GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, MARCH 12, 2025

LEAD EDITOR: SANJAY HAZARIKA

- **US CPI data were lower than expected in a relief to markets** (link)
- **Euro appreciates to strongest level since November on hopes of Ukraine ceasefire** (link)
- **Money market asset volumes at record as investors seek shelter from US equity selloff** (link)
- **US high yield spreads widening as market turbulence continues** (link)
- **Rate hike expectations build in Japan** (link)
- **EM hard currency bonds remain resilient despite recent volatility** (link)

Mature Markets | Emerging Markets | Market Tables

Markets grapple with multiple uncertainties

Market participants are grappling with multiple uncertainties. The 25% tariff imposed by the US on steel and aluminum imports from the EU and Canada went into effect this morning. The EU has retaliated with tariffs on $28.3 of US goods, a more measured response. The Europeans hope to leave the door open for more negotiations, but more retaliatory tariffs are possible. Tariff worries were counterbalanced by hopes of a ceasefire in Ukraine. Meanwhile, the tech heavy Nasdaq index has suffered a correction, down 13% from its December peak, while the S&P 500 was in the same situation as it briefly fell 10% from its February peak before recovering slightly. European stocks had rallied on the news of the €500 bn German infrastructure package and plans for higher defense spending, but the US equity decline and continuous trade war headlines had stalled the European rally in recent days. However, stocks in Europe are higher today, along with US equity index futures. In other news, the US House of Representatives passed a measure to avoid a government shutdown, putting pressure on Democrats in the Senate to respond. In Portugal, the center-right government fell after losing a no-confidence vote, with elections likely in May.

Key Global Financial Indicators

Last updated: 3/12/25 7:56 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		5572	-0.8	-4	-8	8	-5
Eurostoxx 50		5399	1.7	-2	0	8	10
Nikkei 225		36819	0.1	-2	-7	-5	-8
MSCI EM		44	0.8	1	0	6	5
Yields and Spreads			bps				
US 10y Yield		4.30	1.7	2	-32	15	-27
Germany 10y Yield		2.93	3.1	14	45	60	56
EMBIG Sovereign Spread		332	-2	5	15	-32	7
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.7	-0.1	0	1	-5	4
Dollar index, (+) = $ appreciation		103.6	0.2	-1	-4	1	-5
Brent Crude Oil ($/barrel)		70.2	0.9	1	-7	-14	-6
VIX Index (%, change in pp)		25.9	-1.0	4	10	12	9

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

Mature Markets

back to top

United States

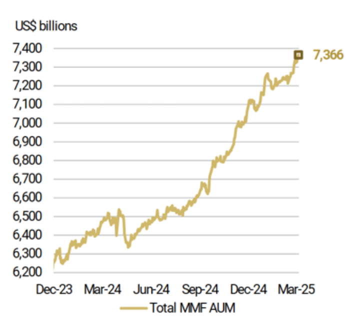
US CPI data came in lower than expected. This was a relief to markets, in an environment of heightened uncertainty. Treasuries rallied and the dollar weakened in the immediate aftermath of the data release. US equity index futures rallied.

US CPI REPORT
SOURCE: BLOOMBERG

Variable	Consensus Forecast	Actual Data
CPI Month-on-Month	0.3%	+0.2%
Core CPI MoM	0.3%	+0.2%
CPI Year-on-Year	2.9%	+2.8%
Core CPI YoY	3.2%	+3.1%

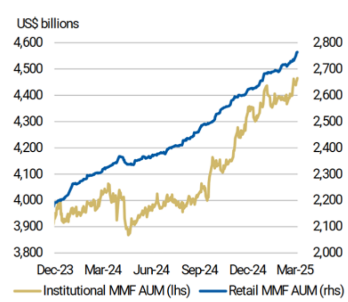
Assets under management (AUM) for US money market funds (MMFs) have soared to a record level of 7.366 tn. The growth in AUM accelerated into the new year and has occurred for both retail and institutional investors. Morgan Stanley thinks this could reflect rising risk-off sentiment as the falling stock market drives a search for safety among investors. The S&P 500 is down 8% from its record in February and is down 2% for the year, while the Nasdaq is in full correction mode, down 13% from its December record and down 9% in 2025, possibly on track for a bear market fall of 20%. Fears of recession are rising as market participants worry that tariffs and government job cuts could hurt the economy. Based on past history, rising MMF volumes are associated with periods of recession.

