



- **US high-yield corporate bond issuance resurgent** ([link](#))
- **Gilt yields seen as more vulnerable than peers to global sentiment** ([link](#))
- **Japan long bond yields fall despite 30-year auction drawing weakest demand since 2023** ([link](#))
- **Bank of Canada holds its policy rate as expected** ([link](#))
- **EM local rates seen as resilient from rise in US yields** ([link](#))

[Mature Markets](#)



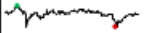
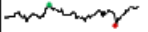


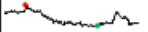



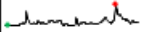
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ECB cuts rates as expected, lowers inflation forecast

As was widely expected, the ECB cut its benchmark rate by 25bp. In addition to the cut, staff forecasts for inflation were revised downward, with 2026 headline inflation now expected to average 1.6% in 2026 compared to 1.9% in the previous forecast. The market impact from the decision was modest, with the euro marginally stronger. Overnight, yields had already been on the decline. With the ECB rate cut, investors will now watch for tomorrow's US nonfarm payroll data as the next significant event. While tariff uncertainty continues to linger, a lack of recent major announcements have allowed markets to once again focus on hard data. In the United Kingdom, the statistics office announced an error in the release of April's inflation data, and have revised the figure down by 0.1ppt. Yields on gilts declined modestly this morning, but that was largely in line with the drop in sovereign bond yields globally. This morning's US data showed weekly jobless claims somewhat higher than forecast as well as a narrowing of the trade deficit on a sharp decline of imports.

Key Global Financial Indicators

Last updated: 6/5/25 8:05 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5971	0.0	1	6	12	2
Eurostoxx 50		5414	0.2	1	2	8	11
Nikkei 225		37554	-0.5	-2	2	-3	-6
MSCI EM		47	1.2	1	3	10	11
Yields and Spreads			bps				
US 10y Yield		4.34	-2.0	-8	-1	6	-23
Germany 10y Yield		2.49	-3.7	-2	-3	-2	12
EMBIG Sovereign Spread		329	3	0	-27	-59	4
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.8	0.1	0	1	-2	7
Dollar index, (+) = \$ appreciation		98.8	0.0	0	-1	-5	-9
Brent Crude Oil (\$/barrel)		65.1	0.3	1	8	-17	-13
VIX Index (% change in pp)		17.6	0.0	-2	-6	5	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

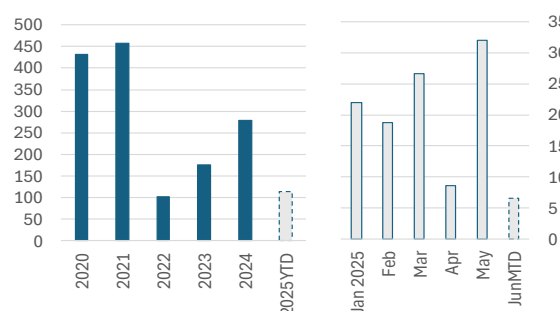
Treasury 10-year yields declined 10bp Wednesday following a slew of weak data, with the yield curve flattening. With the drop, yields traded below the level seen before Moody's downgrade on May 16. Some analysts believe the Fed's move Tuesday to lift an asset cap restriction on Wells Fargo will unlock its balance sheet capacity, enabling the bank to purchase more Treasuries. The 30-year swap spread has widened by 3bp after yesterday's announcement.

Data this morning showed the April trade deficit narrowed to -\$61.6bn (versus -\$66.0bn expected; -\$138.3bn in March) as imports fell sharply after importers front-loaded products in March to avoid tariffs. Meanwhile, jobless claims increased (247k versus 235k expected; 239k previously) with a four-week moving average of 235k. Analysts expect higher volatility in the trade balance in the coming months. Treasury 10-year yield declined further by 2bp, and the dollar weakened by -0.2% against euro.

US high-yield corporate bond issuers have been active after issuance volume dropped in April.

Analysts believe that strong demand for higher yields will likely drive supply in the coming weeks. High-yield corporate bond spreads have narrowed for a sixth straight trading session as investor appetite remained resilient, with corporate balance sheets and the real economy remaining solid despite some deterioration. Spread tightening has been broad-based; even CCC-rated spreads have narrowed by 36bp over the last month.

