



- Investors seek protection as US equity slump accelerates ([link](#))
- German bund yields stabilize but more volatility expected ([link](#))
- Canadian dollar depreciation slows down but risks remain ([link](#))
- Chinese consumer inflation turns negative for the first time in 13 months ([link](#))
- Weaker than expected Brazil GDP leads to speculation policy peak may be near ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

Global markets in retreat as mood darkens

Equity markets sold off across the globe as investors worried that the escalating trade war and cuts to the US federal government work force could damage the US economy and hit the rest of the world. There were signs of weakness in China and Brazil, among other countries. US equity index futures fell, extending the recent steep declines and spurring talk of a correction in US markets. Yields on Treasuries and bunds are lower on safe haven buying. Market participants are bracing for further volatility in the bund market after last week's historic moves—last Wednesday saw the largest increase in bund yields since March 1990, with the 10-year yield surging by 30 bps on news that the German government would create a €500 bn infrastructure fund and increase defense spending. However, today the German Green party rejected the package, putting the entire enterprise at risk.

Key Global Financial Indicators

Last updated: 3/10/25 7:50 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5770	0.6	-3	-5	13	-2
Eurostoxx 50		5421	-0.9	-2	1	9	11
Nikkei 225		37028	0.4	-2	-5	-5	-7
MSCI EM		44	0.5	3	2	9	6
Yields and Spreads			bps				
US 10y Yield		4.24	-5.9	9	-26	17	-33
Germany 10y Yield		2.80	-3.2	31	44	54	44
EMBIG Sovereign Spread		327	-4	-1	13	-40	2
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.7	0.1	1	2	-5	4
Dollar index, (+) = \$ appreciation		103.7	-0.1	-3	-4	1	-4
Brent Crude Oil (\$/barrel)		70.7	0.4	-1	-7	-14	-5
VIX Index (% change in pp)		25.7	2.3	3	10	11	8

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

On the data front, the coming week will feature important data releases such as US CPI on Wednesday and PPI on Thursday. The euro area reports on industrial production and CPI on Thursday. India will report on CPI and industrial production on Wednesday, while Japan will report GDP and PPI data tomorrow. The UK will report on industrial production on Wednesday. On the political front, markets are bracing for another eventful week. China's retaliatory tariffs on US agricultural goods are scheduled to take effect today. China's National People's Congress will conclude tomorrow. Meanwhile, all eyes are on incoming Canadian Prime Minister Mark Carney in the midst of the tariff standoff with the US. On Wednesday, the US is scheduled to impose 25% tariffs on aluminum and steel on the EU. On the same day, the G-7 meeting of Finance Ministers is to be held in Quebec. The authorities in South Africa are expected to deliver the delayed budget on Wednesday. Central bank meetings this week include Canada and Poland.

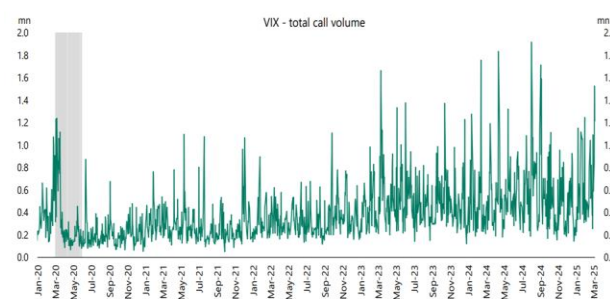
Mature Markets

[back to top](#)

United States

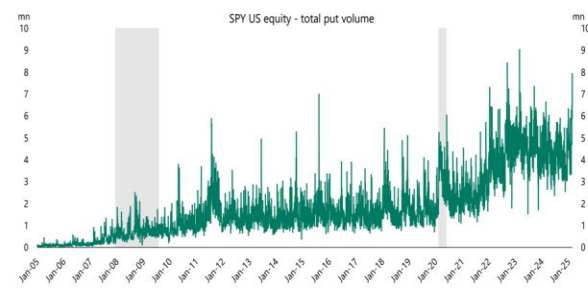
Investors are actively seeking protection as the US equity decline accelerates. The S&P 500 ended Friday down more than 6% from its record close of 6144 on February 19 and is down almost 2% year-to-date. The Nasdaq is down almost 6% already this year, and investor sentiment has turned quite negative. S&P 500 futures are down another 1% in early morning trading today. Few would be surprised if US stocks entered correction territory and fell by 10%. As a result, the volume of call options on VIX futures and put options on the S&P 500 are surging as investors seek to hedge against further declines in the stock market. The VIX has increased as the market sold off, breaching the 25 level for the first time since December before falling back to 23 by the end of the day. Interest rate volatility has also picked up, with the MOVE index of interest volatility reaching 104, the highest close since November, and up from just 84 in mid-September.