Exhibit 1: Total MMF AUM



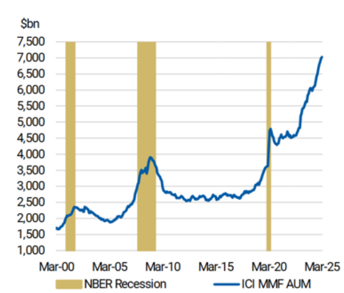
Source: Crane Data, Morgan Stanley Research

Exhibit 2: Institutional and retail MMF AUM



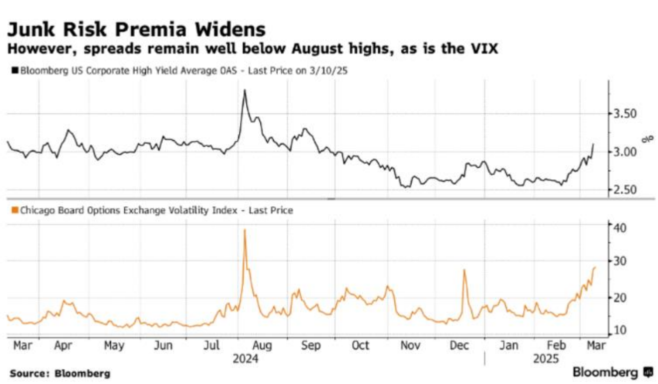
Source: Crane Data, Morgan Stanley Research

Exhibit 6: ICI MMF AUM and NBER recessions



Source: Bloomberg, Morgan Stanley Research

Spreads on US high yield corporate bonds have begun to widen significantly as the equity market turmoil continues. The Bloomberg High Yield Index spread has crossed 3% for the first time since October to reach 3.1%. Contacts report that many issuers have postponed new bond sales as a result of the recent volatility. However, secondary market conditions were reported to be orderly, with bid-offer spreads and liquidity within recent ranges. The higher all-in yield for these bonds have become more attractive as the spreads have widened and bid lists from sellers are being well received.

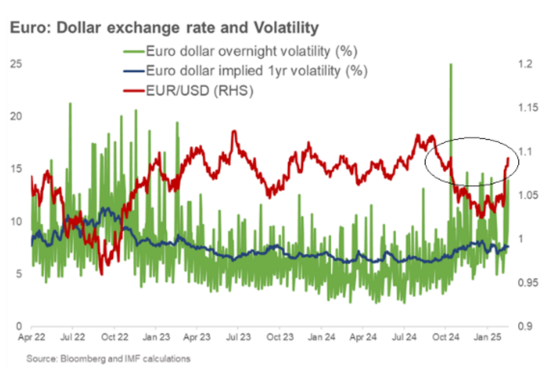


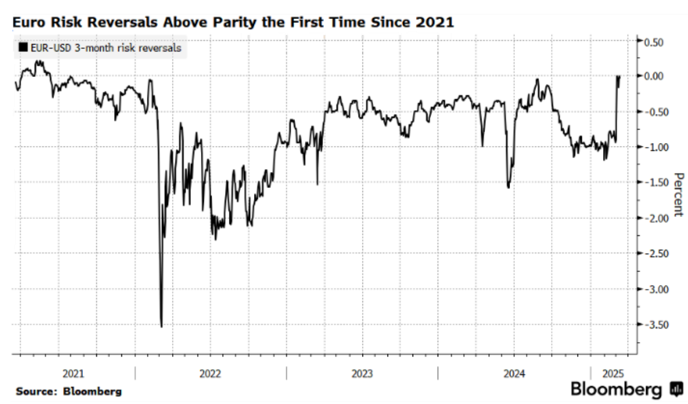
The levels of the index and the VIX remain well below where they were last August, during the Yen carry trade unwind. Nevertheless, conditions could become more difficult if the market selloff continues.

