



- Short term interest rate futures pricing a more dovish Fed ([link](#))
- Surveys flag risk of higher interest rates in US ([link](#))
- Euro area bond yields decline and euro loses ground ([link](#))
- Higher inflation boosts case for another BOJ rate hike ([link](#))
- Stocks in China lose ground on profit taking and worries about earnings ([link](#))
- Turkish central bank hikes key rate in unscheduled meeting to stabilize markets ([link](#))

[Mature Markets](#)


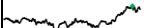
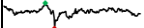

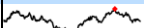



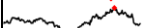

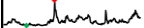
| [Emerging Markets](#)

| [Market Tables](#)

Global markets falter on worries about earnings and tariffs

Equity markets worldwide took another step lower as market sentiment continues to darken and negative news headlines continue to flash across the screens. In the US, economic belweather FedEx Corp warned of lower earnings, sending its share price down 8% before the market open. Heathrow Airport in London is closed due to a fire, disrupting thousands of flights. The Turkish political crisis continues to destabilize local markets. Central bank leaders in the US, Japan, the ECB, and the UK have all emphasized the high degree of uncertainty regarding the outlook for their respective economies. Meanwhile, the threat of an all-out global trade war looms over the entire landscape, making it difficult for businesses to plan for the future and forcing market participants to confront rising volatility. Safe haven flows have capped government bond yields in the US and euro area. However, UK gilt yields rose despite expectations of future rate cuts from the BOE due too the weak economy. On a brighter note, the Bundesrat approved the German fiscal package.

Key Global Financial Indicators

Last updated: 3/21/25 7:51 AM	Level Last 12m Latest	Change from Market Close				YTD
		1 Day	7 Days	30 Days	12 M	
Equities		%				%
S&P 500	 5663	-0.2	3	-6	8	-4
Eurostoxx 50	 5418	-0.6	0	-1	7	11
Nikkei 225	 37677	-0.2	2	-3	-8	-6
MSCI EM	 45	-0.9	2	0	9	7
Yields and Spreads		bps				
US 10y Yield	 4.21	-2.5	-10	-22	-6	-36
Germany 10y Yield	 2.75	-2.6	-12	28	35	39
EMBIG Sovereign Spread	 330	-4	-7	13	-24	5
FX / Commodities / Volatility		%				
EM FX vs. USD, (+) = appreciation	 44.9	0.0	0	1	-4	5
Dollar index, (+) = \$ appreciation	 103.9	0.1	0	-3	0	-4
Brent Crude Oil (\$/barrel)	 71.6	-0.5	1	-4	-17	-4
VIX Index (% change in pp)	 20.2	0.4	-2	2	7	3

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

Mature Markets

[back to top](#)

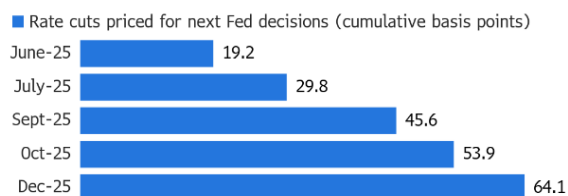
United States

Traders are betting on a more dovish Fed than was implied by Wednesday's FOMC and press conference. The FOMC indicated that two rate cuts are possible in 2025, but the options market for Secured Overnight Funding Rate (SOFR) futures is pricing a 60% chance of a third rate cut this year. This could be a risky move, because the most recent FOMC dot plot showed that more of the Committee are predicting just one rate cut

or even no rate cut at all, compared to the previous dot plot released in December. Although US Treasury yields are close to their lowest levels of the year, inflation expectations as expressed by two-year Treasury Inflation Protected Securities breakeven yields have risen steadily from before the election. In addition, the reciprocal tariffs to be announced by the US administration on April 1 could also push inflation higher.

