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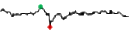








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## No Apparent Backstop from the US Administration Shifts All Eyes to the Fed

**Global markets remain unsettled following a fragile rebound in equities late last week.** Despite the recovery, sentiment is cautious, with attention focused on the Fed's policy decision. Market nerves deepened after Treasury Secretary Bessent dismissed the recent stock selloff as healthy, signaling the administration is unlikely to ease policy in response. His remarks undercut expectations that the administration might soften trade risks or respond to tighter financial conditions. Conversely, Fed Chair Powell will face the task of communicating the updated economic projections, with investors attentive to any hawkish tilt. Friday's upside surprise in inflation expectations from the University of Michigan survey may have already done part of the job in pushing back against deeper rate cut expectations. In the euro area, yields declined amid uncertainty ahead of Tuesday's Bundestag vote on Germany's fiscal package and a pass-through from lower US yields before the US retail sales data release morning. After the retail sales release, which showed a recovery from the weather-hit January data Treasury yields moved higher. Elsewhere, Kenya's dollar bond yields corrected sharply upward following reports that the country has requested a new IMF program and that the current review under the existing facility will not proceed.

Key Global Financial Indicators

Last updated: 3/17/25 9:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5639	2.1	-2	-8	10	-4
Eurostoxx 50		5430	0.5	1	-2	9	11
Nikkei 225		37397	0.9	1	-5	-6	-6
MSCI EM		45	1.8	0	0	9	7
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.30	-1.0	9	-17	0	-27
Germany 10y Yield		2.81	-6.2	-2	33	37	45
EMBIG Sovereign Spread		331	-6	3	18	-24	6
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.1	0.3	1	2	-4	5
Dollar index, (+) = \$ appreciation		103.6	-0.1	0	-3	0	-5
Brent Crude Oil (\$/barrel)		71.5	1.3	3	-5	-16	-4
VIX Index (% change in pp)		21.9	0.1	-6	7	7	5

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

**Eleven central banks are set to announce policy decisions this week, including the Fed, Bank of Japan, and Bank of England.** The Fed meets on March 18–19, with attention on the updated Summary of Economic Projections. Market contacts also await decisions from central banks in Brazil, Indonesia, Taiwan, the Philippines, Switzerland, Norway, Turkey, and Egypt. On the data front, today's February US retail sales release is a key datapoint ahead of the Fed meeting. Canada's CPI follows on Tuesday, with retail sales later in the week. Labor market data is due from the UK and Australia, while Q4 GDP prints are expected from New Zealand and parts of Asia and Latin America. Several releases from Asia, including China's activity data and Japan's trade and inflation figures, will round out the global data calendar.

## Mature Markets

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### United States

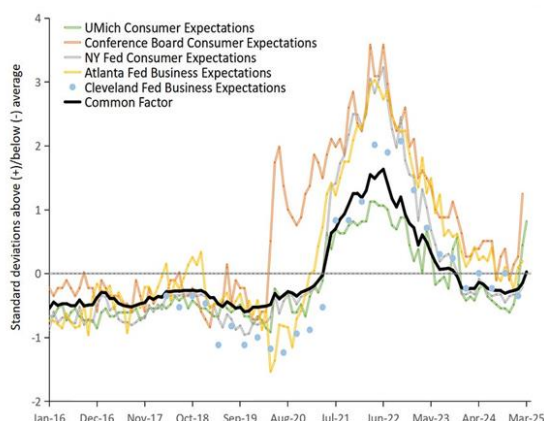
**US retail sales rebounded in February after a weather-hit January, but the recovery came in weaker than expected.** Retail sales rose 0.2% (exp. 0.6% from revised -1.2%), while ex-auto sales increased +0.3% (exp. 0.3% from revised -0.6%). Net of auto and gas, sales rose 0.5% (exp. 0.4% from revised -0.8%). The 10-year Treasury yield rose (+5bps) to 4.33% after the release, while S&P 500 E-Mini futures bounced (+0.3%), recovering part of earlier losses (-0.7%) that followed hawkish remarks by Treasury Secretary Bessent, who dismissed the recent stock market selloff as healthy—reinforcing the view that the administration is unlikely to step in to support risk assets. The Dollar Index moved little.

