GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, JUNE 23, 2025
LEAD EDITOR: SANJAY HAZARIKA

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Global markets on edge after US attack on Iran

Global markets face uncertain prospects after the US attack on Iran. Oil prices sold off by almost 6% in early trading but the move later reversed and the Brent oil benchmark is now only slightly higher. Global equity markets are lower, although not by much. The dollar appreciated against most major currencies on safe haven buying and Treasury yields were lower, but euro area government bond yields were up to a minor extent. Given the uncertain geopolitical environment, market participants are being forced to examine their assumptions about how to respond to unexpected external events. However, given the limited impact on oil prices so far, the general sense is that the fallout of the weekend's events will be limited. It remains to be seen how events play out. Meanwhile, attention has already shifted to other matters, such as the upcoming budget vote in the US Senate. In other news, NATO and EU summits are on the calendar this week.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
6/23/25 7:45 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5968	-0.2	-1	3	9	1
Eurostoxx 50		5213	-0.4	-2	-2	6	6
Nikkei 225		38354	-0.1	0	3	-1	-4
MSCI EM		46	-0.6	-3	0	9	11
Yields and Spreads					bps		
US 10y Yield		4.38	0.6	-7	-13	13	-19
Germany 10y Yield		2.53	1.4	0	-4	12	16
EMBIG Sovereign Spread		326	4	5	1	-69	1
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.7	-0.3	0	0	-1	7
Dollar index, (+) = $ appreciation		99.4	0.7	1	0	-6	-8
Brent Crude Oil ($/barrel)		77.7	0.9	6	20	-9	4
VIX Index (%, change in pp)		21.7	1.0	1	-1	8	4

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

The US data calendar is quite busy this week, with the main focus on the PCE inflation report, the Fed's preferred inflation measure. Other important data include GDP, and the latest University of Michigan consumer confidence survey. Data on personal income and spending will also be reported. The euro area will report on consumer confidence and inflation for various member states. China will report on trade data, while India will report on industrial production. Inflation data are also due from Australia, Brazil, Canada, and Japan. Central bank rate cuts are expected in Colombia, Mexico, and Thailand. Fed Chair Powell's semi-annual briefings before Congress will begin on Tuesday. Meanwhile, market participants will be keeping an eye on the security situation in the Middle East and hoping that the impact on the oil market will be limited.

Mature Markets

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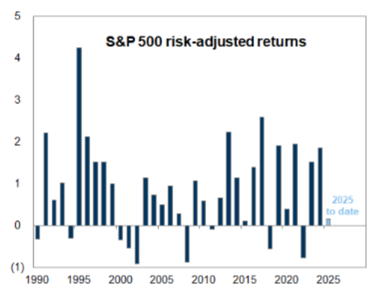
United States

The risk adjusted returns of the various parts of the US equity market in 2025 have been underwhelming. The S&P 500's 2025 risk adjusted return is barely discernable, while the mid cap S&P 400 and small cap Russell 2000 indexes are actually still in the red. US markets continue to be among the worst performing this year, with the S&P 500 up just 1.5% YTD as of Friday, compared to the Euro Stoxx 600 (+17.7%), the German DAX (+17.3%), Brazil's Bovespa (+14%), and Mexico's Bolsa (+13.8%). The only major market doing worse is Japan (-3.74%). The weak performance has been driven by fears that a potential trade war could have a worse impact on US companies than companies in other countries. However, US markets have rebounded almost 20% from their 2025 lows, led mainly by the big US tech companies and more particularly the Magnificent Seven. US corporate earnings for Q1 were very strong and analysts are optimistic about Q2 as well.

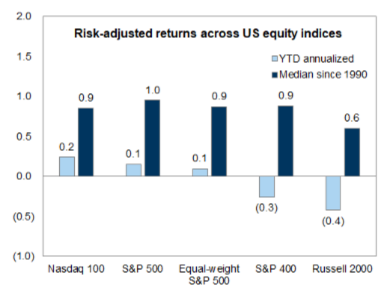
Exhibit 1: The S&P 500's risk-adjusted return has been lackluster YTD



Source: Goldman Sachs Global Investment Research

Exhibit 2: The Nasdaq 100 has posted the highest annualized risk-adjusted return YTD