Traders Add to Outlook for Fed Rate Cuts in 2025

Markets see at least two quarter-point reductions by December, with a possibility of a third



Source: Bloomberg
Note: Data as of 11:49 a.m. ET, March 20

Bloomberg

Recent surveys from the New York and Philadelphia Feds show that estimates of the 10-year Treasury term are rising steadily, flagging the risk of higher interest rates. The term premium is the amount of additional compensation investors demand in order to hold longer term date over shorter term date. They require higher compensation at times when interest rate risks are rising. Expectations of higher structural budget deficits and higher Treasury supply all point to higher interest risk and rising term premia. However, the surveys predate yesterday's announcement from the FOMC that it will reduce quantitative tightening, lowering the cap on Treasury maturities from \$25 bn per month to just \$5 bn per month starting on April 1. This could reduce the risk of higher interest rates as the market has to absorb fewer Treasuries. The recent trend in the US Treasury market has been bullish, with the benchmark 10-year yield down 60 bps from its 2025 peak of 4.80% back in January.

Figure 9: Survey-based estimates term premia in 10y USTs

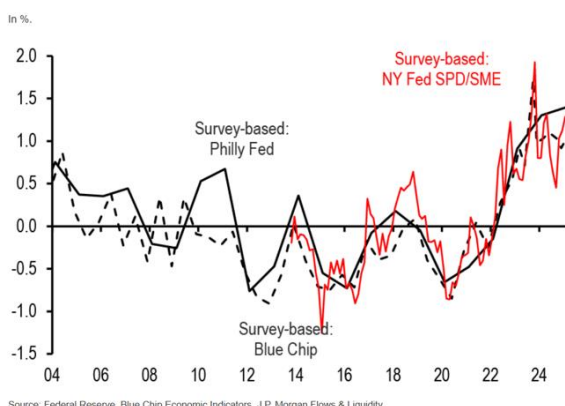
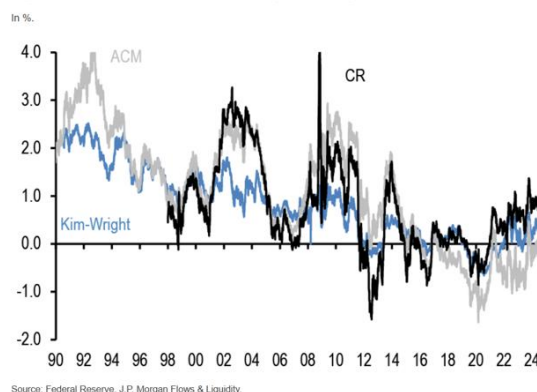


Figure 10: Model-based estimates of term premia in 10y USTs

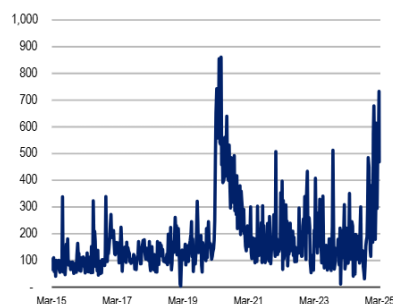


Investors are worried that economic uncertainties could have a negative impact on the US high yield (HY) and securitized bond markets. The spread of the Bloomberg HY Corporate Bond Index has risen by 35 bps to 315 bps, although it is down from its worst level for the year of 380 bps. Bank of America notes that measures of policy uncertainty are almost back to Covid levels as markets brace for a global tariff war. High tariffs are expected to hurt lower credit quality companies, especially borrowers who have high levels of leverage. The analysts estimate that spreads for HY bonds could widen by 50–100 bps and

securitized bond markets could experience spread widening of an additional 10–50 on top of that. The price of loans in the leveraged loan market are already going down significantly, and credit card delinquencies are above Covid levels, as shown by Fed data. Delinquencies on Federal Housing Administration (FHA) home loans for subprime borrowers are also above Covid levels, which could pressure the mortgage-backed security (MBS) market.