VIX call volume buying is near record-high levels



Source: Bloomberg Apollo/ChiefEconomist

S&P 500 put volume buying is near record-high levels

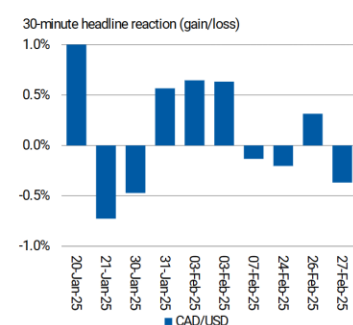


Source: Bloomberg Apollo/ChiefEconomist

Canada

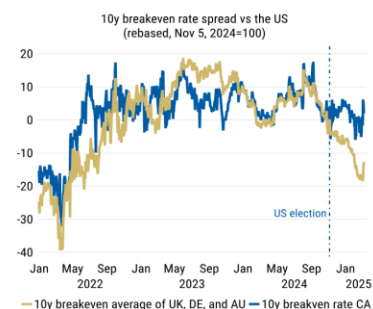
All eyes are on the incoming Prime Minister to see how the tariff dispute with the US will be managed. The Canadian dollar has depreciated by 4% against the US dollar since the election, but the loonie has pulled back from its weakest level of the year and Morgan Stanley thinks that the worst could be over for the currency. The impact of tariff headlines has declined over time and the latest postponement of tariffs raised hopes that the dispute will eventually be resolved. However, trade disruptions are still being priced into Canadian markets, for example in the difference between 10-year breakeven inflation yields, which remain higher in Canada on expectations of inflationary pressures if tariffs do get imposed. Canadian stocks are also in the red for the year, in contrast to Europe and Latin America where equities have posted strong gains.

Exhibit 2: CAD/USD sensitivity to tariff headlines
has overall waned since the inauguration



Source: Bloomberg, Morgan Stanley Research

Exhibit 3: Inflation expectations in Canada
have remained resilient versus the US, likely as investors see a higher probability of a positive price shock in Canada



Source: Bloomberg, Macrobond, Morgan Stanley Research

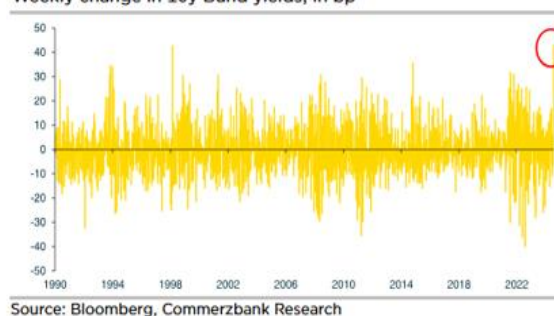
Euro Area

European equities were mostly lower as markets reassess the outlook for the US economy given recent trade policy developments. The STOXX 600 was down 0.5% with declines led by the information technology and financial sectors. On the data front, German industrial production data surprised to the upside, rising 2% m/m in January against of expectations of a 1.5% increase and registering the largest monthly increase since August 2024. Bloomberg analysts note that the outlook for German factories has improved following the announcement of plans to invest up to €500bn in infrastructure, although they note that potential US tariffs may have an offsetting negative impact. Separately, the Eurozone's March Sentix investor confidence gauge printed at -2.9, ahead of expectations of -9.3 and the highest since June 2024. Elsewhere, the euro was a touch firmer (+0.2%) against the dollar to trade at 1.0856, with the currency up close to 5% against the greenback YTD.

