



- Some analysts see Fed put as still out of the money, while closing in on weaker economy ([link](#))
- Weakening negative US stock/dollar correlation could potentially amplify USD sales ([link](#))
- Bund yields up sharply on Reuters news that German parties agree on historic debt deal ([link](#))
- Japan's wage demands highest since 1991 albeit weak real wages may limit BOJ response ([link](#))
- So far, EM local bond and FX moves have been milder than in past de-risking episodes ([link](#))
- Peru's central bank holds the policy rate steady while reiterating data-dependency ([link](#))
- South African rand advances on potential budget compromise and EU investment package ([link](#))

[Mature Markets](#)

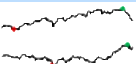
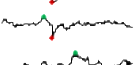
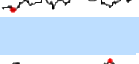
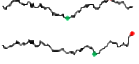


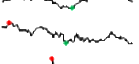
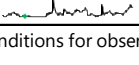



[Emerging Markets](#)

[Market Tables](#)

## Euro Rises, Bunds Slip as Germany Eases Off the Fiscal Handbrake

**Euro strength and Bund selloff set the tone after Chancellor-in-waiting Merz reached a tentative fiscal deal.** German yields jumped and the euro extended gains after Merz secured an agreement with the Greens that includes earmarking part of the fiscal package for a climate and economic transformation fund—a key concession to unlock broader support for higher spending. Euro-area non-core debt from Italy to Spain followed the move in Bunds, with yields climbing across the curve, led by long maturities. This came after U.S. equities officially entered correction territory yesterday, dropping more than 10% from recent highs, though sentiment improved this morning as the risk of a U.S. government shutdown faded and hopes for further Chinese stimulus picked up. In Indonesia, sovereign bond yields rose for a fifth straight day on fiscal concerns linked to a sharp drop in government revenue. Oil prices fell after the International Energy Agency warned of weaker demand and projected a net supply surplus of around 600k barrels per day this year due to deteriorating macroeconomic conditions.

Key Global Financial Indicators

Last updated: 3/14/25 8:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5522	-1.4	-4	-10	7	-6
Eurostoxx 50		5404	1.4	-1	-2	8	10
Nikkei 225		37053	0.7	0	-5	-4	-7
MSCI EM		44	-0.4	-1	-1	7	5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.31	4.6	1	-16	2	-26
Germany 10y Yield		2.93	7.5	9	50	50	56
EMBIG Sovereign Spread		336	7	5	22	-20	11
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		44.9	0.4	1	1	-4	5
Dollar index, (+) = \$ appreciation		103.6	-0.2	0	-3	0	-4
Brent Crude Oil (\$/barrel)		70.5	0.9	0	-6	-17	-6
VIX Index (% change in pp)		23.8	-0.9	0	9	9	6

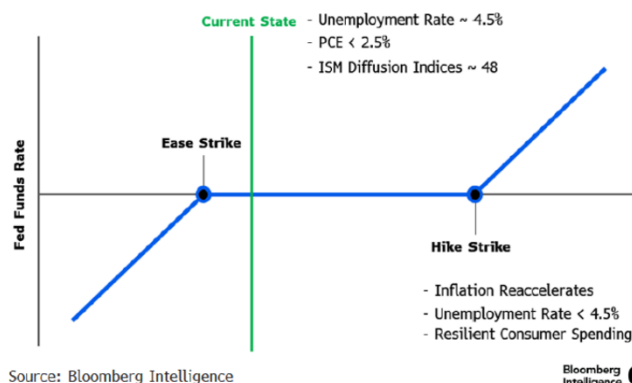
Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

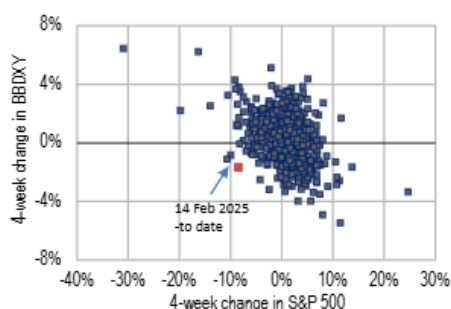
[back to top](#)

