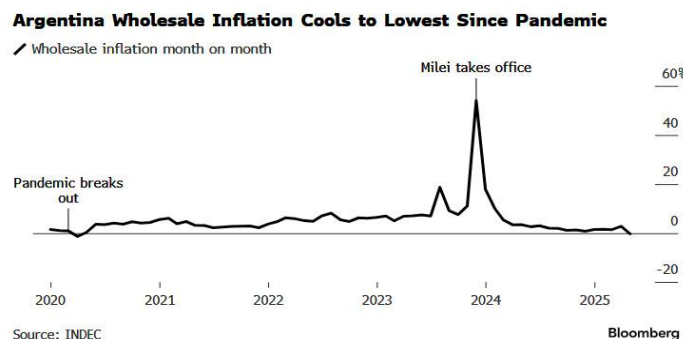
Emerging Markets

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EMEA equities and currencies were mixed ahead of the FOMC decision and ongoing geopolitical tensions. Equities in Egypt and the UAE were up slightly, while Turkish equities underperformed. The South African rand was little changed against the dollar after inflation data for May was mostly in line with expectations, with headline inflation remaining unchanged at 2.8% y/y. In CEE, equities were mostly lower, though Hungary outperformed. Meanwhile, Romania's government bond yields declined after positive headlines from ongoing coalition talks. **In Asia, financial markets were mostly steady, with the Philippine peso underperforming (-0.5%).** The peso had fallen about 2% this month as risk sentiment waned amid escalating conflict between Iran and Israel. Meanwhile, **Bank Indonesia held its benchmark policy rate unchanged at 5.5%**, in line with expectations. Following the policy announcement, the rupiah pared losses to close 0.1% lower while Indonesia's 10y government bond yield was little changed at 6.73%. **In Latin America, regional currencies were mixed on Tuesday, with the Chilean peso underperforming (-0.9%).** Most major equity markets were modestly lower.

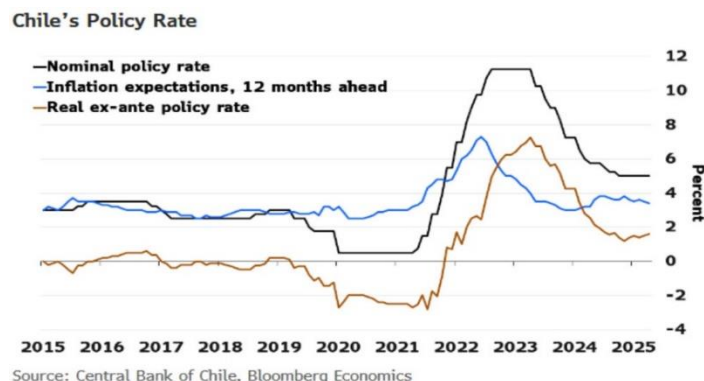
Argentina

The producer price index fell 0.3% m/m in May, the lowest monthly rate since 2020, and down from 55% in December 2023 when President Milei took office. In May, monthly consumer price inflation also declined below 2%, reaching its slowest pace in five years. Bloomberg analysts wrote that the decline reflects the impact of broad-based government austerity measures.



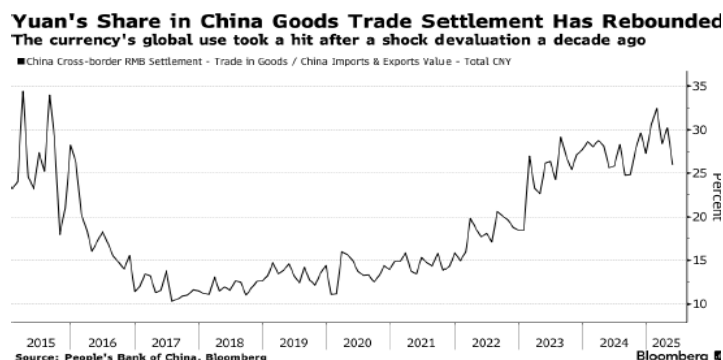
Chile

Chile's central bank left its benchmark policy rate unchanged at 5% as expected. Analysts highlighted that policymakers are waiting for more clarity before making any additional monetary adjustments, as recent economic activity data suggest no immediate need for additional stimulus. Data through April indicate economic activity is above potential and rising, suggesting that current monetary conditions are not significantly holding back growth and giving policymakers room to wait before making their next move. In addition, upside risks to inflation from new shocks to electricity and oil prices call for caution. Persistent wage growth and services inflation are also limiting factors. However, weaker global demand and US tariffs are headwinds, supporting further accommodations when conditions allow. The central bank will release updated growth and inflation forecasts on June 18th.