Exhibit 2: US Economic Policy Uncertainty Index

Policy uncertainty index has surged close to early COVID levels

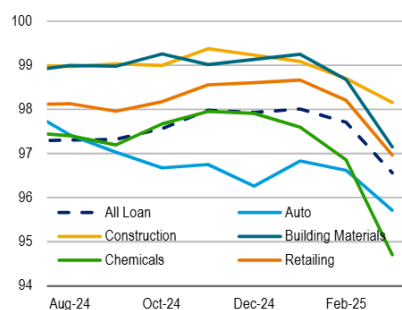


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 3: Loan Weight Average Price over time

Automotive, Construction and consumer loans price declined amid tariff uncertainties



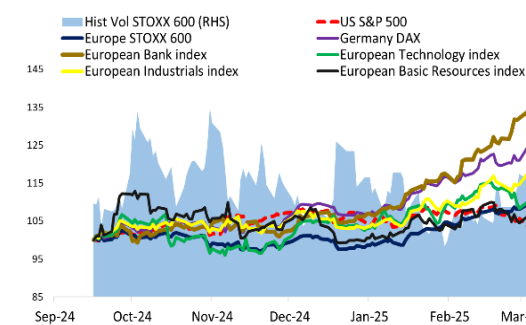
Source: BofA Global Research, Intex, Bloomberg, Markit

BofA GLOBAL RESEARCH

Europe

European stocks edged lower this morning mirroring US equity futures after selling pressures mounted overnight in Asia on tech stocks amid persisting concerns on tariffs and a batch of downbeat corporate earnings in the US. The STOXX 600 index was down by -0.7% for the second day in a row, dragged down mainly by losses in the banking (-1.4%), materials (-1.5%), industrials (-1.2%) and technology (-1%) sectors. However, analysis from Bloomberg shows however that nearly half of the strategists in its monthly survey have raised their forecasts for the Stoxx 600 index. According to Bloomberg, the respondents to the survey indicated that fiscal policy shifts in Europe could eventually increase the region's long-term earnings-per-share growth, boosting longer term returns.

European Stocks (Sept 2024= 100)



Source: Bloomberg and IMF calculations

Strategists Raise View on European Stocks

Stoxx 600 is seen rising to 562 by year-end on average

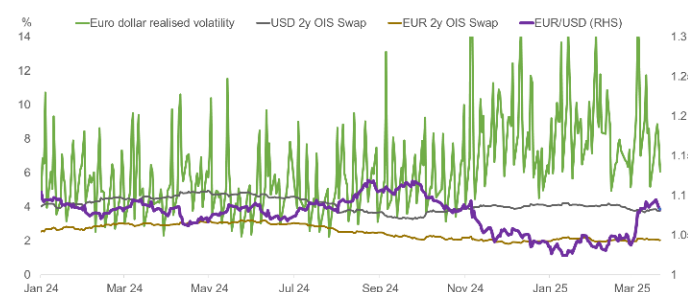


Source: Bloomberg Survey

Bloomberg

Local bond yields were lower and the euro continued to lose ground against the dollar (-0.3%) this morning amid risk-off tone of markets on tariffs fears. However, analysts at Bank of America have a constructive view on the euro as they believe that reforms in Europe will likely drive a structural reallocation of portfolios towards European assets taking, the euro to \$1.15/€ by the end of 2025 from 1.08 today. ING sees instead the euro at \$1.07/€ in the short term reflecting the two-year EUR-USD swap rates differential. Meanwhile, the Bundesrat approved the German fiscal package.

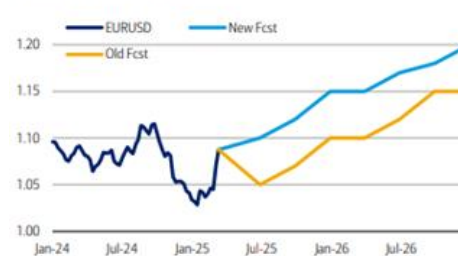
Euro-Dollar exchange rate and Volatility



Source: Bloomberg and IMF calculations

Pushing our EUR-USD forecast higher

Game-changing fiscal policy out of Germany led us to push up our already-optimistic EUR-USD forecast profile



