GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, JUNE 9, 2025
LEAD EDITOR: TIMOTHY CHU

- **Markets focused on trade talks, inflation data, and Treasury auctions this week** (link)
- **Long-run inflation expectations remain anchored according to analysts** (link)
- **EA banks show sizeable demand for European government debt in Q1** (link)
- **Weak GDP growth complicates BOJ policy normalization** (link)
- **Weekly EM bond funds see largest inflows of the year** (link)
- **Chinese state banks resume sizeable CGB purchases** (link)

Mature Markets | Emerging Markets | Market Tables

Trade Me Up Before You Go-Go

US equity futures extended gains, European bourses were broadly steady, and Asian equities rallied with the Hang Seng up 1.6%, all ahead of trade negotiations between the US and China, which are set to resume in London today. Positive weekend trade news, including reports that China would ease some rare-earth restrictions, bolstered hopes for the talks and renewed hopes for cooling tensions, while the stronger than-expected US jobs report last Friday tempered tariff-induced recession fears. Advanced economy sovereign yields were meanwhile little changed, with US Treasury yields flat and the spread between Italian and German 10-year bonds narrower. Although partially faded, fiscal digestion concerns remain firmly in the background, as investors stay attuned to the budget process in the US Senate as well as prospects for increased defense spending by Europe and Canada. Elsewhere, the dollar continued to weaken this morning, suggesting that the "Sell America" trade remains sticky. Emerging market equities were meanwhile mostly trading higher, with contacts noting increased crossover participation in EM assets.

Key Global Financial Indicators

Last updated: 6/9/25 7:52 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6000	1.0	1	6	12	2
Eurostoxx 50		5412	-0.3	1	2	7	11
Nikkei 225		38089	0.9	2	2	-2	-5
MSCI EM		47	0.3	3	4	12	12
Yields and Spreads					bps		
US 10y Yield		4.51	0.0	7	13	7	-6
Germany 10y Yield		2.58	-0.1	5	1	-5	21
EMBIG Sovereign Spread		318	-9	-16	-40	-74	-7
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.9	0.2	0	1	0	7
Dollar index, (+) = $ appreciation		99.0	-0.2	0	-1	-6	-9
Brent Crude Oil ($/barrel)		66.8	0.5	3	5	-16	-11
VIX Index (%, change in pp)		17.5	0.7	-1	-4	5	0

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

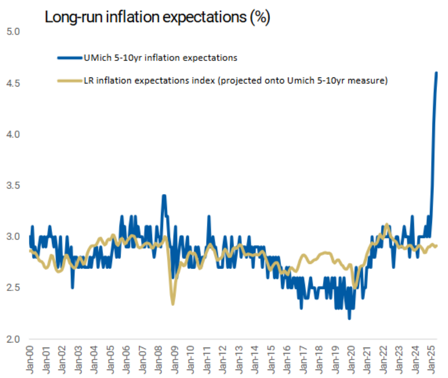
This week, market attention will be focused on Wednesday's U.S. May CPI release, as investors continue to assess tariff-driven inflationary pressures and its potential impact on the Fed's reaction function amid the central bank's blackout period before the June FOMC meeting. Analysts anticipate a modest rebound in core inflation following last month's unexpected dip, while the recent drop in energy prices may help offset the increase in headline CPI. Thursday's PPI release and Friday's Michigan Consumer Survey will provide further insight into price trends and the overall economic outlook. In other data releases, the U.K. will publish industrial production data on Thursday, while the eurozone and Japan are scheduled to report their industrial production figures this Friday. Meanwhile, U.S. Treasury auctions, including the 10- and 30-year auctions on Wednesday and Thursday, respectively, will serve as key tests for demand of Treasury duration.