Euro Area

European equity markets were mostly higher on news of progress towards a ceasefire in Ukraine. Ahead of US CPI data due later today, the STOXX 600 was up +0.8% this morning, with most sectors trading in the green. This follows after the Stoxx 600 yesterday closed in the red (-1.7%) for the fourth consecutive trading session. **European government bond yields were marginally higher this morning** with the 10-year bund yield (+3bps) trading at around 2.92%. Commerzbank analysts note that bond markets remain uneasy, with 10-year bunds continuing to underperform as the 10-year point is where markets expect the majority of the new debt to be placed.

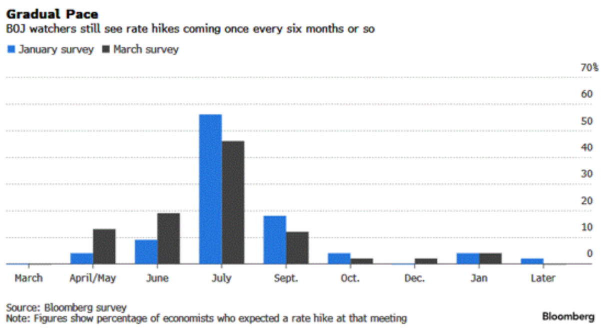
The euro closed yesterday at its strongest level since November 2024 while expectations for euro appreciation increase on Ukraine peace talks. Following news yesterday that Ukraine had agreed in principle to the American 30-day truce proposal with Russia, the euro closed stronger against the dollar at 1.0919 – a level last seen in November 2024, while one-week, one-month and three-month EUR/USD risk reversals increased. Bloomberg highlights that the three-month risk reversals touched parity for the first time in almost four years, as traders turn more optimistic on the euro's medium term outlook. ING analysts argue that markets had already largely priced in a peace deal between Ukraine and Russia and while the analysts see some further upside for the common currency if Russia accepts the ceasefire agreement, they argue that gains could be limited as a result of technical factors. This morning the euro was marginally weaker (-0.1%) to around 1.09 as the dollar strengthened, with contacts noting that the rollout of US tariffs is supporting the greenback. **This morning the EU has also announced countermeasures against new US tariffs.**

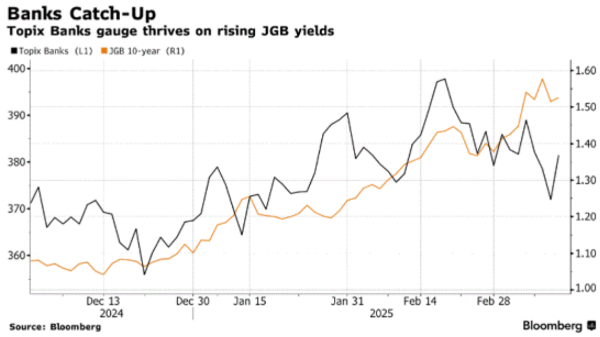




Japan

Bank of Japan (BOJ) Governor Ueda reiterated that bond yields should be determined freely in the market, signaling that the BOJ does not have any imminent plans to intervene against rising JGB yields. Ueda's comments are consistent with those recently from other officials, including finance minister Kato on Tuesday. In a Bloomberg survey published today, economists said they now anticipate the terminal rate in this cycle to reach 1.25%, up from 1% in the January survey and 0.5% from a year ago. 10-year sovereign yield rose 0.9 bps to 1.524%, and 20-year sovereign yield fell 1.3 bps to 2.267%, after today's 20-year auction received stable demand. Japanese equities were little changed, supported by bank and insurance stocks (TOPIX Banks: +2.3%) upon analyst upgrades on hopes that continued rate hikes will support earnings. The Japanese yen weakened (-0.5%) to 148.49/$, moving away from the intraday quote of 146.54 on Tuesday, the lowest since October. Bloomberg reported that macro funds in Japan are preparing to sell the current yen rally if this Friday's Rengo wage talks reduce rate hike bets.