China

Chinese authorities unveiled new initiatives to boost financial market infrastructure and RMB cross-border usage. At the opening of the Lujiazui Forum in Shanghai, an annual gathering of senior financial sector professionals, People's Bank of China (PBoC) Governor Pan announced new initiatives aimed at strengthening China's financial infrastructure and boosting cross-border usage of the RMB. Some of these measures include plans to establish a trade reporting repository for the interbank market, a new personal credit reporting agency to provide more diversified and tailored credit products for financial institutions, and an "international operations center" for cross-border digital RMB, including a multi-channel, cross-border renminbi clearing network. China will also lift the cap on overseas asset investments under the Qualified Domestic Institutional Investors Scheme (QDII). The quota, which limits domestic investors' purchases of overseas assets such as US Treasuries and overseas equities, was last raised in May 2024.



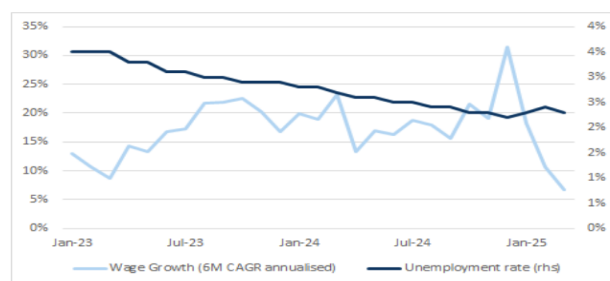
Low deposit rates have likely spurred deposit migration into money market and wealth management products. From April to May, non-bank deposits surged by RMB1.19 tn (\$168 bn), the largest monthly increase in nearly a decade. Meanwhile, RMB deposits increased by RMB2.18 tn (\$307 bn) over the same period, an increase of RMB500 bn (\$70 bn) compared to a year ago. Bank deposit rates have fallen as the

PBoC eased monetary policy. A survey of the largest banks onshore showed a 6-month deposit rate of 0.85% and a 1-year deposit rate of 0.95%, compared to a 7-day repo rate of 1.40%. Onshore asset prices were little changed. Both the onshore and offshore RMB as well as the CSI index held steady on the day.

Russia

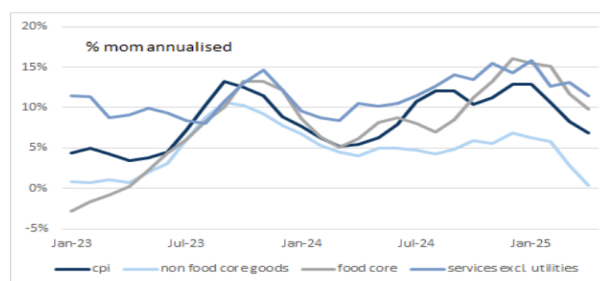
Analysts expect a more front-loaded easing cycle following last week's 100 bp rate cut by the Central Bank of Russia (CBR). Goldman Sachs analysts cited a weakening labor market and a sharp deceleration in inflation as factors that would support further easing by the CBR. They now expect 100 bp rate cuts at the next few meetings, with the policy rate declining from 20% to 16% by year-end and 11% by the end of 2026. This morning, the Russian ruble was up slightly and has gained about 44% YTD.

Exhibit 2: Wage Growth Has Fallen Surprisingly Quickly



Source: Goldman Sachs Global Investment Research

Exhibit 3: Sequential Inflation Has Fallen Particularly Sharply In the Exchange Rate Sensitive Non Food Core Goods Category



Source: Goldman Sachs Global Investment Research

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 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.

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Global Financial Indicators

6/18/25 8:19 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,989	-0.8	-0.6	0.5	9.1	2
Europe		5,278	-0.2	-2.1	-2.8	7.4	8
Japan		38,885	0.9	1.2	3.7	0.8	-3
China		3,875	0.1	-0.5	-0.1	9.8	-2
Asia Ex Japan		80	-1.2	-1.5	2.0	10.3	11
Emerging Markets		47	-1.3	-2.1	0.8	8.7	11
Interest Rates			basis points				
US 10y Yield		4.4	-2	-6	-11	14	-20
Germany 10y Yield		2.5	-1	-1	-7	13	16
Japan 10y Yield		1.5	-1	-1	-1	51	35
UK 10y Yield		4.5	-4	-4	-13	47	-5
Credit Spreads			basis points				
US Investment Grade		130	0	2	-3	3	10
US High Yield		357	1	8	-6	-5	29
Exchange Rates			%				
USD/Majors		98.6	-0.2	0.0	-2.4	-6.3	-9
EUR/USD		1.15	0.3	0.2	2.4	7.2	11
USD/JPY		144.8	-0.3	0.2	0.0	-8.3	-8
EM/USD		45.8	0.0	-0.5	1.0	-0.7	7
Commodities			%				
Brent Crude Oil (\$/barrel)		76.7	0.3	9.9	18.4	-2.8	5
Industrials Metals (index)		144.2	0.3	0.3	1.5	-4.2	3
Agriculture (index)		57.0	-0.1	2.0	0.8	-2.9	0
Gold (\$/ounce)		3385.1	-0.1	0.9	4.8	45.3	29
Bitcoin (\$/coin)		104764.7	0.4	-0.7	0.6	61.4	12
Implied Volatility			%				
VIX Index (% change in pp)		21.2	-0.4	3.9	4.0	8.9	3.9
Global FX Volatility		8.5	0.0	0.3	-0.1	1.0	-0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		77	1	6	0	-44	-8
Italy		96	1	5	-4	-53	-19
France		72	0	3	5	-5	-11
Spain		64	1	5	1	-24	-6

