



- Market pricing pushes Fed rate cuts into 2026 ([link](#))
- US corporate bond market displays strong fundamentals ([link](#))
- Euro area spreads seen as less vulnerable to a sell-off in core rates ([link](#))
- Czech koruna strengthens after upside inflation surprise ([link](#))
- Local bonds surge as Ecuador announces return to bond market in 2026 ([link](#))
- **Special Feature: EM and Frontier Market Issuance Monitor** ([attached](#))

[Mature Markets](#)



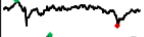

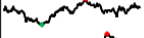

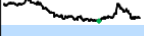



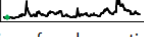
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Global equities gain with focus on the US economy

Global equities reached a fresh intraday record high this morning with the MSCI All-Country World index surpassing its February peak, as optimism over the resilience of the US economy seemingly overshadowed trade negotiation uncertainties. This follows after data yesterday showed that the US labor market is more robust than previously thought. However US equity futures pared some gains after data released this morning showed a downside surprise in US ADP employment figures. Meanwhile South Korea's equities rallied following the election of Lee Jae-myung as President while European equities were boosted by news of corporate tax breaks in Germany. Elsewhere recent disappointing data from China is seen to suggest that the US-China trade truce has done little to boost sentiment across households or businesses. European sovereign yields were little changed this morning ahead of the ECB meeting tomorrow. Rates are expected to remain on hold at the respective policy meetings in Poland and Canada later today.

Key Global Financial Indicators

Last updated: 6/4/25 1:15 PM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		5970	0.6	1	5	13	2
Eurostoxx 50		5408	0.6	1	2	9	10
Nikkei 225		37747	0.8	0	2	-2	-5
MSCI EM		46	0.2	0	2	10	10
Yields and Spreads			bps				
US 10y Yield		4.45	-0.6	-3	14	12	-12
Germany 10y Yield		2.53	0.8	-2	0	0	17
EMBIG Sovereign Spread		326	-6	-4	-30	-57	1
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.8	0.2	1	1	-2	7
Dollar index, (+) = \$ appreciation		99.2	0.0	-1	-1	-5	-9
Brent Crude Oil (\$/barrel)		65.6	0.0	1	7	-15	-12
VIX Index (% change in pp)		17.5	-0.2	-2	-5	4	0

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

Mature Markets

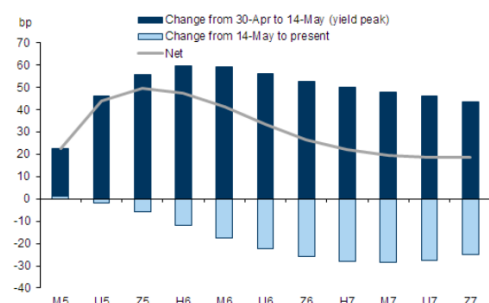
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United States

Short term interest rate markets now predict fewer rate cuts in 2025 and more cuts in 2026. The recent rise in interest rates across the yield curve has led the interest rate futures market to price just two rate cuts in 2025 from four cuts one month earlier. Roughly four and a half cuts are expected by the end of 2026. Meanwhile, demand for US Treasuries among foreign investors remains weak. Foreign holdings peaked in late April, and Goldman reports that Fed custody holdings of Treasuries have fallen by \$38 bn since then, despite a 1% depreciation of the US Trade Weighted Dollar Index. The analysts think that yields will have to move higher if they are to attract more foreign investors.

Exhibit 1: The market has unwound part of the front-end cheapening but with a somewhat later easing bias

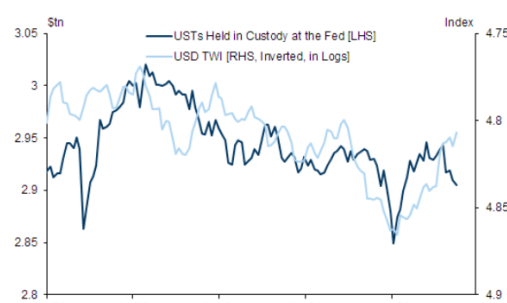
Change in SOFR strips since 30 April



Source: Goldman Sachs Global Investment Research

Exhibit 2: The recent USD depreciation has not led to an increase in foreign official holdings of USTs