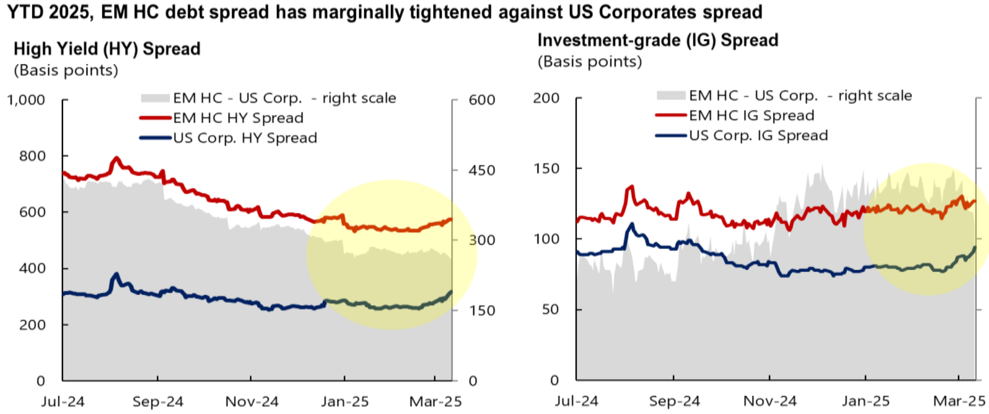


Emerging Markets back to top

EMEA equity markets were mostly higher this morning, while currencies were mixed. Ukrainian Eurobonds were outperforming this morning following news that the US and Ukraine have agreed on a 30-day ceasefire. Ghanaian eurobonds declined after the government announced it had missed a key fiscal target. **Asian currencies declined on continued trade war concerns, with Korean won being an outlier (+0.3%).** Asian equities rose (EM Asia: +0.3%), led by Indonesia (Jakarta Composite: +1.8%) and Korea (KOSPI: +1.5%), the latter supported by optimism in chipmakers such as Samsung. **Latin American markets were mixed, starting the session in the red but rebounding on the news of a possible cease fire in Ukraine.** The Chilean peso (+1.2%) and Colombian peso (+1.1%) rallied. Stocks in Argentina were up 1% while Brazil was down 0.8%. Fitch upgraded Aruba to BBB- from BB+ in line with the other rating agencies. Emerging Market Hard Currency Bonds

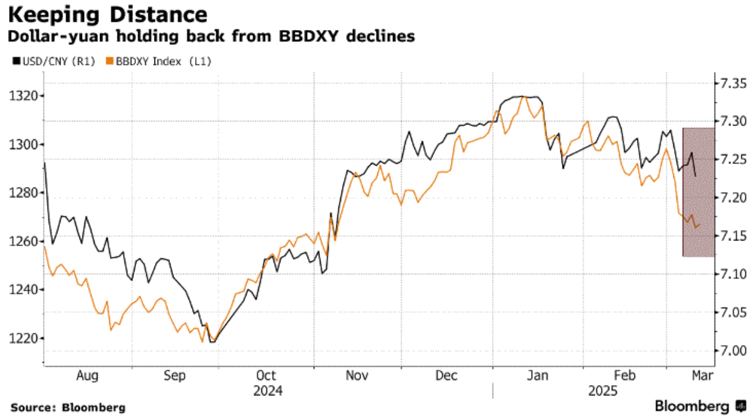
EM dollar debt remained resilient amid turmoil in risk assets. Despite the heightened market volatility and risk aversion impacting global assets this year, the EM hard currency (HC) bond markets have largely remained stable. Although spread against US Treasuries for both investment-grade and high-yield EM HC issuers have been marginally wider lately, they have still outperformed those of US corporate bonds. JPM Asset Management analysts noted that a cooling US economy might encourage some investors to seek returns outside of the US while noting on progress in reforms for some of the lower-rated EMs. Additionally, Bloomberg analyst highlights that that EM dollar bond yields have largely stabilized, and default probabilities are also improving. Recent investor flow has also been constructive for the asset class. According to the latest EPFR data compiled by Morgan Stanley, investors allocated about $1.3 bn into hard-currency EM debt funds over the past four weeks despite the elevated market volatility.