US High Yield Corporate Bond Issuance (USD billion)



Source: Bloomberg

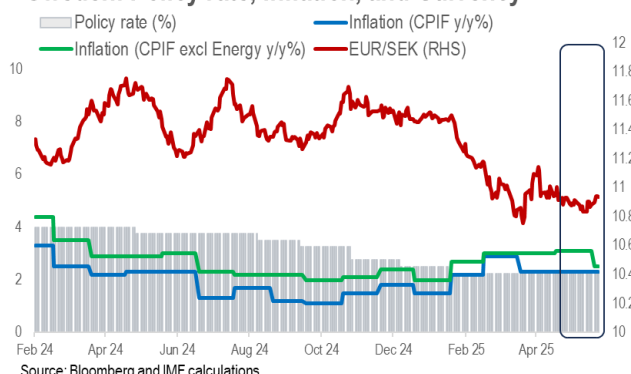
Euro Area

The ECB cut its deposit facility rate by 25 bp to 2.0%, as expected, and lowered its 2026 inflation forecasts. The new Eurosystem staff projections showed a downward revision in headline inflation projections, now expected to average 1.6% in 2026 (versus prior forecasts of 1.9%). The euro remained marginally stronger against the dollar on the day (+0.2% at 1.1442), while European government bond yields continued to decline after the decision, adding to moves seen earlier in the session (10y bund yields roughly 5bp lower 2.48%). **European equities are marginally higher this morning.** The Stoxx 600 is up 0.4% with construction (+1.2%) and technology sectors (+0.9%) outperforming.

Sweden

Downside inflation surprise raises expectations for further easing by the Riksbank. Data released this morning showed preliminary CPIF inflation remaining unchanged at 2.3%y/y (versus expected increase to 2.5%) while CPIF excluding energy slowed to the lowest level in five months (2.5%y/y versus expected 2.6% from 3.1%). The Riksbank has cut its policy rate by 175bp over the past year and left it unchanged at 2.25% at its most recent policy meeting in May. JP Morgan analysts see the data as supportive for their expectation that the Riksbank would restart its rate-cutting cycle later this month, while UBS analysts only expect a 25bp rate cut in August. Markets

Sweden: Policy rate, Inflation, and Currency

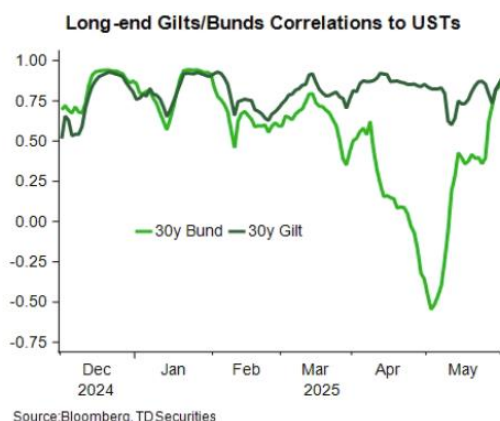
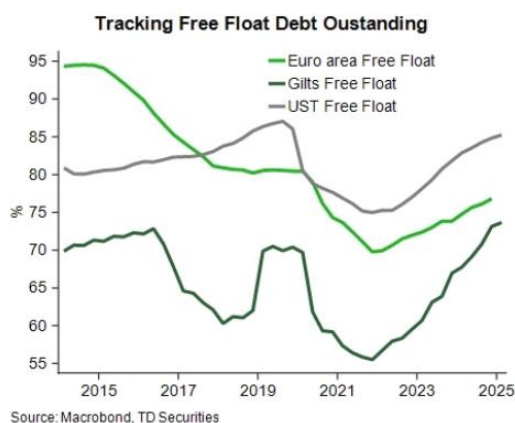


Source: Bloomberg and IMF calculations

are now pricing in 20bp of easing for the June meeting (compared to 16bp yesterday) and a total of 46bp of easing by end-2025 (compared to 43bp yesterday).