Mature Markets

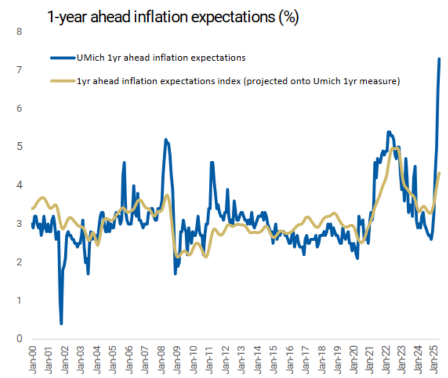
back to top

United States

Long-run inflation expectations in the U.S. remain anchored as tariff-related inflationary pressures might be transient. Morgan Stanley economists have recently introduced a new monthly measure that consolidates information from various market- and survey-based indicators. This includes the University of Michigan Survey, the Survey of Professional Forecasters, the Livingston Survey, the New York Fed's Survey, as well as markets data from TIPS and swaps transactions. Morgan Stanley's long-run inflation measure for the next five to ten years remains low, aligning with late 2000s levels and the Fed's 2% inflation target, while their one-year ahead measure spiked following initial tariff announcements in February. This contrasts with volatility in the University of Michigan measure, which they believe is exacerbated by the survey's recent transition to a fully online format. This mix of elevated near-term inflation expectations and stable long-run projections supports the view that tariffs will likely cause only a temporary rise in inflation, which is echoed by some Fed officials including Governor Waller.



Source: UMich, Morgan Stanley Research.



Source: UMich, Morgan Stanley Research.

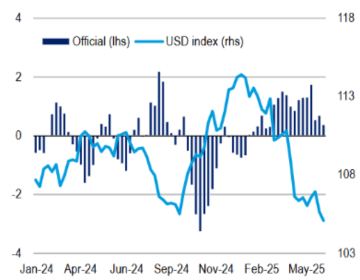
Concerns about the quality of U.S. economic data have been growing among investors. For decades, U.S. economic data have been widely considered the most comprehensive and reliable among major developed economies. However, some analysts have recently pointed to potential flaws in key economic indicators such as the monthly nonfarm payroll (NFP) report. Standard Chartered economists, for example, have questioned some of the methods that the Bureau of Labor Statistics uses when calculating monthly employment figures and have highlighted inconsistencies between the NFP data and quarterly employment readings, given substantial downward revisions in recent months. Other analysts have also noted the disconnect between "hard data" on labor market conditions and the more pessimistic outlook reflected in recent consumer sentiment surveys. Analysts note that investor concerns may have been amplified by recent cutbacks of the BLS's regional collection efforts, which may have disrupted the tabulation of some April and June CPI components.

Euro Area

European equities were steady in early morning trading, while the euro strengthened against the dollar and Euro area sovereign yields fell. The Stoxx 600 index was little changed with mixed performances across sectors. The euro strengthened against the dollar (+0.3% to 1.1428) and the 10-year bund yield (-5bps) was trading around 2.53%. Southern spreads continued to narrow with the Italian-German 10-year yield spread (-1bps) now around 92bps. Bloomberg analysts see the relative outperformance of Southern European debt as an indication that investors are rewarding fiscal restraint in Italy and Spain, for example, while higher deficits are anticipated in Germany and the US.

Official sector FX flows suggest portfolio rebalancing. Bank of America (BofA) analysts note that proprietary data on official sector foreign exchange transactions—including central banks, sovereign wealth funds, and government entities across regions—indicate sustained net selling of the euro against the USD so far this year, diverging from broader market trends. More specifically, the analysts note that the official sector has maintained a steady pace of USD purchases year-to-date, while there was a pronounced acceleration in EUR sales during April and May. BofA analysts attribute this dynamic to portfolio rebalancing in response to recent exchange rate movements—with the sector seeking to preserve stable currency allocations within their respective portfolios following euro appreciation and dollar depreciation. The data suggests that the official sector has not undertaken a strategic reallocation away from the US dollar yet; in the absence of such rebalancing, the EURUSD might have exhibited greater appreciation pressure.