US Retail Sales 8.30 AM

	Actual	Consensus	Previous
<b>Headline (Feb.)</b>	0.2%	0.6%	-1.2%
<b>Ex-Auto</b>	0.3%	0.3%	-0.6%
<b>Ex-Auto &amp; Gas</b>	0.5%	0.4%	-0.8%

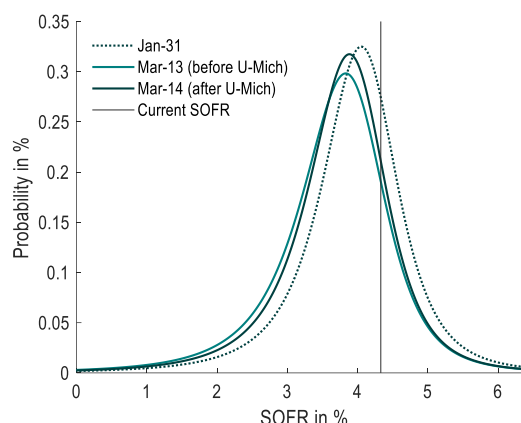
**Rising inflation expectations are making deeper Fed rate cuts look less likely.** The preliminary University of Michigan (U-Mich) consumer survey for March surprised to the upside, with 1-year ahead inflation expectations at 4.9% y/y (exp. 4.3% from 4.3%) and 5 to 10-year expectations at 3.9% p.a. (exp. 3.4% from 3.5%). As in past surveys, inflation views remain split by party—Republicans expect lower inflation, while Democrats and independents see it rising. Household sentiment dropped for the third month in a row, with political uncertainty weighing on future plans. Labor market views also softened, with households expecting the unemployment rate to rise by an amount usually seen in recessions. Barclays analysts point to tariffs as a key reason behind higher long-term inflation expectations, which may make the Fed less willing to respond with rate cuts. SOFR option markets reflect this, as the odds of four or more cuts this year fell to 25% on Friday (from 29% on Thursday)—still up from 18% on Jan 31, when the idea of a Fed put began to gain traction. With the Fed seen as less likely to support risk assets, Morgan Stanley analysts expect weaker growth expectations to lift longer-dated Treasuries, especially if the Fed's updated summary of economic projections in the dot plot show a hawkish tilt.

### Preliminary University of Michigan survey shows March Inflation expectations notably accelerating...



Source: Jan Groen via Substack

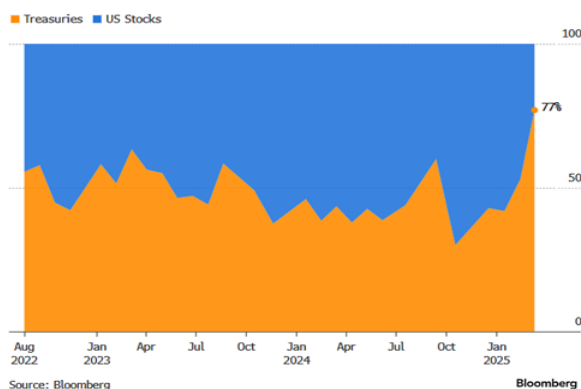
... which reduces the probability of deeper rate cuts by the end of the year.



Source: Bloomberg L.P. and IMF staff calculations

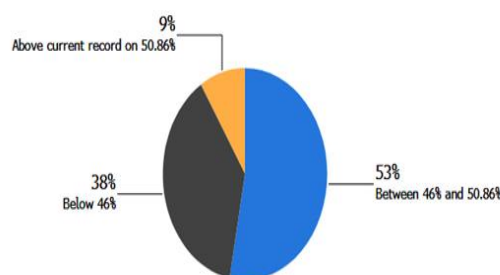
**Investor sentiment on US Treasuries is the most bullish in three years.** A recent Bloomberg survey showed that 77% of respondents back Treasuries, the highest share since 2022, expecting better volatility-adjusted returns than stocks over the next month. But such widespread conviction also suggests that the long Treasury trade may be getting crowded. Market contacts note that investors remain uneasy about high equity valuations, which leaves risk assets exposed to downside risks. More than half of survey participants expect 10-year Treasury yields to fall next month, as traders pare back bets on Fed easing. Most also see limited room for the US yield curve to steepen in the near term. Only 8% expect the 10-year Treasury–bund spread to rise above 200 bps by end-2025—a view driven by expectations of wider European deficits and increased bond issuance linked to defense and fiscal spending abroad.