United Kingdom

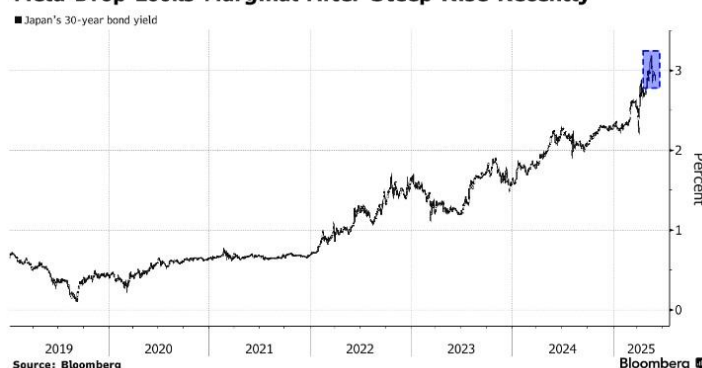
Some analysts see UK gilts as more vulnerable than peers to global sentiment. Analysts at TD Securities argue that unreliable data from the Office for National Statistics (ONS) together with limited headroom available to the Chancellor, renders gilts more vulnerable than global peers. More broadly the analysts highlight structural features impacting UK gilts. For example, free float debt has increased globally in the absence of quantitative easing, notably for the UK and the euro area where central bank sovereign debt holdings accounted for over half of the outstanding stock of debt. In addition, gilts have been closely tracking US Treasury moves, despite market focus on the “de-dollarization” into EUR and GBP, which the analysts attribute partly to the overlapping ownership structures among global investors. Separately, this morning the ONS announced that the UK’s April headline inflation was overstated by 0.1ppt, with corrected data showing that annual inflation at 3.4%. Gilt yields were marginally lower (10-year -2bp at 4.59%) while the pound was marginally stronger against the dollar (+0.2% at 1.3582).



Japan

Thursday’s auction of 30-year Japanese government bonds saw the weakest demand since 2023, adding pressure to the government to adjust JGB issuance. The bid-to-cover ratio was 2.92, below last month’s 3.07 and the 12-month average of 3.39. This adds to a series of poorly received sovereign bond auctions worldwide, including Tuesday’s auction of 12-yr Australian government debt and Wednesday’s post-election Korean 30-yr sale, reflecting growing investor anxiety about fiscal deficits. However, the yield curve shifted lower after the auction (10-yr JGB yield -4 bp to 1.46%; 30-yr yield -6 bp to 2.88%; 40-yr yield -5 bp to 3.07%). Mizuho analysts believe the afternoon bond rally was triggered by the covering of short positions and believe that market participants are likely to tread cautiously going forward, avoiding large positions in super-long bonds until the Ministry of Finance clarifies its next steps. Traders are looking to the BOJ’s Jun 16-17 monetary policy meeting for its bond buying plans, as well as a Ministry of Finance meeting with primary dealers, reportedly to be held Jun 20. A veteran UBS portfolio manager suggests that the government should stop issuing debt beyond 30 years due to demographic shifts, and that the BOJ should direct reinvestments into JGBs above 20 years to make its

Yield Drop Looks Marginal After Steep Rise Recently



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QE portfolio more market neutral. The yen weakened (-0.3%) today after strengthening 0.9% overnight on weak US data. Equities declined (Nikkei: -0.5%), led by carmakers on the stronger yen and ongoing tariff concerns.

Canada

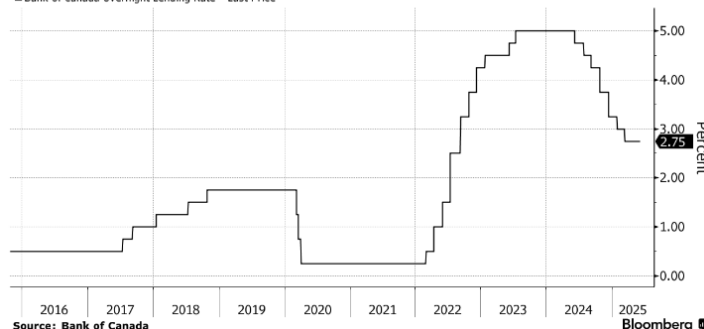
The Bank of Canada held its policy rate at 2.75% for a second consecutive meeting, as widely expected. The

Governing Council noted a range of views on the outlook for interest rates, with some members open to potential rate cuts if economic weakness persists and inflation pressures remain contained. Analysts expect the bank to resume rate cuts as soon as the third quarter, as the statement indicates risks are tilted to additional rate cuts this year. The Canadian dollar strengthened 0.3% against the US dollar but weakened against other G10 currencies.