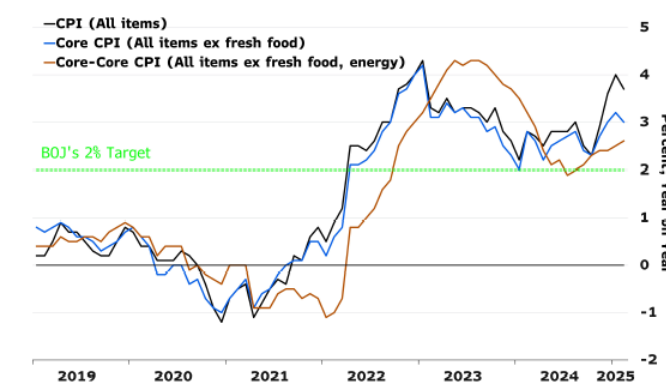
Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Japan

Higher-than-expected February inflation affirmed the case for a BOJ rate hike later in the year. Headline CPI in February slipped from 4.0% previously to 3.7%, y/y. However, CPI excluding fresh food rose 3.0%, y/y, decelerating from a 3.2% in January, but exceeding expectations for an increase of 2.9%. Core-core inflation—CPI excluding energy and fresh food—rose 2.6%, y/y, its fastest pace in about a year. This key inflation gauge has been at or above the BOJ's 2% target for a 35th month.

Following the BOJ's decision to hold its policy rate steady earlier in the week, market participants expect the BOJ to raise its policy rate in June or July.



Source: Ministry of Internal Affairs and Communications

Meanwhile, **cash holdings in Japan's households fell at the fastest pace on record**, reversing decades of preference for cash. According to the BOJ, household cash holdings fell to ¥105.3 tn (\$707 bn) in Q4 2024, down 3.4%, y/y in its biggest decline since 1998. The decline likely reflects an increase in cashless adoption, a rise in nominal consumer spending due to inflation and greater allocations into investments. Flow of funds data showed that households' investment trust holdings rose to a record high while holdings of JGBs also jumped at the fastest pace since 2007. The yen ended the day modestly weaker (-0.3%).

Emerging Markets

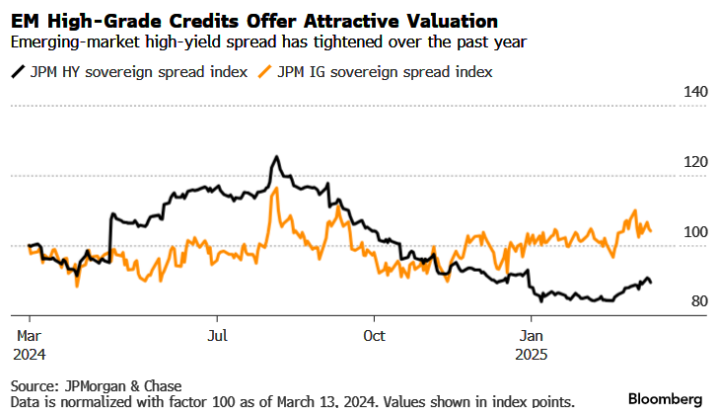
[back to top](#)

EMEA equities were mostly lower while currencies weakened. Equities in Poland (-1.2%) underperformed while those in Romania were marginally higher. **Asian equities mostly fell with Hong Kong shares underperforming (-2.6%) as investor took profits for a third day following recent gains.** Currencies were mixed. The Thai baht underperformed (-0.5%) amid rising expectations for rate cuts given Thailand's sluggish economic outlook. **Latin American assets experienced a downturn.** Stocks declined in Brazil (-0.4%) and Colombia (-0.6%), although Peru's equity market rose by 1.1%. Currencies depreciated in Brazil (-0.6%), Mexico (-0.4%), and Chile (-1.2%) against the US dollar.