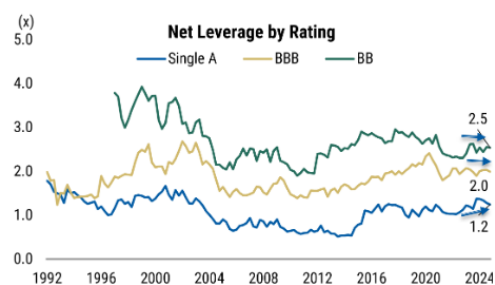
USTs held in custody at the Fed, vs USD TWI



Source: Goldman Sachs Global Investment Research, Federal Reserve

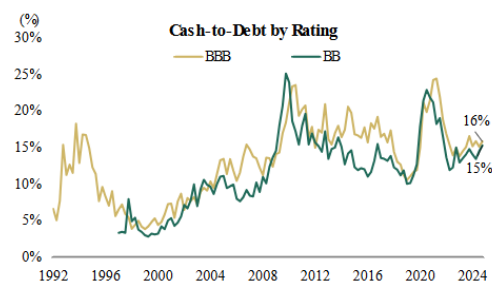
Flows into the US corporate bond market have been robust as US companies display strong fundamentals despite the uncertain economic situation. New deals continue to be oversubscribed as investors snap up all new supply. Although credit spreads remain tight, the high interest rate environment means that absolute yields for US corporate bonds are at very attractive levels. The all-in yield of the Bloomberg Investment Grade (IG) Bond Index is 5.30%, while the equivalent high yield (HY) index is close to 8%. In addition, measures of credit risk remain at very favorable levels. Leverage remains quite low by historical standards, and cash to debt ratios are high, according to analysis by Morgan Stanley. As a result, companies are well positioned to deal with a potential slowdown in the economy. In addition, the weakness of the dollar has lowered the FX hedging costs for foreign investors, making the US market even more attractive.

Exhibit 7: Leverage not elevated across IG + BBs



Source: Bloomberg, S&P Capital IQ, Morgan Stanley Research; Note: Data as of 4Q24

Exhibit 8: Cash to debt ratios are high



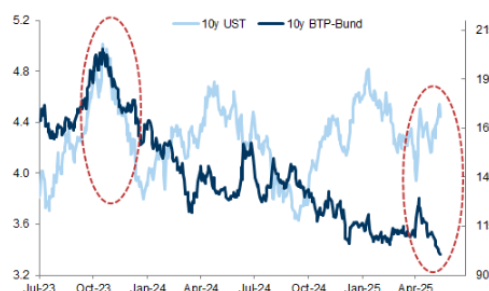
Source: Bloomberg, S&P Capital IQ, Morgan Stanley Research; Note: Data as of 4Q24

Euro Area

European equities were higher and the euro strengthened marginally, with analysts pointing to news of corporate tax breaks in Germany. The Stoxx 600 was 0.4% higher this morning with most sectors trading in the green. Germany's DAX was up +0.6% with analysts noting that equities got a boost from news that Germany's cabinet approved a €46bn corporate tax break package. **Sovereign bond yields were little changed with the 10-year bund yield trading around 2.52%.** Contacts note that markets are looking through the downside surprise in yesterday's eurozone inflation data and are awaiting the ECB staff projections and President Lagarde's guidance tomorrow for further direction. On the data front the **eurozone's final PMI data for May were higher than previous estimates**, with composite PMI at 50.2 (versus previously estimated 49.5), and services PMI at 49.7 (versus previously estimated 48.9).

Euro area sovereign spreads seen to be more insulated to a selloff in core rates than in the past. Goldman Sachs analysts note that, unlike in fall 2023, recent price action suggests that sovereign spreads are less vulnerable to a sell-off in core rates—with the 10-year Italian-German spread narrowing by about 20bps since early April even as US Treasury yields rose by 25bps. While the analysts remain constructive on euro area sovereign credit—as they see inflation risk in the eurozone as benign, with the ECB able to respond to renewed trade policy escalation with rate cuts while German-led fiscal expansion is expected to boost growth expectations beyond the cyclical horizon—the analysts see further tightening as challenging. Still, the analysts note that Southern European debt could continue to outperform if diversification away from US assets gains traction.

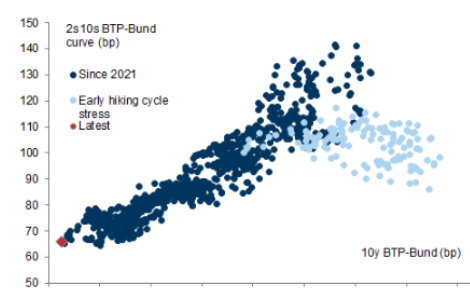
Exhibit 1: Sovereign spreads have proven much more insulated against core rate sell-offs than in 2023



Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

Exhibit 2: Spread tightening has gone hand in hand with credit curve flattening...

