GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JUNE 18, 2026
LEAD EDITOR: SANJAY HAZARIKA

- **FOMC delivers hawkish hold** (link)
- **AI infrastructure boom fuels outsized US equity gains** (link)
- **Global fund manager survey finds that investors remain highly optimistic** (link)
- **Yen weakness prompts intervention speculation** (link)
- **China increases reliance on bond financing in shift away from loans** (link)
- **Central Bank of Brazil cuts as expected but signals end to easing cycle** (link)

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Markets Rally on Hopes of End to Conflict in the Middle East

The news that the US and Iran have struck a deal to end the ongoing conflict in the Middle East pushed US equity index futures higher and triggered a bid for longer maturity Treasuries, whose yields fell as a result. Lower oil prices also boosted sentiment. News headlines indicated that some ships were able to pass through the Strait of Hormuz, a positive development for investors. There is measure of relief for market participants after an unexpectedly hawkish debut by the new Fed Chairman caused interest rates to rise and stocks to fall yesterday afternoon in the US trading session. Meanwhile, the Bank of England stayed on hold as expected, with an external member of the Monetary Policy Committee joining the Chief Economist's dissent in a 7–2 vote. They preferred a 25 bps rate hike to tackle inflation. In other news, a weaker yen has revived speculation that further FX intervention could be imminent.

Key Global Financial Indicators

Last updated: 6/18/26 7:49 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		7420	-1.2	2	0	24	8
Eurostoxx 50		6301	0.0	4	8	20	9
Nikkei 225		71053	1.6	11	17	85	41
MSCI EM		69	-0.1	6	6	47	25
Yields and Spreads			bps				
US 10y Yield		4.46	-3.2	-1	-13	6	29
Germany 10y Yield		2.94	0.9	-10	-21	44	8
EMBIG Sovereign Spread		225	-2	-11	-11	-97	-28
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.3	-0.4	0	0	3	2
Dollar index, (+) = $ appreciation		100.7	0.6	1	2	2	2
Brent Crude Oil ($/barrel)		78.7	-1.1	-13	-30	3	29
VIX Index (%, change in pp)		17.4	-1.1	-2	0	-3	2

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

Key Global Inflation and Energy Indicators

Last updated: 6/18/26 7:50 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		79	-1.1	-13	-30	3	29
WTI Crude Oil ($/barrel)		76	-1.6	-14	-30	1	32
Natural Gas (Netherlands TTF)		41	-1	-12	-18	6	54
Breakeven Inflation		%	bps				
USD: 2Y		2.5	-1.1	-19	-56	-33	18
USD: 5Y		2.4	-1.3	-7	-33	-11	8
USD: 5Y5Y		2.4	-1	0	-9	-8	-6
EUR: 2Y		2.3	-3.0	-24	-76	55	66
EUR: 5Y		2.1	-1	-15	-41	27	35
EUR: 5Y5Y		2.1	0	-5	-9	0	3

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

Mature Markets

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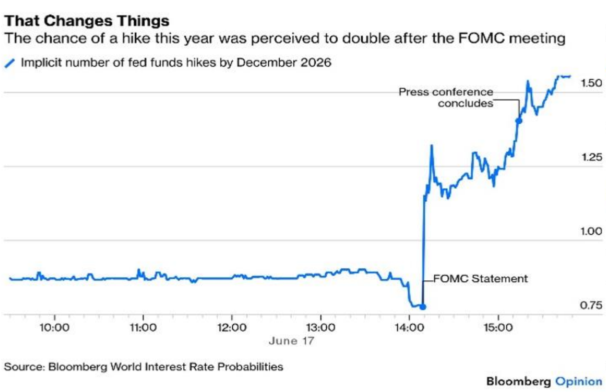
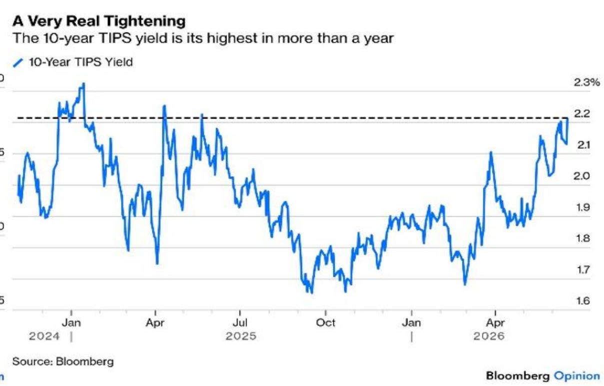
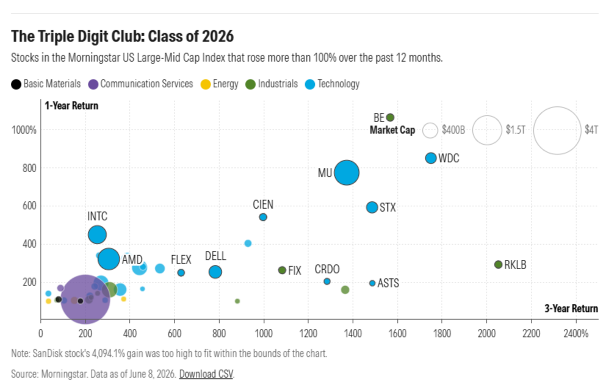
United States

