GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, MARCH 11, 2025

LEAD EDITOR: SANJAY HAZARIKA

- **US markets take heavy losses on growth and tariff fears** (link)
- **Inflation expectations diverge in US and euro area** (link)
- **Rising Chinese government bond yields could test market ahead of record issuance** (link)
- **European government bond yields are higher on political developments** (link)
- **Slowing GDP highlights risks to Japanese economy** (link)
- **Emerging market bond issuance remains robust** (link)
- **Special Feature: EM and Frontier Markets Issuance** (attached)

Mature Markets | Emerging Markets | Market Tables

Global markets stabilize after massive US selloff

Yesterday's massive selloff in the US stock market is being followed by a more considered response in early morning trading. US equity index futures are higher, although stocks in Europe are mixed, with the Euro Stoxx 50 posting modest gains while the broader Stoxx 600 index is slightly lower. US Treasury yields are holding steady after a strong rally over the previous few days. The incipient recovery extended to oil prices, which are higher after several days of losses, as well as Bitcoin, which has also been under heavy pressure lately. The US President is scheduled to meet with top business leaders later today, with market participants hoping for supportive rhetoric from the administration. In the euro area, there is growing optimism that the member states will find the means to increase defense spending, which is likely to be supportive for the euro area economy.

Key Global Financial Indicators

Last updated: 3/11/25 7:55 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5615	-2.7	-4	-7	10	-5
Eurostoxx 50		5392	0.1	0	0	9	10
Nikkei 225		36793	-0.6	-1	-6	-5	-8
MSCI EM		43	-2.4	1	0	6	4
Yields and Spreads					bps		
US 10y Yield		4.23	1.7	-1	-31	13	-34
Germany 10y Yield		2.88	4.9	39	45	58	52
EMBIG Sovereign Spread		334	7	3	19	-31	9
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		44.7	0.4	1	2	-5	4
Dollar index, (+) = $ appreciation		103.5	-0.4	-2	-4	1	-5
Brent Crude Oil ($/barrel)		70.1	1.2	-1	-9	-15	-6
VIX Index (%, change in pp)		27.2	-0.7	4	11	12	10

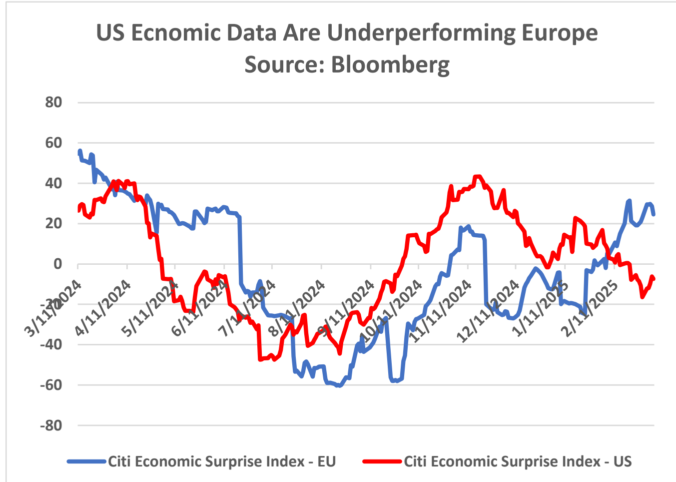
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Mature Markets