German bund yields may stabilize near-term, but further volatility is expected. After last week's historic moves in German bund yields, which saw the 10Y bund yield up 43bps over the course of the week, this morning, yields are slightly lower with the German 10Y bund yield trading at 2.81%. Analysts at Commerzbank note that while there are some supportive near-term technical factors such as benign supply over the coming weeks which may allow for some consolidation, medium-term, they expect more upward pressure on bund yields. Elsewhere, analysts at Deutsche Bank note that while the proposed reforms to the debt brake are expected to pass, "it is unlikely to be a smooth passage" and they expect "both political uncertainty and market volatility could rise" ahead of the March 24 deadline. In addition, the analysts note that there remains considerable "execution risk," which is why they have not yet revised their growth forecasts on the back of last week's significant fiscal news. Elsewhere, Bloomberg analysts note that investors including Goldman Sachs Asset Management and Nuveen expect the German yield curve to steepen with the gap between the yield on the 2Y bund and 10Y bund expected to widen on the back of the announced fiscal plans. Strategists at Nuveen expect the 10Y yield to rise to 3.1% by year-end, while the 2Y yield is expected to remain relatively unchanged at 2.25% by year-end (vs 2.20% today).



Record weekly increase in 10y Bund yields
Weekly change in 10y Bund yields, in bp



Japan

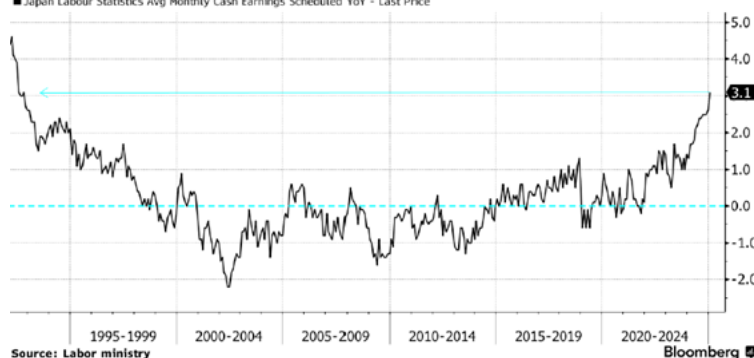
Wage increases in Japan gather pace.

Average monthly cash earnings in January rose 3.1% y/y, the largest advance since October 1992, according to data from the Ministry of Health, Labor, and Welfare. Moreover, wages excluding bonuses and overtime increased by 3% on an annual basis for full-time workers. That said, adjusted for inflation, real cash earnings fell 1.8%, the largest drop since last March, and deeper than expectations for a 1.6% contraction, based on a Bloomberg survey. Taken as a whole, the data underscore two challenges facing Japan: mitigating the impact of rising prices on households and normalizing policy rates amid a solid underlying wage trend. So far, the authorities have introduced several price relief measures, including the release of emergency rice stockpiles. At the same time, the BOJ is expected to gradually raise its policy rate as the authorities navigate between sustaining growth momentum and normalizing policy settings. The BOJ raised its benchmark interest rate to 0.5% in January and is expected to hold the policy rate steady when it meets next week. Bloomberg survey suggests expectations for the next rate increase to come in the summer, although some economists expect a hike as early as May 1st.

Solid Uptrend

Japan's base pay gained at fastest clip in 32 years in January

■ Japan Labour Statistics Avg Monthly Cash Earnings Scheduled YoY - Last Price



Emerging Markets

[back to top](#)

EMEA equity markets were mostly lower while currencies weakened. Equities in CEE were trading in the red with Polish equities (-1.3%) underperforming, with CEE currencies mostly weaker against the euro. Ahead of South Africa's budget set to be presented on Wednesday, rand volatility increased this morning to the highest level in four weeks. **Asian currencies depreciated against the dollar as tariff worries took center stage.** Most equity markets were lower. **Latin American assets traded mixed amidst as investors digest a myriad of idiosyncratic economic data and evolving global trade policies.** Local currency government bond yields also traded mixed, with 10-year Brazil yield declining -25 bps after a miss in its 4Q'24 GDP, while 10-year Colombia yields rose +4bps after CPI unexpectedly rose slightly for the second consecutive month. Peru is expected to stay on hold at 4.75% this week.

EM Fund Flows

EM funds continued to post inflows for the third consecutive week. In the past week, inflows increased for both EM bond funds (+\$377mn, prior week +\$294mn) and equity funds (+\$1.0bn, prior week +\$0.4 bn). Bond inflows were largely attributed to hard currency funds (+\$292mn) while local currency funds posted small inflows (+\$86mn). For EM equity funds, the pace of inflows accelerated, with inflows driven by ETFs funds (+\$2.6bn), which offset outflows from non-ETF funds (-\$1.6bn). For regional funds, flows were mixed but relatively small, with EMEA and Asia ex-Japan posting inflows of +\$67mn and \$2mn respectively, while LATAM posted marginal outflows of -\$28mn. Nonetheless, despite the recent weeks of inflows, cumulative YTD flows into EM assets remain negative, at -\$2.3bn and -\$6.2bn for bonds and equities, respectively, marking 2025 a continuation of three consecutive years of outflows from EM funds.