The FOMC delivered a hawkish hold with no dissenters. The yield curve flattened, with shorter maturity Treasuries selling off and long bonds rallying. The two-year yield went up by 8 bps more for a daily move of 12 bps, which is quite a large move for this maturity. Stocks sold off sharply and the dollar was marginally stronger. The new Fed Chair's first press conference had relatively little further impact on markets. Under the new regime, forward guidance will be dropped, and new task forces will be formed to reconsider policies on inflation, the balance sheet, economic data, and other areas. The dot plot was more hawkish than expected, with nine of 18 respondents expecting one rate hike by the end of the year. Short term interest rate markets doubled their estimate of a rate hike by December, while the 10-year Treasury Inflation Protected Security (TIPS) yield hit its highest level in over a year.



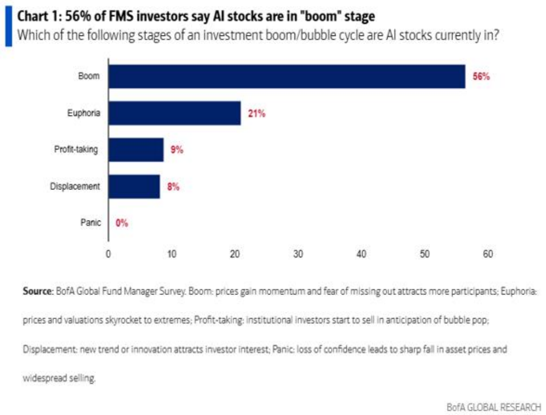


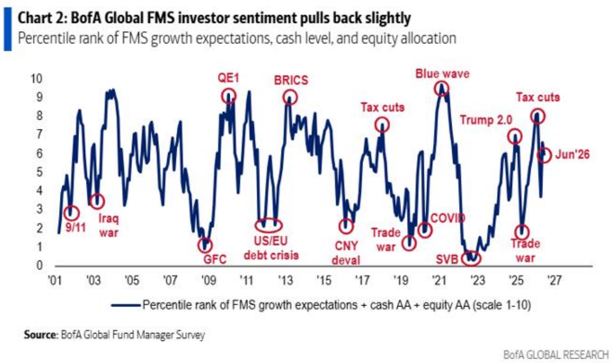
The AI infrastructure boom is fueling larger than normal equity price gains in the US. Morningstar reports that the number of companies with equity gains larger than 100% over a one-year period is much higher than usual. In their proprietary index of 500 large and medium sized companies, 42 have gone up by 100% or more in the last 12 months, more than twice the average over the past decade. In addition, six stocks have surged by 500% or more over the past year. One stock is up 4000% and another is higher by 1000%. These developments



have contributed to the major US equity indexes reaching new record highs in recent days. The Morningstar analysts think that many of these companies are vulnerable to new competition and that markets could face higher volatility in the future if these gains are reversed. In terms of equity gains and market capitalization, concentration in the technology sector is the most pronounced since the dotcom crash in 2000.