### United States

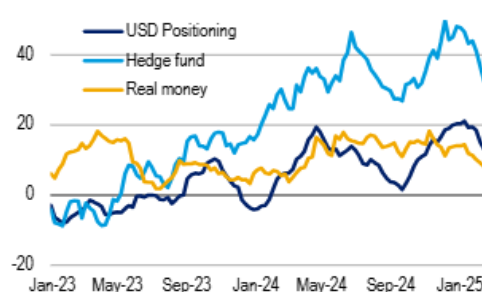
**Most analysts see a Fed put still out of the money according, though a weakening economy may see progress towards its strike price.** A number of market contacts note that the possibility of a “*Fed put*”—which implies that the Fed would take some action to limit market losses—is some ways away, absent a severely deteriorating economy. Analysts at HSBC believe that such a put would require extremely negative market conditions. This would include a freezing of/of/outsized stress in primary credit or core funding markets, as well as the US equity market correction leading to a global spillover/disorderly sell-off into other risk assets. Nonetheless, given the downward trend in economic surprises and weaker economic conditions, as suggested by the latest Beige Book, Bloomberg Intelligence contacts see the Fed’s reaction function tilted towards easing and much closer to its put strike than not. While Chair Powell has emphasized that the Fed is “*not in a hurry*” to lower rates, and market-implied pricing for a Fed rate at next week’s FOMC is near 0, the March meeting may potentially produce a more dovish-than-expected tone, including through the Fed’s dot plot.



**Weaker negative correlation between US stocks and US dollar may amplify USD sales.** Analysts at Bank of America point out that the typically negative correlation between the USD and US equities has been moderating for over a year before the US exceptionalism narrative hit its peak and before the recent US stock-market correction. Sizeable, and largely FX unhedged, cross-border flows into US equities (largely from Europe) partly explain this weakening relationship. The perceived negative correlation between USD and US stocks may have encouraged foreign investors to keep their FX hedge ratios to a minimum (as USD gains would naturally buffer equity losses). However, hedging costs have since declined on narrower interest rate differentials, FX volatility has increased, and the outlook for global markets has been more constructive. Consequently, USD depreciation could become amplified by foreign investors who are now incentivized to increase their hedge ratios. A 1pp. increase in the hedge ratios on total US equity holdings as of 2024 would be associated with ~\$175bn of USD sales, based on Bank of America’s calculations. Nevertheless, such an adjustment could take time, as evidenced by only moderate USD sales from asset managers in comparison to hedge funds thus far.



BoFA GLOBAL RESEARCH



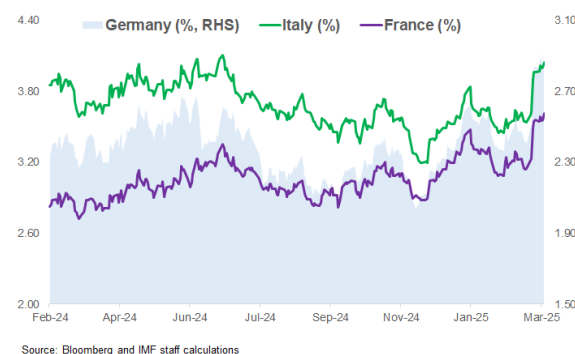
BoFA GLOBAL RESEARCH

## Euro area

**European equity markets were higher while the euro was firmer against the dollar.** The STOXX 600 index gained (+0.8%), led by gains in the resources and consumer sector, although the index remains around -2% lower on the week as geopolitical developments and policy uncertainty continue to weigh on risk appetite. Meanwhile, the euro gained (+0.6%) versus the dollar, reversing earlier losses to trade at \$1.0912/€. Later today, Fitch will review France's sovereign credit rating while market contacts expect Moody's to upgrade its sovereign credit rating on Greece to investment grade, in line with other agencies. On the data front, final German HICP inflation for February printed at 2.6% y/y, compared to the initial 2.8% flash estimate.