Using G5 constant maturity fitted yields

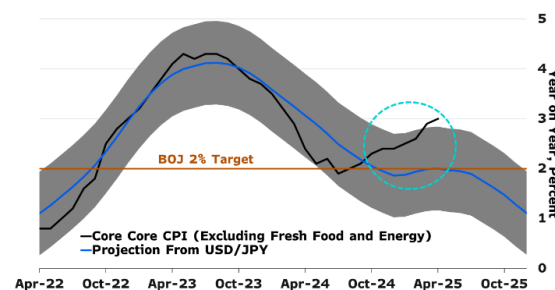


Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

Japan

Japan's junior ruling coalition partner, Komeito, will propose cutting the consumption tax rate for food items from 8% to 5% in a campaign pledge for the Upper House election slated in July. According to the report from Yomiuri Shimbun, the campaign pledge will also include a proposal to offer cash payouts to support households from rising living costs, with the proposed stimulus plan to be funded by an expected increase in tax revenues instead of additional debt issuance. The tax cut proposal, to be announced on Friday, will add pressure on prime minister Ishiba to offer more fiscal support to voters. Ishiba and senior Liberal Democratic Party officials have so far pushed back against such support, quoting concerns over Japan's public debt amidst rate hike expectations and the recent surge in super-long Japanese Government bond yields.

Yen No Longer Explains Hot CPI



Source: Ministry of Internal Affairs and Communications, Bloomberg Economics. Note: Core-core CPI projections are based on a degree-2 Almon lag model using USD/JPY, with 27-month lag selected the Akaike Information Criterion (AIC). Forecast bands represent ± 2 standard deviations.

Bloomberg analysts argue that although the Jun 16-17 BOJ policy meeting will focus on the pace of bond purchases, the central bank may have to start considering rate hikes from July and beyond as inflation have consistently been running above the 2% target and exceeding consensus forecasts. Price pressures have been intensifying across a broad range of categories, and the upward surprises can no longer be explained by yen's weakness alone. The Yen held steady near \$/144 level today, while yields were marginally higher (10y benchmark yield +1.3 bps to 1.50% and 30y yield +0.9 bps to 2.94%).

Emerging Markets

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EMEA equities were mostly trading higher, while currencies were trading mixed. The Polish zloty was trading steady against the euro ahead of today's MPC decision where policy rates are expected to be kept on hold at 5.25%. Meanwhile, the South African rand was strengthening against the dollar (+0.5% at 17.77/\$) on the back of today's May PMI reading which printed at 50.8 (up from 50.0). Elsewhere, Bloomberg reports that Kazakhstan is considering a return to international debt markets with a potential \$2.5bn eurobond to cover the budget deficit and maturity of a previous security. **Asian currencies were mixed** (EM Asia: +0.1%), **while Asian equities continued to rally**, led by Korea (KOSPI: +2.7%) and Taiwan POC (TAIEX: +2.3%), on the back of a tech rally in the US overnight. Korean government bonds retreated amid concerns over additional KTB supply, given likely expansionary fiscal policy under new administration. **Latin American assets extended their gains on Tuesday.** Stocks gained in Brazil (+0.6%), Chile (+0.9%), and Colombia (+2.2%). Currencies appreciated against the US dollar in Brazil (+0.6%) and Colombia (+1.2%).

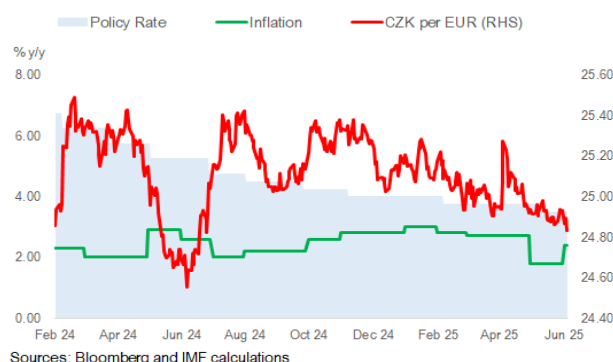
Czechia

Czech koruna advances against euro on firmer-than-expected May preliminary headline inflation.

