GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, JUNE 3, 2026
LEAD EDITOR: JOHANNES S. KRAMER

- **April JOLTS report points to resilient labor demand though less firm below the headline** (link)
- **Subdued hedging activity shows credit investors treating heavy supply as an entry point** (link)
- **Gilts remain exposed to oil shock as overnight forwards add to BoE rate hike pricing** (link)
- **Despite elevated uncertainty, HSBC analysts note supportive backdrop for EM carry** (link)
- **Proposed Brazil tariffs draw muted market reaction as key export goods are exempt** (link)
- **Twin deficit worries weigh on rupiah and Jakarta stocks as credit rating pressure builds** (link)

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New Highs, Old Fragilities

AI strength continues to carry equities, while oil, tariffs, and rates keep markets more uneven. This morning, Asian stocks followed Wall Street to fresh highs after the S&P 500 moved above 7,600 points, with chipmakers the highest-conviction source of support. The backdrop is less clean elsewhere, with Brent back near $97/barrel as US-Iran headlines keep the oil risk premium alive, USD/JPY close to the ¥160/$ level that market contacts associate with interventions, and fresh US tariff threats. Europe has less growth cushion against that mix, leaving regional equities struggling to keep pace. Rates are giving back part of the recent rally, with Middle East headlines, firmer PMIs, and a more hawkish Fed tone keeping curves biased flatter. JGBs also partly reversed Monday's post-auction rally amid profit taking and stopped-out short positions after a sharp yield decline. A stronger JOLTS report yesterday fits that environment without settling the labor debate. In Emerging Markets, carry remains supported by contained FX volatility, while Indonesia stands out as a laggard as rating pressure builds amid twin deficit worries. Elsewhere, Bahrain is looking to issue a 10-year dollar bond, while Fitch raised Uzbekistan's credit outlook to positive.

Key Global Financial Indicators

Last updated: 6/3/26 8:52 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		7610	0.1	1	5	27	11
Eurostoxx 50		6059	-0.5	0	3	13	5
Nikkei 225		68402	2.5	5	15	81	36
MSCI EM		71	1.0	4	10	54	29
Yields and Spreads			bps				
US 10y Yield		4.49	3.6	1	12	4	32
Germany 10y Yield		3.01	3.4	2	-3	48	15
EMBIG Sovereign Spread		233	-4	-9	-10	-99	-20
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.5	-0.2	0	0	4	2
Dollar index, (+) = $ appreciation		99.5	0.2	0	1	0	1
Brent Crude Oil ($/barrel)		98.3	2.2	4	-9	50	61
VIX Index (%, change in pp)		16.2	0.3	0	-1	-1	1

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: 6/3/26 8:52 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		98	2.2	4	-9	50	61
WTI Crude Oil ($/barrel)		96	2.7	9	-6	52	68
Natural Gas (Netherlands TTF)		49	2	6	7	37	83
Breakeven Inflation		%	bps				
USD: 2Y		2.9	1.6	6	-24	7	60
USD: 5Y		2.6	2.2	1	-16	11	31
USD: 5Y5Y		2.4	0	-1	-1	-3	-2
EUR: 2Y		2.6	6.0	-17	-42	102	94
EUR: 5Y		2.3	5	-3	-20	57	52
EUR: 5Y5Y		2.2	0	1	-1	9	8