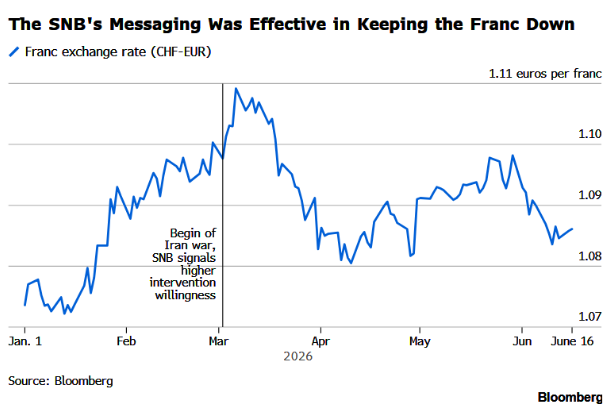
The latest Bank of America survey of global fund managers finds that investors remain highly optimistic about market prospects despite the large global rally. Of those polled, 56% believe that AI is in the midst of a genuine boom, while just 21% think the market is in euphoric territory. The survey's overall measure of investor sentiment for June is slightly down from the recent peak in May, but it remains at very a positive level. Investors are also bullish on global growth and corporate profits. 80% of investors flagged "long semiconductor" as the most overcrowded trade, the highest proportion in the history of the survey. However, the survey did uncover a number of potential threats to markets. A large proportion identified a resurgence of inflation as the biggest risk to markets. In addition, many expect a rate hike from the Fed in the next 12 months, and there was a widespread view that markets will have to contend with higher interest rates in the months ahead. Allocations to cash were slightly higher than the previous month, suggesting that some investors are taking money off the table.



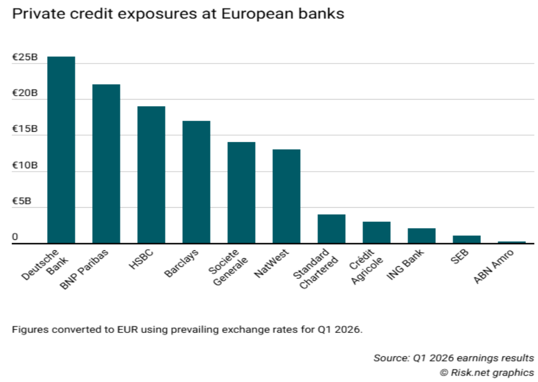


Europe

After the FOMC's hawkish-leaning hold, European markets caught up with the previous day's US weakness. The STOXX Europe 600 was down 0.6% this morning, while European sovereign yields broadly rose by around 3–4 bps in the front end, despite a roughly 2% decline in Brent crude to around $78/bbl. Yesterday, Iranian President Masoud Pezeshkian and US President Donald Trump reportedly signed a memorandum of understanding to end the war. Norges Bank left its policy rate unchanged at 4.25%, in line with market expectations. Last month's rate increase is expected to be followed by another hike later this year, with policymakers indicating that the policy rate is likely to end 2026 slightly above 4.5%, Bloomberg writes. The central bank noted that recent data point to somewhat stronger inflationary pressures than previously anticipated. The Swiss National Bank kept its policy rate at 0% and reiterated its increased willingness to intervene in foreign exchange markets to prevent excessive franc appreciation, while slightly raising its inflation forecasts.



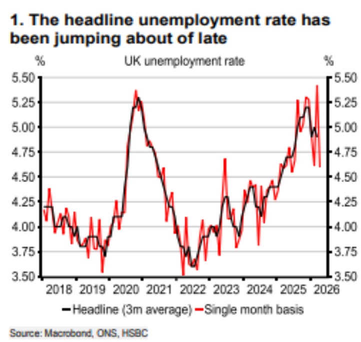
European banks' private credit exposures remain concentrated in G-SIBs, but inconsistent disclosures obscure the sector's overall links to the asset class, Risk.net writes. Reported private credit exposures totaled €122 billion as of Q1 2026, led by Deutsche Bank (€25.9 billion, 5.4% of customer loans), BNP Paribas (€22 billion, 2.5%), HSBC ($22 billion, 2.2%), Societe Generale (€14 billion, 1.4%), and Barclays (£15 billion, 3.4%), while NatWest stood out as the largest non-G-SIB exposure through private credit securitizations (£11.5 billion, 2.7%). At the same time, many European banks disclosed only qualitative or no information on their private credit exposure, limiting comparability and potentially understating the sector's aggregate links to the asset class. The lack of standardized reporting is likely to remain a key focus for regulators as private credit **continues to expand.**