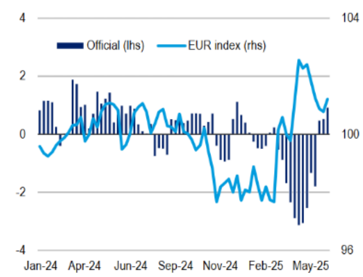
Exhibit 1: 4-week proprietary official USD flows, z-scores
Officials have been buying the USD as it has been weakening this year



Source: BofA Securities, BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 2: 4-week proprietary official EUR flows, z-scores
Officials have been mostly selling the EUR rally this year

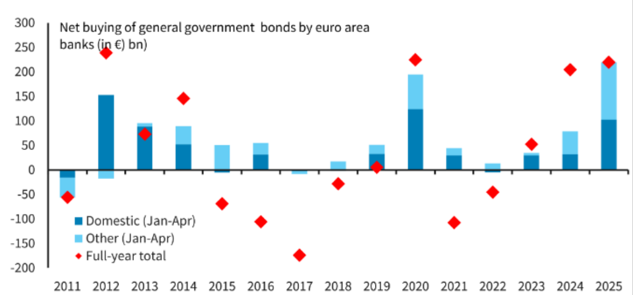


Source: BofA Securities, BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Euro area banks significantly increased their holdings of government bonds in Q1 2025. Net purchases of general government debt by euro area banks rose sharply to €173.6 billion, with €85.5 billion coming in the domestic markets—several times higher than Q1 averages over the past five years. Barclays analysts attribute this to attractive asset swap (ASW) spreads and yield repricing following Germany's fiscal announcement. The analysts note that strong demand appears to have continued into April as cumulative net purchases from January to April reached their highest level since 2011, with banks having already acquired more sovereign bonds in the first four months of 2025 than during all of 2024. Activity was broad-based, with French and German banks leading April purchases (€18 billion and €9 billion, respectively). Notably, German banks have added €55 billion in government bonds year-to-date—the highest level on record for the first four months of the year. Barclays further argues that in the absence of a strong increase in credit growth, continued deposit inflow against a backdrop of high savings rates will likely mean more demand for European government bonds.

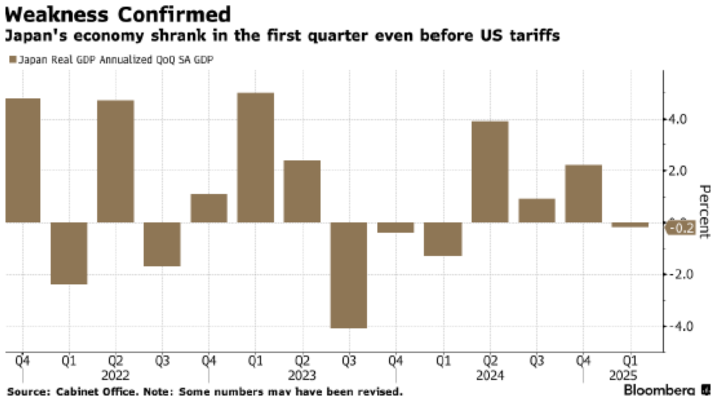
Figure 3. EA banks have been on a buying spree for government bonds YTD



Source: ECB, Bloomberg, Barclays Research

Japan

Weak GDP growth complicates the outlook for the Bank of Japan's policy normalization. Revised estimates for Q1 GDP shrunk 0.2%, y/y, annualized, a less severe drop compared to initial estimates (-0.7%). The better-than-expected print was driven by more robust inventory and consumption figures. That said, the revised data underscored the contraction in Japan's economy, even before heightened trade tension with the US. Market participants generally expect the BOJ, which had lowered its growth forecast for this year at its last policy meeting, to maintain its policy rate at 0.50% when it meets on June 17.