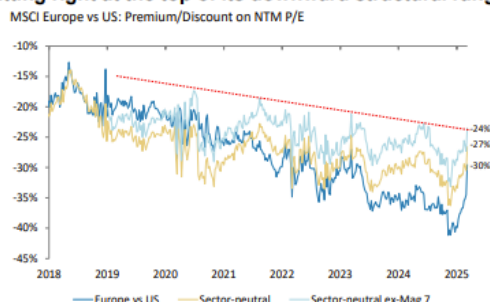
**German Bund yields rise sharply on reports of a tentative agreement between political parties that would increase spending.** The 10-year bund yield climbed (+8bps) to 2.94% on the announcement that Chancellor-in-waiting Merz has reached a tentative agreement with the Green party that would also for higher spending. According to Reuters, the agreement marks a step toward securing the necessary majorities in both the Bundestag and Bundesrat by the end of next week, with a final vote in the Bundestag expected on Tuesday. The 10-year Bund yield has surged over +50bps since the start of March and is close to breaching 3%, a level last seen almost 18 months ago.

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

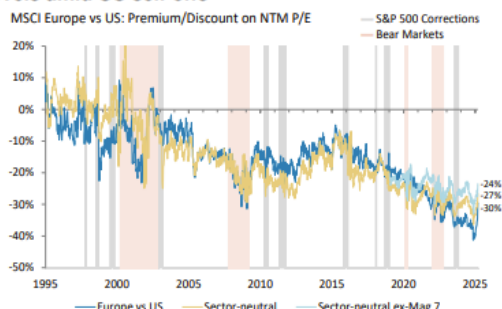


**Morgan Stanley market contacts see downside risks for European equities, citing stretched valuations and fading outperformance relative to U.S. peers.** The valuation discount to U.S. equities has narrowed and now sits near the top of its downward structural range (left chart) — a level the analysts believe may not be sustained. A deeper selloff in U.S. stocks could drag European equities lower as well (right chart), especially in sectors with high U.S. exposure, such as services. The analysts also point to “*areas of over-optimism, such as the extensive market pricing in key assets exposed in the event of a Russia/Ukraine peace deal.*” Their base case sees the MSCI Europe falling by around -3% from current levels by year-end. Still, the analysts remain structurally overweight European defense stocks, expecting sustained increases in defense spending.

EU equities vs US LFL discount (sector neutral, ex Mag 7) is sitting right at the top of its downward structural range line



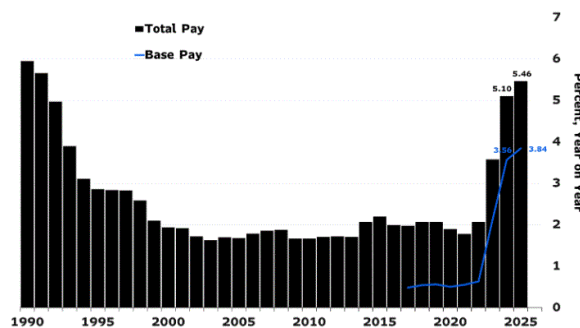
European outperformance is rarely sustained at such levels amid US sell-offs



## Japan

**Investors are moving away from safe assets, which is pushing the yen lower and helping stocks rise.** The yen fell (-0.8%) to ¥148.96/\$. Long-term interest rates dropped some—the 10-year yield declined (-3.1 bps) to 1.52%, while 30-year yields held steady at 2.59%. Japanese stocks rose on the day, with the Nikkei 225 up (+0.72%) and the broader Topix up slightly less (+0.65%).