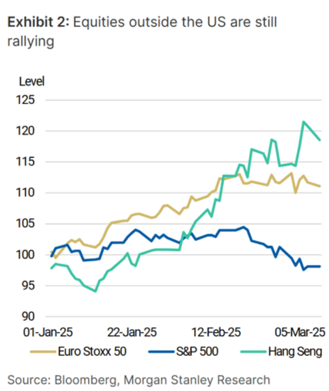
back to top

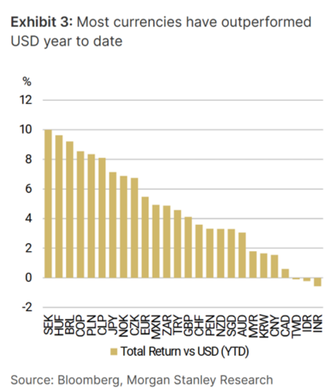
United States

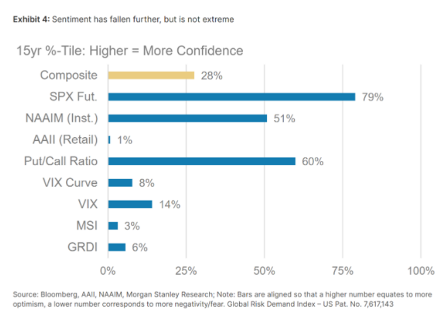
Equity markets extended their selloff on mounting worries about tariffs and the state of the US economy. The once mighty technology sector is bearing the brunt of the selloff on worries that AI infrastructure spending might not lead to higher profits. The Nasdaq is now officially in a correction, having fallen by nearly 13% from its record close in December. The narrower Nasdaq 100 fell 3.8%, its worst one-day decline since 2022. Bank stocks, which saw large gains after the US election on hopes of looser regulation, are back to where they were before the election. The broader S&P 500 is down over 8% from its record close in February. There are reports of large losses at some hedge funds and trend following and long-short equity strategies have taken a beating in recent days. One reason for the decline is that recent US economic data have been weaker than expected, and the widely followed Citi Economic Surprise Index has turned negative for the US but remains positive in the euro area.



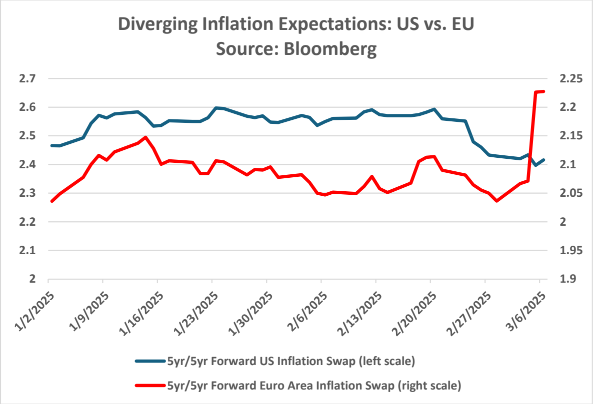
However, yesterday's particularly steep decline appears to have been caused by remarks over the weekend from US leaders that they were prepared to endure a period of transition while their new economic and political policies are implemented. The implication is that the administration will not be deterred by short term market volatility. So far, market conditions have been orderly, but tensions are rising. Sentiment measures have deteriorated but are still not yet at extreme levels, according to Morgan Stanley. US markets are among the worst performers globally this year. A number of US corporate bond issuers postponed their bond sales due to the market turbulence.







Inflation expectations in the US and the euro area are diverging. Yields on five year maturity/five-year forward inflation swaps are falling, while the equivalent swap yields in the euro area are rising. These changes reflect the unexpected weakness of recent US economic data. US Treasury yields have fallen by almost 60 bps since their peak in January, while euro area yields are sharply higher. The big move in euro area yields was triggered by the announcement last week in Germany of a €500 bn infrastructure package and a big increase in defense spending. These measures coupled with the prospect of an end to the war have raised hopes that the EU economy could experience a significant boost. Sentiment in the US is much more negative.