Median over annual periods since 1990



Source: Goldman Sachs Global Investment Research

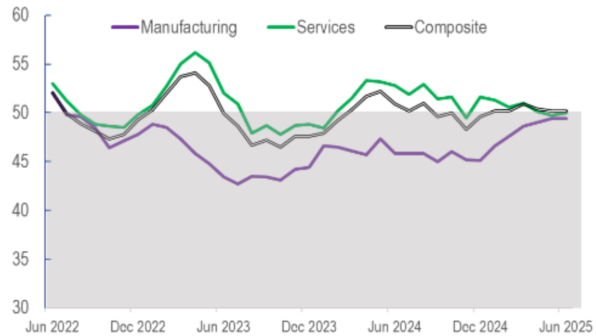
Euro area

European equities were marginally lower this morning, while the euro weakened against the dollar and European sovereign bond yields were marginally higher, with the focus remaining on developments in the Middle East. The Stoxx 600 index was marginally lower (-0.1%) with most sectors trading in the red, while the technology sector (+0.6%) outperformed. Bloomberg analysts note that there is speculation that any immediate response from Iran to recent US strikes is unlikely to significantly disrupt oil flows from the Middle East. The euro weakened (-0.5%) against a broadly stronger US dollar and European Government bond yields were ticking higher this morning (10y bund yield +2bps trading around 2.54%).

Preliminary eurozone June PMI data held steady. Data released this morning showed that the eurozone's preliminary composite PMI data remaining unchanged at 50.2 (versus an expected increase to 50.4) with manufacturing PMI remaining unchanged at 49.4 (versus an expected increase to 49.7) and services PMI improving in line with expectations to 50.0 (from 49.7). Germany's compositive PMI surprised to the upside (increasing to 50.4 versus expected 49.1 from 48.5) while France's composite PMI disappointed (declined to 48.5 versus expectations to remain unchanged at 49.3). Bloomberg analysts see today's data as suggesting that the eurozone is seeing a reprieve from lower trade uncertainty, but caution that this could be temporary as the pause in "reciprocal" tariffs are set to come to an end in July. Meanwhile

ING analysts caution that concerns over escalation in the Middle East are adding an additional downside risk to the growth outlook.

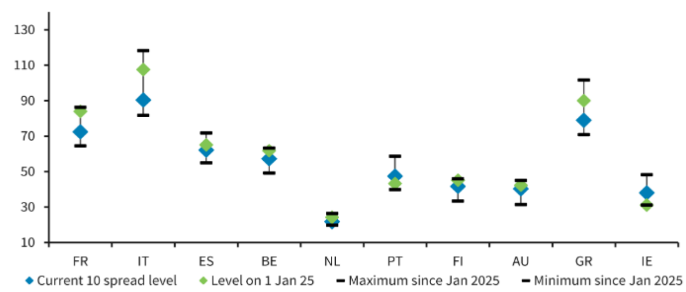
Eurozone: PMI data (>50 is expansion)



Source: Bloomberg and IMF calculations

Some analysts expect Southern spreads to continue to tighten in H2. Barclays analysts highlight that so far this year, European Government sovereign bond spread tightening has been led by Italian-German (BTP-Bund) and, to a lesser extent, French-German (OAT-Bund) spreads. The analysts argue that Italian spreads benefited from recent rating actions, while the absence of new negative political and fiscal news has supported demand for French debt. Moreover, the analysts note that sentiment has improved tentatively around the euro area's longer-term growth prospects—partly driven by Germany's proposed fiscal easing—which has also supported investor appetite for European risk assets. However, the analysts note that recent geopolitical developments in the Middle East have introduced some upward pressure on spreads. Nevertheless, the analysts expect Southern spreads to remain supported in H2, aided by recent rating upgrades, contained political risks, and narrowing fiscal differentials with Germany. In the absence of unexpected shocks, the analysts expect that these factors will allow for continued gradual tightening.