**Japan's biggest trade union group, Rengo, is asking for the highest wage hike since 1991.** In early talks for 2025, it proposed a 5.46% wage increase. Base pay, which excludes bonuses, would rise by 3.84%. These spring wage talks are seen as a key test of wage growth momentum. The Bank of Japan, which meets next week, is watching closely. Past communication suggests sustained wage gains as instrumental for further rate hikes, though most investors do not expect one before summer. Economists surveyed by Bloomberg expect a wage increase level of 4.4% or below could disappoint the BOJ. Meanwhile, real wages—adjusted for inflation—fell by -0.3% in 2024, marking a third straight year of decline.

Agreed Pay Rises in Spring Wage Negotiations (*Shunto*)

Source: Source: Rengo. Note: Figures for 2025 are preliminary results.

## Emerging Markets

[back to top](#)

**EMEA equities continued to edge higher, while currencies were mostly firm.** In Central and Eastern Europe, stocks mostly gained, led by Czechia (+1.6%) and Poland (+1.2%). Currency moves were mixed against the euro — the Czech koruna slipped slightly (-0.1%) to CZK25.06/€, the forint was steady at HUF399.97/€, and the Polish zloty firmed (+0.2%) to PLN4.17/€. The zloty strengthened after February inflation came in below expectations at 4.9% (vs. 5.3% expected), unchanged from January. In Türkiye, equities rose (+0.7%) while the lira weakened slightly (-0.2%) to TRY36.67/\$.

**Stronger risk sentiment helped lift Asian assets, though gains were uneven.** Asian currencies edged up slightly (EM Asia FX: +0.1%) after recent losses. But the Malaysian ringgit fell again (-0.2%) as foreign investors continued to sell local stocks. Asian equities rose more broadly (EM Asia stocks: +1.1%), led by strong gains in China (CSI 300: +2.4%) and Hong Kong (HSI: +2.1%) on hopes for more support to boost consumer spending.

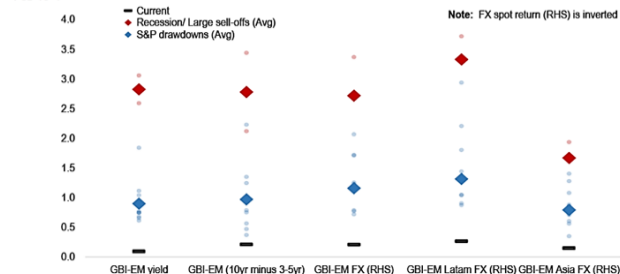
**Yesterday, Latin American markets were broadly steady, with country-specific moves driven by trade and commodity news.** Currencies were mixed: the Mexican peso rose slightly (+0.46%) as markets welcomed a more measured stance on trade policy, while the Colombian peso fell (-0.42%) as oil prices dropped, ending a two-day rally. Equities also showed a split performance — Brazil's Ibovespa gained (+1.4%), while Argentina's Merval slipped (-1.8%). Still, the broader MSCI Latin America index edged up (+0.9%). Local currency bond yields diverged as well: Brazil's 10-year yield dropped (-14bps) to 14.8%, while Colombia's rose (+3bps) to 11.6%.

### EM local debt

**EM local assets held steady compared to past episodes of global de-risking.** JP Morgan analysts noted that while U.S. equities are down about -10% since early February, EM local currency markets have seen only a muted reaction. In previous U.S. equity drawdowns, EM yields typically rose by around 90bps. This time, they are up less than 10bps. EM currencies have also been resilient: past recessions or risk-off episodes saw average declines of nearly -25%, compared to just -1.8% now. Latin American currencies have led the decline (-2.3%), with Asian currencies declined less (-1.3%). Looking ahead, market contacts are watching for trade policy signals after April 1, which could clarify the outlook for sector-specific and reciprocal tariffs.