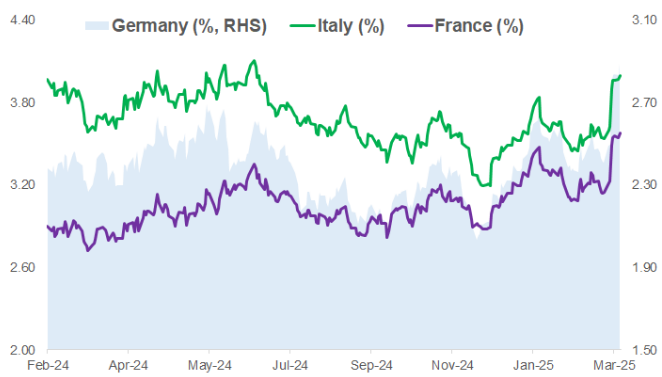


Europe

European equity markets were mixed. The STOXX 600 was a touch lower led by declines in the healthcare and consumer staples sectors, while regional bourses were higher, including Germany's DAX (+0.6%) and France's CAC 40 (+0.3%). Separately, according to Bloomberg, members of Parliament in Portugal are preparing to debate a motion of no confidence against Prime Minister Luis Montenegro following accusations of a conflict of interest, which he denies. Should he lose the vote, Parliament would likely be dissolved, with new elections to be held in May at the earliest. Elsewhere, Bloomberg reports that Italian finance minister Giorgetti plans to propose a new €200bn financial vehicle to tap private capital to fund strategic defense and aerospace projects backed by European Union and member state guarantees. Finally, according to Bloomberg, the **ECB's Supervisory Board plans to simplify the method it uses for setting bank capital requirements**. The revised approach will be tested internally this year, with requirements under the updated process taking effect from 2027.

European government bond yields and euro higher on political developments. Yesterday, Germany's Green Party announced that they would not vote in support of the current proposed reform of the debt brake. That said, the Party "remains willing to continue discussions" and according to Bloomberg, are hoping for an agreement by the end of this week. Their suggested revisions to the CDU/CSU and SPD's existing proposal include raising the threshold for defense spending exemptions from debt rules to 1.5% of GDP versus the 1% proposed under Chancellor-in-waiting Merz's plans, broadening the definition of defense as well as including infrastructure investments in clean energy transition. Following the headlines, the **euro advanced 0.3% against the dollar to 1.0864 while German bund yields rose, with 10Y bund yields climbing as much as 6bps to 2.89%.** Yields in France and Italy were also higher, although they were outperforming Germany in early morning trade.

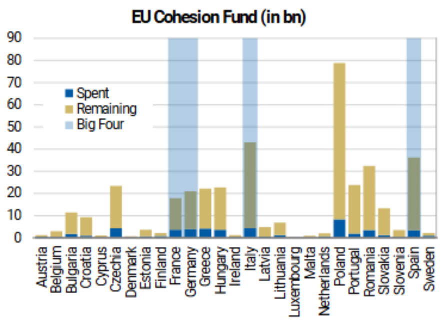
Europe: Selected 10-yr sovereign bond yields (%)



Source: Bloomberg and IMF staff calculations

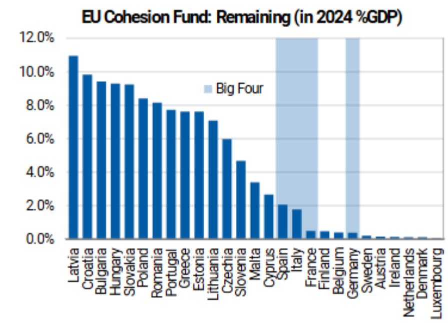
Separately, analysts at Morgan Stanley note that there were three key takeaways from yesterday's EU summit. First, the European Commission (EC) agreed to activating the national escape clause from the EU fiscal rules which would allow members to spend more on defense while complying with the EU rules. Second, a new EU facility worth €150bn which should provide loans to individual countries and enable joint procurement is to be established, and finally that member states can leverage their cohesion policy programs and reallocate the funds available for the purposes of defense spending. Morgan Stanley calculate that countries could reallocate up to €340bn of cohesion program funds towards defense, although according to their analysis this would primarily benefit smaller countries. Meanwhile, according to Bloomberg data, **the sale of EU debt this morning drew significant investor demand with orders of over €85bn for a €9bn 10Y bond which priced at 65bps over mid swaps**.

Exhibit 2: €340bn worth of cohesion programmes have yet to be spent ...



Source: European Commission, Morgan Stanley Research estimates

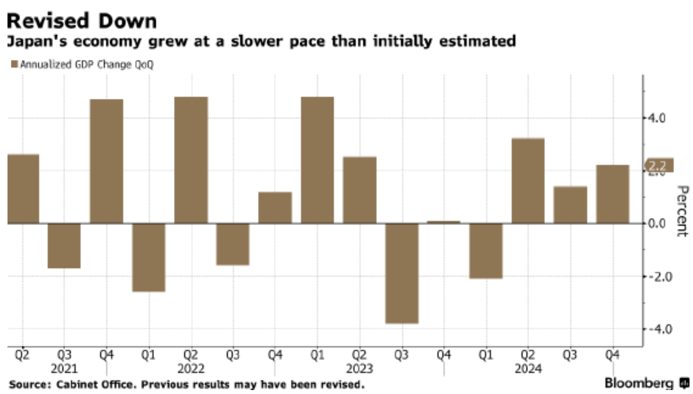
Exhibit 3: ... although for the big four these are still small amounts