EM Bond Market

Emerging-market investors are shifting toward higher-quality dollar bonds, as global risk appetite declines, signaling the end of a years-long rally in junk debt from developing countries. Investment-grade bonds in developing countries are up 2.5% in 2025, outperforming high-yield debt for the first time in five

years. Money managers favor sovereign notes from Mexico, Colombia, and South Africa due to their liquidity and resilience to high borrowing costs. Market volatility has also pushed traders toward safer assets like gold and U.S. Treasuries, further supporting high-quality emerging-market debt. Countries approaching investment-grade status, such as Morocco, could attract more capital, reinforcing this trend. Meanwhile, previous high-yield winners like Ecuador and Argentina have underperformed as tighter spreads and rising debt burdens reduce their appeal.



China

Chinese equities lost ground amid profit taking and uncertainties ahead of new earnings releases.

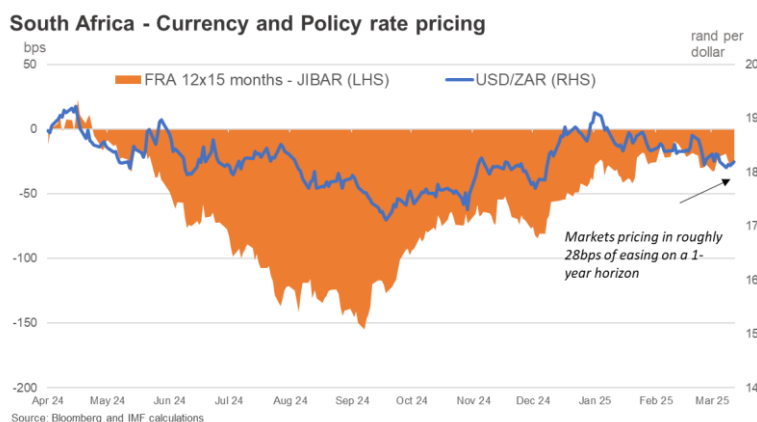
The Hang Seng China Enterprises Index in Hong Kong SAR fell as much as 4% intraday with technology shares shouldering the brunt of the selling following recent gains. Recent gains—the Hang Seng Index was up 26% year to date earlier in the week—have given rise to bearish calls amid a dearth of new positive catalysts and stretched valuations. Bank of America noted a “meaningful correction [is expected] soon” while Morgan Stanley sees volatility ahead, referencing falling trading volume and cooling onshore investor sentiment. Valuations are currently above historical averages—the Hang Seng China gauge in Hong Kong SAR, for example, is trading at 10 times its forward earnings estimates, compared to a 5-year average of 8.5, according to Bloomberg calculations. Analysts noted that the earnings reports, including from some of the biggest banks and consumer firms in the coming week may offer investors some guidance on outlook. The RMB ended the day little changed while the Hang Seng Index ended the day down 2.2%.

Chinese Stocks Extend Losses in Hong Kong



South Africa

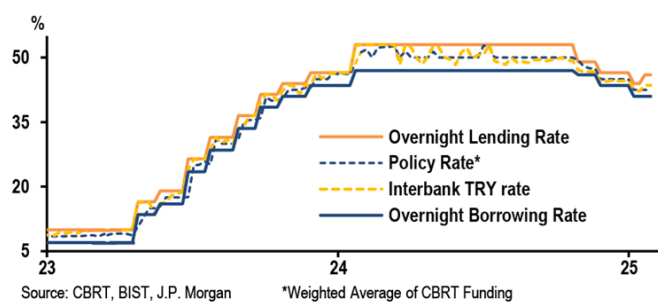
The South African Reserve bank left rates on hold, as expected, citing heightened uncertainty. The SARB paused its easing cycle yesterday and left its repo rate unchanged at 7.5% in a split decision, with two MPC members voting in favor of a rate cut. The central bank cited extreme levels of global uncertainty, along with domestic uncertainties, while growth and inflation forecasts were downgraded. JP Morgan analysts expect that the Government of National Unity (GNU) partners would resolve differences regarding the budget and tax increases by late March/early April, and thus do not expect domestic developments to interfere with a potential future policy rate cut. The rand ended yesterday marginally weaker against the dollar (-0.2%) but remains roughly 3.3% stronger against the dollar YTD.