YTD 2025, EM HC debt spread has marginally tightened against US Corporates spread



Sources: Bloomberg, J.P. Morgan, IMF staff calculations

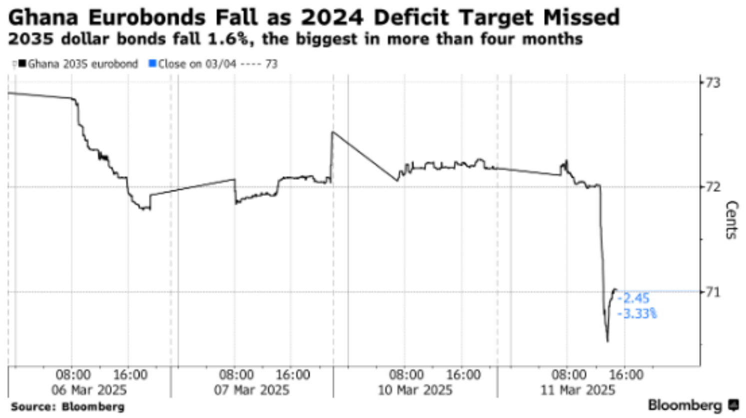
China



The China Securities Regulatory Commission (CSRC) vowed to boost efforts to introduce longer-term funds in the capital market. According to its statement late Tuesday, the CSRC will support share listing of qualified yet-profitable tech companies to boost innovation, draft an overall plan to expand opening of capital markets, and expand cross-border stock connect programs. Shanghai Securities News reported today that some of China's medium and small-sized mutual fund management companies have received key injections from their key stakeholders, signaling overall confidence in the asset management industry and securities markets. Onshore equities declined (CSI300: -0.4%) but were supported by automaker shares after wholesale vehicles sales increased +34.4% y/y. Onshore CNY (-0.1%) and offshore CNH (-0.2%) weakened, while the reference rate was fixed stronger today at 7.1696, now only 573 pips below traders' estimates. Bloomberg analysts view that recent dollar-yuan trends have lagged behind that of Dollar index, indicating PBOC's preference for keeping the yuan stable in a narrow band. The government bond selloff eased today, with 10-yr benchmark yield falling 11 bps to 1.84%, and the 30-yr benchmark yield falling 2 bps to 2.02%.

Ghana

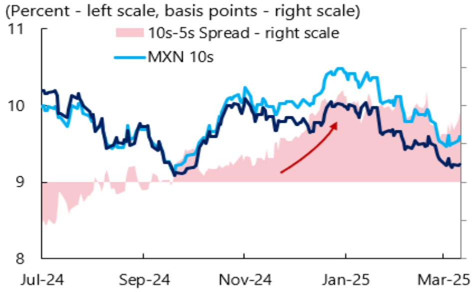
Ghana's Eurobonds fall after a larger-than-expected primary fiscal deficit was announced. Analysts note that yesterday in the Finance Minister's 2025 budget speech it was announced that the country recorded a primary fiscal deficit of 3.9% of GDP in 2024 compared to a targeted surplus of 0.5% of GDP. The finance minister also shared the goal for a primary budget balance surplus of 1.5% of GDP. Following the announcement, Ghana's 2035 Eurobond price fell roughly 1.2 cents to 71 cents on the dollar yesterday, the largest decline in four months according to Bloomberg.



Mexico

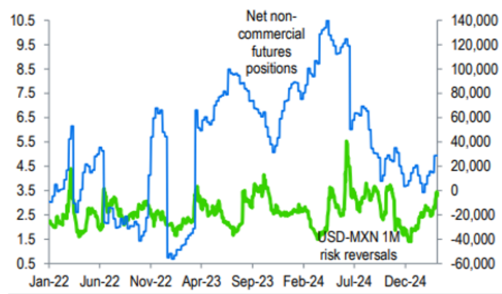
The local yield curve is vulnerable to policy uncertainties. HSBC analysts observed that long-dated yields on MXN bonds are exhibiting a tendency to steepen at higher levels due to uncertainties surrounding tariffs. The analysts suggests that this trend may indicate concerns regarding potential disruptions to Mexico's growth model, which can impact not only the yield levels, causing them to rise, but also the yield curve's shape, making it steeper. Standard Chartered analysts also noted that Mexico's unique vulnerability to tariffs could drive inflation higher and growth lower, leading to the recent lightening of foreign positioning in MBonos. The positioning on the currency is also now more neutral, reflecting foreign investors' cautious positioning.