Source: European Commission, Morgan Stanley Research estimates

Japan

Revised GDP figures highlight risks to Japanese growth ahead of the BOJ meeting next week. GDP for Q4 grew 2.2%, y/y, lower than the preliminary estimate of 2.8%, y/y. Consumption and inventories were weaker than estimated. Separate figures showed lower-than-expected household spending in January (0.8%, y/y, compared to expectations for 3.7%), as inflation continues to bite. Analysts noted that the revised GDP figures underscore weakness in the Japanese economy even as it continues to expand overall. Moreover, a slowdown in household spending could encourage the BOJ to take a cautious stance as it looks to normalize policy. The BOJ is slated to meet on March 19th; market consensus suggests the BOJ will remain on hold. The yen briefly weakened to 147.10 against the dollar before ending the day 0.4% stronger at USD/JPY 146.8.



Separately, new US tariffs on steel, aluminum and cars are expected to weigh on Japan's economy. Extra levies from the US on steel and aluminum are scheduled to take effect on March 12, with reciprocal tariffs and a proposed 25% tariff on foreign car imports to the US expected to be in place on April 2. Auto exports accounted for 17% of Japan's outbound shipments last year, with more than a third to the US, by Bloomberg's estimate. Japan is reportedly looking for an immediate exemption from US tariffs.

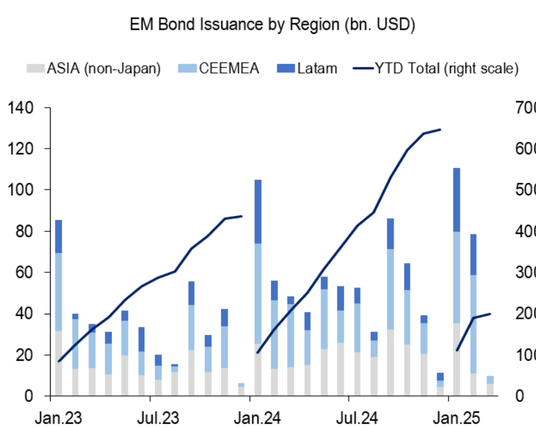
Emerging Markets

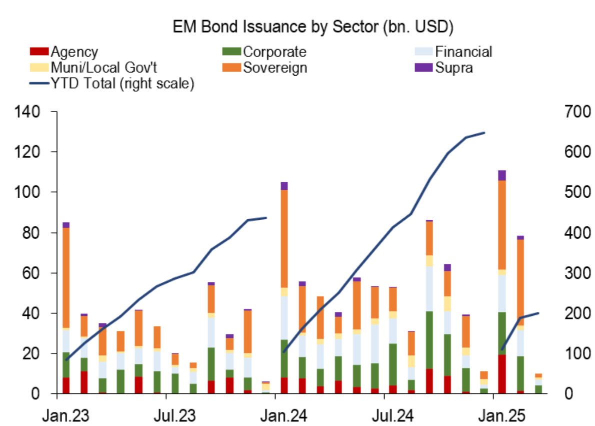
back to top

EMEA equity markets were mixed this morning, with currencies mostly strengthening. Equities in Hungary were trading in the red (-1.1%) while Polish equities gained (+0.8%). Inflation in Hungary was higher than expected. **Asian currencies mostly gained against the dollar, led by the renminbi (offshore CNH +0.42%; onshore CNY +0.37%).** The Indonesian rupiah bucked the trend, depreciating as the authorities intervened in the FX market to support the currency. **The collapse in US markets caused a similar reaction in Latin American markets.** Local equity indices declined, led by the Argentinian MERVAL index (-5.46%) and Mexico's MEXBOL index (-2.1%). Currencies depreciated and interest rates rose.