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

Mature Markets

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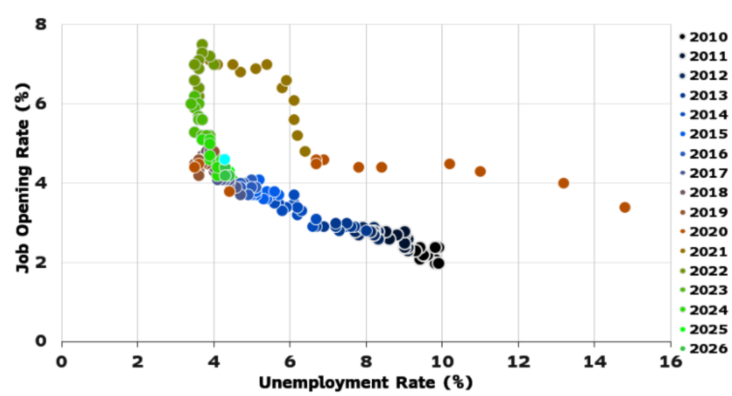
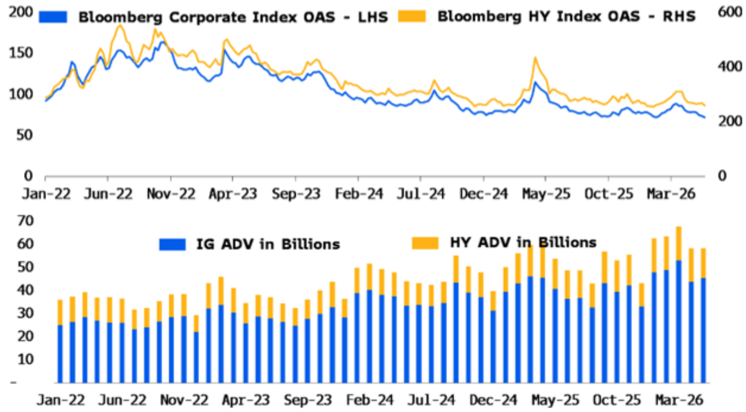
United States

Risk assets held firm as markets leaned on AI and duration support. Wall Street pushed to fresh highs as the AI trade regained momentum and hopes for a U.S.-Iran agreement helped steady geopolitical risks. Tech led the move, with the S&P 500 topping 7,600 points, chipmakers surging, and strong gains in stocks tied to AI demand. Among Fed speakers, Cleveland Fed President Hammack kept a cautious tone, saying steady rates remain appropriate for now while policymakers may need to act if inflation does not moderate. G10 currencies traded mostly on relative rate and intervention risk with the yen rebounding (-0.2%) below ¥160/$, keeping focus on potential official action. Oil rose despite intermittent optimism around diplomacy, with Brent up (+0.9%) to $96/barrel.



Source: BLS, Bloomberg Economics

Labor demand remains resilient, though less firm below the headline. JOLTS job openings rose to 7.618mn in April (exp. 6.866mn from 6.887mn), the highest level since May 2024, but the gain was led almost entirely by professional and business services. A useful way to read the print is through the Beveridge curve, the relationship between vacancies and unemployment that Governor Waller has used to frame labor market downside risks. In that setup, falling vacancies can be benign when the labor market is very tight, but become more worrying once lower openings translate more directly into higher unemployment (see chart). The rise in openings therefore eased near-term Fed concern about labor downside, though the signal is not clean as more cyclical sectors shed vacancies and lower quits point to weaker worker confidence. The curve modestly bull flattened, with longer maturities supported by softer energy prices and demand for duration ahead of this week's employment data. An early Treasury rally faded after the stronger JOLTS print, leaving the 2-year yield up (+1bp) to 4.05%, the 10-year yield down (-1bp) to 4.44%, and the 30-year yield down (-1.4bps) to 4.95%. Traders added to Fed hike pricing at the front end, with overnight forwards pricing a 25 bps hike by March 2026. Morgan Stanley analysts view the print as surface evidence that labor demand remains resilient despite slower hiring elsewhere. Goldman Sachs analysts note that the muted back-end rates reaction suggests market pricing is already shaped by a more responsive Fed, which could limit the need for a larger term premium shift.