Macklem Holds

Trade conflict with US is Canadian economy's "biggest headwind"

■ Bank of Canada Overnight Lending Rate - Last Price



Emerging Markets

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Asian currencies strengthened (EM Asia: +0.1%), led by the Thai baht (+0.6%), Malaysian ringgit (+0.4%) and Korean won (+0.4%), as the US dollar weakened due to rising dovish Fed bets due to weaker US employment and services data. Asian equities gained for a third consecutive day (EM Asia: +1.1%), led again by Korea (KOSPI: +1.5%) on optimism of improved corporate governance after the ruling Democratic Party said it will propose a revision to the Commercial Act. **EMEA equities are mostly trading higher while currencies are mixed.** In CEE, equities in Romania are outperforming while those in Poland are underperforming. CEE currencies were trading in a narrow range against the euro. Meanwhile, the South African rand was strengthening against the dollar (+0.3%) while the Turkish lira was weaker (-0.4%) against the dollar. Elsewhere, Ukraine left its policy rate unchanged at 15.5%, in line with expectations. **There was limited movement in Latin American asset prices Wednesday.** Stocks gained in Chile (+0.7%), and Colombia (+0.5%), while Brazil's equity market declined by 0.4%. The Chilean peso appreciated 0.4% against the US dollar.

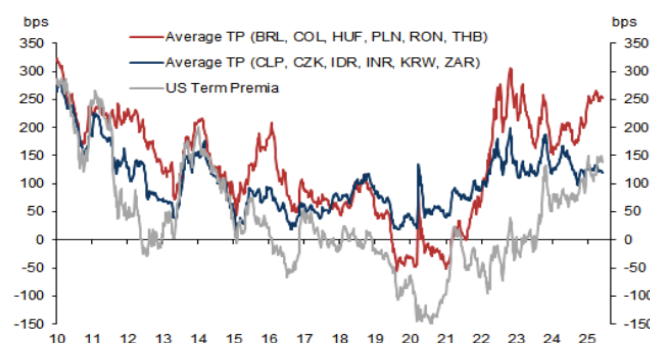
Emerging markets (EM)

Some analysts suggest limited spillover to EM local rates from the rise in US yields.

Analysts at Goldman Sachs note that emerging market local rates have been relatively resilient to the recent rise in US long-end Treasury yields. Within EM, the analysts note that countries where fiscal deterioration has coincided with that of the US have seen local rates track the move higher in US Treasuries. In contrast, countries with relatively more stable fiscal positions have seen greater resilience. More generally the analysts believe that the lower levels of debt in EM economies compared with most developed market

Exhibit 5: Long-end Risk Premia in EMs With Weaker Fiscal Position Has Traded Similarly to the US, But More Resilient Where Fiscal Risk is More Contained

GS estimates of US and EM 10Y term premia



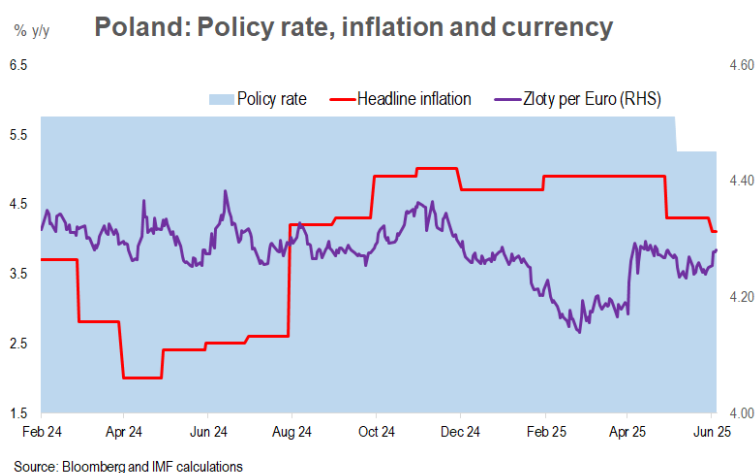
Source: Goldman Sachs Global Investment Research

economies should reduce the risk of wider spillovers from a back-up in US yields.