Data released this morning showed May preliminary headline inflation printing at 2.4%/y/y (2.0% exp, 1.8% prior), and a touch firmer than the Czech National Bank's own projection of 2.3%. Immediately following the release, the Czech koruna advanced (+0.2%) against the euro to trade at 24.83/€ as markets expect the Czech National Bank will keep policy rates on hold at the upcoming June meeting, following last month's rate cut. Speaking last month, Governor Michl said

that board members were not in agreement on whether the cut in May was the last cut in the current cycle, but that there was broad consensus that the scope for further easing was narrowing.

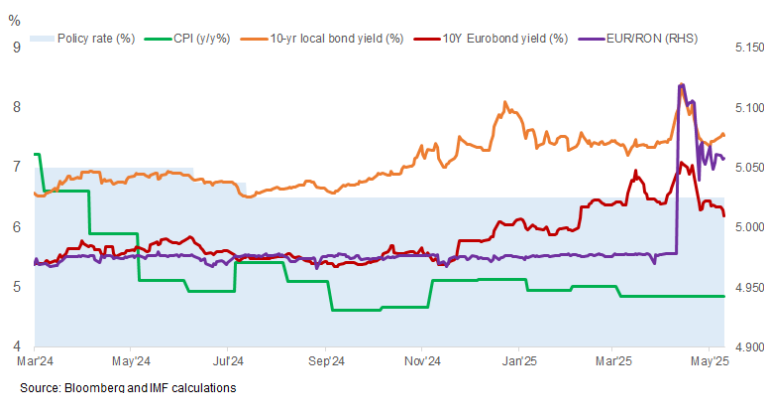
Czech Republic: Policy rate, inflation and currency



Romania

Romania sells debt via private placements amidst still-elevated yields. Treasury Chief Nanu yesterday reiterated that Romania plans to sell more eurobonds once a new government is in place and announces its fiscal measures. In the meantime, Treasury Chief Nanu remarked that "there are some investors who want to buy Romania now" and in response the country has sold debt via private placements. Newly elected President Dan is expected to continue discussions with political parties this week to form a new ruling coalition to deliver on necessary reforms. According to Bloomberg, a report on Romania's progress under the European Commission's excessive-deficit procedure is expected to be released today. This morning, the Romanian lei was trading broadly steady at RON5.05/€ while the yield on the country's 10Y eurobond was 9bps lower to trade at 6.20%.

Romania: Currency, headline CPI, policy rate & 10Y local currency bond yield



China

Chinese consumer spending faltered during three-day Dragon Boat Festival public holiday.

While travelers spent more than CNY42.7 bn (\$5.9 bn) in total, up 5% from a year earlier, the average spending per trip was only CNY 359, down 2.2% y/y, according to data from the Ministry of Culture and Tourism. Bloomberg analysts caution that the latest disappointing Caixin manufacturing PMI and holiday spending data suggest that the US-China trade truce has done little to boost sentiment across households or businesses. Calls for more stimulus measures are expected to grow, with Chinese equities likely to remain under pressure without clearer signs of near-term policy support. Both onshore (CSI300: +0.4%) and offshore (Hang Seng: +0.5%) equities continued to rally today, although underperforming regional peers. The Yuan was fixed slightly weaker at \$/7.1886, while 10y benchmark yield fell 0.6 bps to 1.70%.

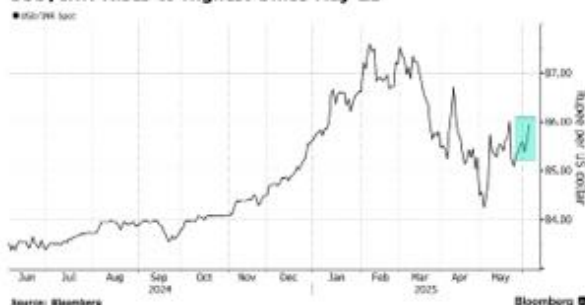
China Onshore Stocks Lag Broader Asia



India

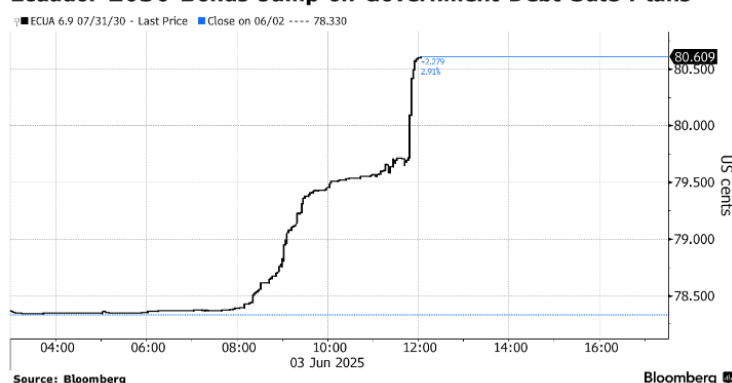
The Indian rupee weakens to lowest level in almost two weeks as global trade uncertainties persist and Reserve Bank of India (RBI) may have eased on FX intervention.