Recent developments provided some relief to MXN yield levels and steepening trend
MXN 5s and 10s local yields, 10s-5s spread
(Percent - left scale, basis points - right scale)



Sources: Bloomberg, IMF staff calculations

CFTC data and options pricing suggest cautious positioning in MXN; % (LHS); contracts (RHS)

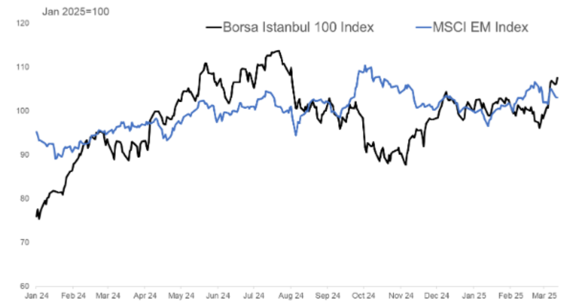


Source: Bloomberg, Standard Chartered Research

Türkiye

Turkish equities entered a bull market, outperforming emerging markets. The benchmark equity index of Türkiye entered a bull market last week according to Bloomberg analysts, with the BIST 100 Index now roughly 9.4% higher than at the start of the month, compared to a gain of roughly 1% in the MSCI EM index over the same period. According to Bloomberg, analysts think that Turkish equities were more shielded from the global selloff as result of several factors, including a downside-surprise in Türkiye's February inflation data, Germany's plan to increase spending, and also prospects of a peace agreement in Ukraine. Bloomberg also reports views from market analysts that Türkiye is relatively less exposed to potential tariffs than other emerging markets and has also proven to be less sensitive to concerns over US growth, while lower oil prices have also improved Türkiye's inflation and growth outlook as the country is energy import dependent.

Türkiye: Equity index



Source: Bloomberg and IMF staff 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), 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.

Global Financial Indicators

	Level		Change				
3/12/25 12:03 PM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5,596	-1.8	-4.2	-7.5	8.1	-5
Europe		5,394	1.6	-1.7	-0.2	8.2	10
Japan		36,819	0.1	-1.6	-6.7	-4.9	-8
China		3,927	-0.4	0.6	0.6	9.9	0
Asia Ex Japan		75	0.9	1.3	0.4	8.7	3
Emerging Markets		44	-0.6	1.2	-0.2	5.7	5
Interest Rates			basis points				
US 10y Yield		4.3	-4	2	-32	15	-27
Germany 10y Yield		2.9	4	14	46	60	57
Japan 10y Yield		1.5	1	8	18	75	42
UK 10y Yield		4.7	3	3	17	76	14
Credit Spreads			basis points				
US Investment Grade		130	1	8	15	4	10
US High Yield		358	0	19	57	-7	30
Exchange Rates			%				
USD/Majors		103.6	0.2	-0.6	-4.0	0.6	-4
EUR/USD		1.09	-0.2	1.0	5.0	-0.3	5
USD/JPY		148.7	0.6	-0.1	-3.7	0.7	-5
EM/USD		44.7	-0.1	0.1	1.4	-5.2	4
Commodities			%				
Brent Crude Oil ($/barrel)		70.2	0.9	1.3	-6.2	-7.8	-5
Industrials Metals (index)		154.2	1.6	2.6	3.9	8.7	10
Agriculture (index)		57.7	-0.5	0.0	-5.0	-3.4	1
Implied Volatility			%				
VIX Index (%, change in pp)		25.9	-1.0	4.0	10.0	12.1	8.5
Global FX Volatility		8.7	0.0	0.0	0.3	2.1	-0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		78	-3	-2	-8	-18	-8
Italy		109	-3	-2	1	-19	-6
France		67	-2	-3	-10	22	-16
Spain		60	-2	0	-2	-21	-9