## Local markets currently remain far from even the smallest historical sell-off levels

LHS: GBI-EM yield, and GBI-EM (10yr+ minus 3-5yr yields). RHS: Percentage difference of GBI-EM FX, GBI-EM Latam FX, and GBI-EM Asia FX. Red: Average moves in recessions; Blue: Average moves in 10% S&P drawdowns; Black line: Latest moves since S&P peak on Feb 19.



Source: J.P. Morgan

## China

### Hopes for stronger household demand lifted Chinese markets, especially consumer-related stocks.

The CSI 300 rose (+2.4%) to 4007, its highest level this year, led by consumer staples (+3.9%) and consumer discretionary shares (+3.3%). Investors are anticipating new policy measures at a government press conference scheduled for next Monday. In the afternoon, the National Financial Regulatory Administration announced plans to boost consumption by expanding personal loans, increasing financing for service industries, and improving payment systems for the elderly and foreigners. Analysts said expectations for policy support are rising but warned that without steps to raise incomes, gains in consumer sectors may not last. The yuan appreciated slightly against the dollar (+0.2%).

### Chinese Consumption Stocks Soar on Policy Hopes



Source: Bloomberg

Bloomberg

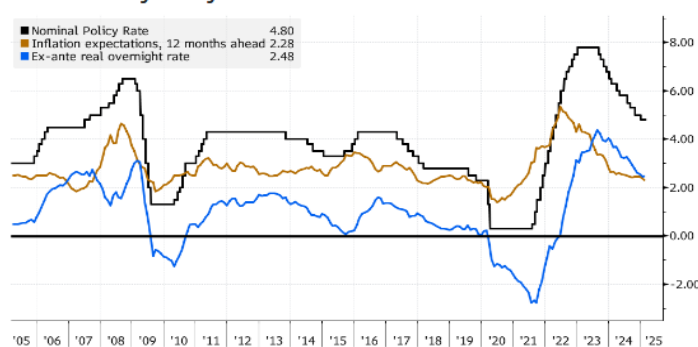
Foreign investors have been returning to Chinese equities, encouraged by optimism around AI, recent policy signals, and attractive valuations. CICC reported that passive fund inflows into A-shares have picked up, with foreign investors recording \$430mn in net buying as of March 5. HSBC noted that since the Lunar New Year, the A-share market has seen \$3 bn in overseas inflows. Chinese equity valuations remain low relative to U.S. peers, with P/E ratios still well below those of the S&P 500. A number of global banks—including Citigroup, HSBC, and Morgan Stanley—have recently upgraded their outlook on Chinese stocks.

## Peru

### The central bank kept its policy rate at 4.75% and signaled it will remain data dependent.

It noted that headline inflation is slowing and should ease further due to base effects, before settling around the 2% target ( $\pm 1\%$ ). The post-meeting statement also said that economic activity is close to potential and has improved recently, suggesting the negative output gap may be closing. Median consensus expectations are for a -25bps cut in Q2, a view echoed by Goldman Sachs analysts, though they warn that external volatility could delay easing. Market contacts at

### Peru Monetary Policy Interest Rate



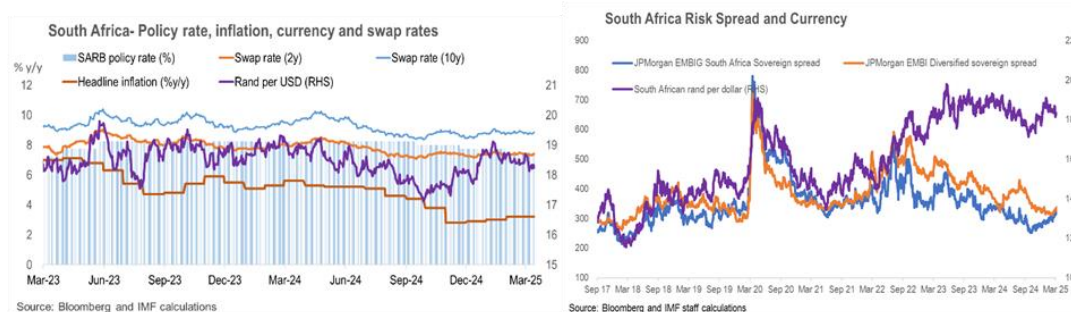
Source: BCRP, Bloomberg Economics



J.P. Morgan sees room for a larger cut (-50 bps) in the second half of the year, arguing the rate can move closer to neutral as inflation cools and growth holds steady.