The currency was 0.4% weaker today trading around 85.97. Following Bloomberg reports earlier this week, analysts believe the rupee is on track to underperform even as the US dollar remains under pressure, given the RBI will likely avoid keeping a large derivatives book, which represents a large potential drain on its \$693bn foreign-exchange reserves. Although the RBI's net FX forward short positions decreased to \$72.6bn as of the end of April (from \$84.3bn end-March), the \$14.7bn in positions up to three months and \$37.8bn in three-month to one-year bucket would deplete reserves if not rolled over. Going forward, the RBI is expected to continued reducing its forward book size when capital inflows pick up. Excess cash with Indian lenders rose to a three-year high following the latest RBI's cash injections via open market operations (OMOs). Analysts believe the conduction of such OMOs, despite surplus rupee liquidity, is due to the RBI expecting to allow its forward book to run off, which will require them to sell FX and drain banking system liquidity. RBI's monetary policy panel begins its three-day meeting today with the rate decision due on Friday.

USD/INR Rises to Highest Since May 23**Excess Banking Cash Is at Highest Since 2022**

Ecuador

Ecuador's sovereign bond prices surged on Tuesday on the announcement that the country would return to the bond market in 2026. FM Moya said the deal would be backed by multilateral lenders if the economic plan works. Investors welcomed the news and bonds due in 2030 rose 2.3 cents to about 81 cents on the dollar. The bonds have returned 14% this year, among the best in emerging markets. President Noboa's four-year plan aims to boost growth and restore fiscal order. Analysts are positive, but warn of risks like falling oil prices. Ecuador last tapped markets in 2019 with a \$1 billion debt-for-nature swap. Ecuador secured a 48-month, \$4.4 billion package the IMF last year. It currently owes around \$15 billion to global bondholders.

Ecuador 2030 Bonds Jump on Government Debt Sale Plans

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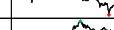







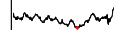



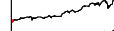










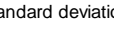


Global Financial Indicators

6/4/25 1:17 PM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,974	0.6	1.5	5.1	12.9	2
Europe		5,408	0.6	0.6	2.3	9.2	10
Japan		37,747	0.8	0.1	2.5	-1.9	-5
China		3,869	0.4	0.8	2.6	7.6	-2
Asia Ex Japan		78	0.1	-0.2	2.8	11.6	9
Emerging Markets		46	0.2	-0.3	2.1	10.4	10
Interest Rates			basis points				
US 10y Yield		4.4	-1	-5	12	10	-14
Germany 10y Yield		2.5	0	-3	-1	-1	16
Japan 10y Yield		1.5	1	-1	24	48	41
UK 10y Yield		4.6	-1	-9	13	46	7
Credit Spreads			basis points				
US Investment Grade		130	0	-6	-19	12	10
US High Yield		357	-3	-10	-48	2	29
Exchange Rates			%				
USD/Majors		99.2	0.0	-0.7	-0.8	-4.7	-9
EUR/USD		1.14	0.3	1.0	0.8	4.8	10
USD/JPY		143.9	-0.1	-0.7	0.1	-7.1	-8
EM/USD		45.8	0.2	0.6	1.0	-1.5	7
Commodities			%				
Brent Crude Oil (\$/barrel)		65.6	0.0	2.1	7.7	-11.6	-10
Industrials Metals (index)		144.7	0.4	2.2	2.6	-8.7	3
Agriculture (index)		56.1	0.7	-0.5	-3.4	-6.7	-2
Gold (\$/ounce)		3353.0	0.0	2.0	0.6	44.1	28
Bitcoin (\$/coin)		105163.9	-0.6	0.5	9.9	49.3	12
Implied Volatility			%				
VIX Index (% change in pp)		17.4	-0.3	-1.9	-5.2	4.3	0.1
Global FX Volatility		8.8	0.0	0.1	-0.8	1.7	-0.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		74	1	2	-9	-32	-11
Italy		97	0	-1	-13	-36	-18
France		67	1	0	-5	19	-16
Spain		59	1	-1	-7	-15	-10