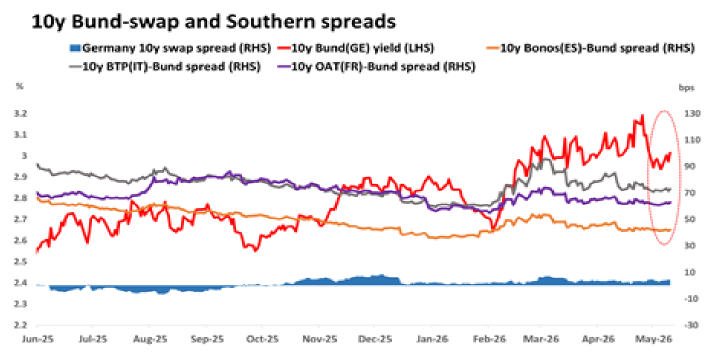


Source: Bloomberg

Credit markets show little demand for protection, indicating that investors treat issuance supply as an entry point rather than a valuation risk. Bond and CDS spreads have moved in tandem towards multi-decade tights, suggesting the lack of stress is not only a cash market story (see top chart). That makes credit ETF options useful as a read on the marginal demand for downside protection, where the signal has also weakened: Put volumes in investment grade and high yield credit ETFs are down more than 50% from early March highs while open interest has been declining as turnover in major investment-grade and high yield ETFs is at the lowest levels of the year (see bottom chart). Heavy issuance has not changed the tone, with new issues accounting for 15% of investment grade and 13% of high yield secondary trading in May as spreads continued to tighten.

Euro area

This morning, European equities remain caught between oil, tariffs, and weak growth cover. The STOXX 600 edged lower (-0.3%) as Brent rose (+2.4%) to $98.33/barrel on renewed doubts around the Middle East ceasefire. Although most sectors were declining, energy (+1.0%) and utilities (+0.9%) outperformed. Spain was the exception, with the IBEX 35 up (+0.7%) after May services PMI rose to 50.1 (exp. 48.3 from 47.9) and composite PMI rose to 50.2 (exp. 48.9 from 48.7).



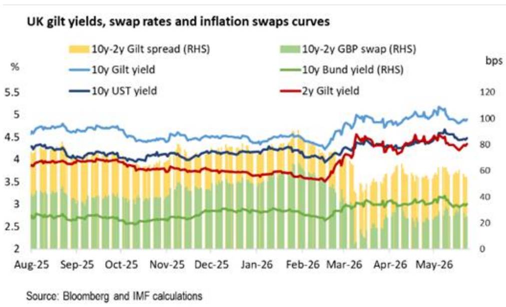
Source: Bloomberg and IMF calculations

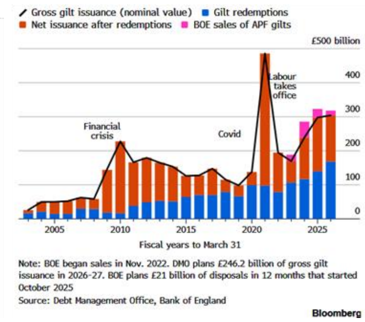
EGBs are again trading the inflation side of the oil shock. Across the curve, Bund yields rose (+4 bps) with the 2-year yield at 2.65% and the 10-year yield at 3.01%, led by 10-year breakeven inflation rising (+3bps) to 2.11%. Sovereign spreads widened slightly, with the BTP-bund spread up (+1bp) to 73bps and the OAT-bund spread at 63bps (see chart). Commerzbank analysts note that the 10-year BTP-OAT spread has struggled to move below 10bps, as Italy is more exposed to Middle East energy imports while France has a larger nuclear power buffer. They see scope for the spread to compress if Middle East de-escalation lowers the oil risk premium, while French budget, election, and political risks are adding scope for OAT underperformance over the medium term.

United Kingdom

United Kingdom assets softened even as PMI revisions were less weak. Final May PMIs were revised higher, with services at 49.3 (flash 47.9) and composite at 49.7 (flash 48.5), though both remained below 50. That leaves the growth impetus soft, even as the revision lowers near-term concern about a sharper slowdown. The pound was slightly weaker against the dollar at $1.3449/£ (-0.1%), while the FTSE 100 edged lower (-0.3%).