### Treasuries are seen as outperforming equities by majority



Source: Bloomberg

### Majority of survey respondents do not see US share of global market cap back at record levels



Source: Bloomberg  
Note: 50.86% was the record higher reached on Feb. 3. 46% would take it back to levels not seen in a year

Bloomberg

### Euro Area

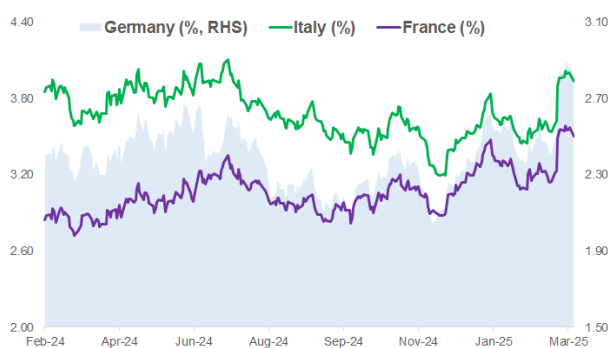
**European equity markets were higher, while the euro appreciated against the dollar.** The STOXX 600 index gained (+0.4%), lifted by energy and healthcare stocks. Meanwhile, the euro rose (+0.3%) towards \$1.0908/€, extending its year-to-date gains (+5.4%) against the greenback. On Friday, Fitch Ratings affirmed France's credit rating at AA-/negative, while Moody's upgraded Greece's sovereign debt by one notch to Baa3/stable, becoming the last of the major credit rating agencies to return Greece's rating to investment grade. Fitch also affirmed Portugal at A-/positive.

### Bund yields declined ahead of tomorrow's vote on Germany's spending package.

10-year Bund yields dropped (-5bps) to 2.82%, ahead of Tuesday's Bundestag vote on a proposed fiscal package. Commerzbank analysts highlight €500bn in additional investments over 12 years, including €100bn for the Climate Transformation Fund, and adjustments to the debt brake, such as excluding defense spending of about 1% of GDP and broadening the definition of defense. The package also proposes raising the deficit ceiling for the Laender from 0% to 0.35% of GDP. Commerzbank expects the proposal to pass with

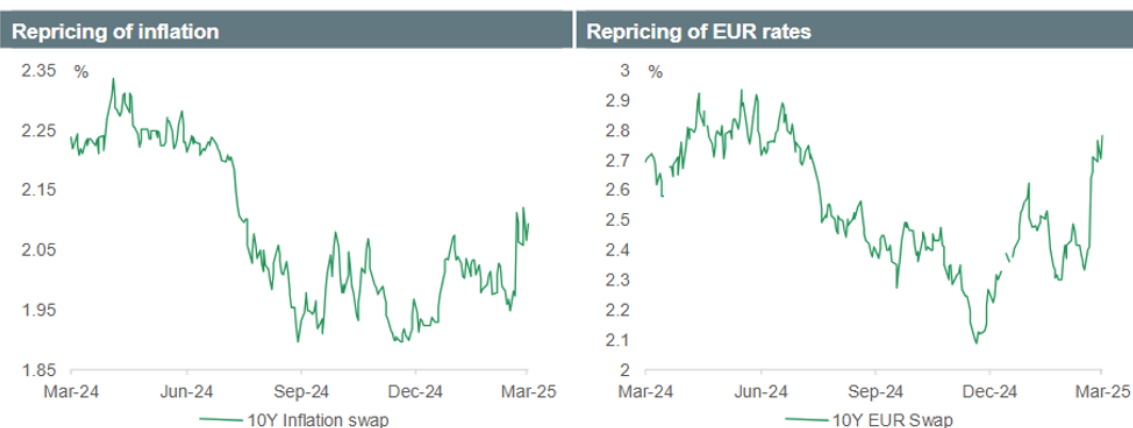
the required two-thirds majority, ahead of Bundesrat approval on Friday. Meanwhile, Reuters reports additional legal complaints have been filed with the Constitutional Court ahead of the vote. Some market contacts link the drop in longer-dated yields to elevated nervousness ahead of the outcome. At the 30-year maturity point, Bund yields fell (-8bps) to 3.12%, with similar moves in French OATs (-8bps to 4.06%) and Italian BTPs (-8bps to 4.63%). Other market contacts point to 30-year ESTR swaps dropping by a similar magnitude (-7bps to 2.55%), which they see as a sign of cross-asset flows into bonds and a pass-through from lower US Treasury yields in the early morning trading before the US retail sales releases.