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

Emerging Market Financial Indicators

Last updated: 6/4/2025 1:22 PM	Exchange Rates						Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.19	0.0	0.1	1.2	0.7	1.6		1.8	1	1	6	-51	7
Indonesia		16290	0.0	0.0	0.9	-0.4	-1.2		6.7	0	1	-6	-10	-28
India		86	-0.4	-0.6	-1.9	-2.8	-0.3		6.7	0	-3	-1	-69	-65
Philippines		56	-0.1	-0.5	0.0	5.3	3.7		4.9	-1	-1	-4	-66	6
Thailand		33	0.4	-0.3	1.1	11.9	4.2		2.0	0	-3	-5	-91	-37
Malaysia		4.25	0.0	-0.5	-1.1	10.7	5.3		3.5	-1	-1	-14	-36	-29
Argentina		1184	-0.3	-2.4	1.4	-24.3	-12.9		29.2	-4	-6	-375	-1119	1
Brazil		5.61	0.4	1.4	1.3	-5.8	10.0		14.1	-2	17	1	271	-180
Chile		941	-0.2	-0.4	0.0	-4.0	5.7		5.6	0	-2	6	-25	-9
Colombia		4108	1.3	0.1	4.7	-5.9	7.2		12.1	2	2	8	117	28
Mexico		19.19	0.3	1.0	2.6	-6.9	8.5		9.3	-4	-7	-7	-75	-103
Peru		3.6	-0.1	0.5	1.1	2.9	3.2		6.5	0	5	-6	-48	-10
Uruguay		42	0.1	-0.1	0.6	-6.5	5.7		9.2	-10	-17	-37	5	-43
Hungary		354	0.4	1.1	0.8	2.2	12.4		6.7	-3	-2	15	-12	25
Poland		3.75	0.2	-0.1	0.5	5.5	10.0		5.0	5	-6	23	-42	-55
Romania		4.4	0.4	0.9	-0.7	3.2	8.4		7.5	5	11	6	87	22
Russia		78.7	0.5	1.5	2.2	12.9	44.2							
South Africa		17.8	0.2	0.6	2.5	5.0	5.7		10.5	-8	-24	-37	-150	0
Türkiye		39.12	0.1	0.0	-1.4	-16.7	-9.6		33.8	-20	11	-60	553	409
US (DXY; 5y UST)		99	0.0	-0.7	-0.8	-4.7	-8.5		3.99	-3	-7	7	-35	-39

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	
								basis points					
China		3,869	0.4	0.8	2.6	7.6	-1.7		108	-10	-16	-26	12
Indonesia		7,069	0.3	-1.7	3.5	1.7	-0.2		100	-3	-16	-1	9
India		80,998	0.3	-0.4	0.2	8.9	3.7		108	-3	-21	18	22
Philippines		6,379	-0.5	-0.7	0.3	-1.0	-2.3		84	0	-9	-5	5
Thailand		1,132	-1.5	-3.9	-5.6	-15.4	-19.2						
Malaysia		1,508	0.3	-1.2	-2.1	-6.3	-8.2		80	-2	-15	2	10
Argentina		2,224,638	0.8	-5.5	5.9	40.7	-12.2		676	1	-33	-738	39
Brazil		137,546	0.6	-1.4	1.8	12.9	14.4		220	0	-9	2	-27
Chile		8,112	0.0	-1.6	0.9	23.0	20.9		114	-4	-9	-6	1
Colombia		1,644	2.2	0.2	0.1	17.1	19.1		329	-7	-50	22	3
Mexico		57,639	-0.1	-1.6	3.3	7.8	16.4		292	-5	-42	-11	-20
Peru		31,935	0.2	1.9	5.7	8.2	10.3		129	1	-13	-22	-12
Hungary		96,780	0.9	-0.1	5.0	41.5	22.0		152	-7	-21	1	-3
Poland		101,148	1.2	-2.6	-0.1	19.0	27.1		111	-2	0	12	-1
Romania		18,549	0.1	3.4	8.2	4.8	10.9		254	-9	-35	70	19
South Africa		95,570	0.7	1.8	3.5	24.4	13.6		312	-7	-37	-20	19
Türkiye		9,398	1.3	2.4	2.5	-9.3	-4.4		311	3	-25	29	52
EM total		46	1.2	-0.3	2.1	10.4	9.9		376	-7	-30	0	12

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

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