Emerging Market Bond Issuance

EM international bond issuances continued its strong momentum, but recent market volatility may have tampered expectations this week. Issuances in the past week remained robust at $10 bn, just slightly lower than $11.5 bn in the week prior, according to data compiled by Bond Radar. Despite the market volatility, sovereign issuers Armenia ($0.75 bn, maturity 2035) and Ras Al-Khaimah of UAE ($1.0 bn, maturity 2035) successfully accessed the international markets. The Armenia issuance (Ba3/BB-) marked its first entry into the Eurobond market since January 2021, generating significant demand exceeding $2.6 bn. The bid-to-cover ratio surpassed 3.4x, leading to a tightening of the final pricing to 7.1%, down from initial price talks of 7.5%. In the EM corporate space, Baidu Inc. (A3/A) raised CNH10 bn (equivalent to $1.4 bn) from offshore debt sales, marking its first debt issuance since 2021. The Baidu issuance also marks the latest among a series of Chinese companies leveraging the recent equity rally to raise capital. Looking ahead, Angola, Montenegro and Morocco are mulling issuances but details regarding the timing of the issuance have not been disclosed.

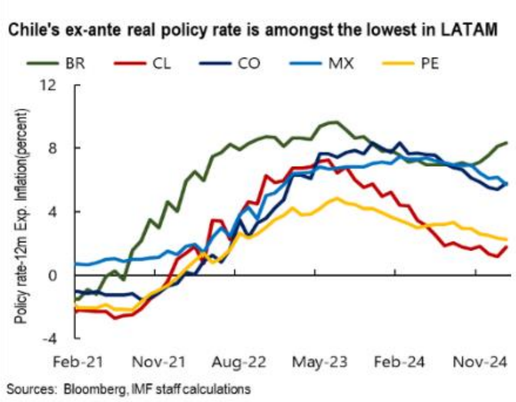


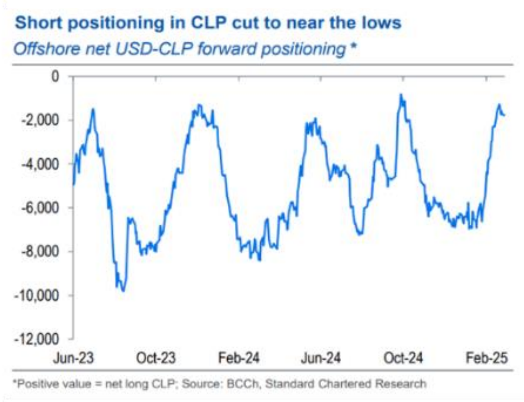


Sources: Bond Radar and IMF staff calculations

Chile

The Chilean peso could struggle due to growth vulnerabilities and low carry. Standard Chartered analysts highlight that the Chilean economy could be particularly susceptible to global trade tensions, given its reliance on copper exports. Moreover, Chile's ex-ante real policy rate is also among the lowest in the region (*left chart*) and could prompt some investors to view the Peso as a funding currency. Although the "bar" for further policy rate cuts remains high, the current macroeconomic environment favors a prolonged hold on policy rates rather than a hiking cycle. In addition, offshore market participants have also significantly reduced their long US dollar/short CLP positions (*right chart*), which may limit further peso gains.





China

The upcoming auction of record Chinese government bond (CGB) issuance could test investor appetite. The Ministry of Finance indicated that it is planning to sell RMB 167 bn ($23 bn) of 2-year central government bonds (CGBs) on Friday, the largest-ever offering of 2-year notes in a single auction. Another RMB 30 bn of 30-year notes will also be auctioned on the same day. Recent auction results had been lackluster. Moreover, Nomura noted net selling from clients of their CGB holdings for three weeks. Bond yields have risen this year amid optimism towards Chinese equities, tight money market conditions and limited monetary policy easing from PBOC thus far. Analysts expect signs of weak demand on Friday could push CGB yields higher still. The yield on 2-year note, at 1.59%, is at its highest level since last August, having risen roughly 50 bps since early January. Yield on the benchmark 10-year note has risen about 35 bps over the same period to 1.95%, 20 bps of which occurred since mid-week last week. Meanwhile, the yield on the 30-year bond rose to 2.04%, its highest level since last December amid the broad increase in CGB yields.