Poland

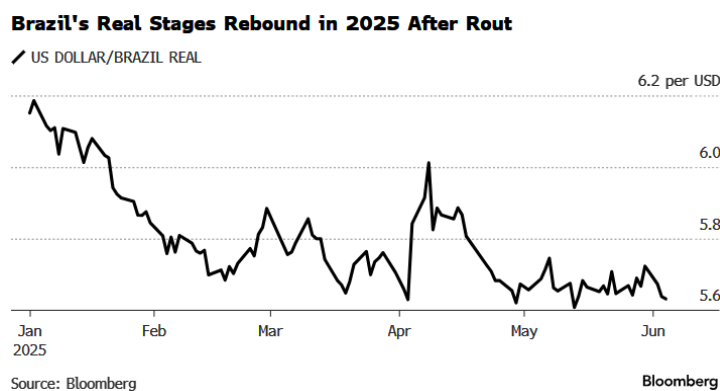
The Polish zloty is steady against the euro after policy rates kept on hold, in line with expectations.

The National Bank of Poland (NBP) left interest rates unchanged at 5.25% yesterday, in line with consensus expectations and previous guidance. The Polish zloty was trading broadly steady against the euro in early morning trade ahead of this afternoon's press conference where market participants will be looking for further guidance on the likely policy path. Analysts at UBS continue to expect the NBP to deliver its next rate cut (-25bp) in July as lower energy prices should result in an improvement in the near-term inflation outlook. The analysts note that further dovish surprises in data outturns could result in a larger rate cut. On the other hand, upside risks to their forecast include looser than expected fiscal policy following the recent election outcome. For now, the analysts expect a further 75bp of rate cuts this year—taking the policy rate to 4.50% by year-end, slightly less than the 100bp that forward rate agreements are pricing in for the next six months. Meanwhile, Goldman Sachs analysts highlight that today's press conference will be particularly important as it “will provide the first indication of the NBP's reaction function following the outcome of Sunday's presidential election”.



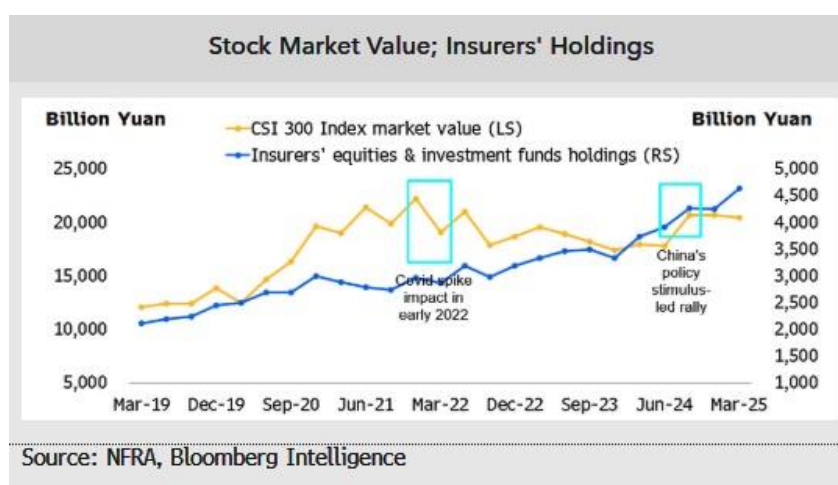
Brazil

Brazil issued \$2.75 billion in dollar bonds on Wednesday, \$1.5 billion due in 2030, and \$1.25 billion due in 2035 notes. This is Brazil's second international issuance in less than six months, following a deal in February. The bonds are priced at yields of 5.68% and 6.73%, respectively. This reflects a strong investor demand amid a broader rally in emerging-market assets. Brazil's real has surged over 9% in 2025, reversing last year's 21% sharp decline.