Japanese investors sold German sovereign bonds and continue to expect the MOF to adjust its issuance. The amount sold of German bunds by Japanese investors totaled ¥1.48 tn ($10.2 bn) in April, the most since 2014, according to Ministry of Finance data. This comes as some Japanese market participants became more concerned with the fiscal situation in Europe**.** Separately, in today's BOJ purchases of JGBs, investors offloaded short-dated bonds. By Bloomberg's estimate, the amount sold to the BOJ was the biggest since mid-May. Following recent BOJ consultation with market participants about its JGB purchases, investors have been expecting the MOF to shift a greater share of its issuance to short-duration bonds. The yield on the 40-year bond rose 2 bps while shorter-dated JGBs were little changed.

Emerging Markets back to top

Asian equities broadly gained ahead of trade discussions between China and the US in London. Chinese shares listed in Hong Kong outperformed (+1.6%) and the Korean Kospi gained (+1.6%) amid sustained foreign inflows into the local market as political uncertainty eased. In currency markets, the yen outperformed against its Asian peers (+0.5%). **EMEA equities were mostly trading higher while currencies were mixed in early morning trading.** In CEE, Polish equities outperformed, partially retracing last week's declines, while the Polish zloty led CEE firmness against the euro. Meanwhile, Fitch affirmed Hungary's sovereign rating at BBB with a stable outlook and Poland's lower house is scheduled to the start their motion of confidence vote for Prime Minister's Tusk's government this Wednesday. **Latin American equities and currencies were mixed**, with Mexican and Chilean bourses leading gains last Friday. The Brazilian real and the Mexican peso appreciated, while the Colombian and Chilean pesos weakened. In Chile, annual inflation edged down slightly from 4.5% y/y to 4.4%. Contacts note increased Latam local currency debt exposure by portfolio managers, citing cheap FX, attractive real yields, and expectations of further dollar weakness.

Emerging Market Bond and Equity Flows

Emerging market bond funds saw their largest inflow of the year last week (+$721mn, from $-37mn). In contrast, equity funds saw outflows of -$126mn (from +$1.4bn). Within bonds, hard currency fund inflows surged +$319mn (from -$455mn), led by broad EM funds, while local currency inflows slipped slightly to

+$401mn (from +$418mn), driven by EM ex-China (+$375mn). Bond ETF flows rebounded strongly from -$236mn to +$539mn, while non-ETF inflows reached +$182mn. Equity ETF inflows slowed to +134mn (from +$1.7bn), and non-ETF outflows narrowed to -$260mn (from -$307mn). Year-to-date, EM bond and equity flows total -$11.1bn and -$19.4bn, respectively.

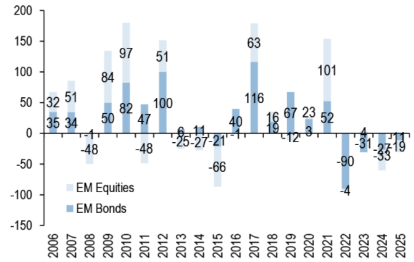
Figure 1: Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		0.6	-30.4
	EM Bonds		0.7	-11.1
	Hard Ccy		0.3	-10.9
	Local Ccy^		0.4	-0.2
	o.w. EM ex-China		0.4	-1.3
	o.w. China		0.0	-1.0
	EM Equities		-0.1	-19.4
	US HG		3.4	12.4
	US HY		2.0	6.0
	Global Equities		-7.2	24.3
	EM Bond and Equity ETFs		0.7	5.9
	EM Bond ETFs		0.5	-3.7
	EM Equity ETFs		0.1	9.6
	Non-resident EM flows*		-3.0	-39.9