## South Africa

**Investor reaction suggests cautious confidence in South Africa's fiscal outlook, with markets responding positively to signs of a potential budget compromise and new EU support.** The Democratic Alliance—the second-largest party in the ruling coalition—has rejected Finance Minister Godongwana's proposal, which aims to reduce the deficit by raising VAT by 1% by 2026, increasing fuel levies, and keeping tax brackets fixed in nominal terms. The party instead backs a growth-focused spending review. Bloomberg reports that the Finance Minister is open to concessions, and the expectation is for a final vote to happen in May. HSBC analysts maintain a constructive view on South African assets, citing the proposal's sound fundamentals but cautioning that extended delays could weigh on sentiment. Meanwhile, the EU announced a €4.7bn investment package to support South Africa's clean energy transition and vaccine production, partly offsetting the U.S. withdrawal from the Just Energy Transition Investment Plan. The rand strengthened (+0.6%) to ZAR18.21/\$, trimming this week's losses, while the 10-year bond yield rose only modestly to 10.57% (+2 bps on the day, +9 bps week-to-date).



*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), 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.*











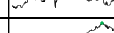
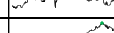


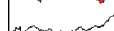
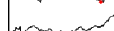






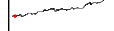
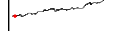












## Global Financial Indicators

3/14/25 8:45 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5,555	-1.4	-3.7	-9.2	7.9	-6
Europe		5,402	1.4	-1.2	-1.7	8.2	10
Japan		37,053	0.7	0.4	-5.4	-4.3	-7
China		4,007	2.4	1.6	1.5	12.2	2
Asia Ex Japan		75	-0.6	-1.4	-0.9	9.7	3
Emerging Markets		44	-0.4	-1.0	-1.4	6.7	5
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	5	1	-16	3	-25
Germany 10y Yield		2.9	7	9	49	50	56
Japan 10y Yield		1.5	-3	0	15	74	42
UK 10y Yield		4.7	3	7	21	62	14
<b>Credit Spreads</b>			basis points				
US Investment Grade		129	-3	6	18	6	10
US High Yield		368	-6	31	59	14	39
<b>Exchange Rates</b>			%				
USD/Majors		103.6	-0.2	-0.2	-2.9	0.2	-4
EUR/USD		1.09	0.5	0.6	3.9	0.2	5
USD/JPY		148.7	0.6	0.4	-2.4	0.2	-5
EM/USD		44.9	0.4	0.7	1.2	-4.2	5
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		70.5	0.8	0.1	-5.4	-10.0	-5
Industrials Metals (index)		154.6	0.4	2.5	4.5	8.8	10
Agriculture (index)		57.9	-0.3	-0.2	-5.7	-2.0	2
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		23.8	-0.9	0.4	9.0	9.4	6.4
Global FX Volatility		8.3	0.0	-0.4	0.2	1.7	-0.9
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		81	-4	-1	-5	-15	-4
Italy		112	-3	0	3	-16	-3
France		69	-2	-3	-6	24	-14
Spain		62	-2	-4	-1	-19	-7