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



Source: Bloomberg and IMF staff calculations

**Approval of Germany's fiscal package could prompt a hawkish ECB response.** Given its expected impact on growth and inflation, Credit Agricole analysts expect the package to lead the ECB to slow the pace of rate cuts. As the package could lift core inflation from 2026 onward and support euro area growth in the medium term, they see the ECB starting to factor in rate hikes later in the forecast horizon. For now, the analysts expect one more rate cut, noting the back-loaded nature of the spending and its gradual effects. Money market pricing assigns a 56% probability to a cut at the ECB's April meeting, broadly unchanged from Friday.



Source: Bloomberg, Crédit Agricole CIB

Source: Bloomberg, Crédit Agricole CIB

## Emerging Markets

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**EMEA equities edged higher this morning, while currencies were mixed.** In CEE, equities gained, with Hungary (+0.8%) outperforming. Currencies were little changed against the euro, though the Polish zloty underperformed (-0.2%), trading at PLN4.18/€. In Kenya, yields of the dollar bond maturing in 2031 sharply corrected (+24bps) to 10.12%, while the shilling depreciated (-0.2%), following news that the ninth review under the current \$3.6bn IMF facility will not proceed and that authorities have requested a new program.

**Asian regional equities and currencies were mostly little changed on the day.** Though initially higher following better-than-expected activities data from China, equities pared intraday gains as details of the latest activities underscored lackluster growth momentum.

**Latin American assets saw positive performance last Friday.** Stocks gained in Brazil (+2.6%), Mexico (+1.2%), Colombia (+1.8%), Chile (+0.8%), and Peru (+1.4%). Currencies appreciated in Brazil (+1.0%), Mexico (+0.8%), Colombia (+0.6%), and Chile (+0.8%) against the US dollar.

## Emerging Market Bond and Equity Flows

**Emerging Market bond funds saw renewed outflows last week,** totaling -\$1.2bn (from +\$377mn). Outflows were driven mainly by hard currency funds -\$1.1bn (from +\$292mn), while local currency funds also flipped to modest outflows of -\$55mn (from +\$86mn). Bond ETFs saw outflows of -\$277mn (from +\$92mn), while non-ETFs turned negative at -\$885mn (from +\$286mn). EM equity funds also swung to significant outflows of -\$1.5bn (from +\$1.0bn). Equity ETFs posted smaller inflows of +\$379mn (from +\$2.6bn), while non-ETFs saw deeper outflows at -\$1.9bn (from -\$1.6bn). By region, there were outflows from Asia ex-Japan (-\$860mn) and Latin America (-\$108mn), partly offset by inflows into EMEA (+\$166mn). Year-to-date, EM fund flows stand at -\$3.5bn for bonds and -\$7.7bn for equities.

Figure 1: Weekly cross-asset flows

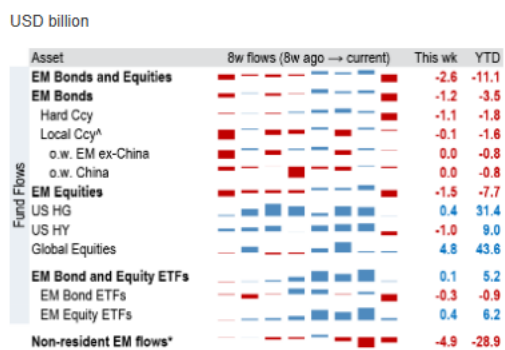
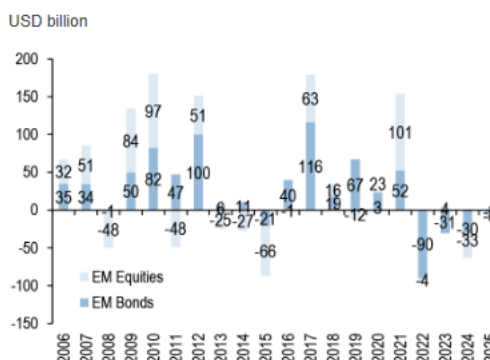