Figure 2: EM bond and equity fund flows

USD billion

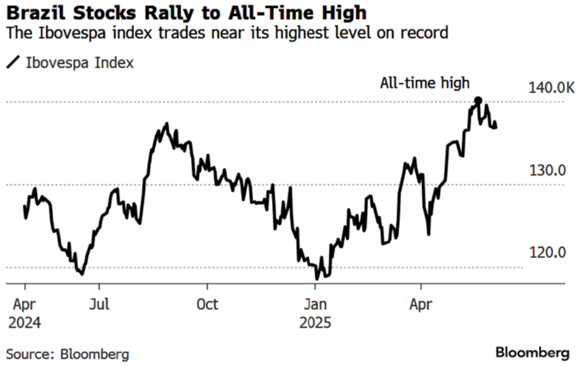


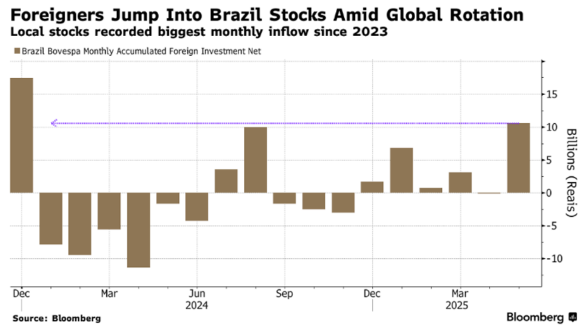
*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

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

Brazil

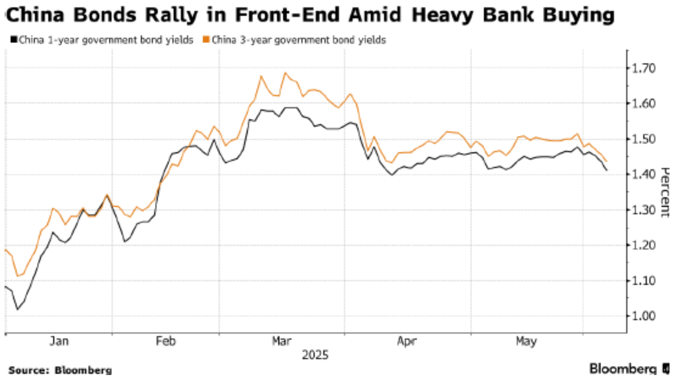
Brazilian asset managers are ramping up equity investments amid a rally that has pushed local stocks to record highs following prolonged underperformance. Bloomberg reports that at least two new equity-focused funds have opened since November, both led by seasoned managers aiming to capitalize on renewed market momentum. Despite $6.2 bn in withdrawals from equity funds this year, more than double the outflows seen in 2024, confidence is returning as the Ibovespa stock index is up nearly 14% year-to-date. The rebounded has been fueled by renewed foreign interest, with inflows topping $3.8 bn as of June 4, and a broader shift out of US assets into EMs.





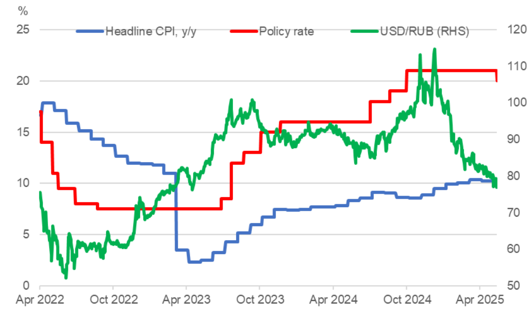
China

Contacts speculate that the PBOC may have resumed its CGB purchases for additional monetary easing. Sustained and sizable purchases by state banks pushed the 1- and 3-year CGB yields to their lowest levels in four months (-5 bps to 1.41% and 1.44%, respectively). Huaxi Securities and Nomura noted that China's large state banks had significantly increased buying of short-dated notes last week; net purchases were the most since November and three times the amount bought in the final week of May. Such large state bank purchases raised expectations that the PBOC could have resumed its bond purchases for monetary easing measures. Meanwhile, China's headline CPI for May fell for the fourth month (-0.1% y/y), unchanged from April but slightly higher than market expectations (Bloomberg consensus: -0.2%). Barclays expects deflation to remain an ongoing challenge for China's economy given the persistent CPI deflation, along with weaker-than-expected PPI deflation.