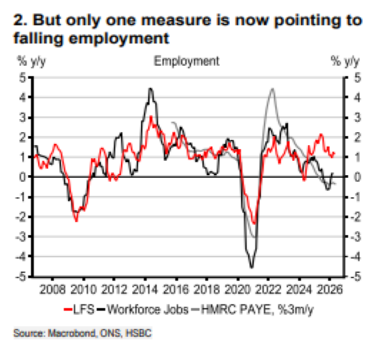


United Kingdom

The Bank of England stayed on hold at 3.75% as expected, with an external member of the Monetary Policy Committee joining the Chief Economist's dissent in a 7–2 vote. They preferred a 25 bps rate hike to tackle inflation. Governor Bailey cited lower oil prices as a positive trend for inflationary pressures. Focus now shifts to the Makerfield by-election. Today's vote will fill a vacant parliamentary seat, but it is widely seen as a proxy battle for the Labor leadership because a victory for Andy Burnham would return him to Parliament and position him as a leading challenger to Prime Minister Keir Starmer. Voting boots close in the evening, with results expected on Friday morning.

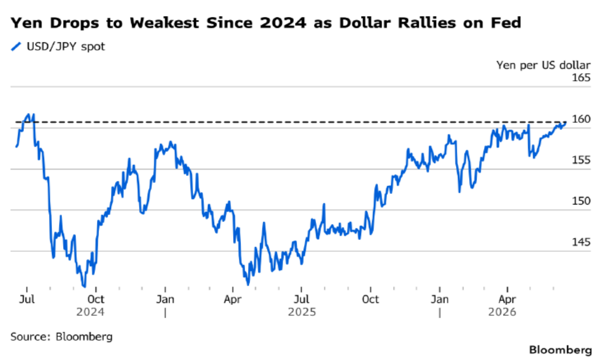
Mixed labor market data continued to point to lower inflationary pressures. Private sector wage growth slowed to 2.9% y/y while vacancies continued to decline and payroll data remained weak despite a lower-than-expected unemployment rate of 4.9% (5.0% expected). Barclays and Morgan Stanley viewed the stronger Labor Force Survey as an outlier, arguing that broader indicators still point to a loose labor market. HSBC likewise saw little evidence of second-round inflationary pressures, although policymakers are expected to remain alert to potential autumn risks from fiscal decisions, public sector pay and energy prices.



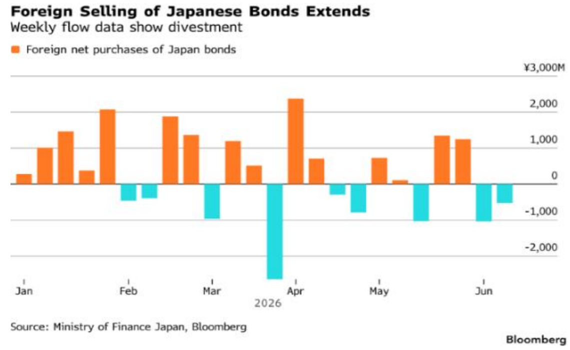


Japan

The yen hovered near its weakest level since July 2024, keeping intervention risk elevated and reinforcing expectations of further BOJ tightening. JPY traded around 160.7/$ today, after touching 160.8/$ the previous day, as the Fed's hawkish shift revived dollar strength. Officials signaled readiness to respond if needed, and intervention risks remain salient. Markets are also increasingly pricing further BOJ tightening: overnight index swaps imply about an 80% chance of another move by year-end, while 90% of 44 economists surveyed by Bloomberg expect the BOJ to raise its policy rate again by December, following this week's hike to 1%.



Japanese government bonds are also under pressure from foreign selling, particularly in the super-long segment. Foreign investors were net sellers of JPY 531 bn ($3.3 bn) in local debt securities in the week ending June 12, bringing cumulative outflows over the latest two weeks to JPY 1.57 tn ($9.8 bn), according to Ministry of Finance data. Bloomberg analysis combining weekly Ministry of Finance flow data with April Japan Securities Dealers Association figures suggests offshore investors have been reducing exposure mainly in super-long JGBs. This pattern, together with still-weak domestic private demand, points to persistent upward pressure on long-end yields and a steeper JGB curve, even after the BOJ's recent tapering pause.