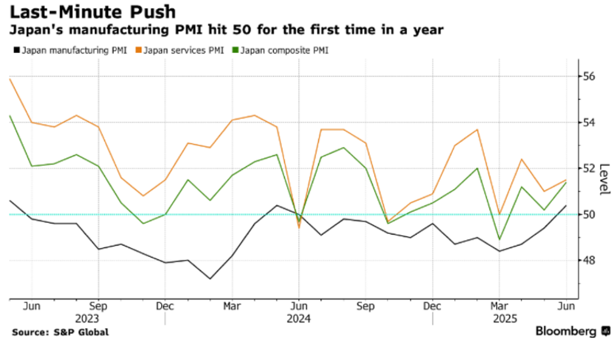
Figure 3. YTD EGB spread compression has been led by BTPs and to a lesser extent OATs



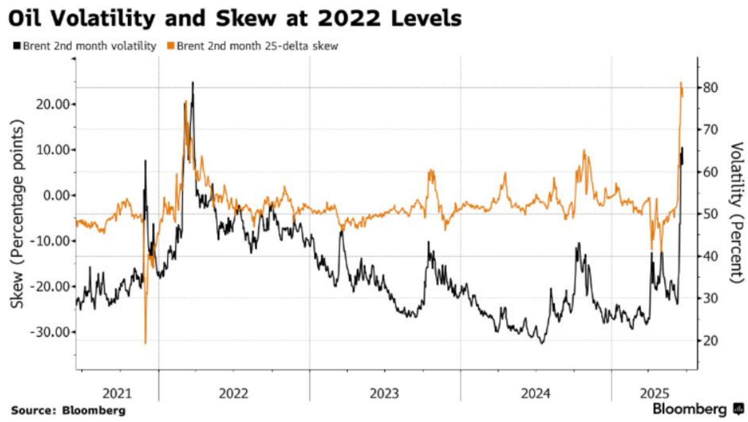
Source: Bloomberg, Barclays Research

Japan

The Yen weakened past $/147 level for the first time in a month in response to the US airstrikes on Iranian nuclear facilities. Despite global safe-haven flows, the yen weakened (-1.0%) today to $/147.72 as an increase in oil price would worsen the terms of trade for Japan as one of the world's biggest net oil importers, with 90% of its petroleum imports coming from the Middle East. Yen weakness may also have been exacerbated by the ruling Liberal Democratic Party's worst-ever result in a Tokyo metropolitan election, which may indicate further fiscal and political risks ahead of the national Upper House elections on July 20. Equities declined on Monday (TOPIX: -0.2%), driven by electric appliances (Sony, Hitachi) and chemical related companies, while energy and defense shares rose. In economic data, factory activity expanded in June for the first time in 11 months, with the Jibun Bank flash manufacturing PMI rising to 50.4 from May's 49.4. The rebound was driven by stronger output and higher inventories, indicating front-loading ahead of scheduled tariff increases, while new orders, including exports, remained weak.



Commodity Markets



Measures of risk in the options market for oil futures remain at their highest levels since the Ukraine war began in 2022. Volatility is still near its highest level in recent years, while volatility skew is also very high, indicating that investors believe that call options on oil futures are worth more than put options because the risk of a surge in oil prices has not gone away. Citi estimates that the closure of the Strait of Hormuz could cause oil prices to surge beyond $90/barrel, with some estimates as high as $120/barrel. Such a move would be a major shock to the global economy. Bloomberg reports that there were high volumes of $100/$110 call spreads, showing that some investors are hedging against higher oil prices by buying call options with $100 strikes and financing them by selling calls with $110 strikes.

Emerging Markets back to top

EMEA equities and currencies were mostly down this morning, as a risk-off mood prevailed with investors bracing for developments in the Middle East after US airstrikes at Iran's nuclear facilities over the weekend**. Asian currencies broadly weakened to their lowest in a month (EM Asia: -0.4%), led by Korean won (-1.1%), Malaysian ringgit (-0.8%), Philippine peso (-0.8%) and Thai baht (-0.8%), on dollar strength upon geopolitical risks.** Asian equities declined to the lowest level since early June (EM Asia: -1.3%), led by the Philippines (PSE Index: -1.9%) and Indonesia (Jakarta Composite: -1.7%). **Latin American asset prices were mainly lower last Friday.** Stocks declined in Brazil (-1.2%) and Colombia (-0.3%), while Mexico's equity market rose by 0.4%. Currencies depreciated in Mexico (-0.7%), Brazil (-0.4%), and Peru (-0.3%) against the US dollar.