Russia

The central bank of Russia starts easing cycle. The central bank of Russia last week reduced its key rate by 100bps to 20%, in line with consensus expectations. In its statement, the Bank cited easing inflation, even in stickier categories, and a slowing economy as reasons for beginning its rate-cutting cycle, suggesting a gradual return to balanced growth. Goldman Sachs analysts, who had expected the central bank to keep rates unchanged, see the decision as reflecting less emphasis on its own forward guidance and reduced risk of ruble depreciation while interest rates remain elevated. The analysts see the ruble's resilience despite weaker oil prices as puzzling but suggest that this could be related to the currency being more sensitive to interest rates than anticipated, which in turn could have prompted the central bank to cut rates. In the meantime, JPMorgan analysts forecast both inflation and activity indicators to remain weak in the coming months and anticipate that the policy rate would reach 15% by end-2025 with the next rate cut (-100bps) expected in July.



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). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior 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 Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

6/9/25 7:53 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,000	1.0	1.5	6.0	12.2	2
Europe		5,411	-0.3	1.0	1.9	7.1	11
Japan		38,089	0.9	1.6	1.6	-2.4	-5
China		3,885	0.3	1.2	1.0	8.7	-1
Asia Ex Japan		80	0.4	3.6	5.5	12.7	11
Emerging Markets		47	0.3	3.1	4.5	11.6	12
Interest Rates					basis points		
US 10y Yield		4.5	0	7	13	7	-6
Germany 10y Yield		2.6	0	5	1	-5	21
Japan 10y Yield		1.5	1	-5	10	49	37
UK 10y Yield		4.7	2	-1	9	40	9
Credit Spreads					basis points		
US Investment Grade		129	-1	-4	-15	10	9
US High Yield		348	0	-19	-47	-3	20
Exchange Rates					%		
USD/Majors		99.0	-0.2	0.3	-1.3	-5.6	-9
EUR/USD		1.14	0.1	-0.2	1.5	6.0	10
USD/JPY		144.5	-0.2	1.3	-0.6	-8.0	-8
EM/USD		45.9	0.2	0.5	1.2	-0.4	7
Commodities					%		
Brent Crude Oil ($/barrel)		66.8	0.5	3.3	5.3	-11.8	-8
Industrials Metals (index)		144.1	0.3	-0.3	1.7	-5.8	3
Agriculture (index)		56.5	-0.1	1.4	-1.2	-5.5	-1
Gold ($/ounce)		3315.5	0.2	-2.0	-0.3	43.5	26
Bitcoin ($/coin)		107630.0	1.3	2.8	4.3	54.5	15
Implied Volatility					%		
VIX Index (%, change in pp)		17.5	0.7	-0.9	-4.4	5.2	0.1
Global FX Volatility		8.6	0.1	-0.3	-0.6	1.6	-0.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		70	1	-2	-10	-34	-15
Italy		93	0	-5	-12	-41	-23
France		68	1	2	-2	20	-15
Spain		58	0	0	-6	-15	-11