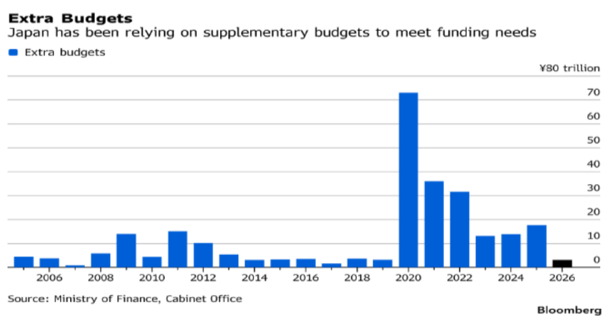
Gilts remain exposed to the oil shock through BoE hike risk. Gilt yields rose (+4 bps) across the curve, with the 2-year yield at 4.35% and the 10-year yield at 4.90% (see left chart), as higher oil prices kept inflation risk in focus. BoE Governor Bailey noted the growth and inflation trade-off, while stressing that the outlook is for slower growth rather than recession. Monetary Policy Committee member Greene added that the longer the Middle East war persists, the stronger the case for a rate hike becomes. ING analysts view a June hike as unlikely but see July as possible if Strait of Hormuz risk does not improve. Overnight forwards first fully price a 25bps BoE hike by September, with 46.8bps of cumulative hikes priced by December 2026, up (+8.7bps) from last week. Separately, a BoE staff paper found that QT had lifted UK borrowing costs by up to 40bps by end-2024, when the BoE had completed £150bn of QT, according to Bloomberg, versus £350bn completed today (see right chart).



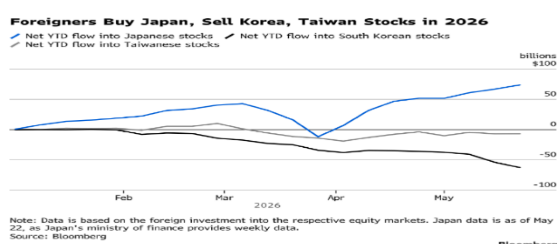


Japan

The new supplementary budget refocuses market attention on the fiscal outlook. PM Takaichi's cabinet is seeking parliamentary approval for a new ¥3.1tn ($19.4bn) extra budget to help cushion the impact of higher prices on households from the war in the Middle East (see chart). Although the specific usage of the extra budget remains to be outlined, analysts expect support to cap costs for gasoline. Total government bond issuance is estimated to rise to around ¥183.8tn, though calendar-based market issuance will remain unchanged at ¥168.5tn. This morning, 10-year JGB yields rose (+6.5bps) to 2.62%, while 2-year JGB yields rose (+2.5bps) to 1.40%. The move partly reversed Monday's post-auction rally, when stronger 10-year demand helped yields retreat from multi-decade highs. Mizuho analysts also point to position cleanup after the rally, with profit taking and stopped-out shorts helping explain the rebound in yields. The yen appreciated slightly (+0.1%) to ¥159.74/$.



Separately, Japanese equities have continued to outperform amid foreign inflows. By Bloomberg's estimate, net flows into Taiwanese and Korean equities have turned negative this year, while net inflows into Japan increased to $73.6 bn as of May 22. A Bank of America survey conducted May 8–14 showed that Japan has emerged as the favorite Asian stock market, boosted by corporate governance reforms as well as its more diversified and relatively stable market. The Nikkei rose (+2.5%) to a fresh historic high while the Topix gained (+1.8%), both outperforming regional peers.



Emerging Markets back to top

This morning, EMEA assets softened as the global tone turned more cautious. CEE currencies weakened, with the zloty depreciating against the euro (-0.1%) to PLN4.24/€, while the leu and forint were stable at RON4.5/€ and HUF354.78/€. Hungary's and Poland's stock markets were flat, outperforming Romania (-0.5%). South African assets weakened, with the rand depreciating against the dollar (-0.2%) to

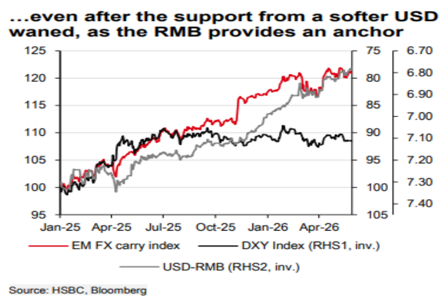
ZAR16.3/$ and equities down (-0.4%), while the 10-year local currency sovereign yield was little changed at 8.8% after a weekly Treasury auction drew record investor bids. Turkish equities reversed yesterday's gains, falling (-0.5%), while the lira depreciated against the dollar (-0.9%) to TRY45.96/$. Gulf equities also declined, led by the UAE (-1.0%).