Figure 2: EM bond and equity fund flows



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

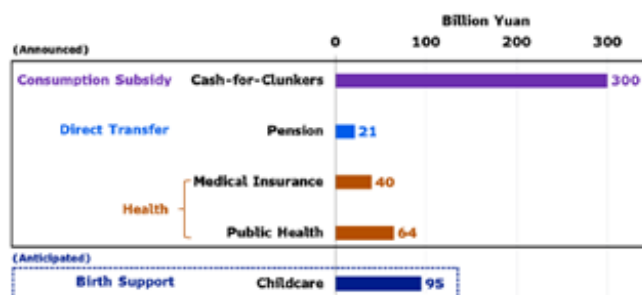
## China

**Upbeat data releases failed to lift market sentiment, as the consumption stimulus announced last week was seen as modest.** The package, announced following the National People's Congress (NPC) meetings, is estimated by Bloomberg at RMB 430 bn (USD 60 bn), or around 0.3% of GDP. That modest policy backdrop continues to weigh on asset prices, even as today's data surprised to the upside. Figures for January and February showed gains in industrial production 5.9% y/y (exp. 5.3%), fixed asset investment 4.1% y/y (exp. 3.2%), and retail sales 4.0% y/y (exp. 3.8%). Despite this, market contacts focused more on the decelerating monthly momentum with growth in industrial production slowing to 0.35% m/m (down from 0.5% in 4Q24). Retail sales rose just 0.27% m/m, roughly steady from late last year but



only a fraction of 2015–2019 levels. Market pricing shrugged off the beat, with Chinese equities giving up early gains to end slightly lower (-0.3%), while the RMB held steady.

#### Consumption Stimulus Outlined at NPC Was Modest in Scale



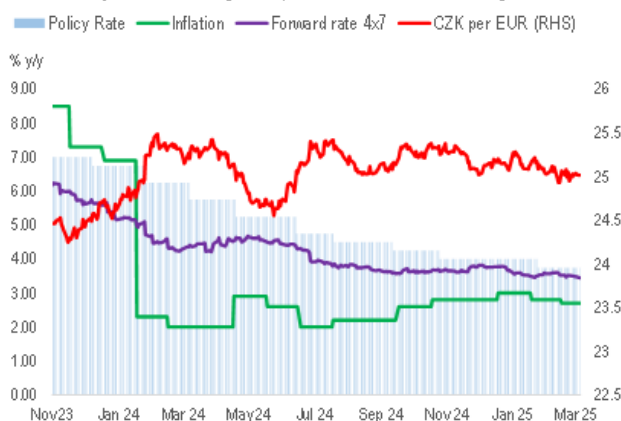
Note: The estimation of childcare subsidies assumes Hohhot's program of 10,000 yuan per birth per year is expanded to nationwide. Source: The Ministry of Human Resources and Social Security, National Healthcare Security Administration, National Health Commission, Bloomberg Economics

**The People's Bank of China (PBoC) is studying asset-backed securities as a way to boost consumption.** At a press conference today, the PBoC said it is exploring new tools to expand low-cost financing for key consumer sectors. Options under review include securitizing consumer and auto loans to support more lending in those areas. Pilot programs will be backed by the central government budget and initially rolled out in dense urban centers.

#### Czech Republic

**Recent data continue to support the case for the Czech National Bank (CNB) to pause its easing cycle at the March 26 meeting.** ING analysts expect the policy rate to remain unchanged at 3.75%, citing sticky core inflation and uncertainty over the 2025 rate path, partly due to fiscal expansion in Germany. Today's figures showed a surprise decline in industrial producer prices, with the PPI printing at -0.1% y/y (exp. +0.1% from +0.5%), and also falling -0.1% m/m (from +0.2%) — the first annual drop in a year. However, price pressures remain in other areas: agriculture gained +9.3% y/y, construction rose +2.4% y/y, and business services increased +3.5% y/y. Raiffeisenbank analysts warned that rising food and agriculture prices could prevent inflation from falling to the CNB's 2% target in 2025, especially after February headline inflation came in at 2.7% y/y and core inflation at 2.5% y/y. The koruna was little changed this morning, trading at CZK25.01/€ following the PPI release. It remains +0.8% stronger year-to-date against the euro.