Weekly cross-asset flows

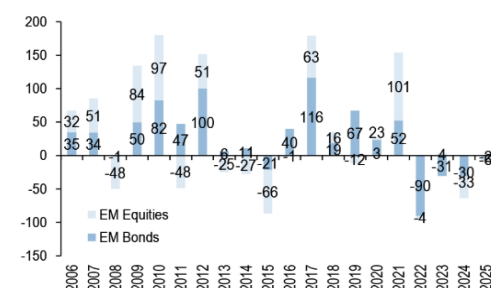
USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		1.4	-8.5
EM Bonds		0.4	-2.3
Hard Ccy		0.3	-0.7
Local Ccy ^A		0.1	-1.6
o.w. EM ex-China		0.1	-0.8
o.w. China		0.0	-0.8
EM Equities		1.0	-6.2
US HG		3.9	31.0
US HY		2.0	10.0
Global Equities		3.2	38.8
EM Bond and Equity ETFs		2.7	5.1
EM Bond ETFs		0.1	-0.6
EM Equity ETFs		2.6	5.8
Non-resident EM flows*		-9.7	-24.6

*High-frequency non-resident EM portfolio flow data where available. ^ALocal ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

EM bond and equity fund flows

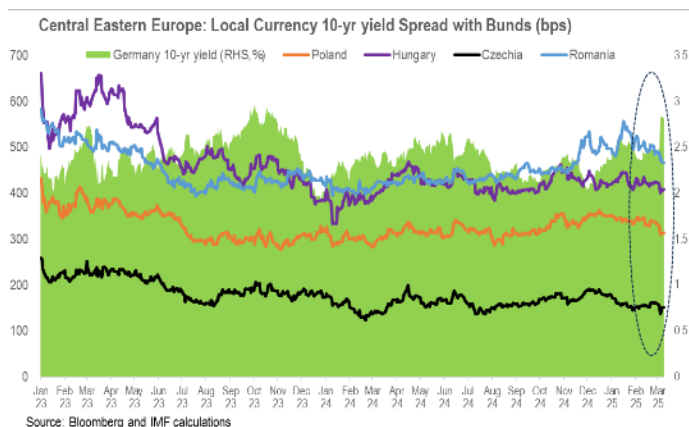
USD billion



Central and Eastern Europe

CEE 10y local currency rates increased on back of potential German spending, while spreads to bunds narrowed. Last week, 10y local currency yields in the CEE region increased by between 20 and 30bps, with contacts noting that CEE rates saw the largest impact from the regime shift in Germany.

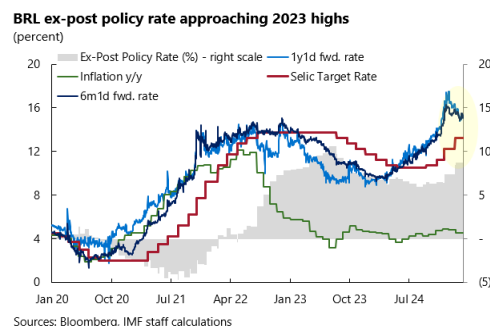
While increased fiscal spending in Germany is only expected to significantly impact growth in Germany and the rest of Europe from 2026 onwards, Deutsche Bank analysts have revised their CEE region monetary policy forecasts higher as they argue the risk of a structural slowdown in Europe has decreased significantly. Nevertheless, the analysts still expect that continued disinflation would allow for rate cuts across the CEE region this year.



Brazil

Weaker than expected GDP data leads to speculation that the policy peak may be near. Brazil's GDP growth moderated and missed expectations for 4Q2024 (+0.2% q/q vs est. +0.4% q/q) while the Q3 figure was also revised lower. This has led the market to price in a peak Selic rate at around 15% later this year, as the policy rate approaches the 2023 highs. Following the release of the GDP figures, the 6m1d and 12m1d implied forward rates declined -17bps and -11bps, respectively, with both settling at around 15.1%. However, the longer-term outlook on BRL rates is uncertain.