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

Emerging Market Financial Indicators

Last updated: 3/12/2025 7:54 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		7.24	-0.2	-0.1	0.9	-0.8	0.8		1.9	6	16	28	-43	25
Indonesia		16452	-0.3	-0.8	-0.5	-5.2	-1.9		6.8	3	4	3	21	-17
India		87	0.0	-0.3	-0.4	-5.1	-1.8		6.8	1	-9	-45	-37	-55
Philippines		57	-0.2	-0.1	1.4	-3.6	1.1		5.1	1	-1	2	-40	25
Thailand		34	-0.3	-0.7	0.5	5.6	1.5		2.2	-2	-5	-12	-32	-11
Malaysia		4.43	-0.3	0.0	1.0	5.7	1.0		3.8	-1	-2	-6	-7	-6
Argentina		1066	0.0	-0.2	-0.9	-20.4	-3.3		31.0	18	202	395	-3643	188
Brazil		5.81	0.8	1.3	-0.8	-14.3	6.2		14.8	-20	-50	-33	452	-112
Chile		929	0.6	0.1	2.5	3.4	7.3		5.6	0	-9	-23	13	-5
Colombia		4134	1.1	0.6	0.1	-5.3	6.6		11.5	-1	10	0	163	-28
Mexico		20.26	0.1	0.8	1.4	-17.1	2.8		9.6	1	-3	-25	29	-74
Peru		3.7	0.2	0.2	1.4	0.7	2.6		6.5	1	5	-2	-56	-14
Uruguay		42	0.1	0.4	2.5	-8.3	3.2		9.7	1	-1	-5	73	3
Hungary		367	0.0	0.5	5.5	-0.6	8.2		6.8	11	31	28	67	35
Poland		3.85	0.0	0.1	4.2	2.0	7.4		5.6	-1	11	4	46	3
Romania		4.6	-0.2	1.0	5.0	-0.4	5.2		7.3	7	3	-6	94	3
Russia		86.7	-1.5	4.1	8.4	5.8	30.9							
South Africa		18.4	-1.2	-0.6	0.5	1.3	2.2		10.6	-2	5	-6	-102	15
Türkiye		36.61	-0.1	-0.5	-1.4	-12.4	-3.4		28.3	6	11	-61	-259	-139
US (DXY; 5y UST)		104	0.1	-0.7	-4.1	0.6	-4.5		4.05	2	-2	-41	-9	-33

	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		3,927	-0.4	0.6	0.6	9.9	-0.2		100	1	6	-55	4
Indonesia		6,665	1.8	2.0	0.8	-10.2	-5.9		104	2	12	-4	13
India		74,030	-0.1	0.4	-2.8	1.7	-5.3		110	12	16	-1	24
Philippines		6,195	-0.2	1.2	1.3	-11.1	-5.1		95	1	8	3	16
Thailand		1,160	-2.3	-3.9	-9.7	-16.2	-17.2						
Malaysia		1,485	-2.3	-5.1	-6.7	-3.5	-9.6		82	3	12	-5	12
Argentina		2,159,500	1.0	-2.1	-5.5	110.3	-14.8		723	-18	14	-988	86
Brazil		123,507	-0.8	0.6	-0.7	-3.3	2.7		231	-7	6	10	-16
Chile		7,366	-0.1	0.4	1.1	13.3	9.8		123	-2	3	-10	10
Colombia		1,578	-0.2	-0.7	3.1	23.4	14.4		331	0	8	25	5
Mexico		51,511	-0.4	-1.7	-4.7	-6.2	4.0		320	4	10	-10	8
Peru		28,619	0.2	-0.4	-2.5	-0.7	-1.2		144	1	0	-2	3
Hungary		86,929	2.0	-1.3	-1.3	30.8	9.6		153	-1	0	-9	-2
Poland		93,125	1.2	1.2	1.5	13.7	17.0		113	-2	5	9	1
Romania		17,423	-0.7	0.3	0.6	7.3	4.2		249	-3	8	47	14
South Africa		87,372	0.3	-0.4	-0.6	18.9	3.9		318	3	9	-33	25
Türkiye		10,583	1.4	3.9	8.2	16.7	7.7		280	-1	20	-50	21
EM total		44	0.6	1.2	-0.2	5.7	4.5		375	3	12	58	11

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

back to top