#### Czech Republic: Policy rate, inflation and currency

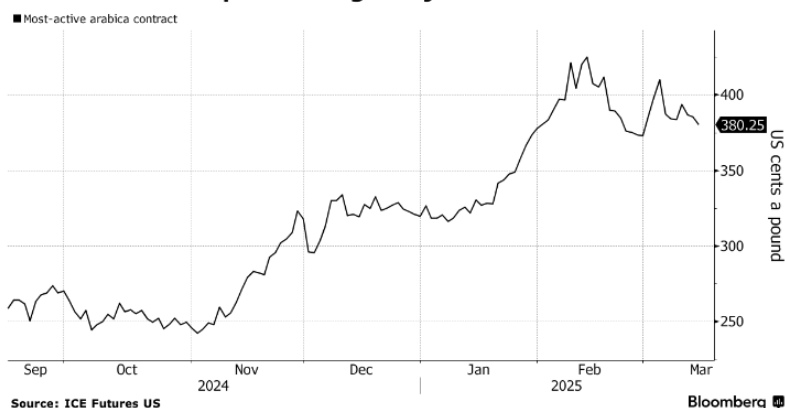


Sources: Bloomberg and IMF calculations

## Brazil

**Arabica coffee futures in New York fell last week**, with prices down -1.4% and market volatility easing after weeks of sharp swings. Since last month's peak, prices have dropped nearly -12%. Weaker global trade is weighing on demand, as high shipping costs discourage activity. In Brazil, the top Arabica exporter, low profit margins are limiting exporters' ability to raise bids, making buyers more cautious. Open interest dropped in February but is now slowly picking up. Traders are also watching weather forecasts, with rains expected next week that could support the crop ahead of the May harvest. Falling coffee prices may ease some pressure on food-related inflation, but if volatility returns near harvest time, it could still spill into broader commodity indexes and EM trade balances.

### Coffee Futures Dip Following Rally Last Month



*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 Analyst), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), 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), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators




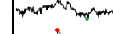



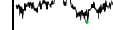
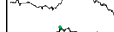
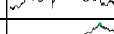