Bank of America analyst noted that the current rate levels could be “sufficient to drive disinflation,” thereby allowing rate cuts in 2026. In contrast, Standard Chartered analyst remained “neutral” for now, highlighting ongoing fiscal concerns, and waiting for further guidance from the central bank.



China

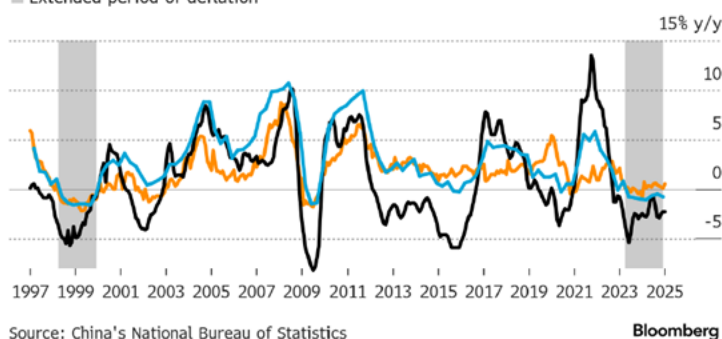
China's February consumer inflation fell below zero for the first time in 13 months, more than expected. Data released over the weekend showed that headline CPI declined 0.7%, y/y, compared with an increase of 0.5% in the previous month. Meanwhile, core inflation fell for the first time since 2021 with a decline of 0.1%, y/y, the second time this gauge has contracted over more than 15 years. Factory deflation extended into a 29th month. The decline in headline CPI was not unexpected; consensus expectations had called for a decline of 0.4%, y/y, given the impact of a higher base from last year and an earlier-than-usual Lunar New Year holiday.

That said, analysts noted that the decline in services prices, combined with the negative reading for core inflation, underscores sluggish consumption and challenges for policymakers. Citigroup noted that achieving a sustained revival of consumer confidence could take months, requires supply side reform, and will depend in large part on whether the property market bottoms out.

China In Longest Period of Deflation on Record

And economists expect it to continue

/ Producer prices / Consumer prices / GDP deflator
 ■ Extended period of deflation



Separately, in response to new US tariffs on all Chinese exports, Chinese tariffs as high as 15% on a range of US agricultural goods take effect today. The levies, announced last week, affect commodities including beef, poultry, and grains. Along with the tariffs, the authorities indicated that China would completely suspend soybean imports from three US entities. Analysts note that China can source affected goods from other countries, shielding its domestic economy from blowback.

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), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), 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.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

3/10/25 7:52 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		5,770	0.6	-3.1	-4.9	12.6	-2
Europe		5,421	-0.9	-2.2	1.2	9.3	11
Japan		37,028	0.4	-2.0	-4.6	-4.6	-7
China		3,929	-0.4	1.0	1.2	9.5	0
Asia Ex Japan		76	0.3	3.0	2.2	12.3	5
Emerging Markets		44	0.5	2.8	1.6	8.8	6
Interest Rates							
			basis points				
US 10y Yield		4.2	-6	9	-26	17	-33
Germany 10y Yield		2.8	-3	31	44	54	44
Japan 10y Yield		1.6	6	16	26	84	48
UK 10y Yield		4.6	-2	7	16	64	5
Credit Spreads							
			basis points				
US Investment Grade		123	-1	0	6	-4	3
US High Yield		343	6	2	42	-23	14
Exchange Rates							
			%				
USD/Majors		103.7	-0.1	-2.8	-4.2	1.0	-4
EUR/USD		1.09	0.2	3.5	5.4	-0.6	5
USD/JPY		147.0	-0.7	-1.7	-3.3	0.0	-6
EM/USD		44.7	0.1	1.4	2.1	-4.8	4
Commodities							
			%				
Brent Crude Oil (\$/barrel)		70.7	0.4	-1.4	-6.3	-7.0	-4
Industrials Metals (index)		150.6	-0.2	2.5	1.0	7.7	7
Agriculture (index)		58.2	0.3	1.4	-4.6	-1.3	2
Implied Volatility							
			%				
VIX Index (% change in pp)		25.7	2.3	2.9	9.9	11.0	8.4
Global FX Volatility		8.7	0.1	0.4	0.0	2.0	-0.5
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		82	0	-1	-6	-20	-4
Italy		112	0	2	4	-19	-3
France		72	0	0	0	27	-11
Spain		65	-1	4	3	-16	-4