Emerging Markets

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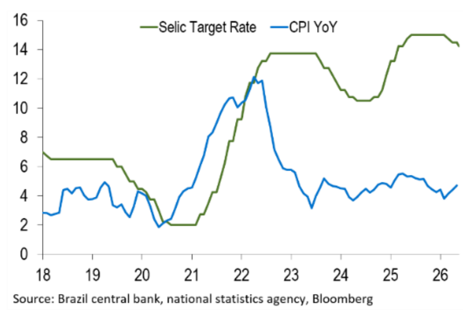
EMEA equities and currencies were weaker this morning, after yesterday's US Fed eroded sentiment. Equities traded in the red in most CEE, with Poland down by -1% while stock extended gains (1.1%) in Romania on internal political developments. Currencies in Asia depreciated against the dollar, with the Philippine peso weaker despite the central bank hiking by 25 bps. Indonesia also hiked by 25 bps to 5.75%. Stocks in Korea and Taiwan POC rallied, but Hong Kong SAR fell back. **Latin American assets delivered a mixed performance.** Equities declined in Brazil (-0.7%) and Chile (-0.8%), while Peru's equity market advanced 2.1%. Currencies depreciated in Mexico (-0.6%), Brazil (-0.4%), Chile (-0.6%) and Colombia (-0.6%) against the US dollar.

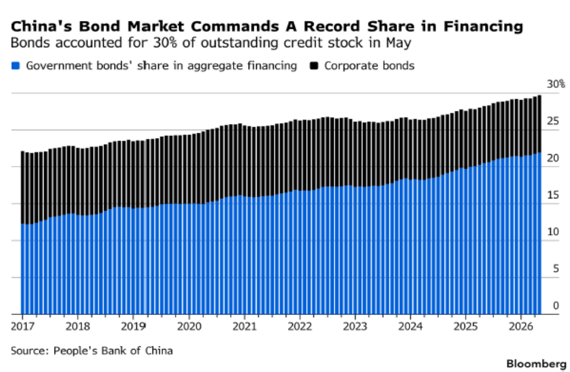
Brazil

Brazil's central bank cut the Selic rate by 25 basis points to 14.25%. However, policymakers signaled that the easing cycle may be nearing its end as inflation risks remain elevated. They also noted that economic activity remains strong, the labor market is resilient, and that government stimulus measures could add further inflationary pressure. Annual inflation accelerated to 4.72% in May, above the target range. To justify the rate cut, the bank extended its inflation-target horizon to the first quarter of 2028, a move some economists criticized as creating room for additional easing. The statement suggested future decisions will depend on incoming data, leading many analysts to expect a pause in rate cuts as early as August.



China

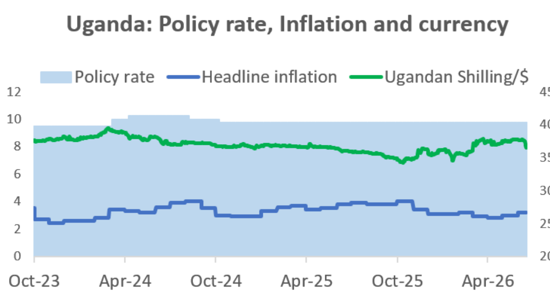
China's credit market is shifting from loans toward bond financing, broadening the PBOC's easing channel. Bond financing accounted for 30% of outstanding credit stock in May, the highest on record, and bonds surpassed loans in new credit creation for the first time in 2025 by about CNY 500 bn ($74 bn). China's CNY 200 tn ($30 tn) bond market has become more important as the PBOC relies on liquidity injections and lower market rates to reduce economy-wide financing costs while avoiding deeper cuts in benchmark lending rates, given pressures on bank profitability. New corporate bond financing rose by CNY 1.7 tn ($251 bn) in the first five months of 2026, up more than 80% y/y, while new loans fell 11%. Yields have also become more attractive to issuers relative to bank borrowing