Asian market struggled for direction. Regional currencies mostly weakened, with the Indonesian rupiah (-0.6%) and the Malaysian ringgit (-0.8%) underperforming. Bond yields generally rose as inflation and fiscal concerns once again took hold amid an elusive end to the war in the Middle East. Equities were mixed. Korea and Thailand were closed for holidays today while Japanese shares pushed to a fresh historic high.

Yesterday, Latin American assets gained with fewer geopolitical headlines hitting the tape. Currencies mostly appreciated against the dollar, led by the Mexican peso (+0.4%) as carry appeal improved, while the Colombian peso pared some of its prior rally, depreciating (-0.6%). Equities also rebounded, with the MSCI Latin America index gaining (+0.6%). Colombian local bonds continued to outperform after the recent election-driven rally, with the 10-year yield falling (-15bps) to 12.4%.

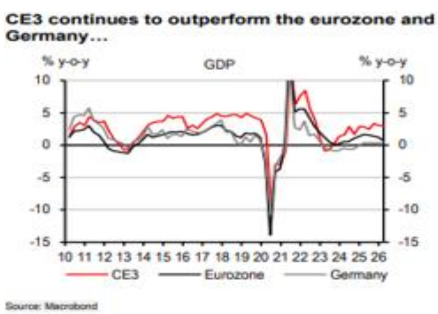
Emerging Markets

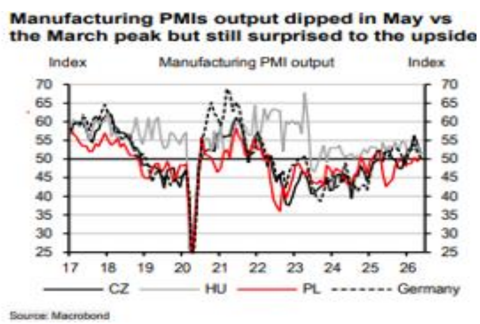
Currency carry remains resilient despite higher uncertainty. HSBC analysts note that carry trades have held up as broader FX volatility remains contained, while hawkish policy repricing across several EMs has lifted returns from carry (left chart). Carry-to-volatility ratios remain attractive in many EM currencies, including Indonesia after the central bank's surprise 50bps rate hike. The dollar index has traded sideways rather than strengthening sharply, while CNY strength has added another tailwind for carry (right chart). Nevertheless, HSBC analysts caution that a renewed escalation in geopolitical tensions or domestic political shocks could still challenge the supportive backdrop.



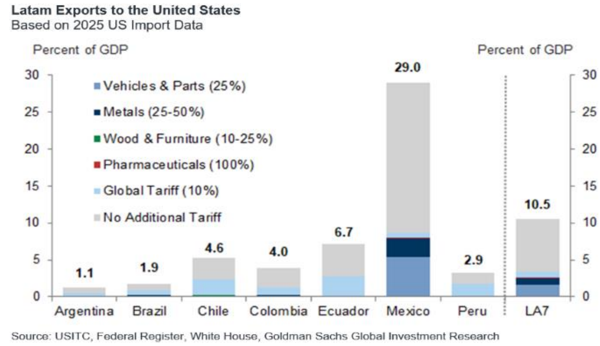
Central and Eastern Europe (CEE)

Q1 growth remained resilient across CEE economies. According to HSBC analysts, countries in the region outperformed the euro area and Germany, helped by solid domestic demand and upside surprises in May manufacturing PMIs. Hungary stood out, with strong private consumption and expected EU funding supporting fixed investment and exports. HSBC remains constructive on Hungary's growth outlook, while expecting some moderation in Poland and Czechia as the energy price shock clouds the regional outlook.