China

Chinese insurers are taking part in long-term investment pilot schemes that help inject capital into the market. According to a report in the China Securities Journal, approved and proposed pilot programs for insurance to invest in domestic equity markets have totaled CNY222 bn (\$31 bn) since Oct-2023, with China Taiping Insurance, Ping An Asset Management and Sunshine Insurance Group among the latest entrants. These programs include allowing insurers to create private funds akin to hedge funds. Life insurers have increased equity investments by CNY377.5 bn in Q1 2025, and there have been 15 instances year-to-date where an insurance firm increased stakes in a listed firm to 5% of total shares outstanding, already exceeding the total for 2023. The newspaper says that longer-term performance metrics (implemented as part of a January plan jointly released by six financial regulators) have reduced pressure on insurers to attain short-term returns and allowed for this trend of capital market development. Meanwhile, Bloomberg analysts also point out that insurers' bond holdings increased by CNY1.15 trn to CNY17.59 trn (\$2.44 trn) during Q1 2025, which coincides with China's funding needs, about CNY13.9 trn in general and special bonds to be offered this year. Both onshore CNH and offshore CNY weakened less than 0.1% today on signs of US-China trade talk stalemate, inching closer to the fixing at 7.1865. **Onshore (CSI 300: +0.2%) and offshore (Hang Seng: +1.1%) equities rebounded today**, with computing stocks advancing after the Ministry of Industry and Information Technology vowed to accelerate innovation and application of artificial intelligence to support industrial development.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Timothy Chu (Financial Sector Expert), Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S. Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srjana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

6/5/25 8:05 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5,972	0.0	1.0	5.7	11.5	2
Europe		5,414	0.2	0.8	2.5	7.5	11
Japan		37,554	-0.5	-2.3	2.0	-3.0	-6
China		3,878	0.2	1.1	1.8	7.9	-1
Asia Ex Japan		79	1.5	1.8	3.0	11.2	10
Emerging Markets		47	1.2	1.4	2.6	10.0	11
Interest Rates			basis points				
US 10y Yield		4.3	-2	-8	-1	6	-23
Germany 10y Yield		2.5	-4	-2	-3	-2	12
Japan 10y Yield		1.5	-4	-6	20	45	37
UK 10y Yield		4.6	-3	-7	7	39	1
Credit Spreads			basis points				
US Investment Grade		130	0	-5	-19	11	10
US High Yield		362	-2	-6	-43	5	33
Exchange Rates			%				
USD/Majors		98.8	0.0	-0.5	-1.0	-5.2	-9
EUR/USD		1.14	0.1	0.5	1.0	5.1	10
USD/JPY		143.3	0.4	-0.7	-0.3	-8.2	-9
EM/USD		45.8	0.1	0.2	0.7	-1.7	7
Commodities			%				
Brent Crude Oil (\$/barrel)		65.1	0.3	2.7	8.7	-12.6	-11
Industrials Metals (index)		146.2	0.9	3.2	3.4	-6.7	4
Agriculture (index)		56.1	0.2	-0.5	-2.4	-6.4	-2
Gold (\$/ounce)		3395.2	0.7	2.3	1.8	44.1	29
Bitcoin (\$/coin)		104891.6	0.2	0.1	11.3	47.3	12
Implied Volatility			%				
VIX Index (% change in pp)		17.6	0.0	-1.6	-6.0	5.0	0.3
Global FX Volatility		8.8	0.0	0.0	-1.2	1.8	-0.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		74	0	1	-9	-29	-12
Italy		96	0	-2	-13	-35	-19
France		68	1	1	-4	21	-14
Spain		60	1	-1	-6	-14	-10