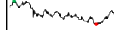



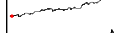


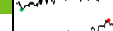





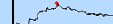

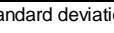


3/17/25 9:09 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5,642	2.1	0.5	-7.7	10.3	-4
Europe		5,430	0.5	0.8	-1.6	8.9	11
Japan		37,397	0.9	1.0	-4.8	-5.9	-6
China		3,997	-0.2	1.7	2.1	10.9	2
Asia Ex Japan		76	1.7	0.0	0.7	12.4	5
Emerging Markets		45	1.8	0.4	0.4	9.3	7
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	-1	9	-17	0	-27
Germany 10y Yield		2.8	-6	-2	33	37	45
Japan 10y Yield		1.5	0	-6	12	73	41
UK 10y Yield		4.7	-1	1	13	56	9
<b>Credit Spreads</b>			basis points				
US Investment Grade		128	0	-1	17	6	8
US High Yield		359	-1	1	51	8	31
<b>Exchange Rates</b>			%				
USD/Majors		103.6	-0.1	-0.3	-2.9	0.1	-5
EUR/USD		1.09	0.2	0.6	4.0	0.2	5
USD/JPY		148.8	0.1	1.0	-1.8	-0.3	-5
EM/USD		45.1	0.3	1.3	1.9	-3.8	5
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		71.5	1.3	3.2	-4.6	-9.0	-3
Industrials Metals (index)		153.7	0.2	2.4	3.8	7.1	10
Agriculture (index)		58.4	0.9	0.5	-5.0	-1.6	2
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		21.9	0.1	-6.0	6.5	7.5	4.5
Global FX Volatility		8.3	0.1	-0.4	0.3	1.9	-0.9
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		80	-2	-2	-3	-19	-5
Italy		112	-1	-2	6	-14	-4
France		68	-1	-3	-4	24	-15
Spain		62	0	-3	1	-18	-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: 3/17/2025 9:16 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		7.23	0.1	0.4	0.4	-0.5	0.9		1.9	0	4	22	-50	21	
Indonesia		16400	-0.3	-0.4	-1.1	-4.3	-1.8		6.9	0	5	9	21	-15	
India		87	0.2	0.6	0.1	-4.5	-1.4		6.8	-2	-5	-39	-46	-57	
Philippines		57	-0.1	0.2	1.3	-3.1	0.9		5.1	0	0	2	-30	27	
Thailand		34	0.2	0.5	0.3	7.0	1.4		2.2	-1	-6	-17	-36	-13	
Malaysia		4.45	0.0	-0.5	-0.3	6.1	0.6		3.8	0	-1	-4	-11	-6	
Argentina		1066	0.0	-0.1	-0.6	-20.0	-3.3		29.5	-210	-139	298	-2796	37	
Brazil		5.71	0.6	2.6	0.1	-12.0	8.2		14.7	-1	-16	-16	435	-119	
Chile		923	0.5	2.3	2.7	2.7	7.7		5.6	1	-6	-24	8	-3	
Colombia		4092	0.2	2.1	0.8	-4.8	7.7		11.6	2	15	-4	156	-20	
Mexico		19.89	0.2	2.3	2.0	-15.4	4.7		9.5	-2	-6	-37	12	-85	
Peru		3.7	0.3	0.0	1.2	0.8	2.3		6.4	-1	-4		-53	-19	
Uruguay		42	0.5	0.5	2.6	-8.8	4.3		9.7	-2	0	-5	72	1	
Hungary		366	0.2	0.9	4.6	-0.8	8.5		6.9	2	24	45	48	44	
Poland		3.84	0.1	1.0	3.3	3.5	7.6		5.5	-6	-8	7	27	-4	
Romania		4.6	0.2	0.6	4.0	0.2	5.2		7.3	1	-6	-4	82	-1	
Russia		83.7	2.1	4.7	9.3	9.6	35.6								
South Africa		18.1	0.3	1.1	1.4	4.5	3.9		10.7	5	6	12	-113	26	
Türkiye		36.67	-0.3	-0.3	-1.2	-11.9	-3.6		28.6	9	53	-18	-195	-112	
US (DXY; 5y UST)		104	-0.2	-0.3	-3.0	0.1	-4.6		4.09	1	13	-23	-23	-29	

	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		3,997	-0.2	1.7	2.1	10.9	1.6		100	2	6	-51	4
Indonesia		6,472	-0.7	-1.9	-5.8	-11.4	-8.6		109	8	13	10	18
India		74,170	0.5	-0.2	-2.4	2.0	-5.1		106	4	15	-2	20
Philippines		6,306	0.2	-0.9	3.5	-8.0	-3.4		98	5	8	14	19
Thailand		1,170	-0.3	-0.6	-6.9	-15.6	-16.4						
Malaysia		1,528	1.0	-0.6	-3.4	-1.1	-7.0		77	-1	8	-8	7
Argentina		2,335,575	4.6	3.2	3.6	118.5	-7.8		741	44	65	-887	104
Brazil		128,957	2.6	3.6	0.3	1.7	7.2		232	4	15	20	-15
Chile		7,515	0.8	2.0	2.9	16.3	12.0		126	4	6	1	13
Colombia		1,620	1.8	2.4	3.3	26.1	17.5		328	1	15	36	2
Mexico		52,484	1.2	-0.7	-3.7	-6.7	6.0		320	4	24	-1	8
Peru		29,512	1.4	2.7	-0.2	0.0	1.9		150	9	11	10	9
Hungary		88,895	1.2	2.4	1.3	36.8	12.1		156	5	7	6	1
Poland		97,531	0.5	5.8	5.5	21.6	22.6		106	-8	-4	11	-6
Romania		17,375	0.6	-0.5	-1.5	6.9	3.9		250	-3	14	64	15
South Africa		88,008	0.1	0.8	-0.4	20.6	4.7		319	3	21	-22	26
Türkiye		10,851	0.1	4.1	10.3	22.9	10.4		280	0	22	-38	21
EM total		45	0.7	0.4	0.4	9.3	6.6		372	3	13	65	8

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