Brazil



Local markets shrugged off proposed US tariffs. The US proposed a 25% tariff on selected Brazilian imports after a Section 301 investigation found unfair trade practices, but the measure exempts key exports including coffee, beef, selected metals, and aircraft parts. Wells Fargo analysts note that the broad exemptions should limit the economic impact. Goldman Sachs analysts estimate that the proposal would raise the effective US tariff rate on Brazilian exports to 13.8%, affecting exports worth around 1.9% of GDP, modest compared with regional peers (see chart). Bloomberg analysts flag the risk of renewed trade friction, though both sides have signaled willingness to keep negotiating. The real appreciated against the dollar (+0.4%), the IBOVESPA rose (+1.2%), and the 10-year local yield was little changed (+2bps).

Indonesia

Indonesian assets weakened as twin deficit concerns returned. The rupiah depreciated against the dollar (-0.6%) to IDR17,950/$, a record low, and is down -7% year-to-date against the dollar, making it one of the weakest EM currencies tracked by Bloomberg. Equities also sold off, with the Jakarta Composite Index falling (-4.0%) to a five-year low and down -32% year-to-date, similarly among the weakest global equity indices tracked by Bloomberg. SGMC Capital attributes the underperformance to higher oil prices, which have revived concerns about Indonesia's fiscal and external balances. Foreign exchange reserves also fell in April to a two-year low, according to Bloomberg estimates. The pressure has added to rating concerns after Fitch and Moody's both lowered their outlooks this year.

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), 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 Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (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). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (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

Last updated: 6/3/26 8:52 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,608	0.1	1.2	5.2	27.4	11
Europe		6,059	-0.5	-0.2	3.0	12.7	5
Japan		68,402	2.5	5.2	14.9	81.2	36
China		4,939	0.5	0.6	2.7	27.7	7
Asia Ex Japan		123	1.0	4.2	12.1	57.6	33
Emerging Markets		71	1.0	3.5	10.4	54.0	29
Interest Rates					basis points		
US 10y Yield		4.5	4	1	12	4	32
Germany 10y Yield		3.0	3	2	-3	48	15
Japan 10y Yield		2.6	6	-6	12	115	57
UK 10y Yield		4.9	4	5	-6	27	42
Credit Spreads					basis points		
US Investment Grade		105	0	-1	-11	-24	-2
US High Yield		311	-2	-2	-13	-49	-25
Exchange Rates					%		
USD/Majors		99.5	0.2	0.3	1.3	0.2	1
EUR/USD		1.16	-0.3	-0.2	-0.8	2.0	-1
USD/JPY		159.9	0.0	0.3	1.7	11.1	2
EM/USD		47.5	-0.2	0.2	0.3	4.0	2
Commodities					%		
Brent Crude Oil ($/barrel)		98.3	2.4	6.5	-3.6	52.5	63
Industrials Metals (index)		188.9	-1.3	2.5	6.3	31.1	16
Agriculture (index)		57.0	0.2	-0.9	-3.3	2.3	7
Gold ($/ounce)		4464.6	-0.5	0.2	-1.3	33.1	3
Bitcoin ($/coin)		66987.3	-0.7	-9.0	-15.1	-36.7	-24
Implied Volatility					%		
VIX Index (%, change in pp)		16.2	0.3	-0.1	-0.8	-1.5	1.3
Global FX Volatility		6.4	0.0	-0.1	-0.7	-2.4	-0.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		68	1	2	-9	-5	10
Italy		73	2	1	-9	-24	3
France		63	1	2	-3	-4	-8
Spain		42	0	0	-4	-17	-1