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

Emerging Market Financial Indicators

Last updated: 6/18/2025 8:17 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	0.0	0.4	0.9	1.5		1.7	-2	-3	-5	-53	1
Indonesia		16300	-0.1	-0.2	0.8	0.6	-1.2		6.7	0	-3	-11	-35	-36
India		86	-0.3	-1.1	-1.2	-3.5	-1.0		6.8	1	-4	0	-46	-53
Philippines		57	-0.5	-1.9	-2.2	2.9	1.6		4.9	0	1	3	-42	7
Thailand		33	-0.1	0.1	1.4	12.9	4.5		1.8	-2	-1	-15	-100	-49
Malaysia		4.25	-0.2	-0.3	0.9	10.9	5.2		3.6	-1	3	1	-28	-23
Argentina		1163	1.7	2.1	-2.1	-22.3	-11.3		27.3	-27	-197	-231	-1597	-189
Brazil		5.49	0.2	0.9	3.0	-1.0	12.5		14.1	7	4	4	232	-183
Chile		945	-0.9	-0.5	-0.8	-1.0	5.2		5.5	-2	-6	-4	-28	-18
Colombia		4100	0.1	2.6	1.8	0.7	7.5		12.3	-6	-12	37	140	49
Mexico		18.95	0.3	-0.2	1.9	-2.8	9.9		9.3	-3	6	-10	-106	-104
Peru		3.6	-0.2	0.6	2.2	5.0	3.6		6.7	-1	-16	28	-52	5
Uruguay		41	-0.2	1.0	1.8	-3.8	7.4		9.0	-1	-3	-48	-34	-69
Hungary		350	0.4	-0.6	2.1	4.8	13.4		6.7	2	1	4	-12	28
Poland		3.71	0.4	-0.2	1.9	8.8	11.3		5.2	2	3	13	-40	-41
Romania		4.4	0.3	0.1	2.6	6.0	9.9		7.4	-5	0	-61	78	14
Russia		78.4	0.3	1.4	2.8	8.9	44.8							
South Africa		18.1	-0.3	-1.9	0.1	-0.2	4.3		10.4	-5	2	-32	-120	-8
Türkiye		39.54	-0.1	-0.9	-1.9	-17.6	-10.6		33.5	-33	23	-74	434	381
US (DXY; 5y UST)		99	-0.2	0.0	-2.4	-6.3	-9.1		3.97	-2	-5	-12	-28	-41

	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		3,875	0.1	-0.5	-0.1	9.8	-1.5		107	6	-8	-30	11	
Indonesia		7,108	-0.7	-1.6	-0.5	5.7	0.4		99	7	-3	-5	8	
India		81,445	-0.2	-1.3	-0.7	5.3	4.2		104	3	-9	7	18	
Philippines		6,337	-0.5	-0.2	-1.8	-0.4	-2.9		84	9	3	-5	5	
Thailand		1,095	-1.7	-4.1	-7.8	-16.0	-21.8							
Malaysia		1,512	0.0	-0.8	-2.8	-5.5	-7.9		78	5	-4	-5	8	
Argentina		2,072,440	-2.6	-1.8	-10.6	33.1	-18.2		722	60	20	-672	85	
Brazil		138,840	-0.3	1.8	-0.2	16.1	15.4		222	10	1	-11	-25	
Chile		8,092	-0.9	-2.7	-3.5	23.7	20.6		113	1	-4	-12	0	
Colombia		1,631	-0.1	-1.7	-0.9	17.4	18.3		342	-5	-2	12	16	
Mexico		56,677	-0.6	-2.4	-2.3	6.5	14.5		283	-1	-10	-40	-29	
Peru		32,614	0.5	0.4	5.2	9.4	12.6		125	-5	-7	-27	-16	
Hungary		98,124	0.8	2.4	1.1	40.5	23.7		164	17	6	4	9	
Poland		99,839	-0.2	-1.8	-3.2	17.1	25.5		113	6	6	8	1	
Romania		18,699	0.0	1.0	11.6	3.8	11.8		235	8	-52	35	0	
South Africa		94,378	-0.3	-2.4	1.9	18.3	12.2		301	7	-12	-20	8	
Türkiye		9,191	-1.6	-5.1	-4.9	-12.2	-6.5		307	9	6	6	48	
EM total		47	0.2	-2.1	0.8	8.7	11.5		375	7	-6	-12	10	

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

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