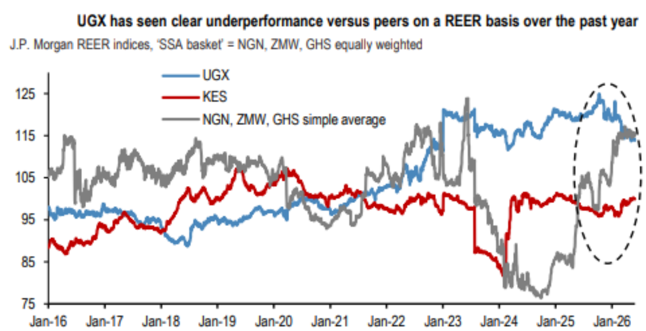
costs: five-year AAA corporate bond yields dropped below 1.8% from 2.13% about nine months ago, and five-year government bond yields fell to 1.5% from 1.7% in January, both well below the five-year loan prime rate of 3.5% and the average corporate loan rate of 3.1%. At the 2026 Lujiazui Forum, PBOC Governor Pan Gongsheng also signaled a shift toward direct financing and more price-based monetary operations, consistent with a broader move in China's financing mix away from bank loans toward bonds and equities to support economic upgrading, government financing needs, and industrial modernization.

Uganda

The Ugandan shilling has advanced by about +3.2% against the dollar since Friday. JP Morgan sees the Ugandan shilling as still undervalued with a remaining -6.5% depreciation on the dollar since October: it sees the Q1 sell-off driven by risk-off positioning more than weaker fundamentals and expects the shilling to regain further ground on rising exports taking reserves to about US$8.1bn by end-2027, although the current account deficit is expected to widen from 6.2% of GDP in 2025 to 7.5% this year, mainly due to refined oil products and investment-related imports, before narrowing to 4.2% of GDP in Analysts at Bloomberg note a significant FX pass-through to inflation and expect the Bank of Uganda to keep the policy rate at 9.75% through 2026, with inflation near the 5% target. JP Morgan is constructive on government bonds carry but cautious on further yield compression after 10y yields fell from a 17.65% peak in 2025 to around 15.75% after January elections, with fiscal risks remaining high although the 2026/27 Budget presented last week aims at stabilizing debt/GDP at around 53%.



Source: Bloomberg and IMF calculations



Source: J.P. Morgan

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Global Financial Indicators

Last updated: 6/18/26 7:51 AM	Level Last 12m	Level Latest	Change 1 Day	Change 7 Days	Change 30 Days	Change 12 M	YTD
Equities			%				%
United States		7,420	-1.2	2.1	0.2	24.1	8
Europe		6,301	0.0	4.0	7.7	19.6	9
Japan		71,053	1.6	10.6	17.3	84.6	41
China		4,942	0.2	4.6	2.0	28.5	7
Asia Ex Japan		119	-0.2	6.1	5.6	48.6	28
Emerging Markets		69	-0.1	6.0	5.5	47.1	25
Interest Rates			basis points				
US 10y Yield		4.5	-3	-1	-13	6	29
Germany 10y Yield		2.9	1	-10	-21	44	8
Japan 10y Yield		2.6	2	-7	-12	117	56
UK 10y Yield		4.8	1	-14	-34	27	28
Credit Spreads			basis points				
US Investment Grade		107	-1	-1	-3	-24	-1
US High Yield		307	-6	-12	-14	-49	-29
Exchange Rates			%				
USD/Majors		100.7	0.6	0.9	1.6	1.8	2
EUR/USD		1.15	-0.4	-1.0	-1.7	-0.2	-2
USD/JPY		160.9	0.2	0.6	1.3	10.9	3
EM/USD		47.3	-0.4	-0.3	-0.2	3.2	2
Commodities			%				
Brent Crude Oil ($/barrel)		78.7	-1.1	-13.0	-26.8	12.5	31
Industrials Metals (index)		180.1	-1.0	0.5	-1.3	24.7	10
Agriculture (index)		54.8	-0.7	1.2	-7.6	-4.3	3
Gold ($/ounce)		4243.1	-0.3	0.7	-7.1	25.9	-2
Bitcoin ($/coin)		63839.6	-0.8	-0.6	-16.9	-39.1	-27
Implied Volatility			%				
VIX Index (%, change in pp)		17.4	-1.1	-2.1	-0.4	-2.8	2.4
Global FX Volatility		6.2	0.0	-0.5	-0.7	-2.4	-0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		68	2	-4	-3	-8	9
Italy		71	2	-5	-5	-24	2
France		76	2	-2	12	4	5
Spain		43	1	-1	0	-20	-1