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

Emerging Market Financial Indicators

6/3/2026 8:55 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		6.77	-0.1	0.1	0.8	6.1	3.2		1.8	0	-3	-4	3	-15
Korea*		1519	-0.4	-0.8	-3.0	-9.2	-5.2		4.1	-2	4	31	146	82
Indonesia		17950	-0.6	-0.9	-3.2	-9.2	-7.0		6.8	-3	0	5	3	73
India		96	-0.5	0.0	-0.6	-10.6	-6.1		7.8	4	-10	-14	108	69
Philippines		62	-0.1	-0.3	-0.3	-9.7	-4.7		6.1	0	0	37	116	142
Thailand		33	-0.1	0.2	0.1	0.8	-3.3		2.3	-2	-7	4	35	58
Malaysia		4.00	-0.9	-0.7	-1.1	6.2	1.5		3.6	3	1	3	6	9
Argentina		1426	0.0	-1.2	-1.7	-17.2	1.8		0.0	0	0	0	-2921	-3237
Brazil		5.04	-0.6	0.5	-1.4	12.0	8.7		14.2	6	17	34	1	59
Chile		895	-0.6	0.0	1.9	5.2	0.7		5.5	3	-2	-1	-13	16
Colombia		3579	-0.6	2.5	4.2	16.2	5.5		12.7	-25	-97	-85	66	-13
Mexico		17.31	-0.1	0.3	1.2	11.2	4.1		9.0	1	-13	-11	-31	7
Peru		3.4	0.1	0.5	2.8	6.2	-1.4		6.0	-6	-70	-70	-50	24
Uruguay		40	0.3	-0.4	-0.2	3.4	-3.2		7.4	0	-4	-4	-188	-8
Hungary		306	-0.3	-0.5	2.0	16.0	6.9		5.4	-2	-10	-56	-133	-117
Poland		3.65	-0.4	-0.4	-0.3	2.9	-1.8		5.1	-4	-7	-11	18	59
Romania		4.5	-0.3	-0.5	-2.0	-1.9	-4.4		6.7	2	2	-35	-71	5
Russia		73.8	-1.1	-3.9	1.6	7.2	6.6							
South Africa		16.3	-0.5	0.4	3.0	9.5	1.6		8.8	-11	-7	-28	-177	18
Türkiye		45.96	0.0	-0.1	-1.7	-14.8	-6.5		35.1	-53	-72	66	107	547
US (DXY; 5y UST)		99	0.2	0.2	1.3	0.2	1.1		4.22	5	4	20	20	49

	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		4,939	0.5	0.6	2.7	27.7	6.7		83	-4	-9	-26	8
Korea*		8,801	0.0	9.4	26.9	217.6	108.9		23	1	-6	-6	1
Indonesia		5,941	-4.1	-3.6	-14.8	-16.0	-31.3		96	-3	-5	-6	10
India		74,346	-4.1	-2.2	-3.8	-8.2	-12.8		77	-3	-12	-30	-13
Philippines		5,953	0.7	-0.2	0.2	-6.7	-1.6		85	-5	-3	2	10
Thailand		1,588	0.0	2.4	6.3	40.3	26.1						
Malaysia		1,673	-0.6	-2.3	-3.9	10.9	-0.4		44	0	-6	-38	-15
Argentina			-0.6	10.3	13.8	44.9	5.7		495	-22	-51	-186	-74
Brazil		174,198	1.2	-1.4	-7.0	26.6	8.1		181	-5	2	-43	-22
Chile		10,469	-1.5	-3.4	-4.0	29.1	-0.1		90	-1	3	-27	-1
Colombia		2,265	0.4	3.2	4.0	37.8	9.5		218	-27	-23	-119	-59
Mexico		68,890	1.1	-0.4	1.5	19.5	7.1		200	-10	2	-99	-17
Peru		3,396	1.3	1.2	8.5	80.1	31.4		91	-3	-2	-41	-18
Hungary		136,218	0.2	3.3	1.8	42.0	22.7		111	-7	0	-45	-28
Poland		136,123	-0.2	0.0	5.9	36.2	16.1		93	-1	1	-21	2
Romania		29,856	-0.8	-2.8	5.6	61.2	22.2		182	-4	-11	-79	6
South Africa		113,393	-0.5	-1.8	-1.6	19.5	-2.1		205	-16	-33	-113	-13
Türkiye		14,138	-0.4	2.4	-2.1	52.4	25.5		260	-18	-13	-59	26
EM total		71	-0.6	3.5	10.4	54.0	29.4		257	0	-1	-127	-14

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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