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

Emerging Market Financial Indicators

Last updated: 6/9/2025 7:53 AM	Exchange Rates: Level, Last 12m	Level, Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Level, Latest	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.18	0.2	0.3	0.8	0.9	1.7		1.7	-2	-2	3	-52	5
Indonesia		16275	0.1	0.1	1.0	0.1	-1.1		6.7	0	-5	-11	-17	-33
India		86	0.0	-0.3	-0.3	-2.5	0.0		6.8	6	9	-2	-48	-52
Philippines		56	-0.3	-0.2	-0.6	5.3	3.6		4.9	1	-1	-2	-60	6
Thailand		33	-0.2	0.5	1.1	12.7	4.4		1.9	-1	-8	-12	-98	-46
Malaysia		4.23	0.0	0.6	1.6	11.6	5.7		3.5	1	0	-2	-33	-29
Argentina		1185	0.4	0.4	0.9	-24.2	-13.0		28.2	-41	-76	-535	-1433	-96
Brazil		5.56	0.5	2.9	2.8	-5.5	11.1		14.3	0	17	20	282	-167
Chile		935	-0.4	1.2	0.6	-2.9	6.4		5.6	0	-4	2	-18	-12
Colombia		4115	-0.2	1.1	4.6	-4.3	7.1		12.3	15	24	32	156	50
Mexico		19.06	0.3	0.8	2.0	-4.3	9.3		9.2	2	-12	-10	-70	-110
Peru		3.7	-0.6	-0.9	0.1	2.9	2.4		6.9	43	42	35	-10	27
Uruguay		41	0.3	0.6	0.9	-6.1	6.2		9.0	-1	-28	-52	-15	-62
Hungary		352	0.7	0.1	2.1	3.7	13.0		6.7	4	7	12	2	31
Poland		3.74	0.6	-0.5	0.6	7.5	10.5		5.1	5	19	33	-32	-45
Romania		4.4	0.2	0.1	3.0	4.7	8.8		7.4	-2	3	-48	82	16
Russia		79.1	-0.2	-0.1	4.3	12.2	43.4							
South Africa		17.7	0.4	0.8	2.8	5.7	6.4		10.4	1	-15	-59	-177	-12
Türkiye		39.23	0.0	-0.1	-1.2	-17.5	-9.9		33.7	0	-20	-104	523	400
US (DXY; 5y UST)		99	-0.2	0.3	-1.4	-5.6	-8.8		4.10	-2	10	10	-36	-28

	Equity Markets: Level, Last 12m	Level, Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Level, Latest	Change (in basis points): 7 Days	30 Days	12 M	YTD
								basis points					
China		3,885	0.3	1.2	1.0	8.7	-1.3		103	-4	-22	-33	7
Indonesia		7,113	0.0	-1.2	4.1	2.8	0.5		88	-15	-35	-13	-3
India		82,445	0.3	1.3	3.8	7.5	5.5		103	-6	-27	10	17
Philippines		6,406	0.5	1.0	-0.8	-1.7	-1.9		68	-17	-33	-22	-11
Thailand		1,135	-0.1	-2.5	-6.3	-14.8	-18.9						
Malaysia		1,519	0.2	0.7	-1.8	-6.1	-7.5		76	-5	-21	-3	6
Argentina		2,156,779	1.5	-5.4	2.0	42.0	-14.9		698	12	-6	-898	61
Brazil		136,102	-0.1	-0.7	-0.3	12.7	13.2		214	-11	-18	-13	-33
Chile		8,170	0.3	1.5	-0.8	23.1	21.8		110	-9	-14	-14	-3
Colombia		1,651	-0.3	2.6	0.4	16.9	19.7		341	2	-35	28	15
Mexico		58,061	0.5	0.4	2.7	9.6	17.3		287	-17	-48	-24	-25
Peru		32,651	1.1	4.3	6.6	9.5	12.7		128	-4	-14	-26	-13
Hungary		96,521	0.0	0.9	2.6	37.4	21.7		143	-18	-29	-11	-12
Poland		99,641	0.5	-1.3	-3.5	17.4	25.2		103	-10	-9	1	-9
Romania		18,820	0.0	2.8	14.2	5.3	12.6		233	-30	-80	44	-2
South Africa		96,607	0.2	1.5	5.2	25.7	14.9		293	-26	-55	-55	0
Türkiye		9,487	0.0	3.4	1.0	-5.1	-3.5		300	-28	-33	8	41
EM total		47	0.9	3.1	4.5	11.6	12.2		371	-14	-35	-16	7

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

back to top