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

Emerging Market Financial Indicators

6/18/2026 7:52 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		6.77	-0.2	0.0	0.4	6.2	3.2		1.8	-1	-2	-3	10	-13
Korea*		1539	-1.6	-0.5	-3.0	-10.7	-6.1		4.1	-5	-17	-2	137	82
Indonesia		17794	-0.2	1.1	-0.7	-8.3	-6.3		7.0	4	-40	33	35	98
India		94	0.2	1.5	2.1	-8.3	-4.7		7.7	12	13	-46	94	67
Philippines		61	-0.3	1.3	1.9	-6.0	-2.7		6.0	0	-15	-9	104	131
Thailand		33	-0.3	0.0	-0.7	-0.4	-4.0		2.2	-2	-15	-14	33	43
Malaysia		4.12	-1.3	-1.2	-3.5	3.3	-1.4		3.6	2	1	0	1	10
Argentina		1441	-0.4	-0.6	-3.2	-19.3	0.7		0.0	0	0	0	-2726	-3237
Brazil		5.11	-0.4	1.5	-2.4	7.6	7.5		14.7	27	-21	34	56	109
Chile		891	-0.6	2.6	1.1	6.1	1.1		5.4	1	-9	-11	-12	8
Colombia		3444	-0.6	3.1	10.4	19.1	9.6		12.2	10	-38	-223	-12	-68
Mexico		17.38	-0.4	-0.8	-0.6	9.4	3.6		9.0	14	-7	-25	-31	2
Peru		3.4	0.1	0.9	1.3	6.9	-0.5		6.1	6	9	-69	-56	33
Uruguay		40	0.3	1.4	0.2	2.2	-2.4		7.5	0	2	2	-149	-5
Hungary		308	-0.9	-0.9	0.4	14.0	6.3		5.2	6	-23	-45	-155	-138
Poland		3.72	-0.7	-1.3	-2.1	0.2	-3.5		4.9	-2	-31	-58	-30	31
Romania		4.6	-0.5	-1.1	-2.3	-4.2	-5.2		6.7	-1	-9	-12	-75	-2
Russia		73.3	-0.6	-1.9	-1.1	6.9	7.4							
South Africa		16.4	-0.3	-1.1	0.8	9.5	0.7		8.6	-10	-37	-55	-183	-2
Türkiye		46.45	-0.1	-0.5	-1.9	-14.9	-7.5		33.9	-4	-191	-140	36	427
US (DXY; 5y UST)		101	0.7	0.9	1.6	1.9	2.5		4.25	-1	7	2	26	53

	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		4,942	0.2	4.6	2.0	28.5	6.7		81	-1	-4	-26	6
Korea*		9,064	2.3	16.7	24.6	204.4	115.1		22	-1	-2	-6	0
Indonesia		6,172	-0.8	4.6	-3.1	-11.4	-28.6		104	0	12	5	18
India		77,410	-0.8	4.8	2.9	-4.9	-9.2		91	8	15	-13	1
Philippines		6,154	0.6	3.6	4.4	-3.2	1.7		86	1	2	2	11
Thailand		1,585	-0.1	0.8	4.5	48.3	25.8						
Malaysia		1,711	0.1	1.9	-0.9	14.0	1.9		49	0	6	-29	-10
Argentina		3,291,883	1.1	4.5	16.9	60.5	7.9		436	-73	-110	-286	-133
Brazil		168,454	-0.7	-0.1	-4.8	21.4	4.5		183	-6	2	-39	-20
Chile		10,812	-0.8	3.4	3.3	33.7	3.1		86	-6	3	-27	-5
Colombia		2,377	0.3	5.1	13.1	44.0	14.9		190	-20	-67	-152	-87
Mexico		68,305	-0.3	5.4	-0.1	20.4	6.2		198	-1	1	-85	-19
Peru		3,460	1.4	10.6	13.9	81.2	33.9		85	-3	-2	-40	-24
Hungary		138,445	-0.3	3.7	4.8	40.5	24.7		101	-6	-1	-63	-38
Poland		138,481	-1.3	2.1	3.8	38.6	18.1		85	-4	0	-28	-6
Romania		30,876	1.0	2.4	1.5	65.2	26.3		171	-7	-8	-63	-5
South Africa		113,888	-1.8	3.9	-0.9	19.9	-1.7		196	-9	-32	-105	-22
Türkiye		14,592	1.2	6.2	4.0	58.7	29.6		245	-17	-15	-62	11
EM total		69	0.2	6.0	5.5	47.1	25.3		249	-11	-1	-126	-23

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

*Not an EM Under IMF Classification.

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