Emerging Market Bond and Equity Flows

Emerging Markets bond funds inflows increased last week (+$1.1bn, from +$738mn), mainly driven by bond ETFs inflows (+$1.1bn, from +$646mn). Hard currency fund inflows accelerated (+$604mn, from +$299mn), and local currency fund inflows also increased (+$487mn, from +$299mn). EM equity funds inflow more than tripled (+$4.1bn, from +$1.2bn), mainly driven by equity ETFs inflows (+$5.0bn, from +$2.0bn). Non-ETFs outflows increased slightly (-$904mn, from -$749n). Across regional equity funds, there were inflows in Asia ex-Japan (+$1.4bn), Latam (+$213mn), and EMEA (+$59mn). The year-to-date flows currently stand at -$8.0bn and -$14.3bn for bonds and equities, respectively.

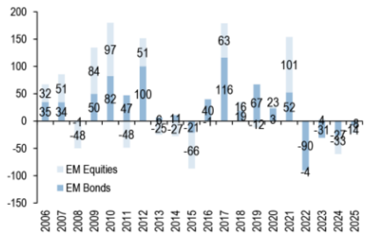
Figure 1: Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		5.2	-22.3
	EM Bonds		1.1	-8.0
	Hard Ccy		0.6	-9.1
	Local Ccy^		0.5	1.0
	o.w. EM ex-China		0.5	0.0
	o.w. China		0.0	-1.1
	EM Equities		4.1	-14.3
	US HG		1.1	29.1
	US HY		0.1	8.3
	Global Equities		45.2	27.9
	EM Bond and Equity ETFs		6.1	15.8
	EM Bond ETFs		1.1	-1.5
	EM Equity ETFs		5.0	17.3
	Non-resident EM flows*		0.3	-31.0

Figure 2: EM bond and equity fund flows

USD billion



*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

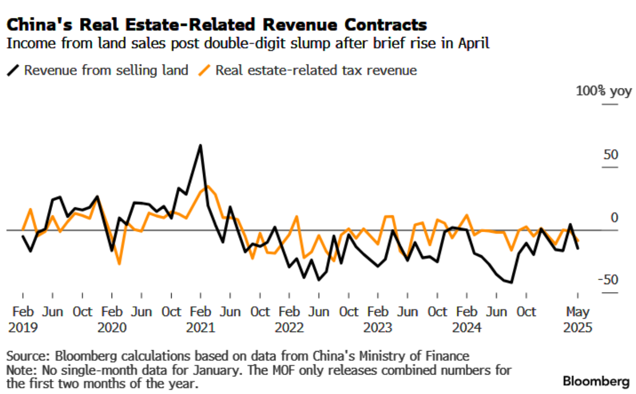
Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Brazil

Brazil's soybean exports to China surged 37.5% in May from a year earlier to 12.11 million metric tons. The sharp rise helped drive China's total soybean imports to a record 13.92 million tons for the month. It is more than double April's volume, amid recovering crushing activity and improved customs clearance. Despite the strong monthly gain, Brazil's shipments to China from January to May fell 14% year-over-year to 21.25 million tons, reflecting earlier harvest delays that shifted exports into later months. Meanwhile, Argentina's soybean exports to China remained limited, with just 111,603 tons shipped in the first five months of the year, a 47.5% decline from the same period in 2023. Analysts expect Brazil's soybean arrivals to remain elevated in the third quarter, while fourth-quarter volumes may depend on global market dynamics and the outcome of U.S.-China trade negotiations.