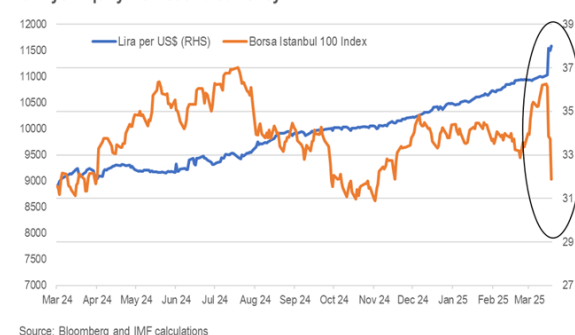
Türkiye

The central bank raised its overnight lending rate by 200bps to 46% in an unscheduled monetary policy committee meeting, while keeping its policy rate (the one-week repo rate) unchanged at 42.5%. The central bank separately announced that one-week repo auctions would be suspended, and earlier yesterday also started lira-settled FX forward sales. The Turkish was trading around 38.00 this morning, roughly 7% weaker than at the start of the year. ING analysts think the central bank will attempt to keep the USD/TRY below 38.00 in the coming days, aiming to restore market confidence and offset previous TRY losses. Several analysts, including JPMorgan, no longer expect a policy rate cut in April, and BNP analysts have revised their estimate for the policy rate at end-2025 upward to 35% (from 27.5%). This morning, Bloomberg reports that a market-wide circuit breaker was triggered for the second time after the Borsa Istanbul 100 equity index fell by 7%.

Figure 1: Policy rate corridor



Türkiye: Equity market and currency



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), 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.

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

3/21/25 8:03 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,663	-0.2	2.6	-5.8	8.0	-4
Europe		5,418	-0.6	0.3	-1.0	7.2	11
Japan		37,677	-0.2	2.4	-2.8	-7.9	-6
China		3,915	-1.5	-2.3	-1.4	10.4	-1
Asia Ex Japan		76	-1.1	2.0	-0.6	12.0	5
Emerging Markets		45	-0.9	2.3	-0.2	8.9	7
Interest Rates			basis points				
US 10y Yield		4.2	-3	-10	-22	-6	-36
Germany 10y Yield		2.8	-3	-12	28	35	39
Japan 10y Yield		1.5	1	1	9	78	42
UK 10y Yield		4.7	1	-1	9	66	9
Credit Spreads			basis points				
US Investment Grade		126	1	-6	15	5	6
US High Yield		358	0	-16	49	8	29
Exchange Rates			%				
USD/Majors		103.9	0.1	0.2	-2.5	-0.1	-4
EUR/USD		1.08	0.0	-0.3	3.7	-0.1	5
USD/JPY		148.9	0.1	0.2	-0.2	-1.8	-5
EM/USD		44.9	0.0	-0.2	1.0	-3.7	5
Commodities			%				
Brent Crude Oil (\$/barrel)		71.6	-0.5	1.5	-3.3	-9.2	-3
Industrials Metals (index)		153.5	-0.9	0.0	3.4	8.3	9
Agriculture (index)		58.4	0.0	1.1	-4.5	-2.4	3
Implied Volatility			%				
VIX Index (% change in pp)		20.2	0.4	-1.6	2.0	7.3	2.8
Global FX Volatility		8.2	0.0	0.1	0.2	1.8	-1.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		82	-1	0	-2	-18	-4
Italy		112	-1	0	4	-15	-3
France		70	0	1	-4	26	-12
Spain		65	0	2	2	-16	-5