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

Emerging Market Financial Indicators

Last updated: 6/5/2025 8:07-AM	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		7.18	0.0	0.1	1.3	1.0	1.7		1.8	-1	0	5	-51	6	
Indonesia		16284	0.1	0.1	1.1	0.0	-0.9		6.7	-1	-1	-7	-10	-29	
India		86	0.1	-0.3	-1.8	-2.8	-0.2		6.7	0	-4	-1	-66	-65	
Philippines		56	0.3	0.2	0.3	5.7	4.2		4.9	0	-1	-4	-66	6	
Thailand		33	0.3	0.2	1.3	12.6	5.7		1.9	-4	-5	-9	-94	-41	
Malaysia		4.23	0.5	0.4	-0.6	11.1	5.8		3.5	1	0	-13	-35	-28	
Argentina		1185	-0.1	-2.1	1.4	-24.3	-13.0		29.0	-21	-67	-396	-1146	-20	
Brazil		5.63	0.2	0.7	1.1	-5.8	9.7		14.1	-2	9	-1	264	-182	
Chile		937	0.4	0.4	0.5	-3.2	6.3		5.6	-3	-8	3	-24	-12	
Colombia		4110	0.0	0.4	4.6	-4.2	7.2		12.1	-3	-4	6	121	25	
Mexico		19.22	-0.1	0.5	2.5	-8.8	8.4		9.2	-7	-14	-14	-81	-110	
Peru		3.6	0.2	0.7	1.4	3.6	3.9		6.5	-1	1	-13	-53	-16	
Uruguay		42	0.1	0.2	0.8	-6.5	5.1		9.2	-4	-20	-42	2	-47	
Hungary		353	0.0	0.6	0.9	1.7	12.5		6.7	-1	-1	14	-10	24	
Poland		3.75	-0.1	-0.5	0.6	5.3	10.2		5.0	0	-5	22	-41	-56	
Romania		4.4	0.1	0.6	-0.4	3.6	8.7		7.4	-5	6	1	82	17	
Russia		79.3	0.0	-2.7	1.6	12.3	43.2								
South Africa		17.7	0.4	0.4	2.9	6.7	6.2		10.3	-14	-33	-51	-166	-14	
Türkiye		39.33	-0.4	-0.6	-1.9	-18.0	-10.1		33.8	-2	12	-63	533	406	
US (DXY; 5y UST)		99	0.0	-0.5	-1.0	-5.2	-8.9		3.91	-1	-9	-3	-38	-47	

	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		3,878	0.2	1.1	1.8	7.9	-1.5		110	-8	-14	-25	14
Indonesia		7,113	0.6	-1.2	4.1	2.8	0.5		107	9	-9	6	16
India		81,442	0.5	-0.2	1.0	8.5	4.2		108	0	-21	18	22
Philippines		6,377	0.0	-0.6	-1.3	-2.2	-2.3		87	6	-6	-3	8
Thailand		1,141	0.8	-2.0	-4.0	-14.1	-18.5						
Malaysia		1,518	0.7	-0.4	-1.2	-6.0	-7.6		79	-2	-16	2	9
Argentina		2,126,915	-4.4	-9.3	3.3	35.4	-16.1		696	33	-13	-799	59
Brazil		137,002	-0.4	-1.4	2.6	12.8	13.9		224	5	-5	3	-23
Chile		8,170	0.7	-0.3	1.9	22.7	21.8		120	3	-3	-2	7
Colombia		1,651	0.5	0.3	0.6	17.4	19.7		334	-1	-45	23	8
Mexico		57,485	-0.3	-2.1	3.0	5.6	16.1		293	-6	-41	-15	-19
Peru		31,847	-0.3	1.5	4.4	7.1	10.0		135	6	-7	-18	-6
Hungary		96,995	0.4	0.9	4.2	40.7	22.3		158	0	-15	3	3
Poland		100,650	-0.7	-1.3	0.2	17.9	26.5		116	6	5	14	4
Romania		18,801	4.2	4.3	13.0	5.1	12.4		250	-12	-39	60	15
South Africa		96,678	4.4	2.1	5.0	25.8	15.0		311	-8	-38	-29	18
Türkiye		9,487	0.4	3.4	4.1	-8.4	-3.5		315	4	-21	23	56
EM total		47	0.6	1.4	2.6	10.0	11.3		380	-3	-26	-3	16

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

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