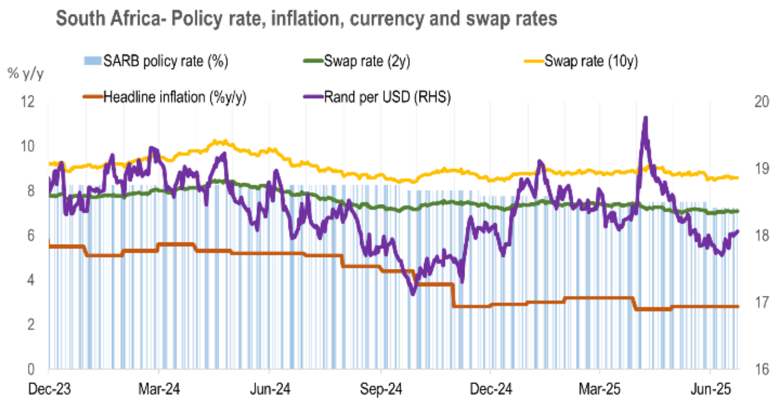
China

China has introduced a requirement for state-owned developers to avoid defaulting on publicly issued debt, in the latest attempt by authorities to contain the nation's prolonged property crisis. Bloomberg reported today that the State-owned Assets Supervision and Administration Commission (SASAC), which oversees about 20 state-owned developers, added this requirement to the latest performance metrics, according to people with knowledge of the matter. SASAC sets requirements, including through financial indicators such as total profit and the ratio of debts to assets, to ensure officials remain accountable for performance. While the authorities have so far stopped short of providing additional support to backstop the developers, the new stipulation underscores the growing urgency to contain credit risks from China's protected property downturn.



South Africa

The rand edged lower (-0.5%) **against a globally stronger dollar this morning,** to trade at ZAR18.09/$, while South Africa's equities gained 0.3%. May headline inflation came in line with expectations last week, remaining at 2.8% y/y as in April, below the 3% to 6% inflation target band of the central bank (SARB); core inflation was also unchanged from April at 3% y/y (vs. est. 3.1% y/y). Analysts at JP Morgan see space for the SARB to reduce its policy repo rate further to 7% in 3Q25 after it cut the rate by 25bps to 7.25% at the end of May. JP Morgan thinks that the outlook for the policy rate beyond year-end depends on the pace for finalizing the change to the inflation target (with a possible shift to a 3% inflation target with a 1% tolerance band) and the government's medium-term budget; analysts believe that if these could be closed by 2H25, including some fiscal consolidation, the SARB could lower the rate to 6% over the medium term.



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

6/23/25 7:49 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		5,968	-0.2	-1.3	2.8	9.2	1
Europe		5,213	-0.4	-2.4	-2.1	6.2	6
Japan		38,354	-0.1	0.1	3.2	-1.2	-4
China		3,858	0.3	-0.4	-0.6	11.0	-2
Asia Ex Japan		80	-0.7	-3.0	1.2	10.3	10
Emerging Markets		46	-0.6	-3.2	0.2	8.6	11
Interest Rates					basis points		
US 10y Yield		4.4	1	-7	-13	13	-19
Germany 10y Yield		2.5	1	0	-4	12	16
Japan 10y Yield		1.4	2	-2	-12	44	31
UK 10y Yield		4.5	0	0	-15	45	-3
Credit Spreads					basis points		
US Investment Grade		131	0	-1	-3	4	11
US High Yield		354	-1	0	-14	-8	26
Exchange Rates					%		
USD/Majors		99.4	0.7	1.2	0.3	-6.1	-8
EUR/USD		1.15	-0.5	-0.8	0.9	6.8	11
USD/JPY		147.8	1.1	2.1	3.6	-7.4	-6
EM/USD		45.7	-0.3	-0.5	-0.2	-0.8	7
Commodities					%		
Brent Crude Oil ($/barrel)		77.7	0.9	6.1	21.1	-1.3	7
Industrials Metals (index)		144.6	0.3	0.8	0.1	-4.1	3
Agriculture (index)		56.9	-0.1	0.4	-0.8	-1.5	0
Gold ($/ounce)		3379.4	0.3	-0.2	0.7	44.8	29
Bitcoin ($/coin)		101297.3	1.7	-3.4	-6.4	59.0	8
Implied Volatility					%		
VIX Index (%, change in pp)		21.7	1.0	0.8	-0.6	8.5	4.3
Global FX Volatility		8.5	0.1	-0.1	-0.7	1.0	-0.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		79	-1	5	3	-44	-7
Italy		98	0	6	-3	-55	-17
France		73	1	3	4	-7	-10
Spain		70	0	8	7	-18	0