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

## Emerging Market Financial Indicators

Last updated: 3/14/2025 8:50 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		M appreciation					% p.a.						
China		7.24	0.1	0.1	0.3	-0.6	0.9		1.9	0	10	25	-50	21
Indonesia		16350	0.5	-0.3	-0.6	-4.7	-1.5		6.9	2	6	4	23	-15
India		87	0.2	0.1	-0.1	-4.8	-1.6		6.8	1	-1	-42	-37	-55
Philippines		57	0.2	-0.1	1.0	-3.2	1.0		5.1	-1	1	2	-30	27
Thailand		34	0.3	-0.1	-0.1	5.8	1.3		2.2	0	-6	-16	-33	-12
Malaysia		4.45	-0.2	-0.8	-0.2	5.4	0.6		3.8	2	1	-3	-8	-4
Argentina		1066	0.0	-0.3	-0.9	-20.3	-3.3		31.6	20	180	485	-2466	247
Brazil		5.76	0.7	0.5	-1.1	-13.4	7.2		14.7	-14	-37	-37	448	-118
Chile		930	0.6	-0.2	1.2	1.1	6.9		5.6	-1	-11	-31	8	-5
Colombia		4124	-0.4	-0.5	0.4	-5.3	6.8		11.6	1	14	1	165	-22
Mexico		19.96	0.7	1.5	1.8	-16.3	4.4		9.5	-7	-4	-35	20	-82
Peru		3.7	-0.2	-0.4	1.3	0.1	2.0		6.5	0	-1	-1	-56	-17
Uruguay		43	-0.1	-0.2	2.0	-9.3	3.3		9.7	1	1	-3	73	3
Hungary		366	0.5	0.3	4.7	-0.8	8.5		6.8	2	16	38	59	43
Poland		3.83	0.8	0.6	3.9	3.1	8.0		5.6	-3	-5	5	36	2
Romania		4.6	0.4	0.5	3.8	0.0	5.2		7.3	3	-13	-10	84	-2
Russia		85.4	1.0	5.4	7.0	7.2	32.9							
South Africa		18.2	0.9	0.4	1.2	3.1	3.7		10.7	4	5	0	-105	21
Türkiye		36.67	-0.2	-0.6	-1.2	-12.3	-3.6		28.5	8	30	-38	-199	-121
US (DXY; 5y UST)		104	-0.2	-0.2	-2.9	0.3	-4.5		4.06	3	-2	-26	-23	-32

	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		4,007	2.4	1.6	1.5	12.2	1.8		104	7	11	-49	8	
Indonesia		6,516	-2.0	-1.8	-4.6	-11.1	-8.0		114	10	18	10	23	
India		73,829	0.0	-0.7	-2.9	1.6	-5.5		109	9	17	1	23	
Philippines		6,294	0.8	-0.1	5.0	-7.7	-3.6		104	7	15	15	25	
Thailand		1,174	1.2	-2.4	-6.6	-15.3	-16.2							
Malaysia		1,512	0.1	-2.3	-4.5	-2.6	-7.9		83	4	13	-3	13	
Argentina		2,232,180	-1.8	-1.7	-6.5	114.8	-11.9		750	32	75	-840	113	
Brazil		125,637	1.4	1.8	-2.0	-1.6	4.5		236	3	19	20	-11	
Chile		7,450	0.8	1.0	1.2	15.3	11.0		130	7	9	3	17	
Colombia		1,592	-0.5	-1.1	2.6	24.1	15.4		333	3	14	40	7	
Mexico		51,877	-0.3	-1.8	-4.1	-7.5	4.8		325	8	26	0	13	
Peru		29,106	0.9	1.1	-1.6	-0.3	0.5		154	10	10	13	13	
Hungary		87,334	0.7	-1.0	-0.2	34.4	10.1		159	5	10	3	4	
Poland		96,303	1.4	2.9	4.9	17.7	21.0		119	0	7	19	7	
Romania		17,340	-0.1	-1.5	-1.9	6.4	3.7		254	-2	16	59	19	
South Africa		88,094	1.2	-0.5	-0.7	20.1	4.8		323	3	18	-20	30	
Türkiye		10,847	1.1	3.2	9.8	22.1	10.3		283	-1	28	-35	24	
EM total		44	1.5	-1.0	-1.4	6.7	4.7		379	5	18	72	15	

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

[back to top](#)