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

Emerging Market Financial Indicators

Last updated: 3/10/2025 7:54 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		7.26	-0.2	0.4	0.6	-1.1	0.6		1.9	5	6	23	-47	17		
Indonesia		16367	-0.4	0.7	-0.1	-4.7	-1.4		6.8	0	-7	-3	16	-20		
India		87	-0.5	0.0	0.2	-5.2	-2.0		6.8	2	-14	-39	-33	-52		
Philippines		57	-0.4	0.9	1.3	-3.5	1.0		5.1	1	1	5	-37	27		
Thailand		34	-0.1	0.7	0.3	4.9	1.7		2.3	-1	1	-10	-33	-7		
Malaysia		4.42	-0.2	1.0	1.1	5.9	1.1		3.8	3	1	-1	-2	-2		
Argentina		1065	-0.1	-0.1	-1.1	-20.5	-3.2		30.9	110	191	476	-3628	177		
Brazil		5.79	-0.5	1.6	0.3	-14.8	6.6		14.9	-21	-42	-32	465	-103		
Chile		931	-0.2	2.1	3.3	3.8	7.0		5.7	-4	-6	-13	27	3		
Colombia		4130	-0.6	0.6	-0.2	-5.2	6.7		11.5	1	4	1	164	-36		
Mexico		20.23	0.1	2.2	1.8	-17.0	2.9		9.6	0	2	-23	30	-78		
Peru		3.7	-0.1	0.9	1.7	1.5	2.8		6.5	-1	8	3	-50	-17		
Uruguay		42	0.1	0.2	2.5	-8.2	3.0		9.7	-1	-3	-3	69	1		
Hungary		367	0.1	3.8	7.0	-1.6	8.3		6.6	-7	21	31	51	20		
Poland		3.86	-0.2	2.8	5.2	1.6	7.1		5.6	-3	16	9	49	5		
Romania		4.6	0.2	3.5	5.3	-0.8	4.8		7.3	-6	12	3	97	5		
Russia		87.8	2.5	2.1	10.0	3.0	29.3									
South Africa		18.2	0.0	2.0	1.1	2.4	3.3		10.7	5	0	7	-91	20		
Türkiye		36.54	-0.2	-0.3	-1.5	-12.4	-3.3		28.1	-15	-21	-12	-271	-166		
US (DXY; 5y UST)		104	-0.1	-2.9	-4.3	1.0	-4.4		4.02	-6	6	-32	-3	-36		

	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		3,929	-0.4	1.0	1.2	9.5	-0.2		98	0	3	-56	2			
Indonesia		6,598	-0.6	1.2	1.0	-10.6	-6.8		101	-6	9	-15	10			
India		74,115	-0.3	1.4	-2.9	0.8	-5.1		102	2	6	-5	16			
Philippines		6,361	1.0	5.4	6.2	-7.4	-2.6		93	-7	4	-6	14			
Thailand		1,177	-2.0	-0.9	-8.3	-14.7	-15.9									
Malaysia		1,536	-0.7	-2.2	-3.4	-0.5	-6.4		78	-1	8	-9	8			
Argentina		2,262,289	-0.3	-0.6	-5.4	125.7	-10.7		697	-90	35	-953	60			
Brazil		125,035	1.4	0.2	-0.4	-1.6	4.0		228	-10	6	6	-19			
Chile		7,377	0.1	0.4	1.1	16.4	9.9		122	-6	0	-13	9			
Colombia		1,611	0.5	2.2	5.6	24.0	16.7		327	-6	2	18	1			
Mexico		52,840	0.0	1.0	-0.2	-3.8	6.7		316	1	7	-12	4			
Peru		28,736	-0.1	0.7	-3.3	0.0	-0.8		141	-7	-4	-8	0			
Hungary		87,427	-0.9	-1.7	-0.2	32.3	10.2		151	0	-4	-13	-4			
Poland		92,231	-1.5	-0.3	2.6	15.0	15.9		114	-2	4	10	2			
Romania		17,560	-0.3	0.5	2.5	7.7	5.0		253	1	13	48	18			
South Africa		88,008	-0.6	0.5	0.3	19.4	4.7		316	1	4	-36	23			
Türkiye		10,484	-0.2	5.8	6.5	14.5	6.7		280	-3	19	-55	21			
EM total		44	-0.6	2.8	1.6	8.8	6.2		369	-5	16	50	5			

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

[back to top](#)