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

Emerging Market Financial Indicators

Last updated: 6/23/2025 7:51 AM	Exchange Rates: Level, Last 12m	Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Latest	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.19	-0.1	-0.1	-0.1	1.0	1.5		1.7	0	-3	-5	-51	0
Indonesia		16492	-0.6	-1.4	-1.7	-0.6	-2.2		6.7	2	4	-5	-33	-32
India		87	-0.2	-0.8	-1.8	-3.8	-1.3		6.9	-1	3	10	-42	-49
Philippines		58	-0.8	-2.1	-4.1	2.1	0.6		4.9	-1	-1	0	-52	5
Thailand		33	-0.6	-1.6	-1.5	11.1	4.2		1.8	-1	-5	-21	-103	-54
Malaysia		4.29	-1.0	-1.3	-1.5	9.7	4.1		3.5	-6	-5	-3	-33	-29
Argentina		1164	-1.9	1.7	-2.2	-22.2	-11.5		29.6	0	206	-12	-1452	44
Brazil		5.51	-0.4	0.5	2.8	-1.2	12.0		14.0	-7	-7	-4	218	-191
Chile		943	-0.3	-0.3	0.1	-1.1	5.7		5.5	0	-4	-7	-35	-19
Colombia		4095	-0.3	0.9	1.8	1.9	7.6		12.0	2	-43	5	112	19
Mexico		19.27	-0.5	-1.9	-0.2	-6.8	8.1		9.4	8	3	-2	-78	-99
Peru		3.6	-0.3	0.5	2.4	5.6	4.3		6.6	######	-18	-1	-62	-6
Uruguay		41	0.7	1.1	2.5	-3.0	7.6		9.0	5	4	-43	-35	-65
Hungary		353	-0.9	-1.3	0.8	4.4	12.7		6.7	-1	-3	5	-6	32
Poland		3.73	-0.7	-1.0	0.4	7.2	10.7		5.2	4	7	14	-32	-38
Romania		4.4	-0.8	-1.3	1.0	5.3	9.1		7.3	-6	-12	-19	65	5
Russia		78.5	0.0	0.2	1.3	12.1	44.6							
South Africa		18.1	-0.8	-1.8	-1.6	-0.2	3.9		10.3	-8	-12	-40	-87	-14
Türkiye		39.73	-0.1	-1.0	-1.9	-17.1	-11.0		33.3	1	-66	-29	387	362
US (DXY; 5y UST)		99	0.7	1.2	0.3	-6.1	-8.4		3.95	-1	-8	-13	-33	-43

	Equity Markets: Level, Last 12m	Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Latest	Change (in basis points): 7 Days	30 Days	12 M	YTD
								basis points					
China		3,858	0.3	-0.4	-0.6	11.0	-2.0		107	2	-9	-31	11
Indonesia		6,787	-1.7	-4.6	-5.9	-1.5	-4.1		99	8	-5	-6	8
India		81,897	-0.6	0.1	0.2	5.9	4.8		104	0	-11	7	18
Philippines		6,218	-1.9	-2.2	-3.0	-0.9	-4.8		85	9	5	-5	6
Thailand		1,063	-0.5	-4.6	-9.7	-19.3	-24.1						
Malaysia		1,517	0.9	-0.2	-1.2	-4.6	-7.7		77	2	-5	-6	7
Argentina		2,064,099	0.6	-4.9	-12.0	30.9	-18.5		734	38	64	-673	97
Brazil		137,116	-1.2	-0.5	-0.5	13.0	14.0		223	1	3	-10	-24
Chile		8,077	-0.1	-2.3	-3.8	24.5	20.4		113	2	-3	-12	0
Colombia		1,648	-0.3	-0.1	-0.4	18.8	19.4		345	3	4	21	19
Mexico		56,265	0.4	-2.0	-3.7	6.6	13.6		282	2	-7	-32	-30
Peru		32,395	0.0	-0.6	3.4	8.8	11.9		130	3	1	-22	-11
Hungary		97,102	-1.5	1.4	1.8	38.0	22.4		169	11	12	8	14
Poland		98,826	-1.6	-0.5	-1.1	14.4	24.2		110	0	1	6	-2
Romania		18,681	-0.8	0.6	6.8	2.4	11.7		240	4	-10	41	5
South Africa		94,582	-0.1	-0.8	1.1	18.6	12.5		310	10	-1	-6	17
Türkiye		9,141	-0.7	-2.2	-2.3	-15.1	-7.0		315	4	17	16	56
EM total		46	-0.3	-3.2	0.2	8.6	10.8		379	8	3	-6	15

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

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