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

Emerging Market Financial Indicators

Last updated: 3/21/2025 8:05 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		7.25	0.0	-0.2	0.1	-0.7	0.7		1.9	-4	1	16	-46	22	
Indonesia		16502	-0.1	-0.9	-1.1	-5.0	-2.2		7.0	3	10	23	32	-5	
India		86	0.5	1.2	0.8	-3.3	-0.4		6.7	1	-8	-42	-48	-63	
Philippines		57	-0.2	-0.2	1.1	-2.3	1.1		5.2	5	2	4	-35	30	
Thailand		34	-0.3	-0.6	-0.8	7.3	1.5		2.2	-3	-6	-20	-45	-18	
Malaysia		4.42	0.1	0.5	0.0	6.7	1.2		3.7	0	-2	-5	-11	-7	
Argentina		1069	0.0	-0.2	-0.9	-20.2	-3.6		32.3	-64	69	506	-2492	315	
Brazil		5.69	-0.1	1.0	0.8	-12.5	8.5		14.8	25	9	4	446	-109	
Chile		932	-0.4	-0.4	1.5	4.3	6.9		5.6	-7	-3	-28	-13	-7	
Colombia		4172	-0.2	-1.1	-2.3	-6.7	5.6		11.9	-14	27	30	185	5	
Mexico		20.21	-0.3	-1.4	1.1	-17.2	3.1		9.4	3	-11	-50	-2	-94	
Peru		3.6	-0.1	1.2	1.6	1.9	3.7		6.4	0	-4	-4	-60	-21	
Uruguay		42	0.0	0.5	2.0	-9.0	3.4		9.5	-3	-13	-17	56	-10	
Hungary		368	-0.1	-0.2	4.8	-1.2	8.1		6.9	-1	5	41	40	47	
Poland		3.86	0.1	-0.6	3.0	2.6	6.9		5.5	-4	-11	-12	18	-9	
Romania		4.6	0.0	-0.2	3.9	-0.1	4.8		7.2	-4	0	-12	83	-2	
Russia		84.6	-0.1	1.1	4.6	8.6	34.2								
South Africa		18.2	-0.1	0.1	1.1	3.5	3.7		10.7	0	6	1	-115	27	
Türkiye		38.01	-0.5	-3.8	-4.2	-15.7	-7.0		32.3	107	382	383	160	261	
US (DXY; 5y UST)		104	0.0	0.1	-2.6	-0.1	-4.3		3.98	-3	-11	-29	-27	-40	

	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		3,915	-1.5	-2.3	-1.4	10.4	-0.5		103	-1	10	-47	7
Indonesia		6,258	-1.9	-4.0	-7.3	-14.9	-11.6		114	0	21	14	23
India		76,906	0.7	4.2	3.3	5.6	-1.6		103	-6	13	-6	17
Philippines		6,267	-0.9	-0.4	2.8	-8.9	-4.0		96	-8	8	10	17
Thailand		1,187	0.4	1.1	-4.0	-14.1	-15.3						
Malaysia		1,505	0.1	-0.3	-5.0	-2.4	-8.3		78	-5	6	-8	8
Argentina		2,361,583	-1.3	5.8	-0.1	92.7	-6.8		767	17	53	-736	130
Brazil		131,955	-0.4	2.3	3.8	3.0	9.7		226	-10	5	13	-21
Chile		7,576	-0.3	0.9	3.6	16.8	12.9		126	-4	6	2	13
Colombia		1,608	-0.6	-0.8	-1.4	21.7	16.5		334	1	17	45	8
Mexico		53,101	0.1	2.0	-1.2	-6.3	7.2		312	-13	10	-10	0
Peru		30,363	1.1	4.3	5.7	2.4	4.8		145	-9	3	6	4
Hungary		90,157	-0.2	2.6	2.4	36.9	13.7		158	-1	11	5	3
Poland		97,022	-0.6	0.0	4.2	18.6	21.9		115	-4	4	18	3
Romania		17,323	0.0	0.3	-1.2	4.3	3.6		251	-3	10	65	16
South Africa		89,519	0.0	2.8	2.4	22.2	6.4		316	-7	11	-34	23
Türkiye		9,156	-6.7	-15.5	-4.6	0.2	-6.9		296	13	36	-30	37
EM total		45	-0.3	2.3	-0.2	8.9	7.1		373	-6	6	68	9

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

[back to top](#)