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				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
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: 3/11/2025 8:01 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.23	0.3	0.4	1.0	-0.7	0.9		1.9	1	10	21	-47	18
Indonesia		16409	-0.3	0.2	-0.2	-5.0	-1.7		6.8	1	-1	0	18	-20
India		87	0.1	0.1	-0.5	-5.1	-1.8		6.8	-4	-12	-43	-37	-56
Philippines		57	0.3	1.0	1.6	-3.2	1.3		5.1	-4	-2	1	-41	23
Thailand		34	0.4	-0.3	0.9	4.9	1.7		2.2	-2	-3	-10	-32	-9
Malaysia		4.41	0.2	1.2	1.3	6.1	1.3		3.8	3	2	-1	-1	-2
Argentina		1065	0.0	-0.2	-0.9	-20.4	-3.2		30.9	-7	185	384	-4037	170
Brazil		5.84	0.3	0.8	-1.3	-14.8	5.7		15.0	12	-30	-22	470	-91
Chile		938	0.6	0.8	2.5	3.0	6.2		5.6	-7	-13	-19	16	-4
Colombia		4181	-1.2	-1.7	-1.0	-6.4	5.4		11.5	8	10	3	170	-27
Mexico		20.35	0.0	1.2	1.0	-17.5	2.4		9.6	4	6	-19	32	-75
Peru		3.7	-0.4	0.5	1.1	0.4	2.3		6.5	0	4	1	-53	-15
Uruguay		42	0.1	0.3	2.4	-8.4	3.1		9.7	1	-2	-6	71	2
Hungary		368	0.5	2.1	5.7	-1.8	8.1		6.7	5	18	34	58	24
Poland		3.85	0.8	1.9	4.7	1.9	7.4		5.6	0	10	10	51	4
Romania		4.6	0.6	2.6	5.2	-0.4	5.2		7.2	-10	-2	-9	87	-4
Russia		85.5	2.5	5.0	12.9	5.8	32.8							
South Africa		18.3	0.4	1.2	1.2	2.3	3.2		10.6	-3	0	0	-98	17
Türkiye		36.58	-0.1	-0.4	-1.5	-12.4	-3.3		28.3	21	18	-18	-280	-145
US (DXY; 5y UST)		104	-0.3	-2.1	-4.1	0.7	-4.6		3.99	3	-5	-38	-9	-39

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		3,941	0.3	1.4	0.5	9.6	0.2		98	-1	3	-56	2
Indonesia		6,546	-0.8	2.6	-1.5	-11.3	-7.5		108	-2	15	-6	17
India		74,102	0.0	1.5	-2.7	0.6	-5.2		105	3	9	-5	19
Philippines		6,207	-2.4	2.3	2.7	-9.8	-4.9		101	1	14	4	22
Thailand		1,188	0.9	0.8	-7.5	-13.9	-15.2						
Malaysia		1,520	-1.1	-2.3	-5.2	-2.2	-7.4		80	-1	9	-8	10
Argentina		2,138,846	-5.5	-2.5	-5.9	123.3	-15.6		725	-24	43	-968	88
Brazil		124,519	-0.4	-0.2	-1.6	-1.3	3.5		232	-11	9	10	-15
Chile		7,370	-0.1	0.8	1.3	14.9	9.8		125	-6	4	-11	12
Colombia		1,582	-1.8	1.1	3.1	21.8	14.7		332	-4	9	24	6
Mexico		51,727	-2.1	-0.7	-3.2	-6.1	4.5		322	4	17	-7	10
Peru		28,569	-0.6	-1.2	-2.6	-1.2	-1.4		144	-7	1	-5	3
Hungary		85,821	-1.2	-0.7	-2.2	30.8	8.2		156	-4	3	-9	1
Poland		92,500	0.3	3.6	1.7	15.1	16.2		117	-6	9	12	5
Romania		17,469	0.0	2.1	1.4	7.6	4.5		253	-6	15	48	18
South Africa		87,361	0.1	0.7	-0.2	18.9	3.9		324	7	17	-24	31
Türkiye		10,482	0.6	5.9	6.1	14.8	6.6		288	2	30	-50	29
EM total		43	0.9	1.2	-0.4	6.0	3.7		376	-1	18	57	12

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

back to top