GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, MARCH 31, 2025

LEAD EDITOR: SANJAY HAZARIKA

- **US markets take heavy losses as tariff deadline nears** (link)
- **China injects capital into four major banks to support economy** (link)
- **Trade worries trigger technical correction in the Nikkei** (link)
- **Ghana surprises with 100 bps rate hike to curb inflation** (link)
- **Lower Treasury yields and weaker dollar make US corporate bonds less attractive** (link)
- **Polish inflation lower than expected** (link)

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Global markets in full retreat as US tariff deadline looms

Markets across the globe were deep in the red ahead of Wednesday's US tariff deadline. The Nikkei fell 4% to enter a technical correction, and the index is at its lowest since the carry trade unwind in August. Stocks in Europe and US equity index futures are also sharply lower, and the S&P 500 could also fall into a technical correction. Advanced economy government bond yields fell on safe haven buying, with the benchmark 10-year Treasury yield falling to 4.19%, its lowest level since early December. According to press reports, market participants are worried that April 2 will not bring clarity about the tariff situation, and that negotiations will continue well beyond that date, creating a prolonged period of uncertainty. Some analysts are predicting that the 10-year Treasury yield could fall below 4% as the chance of a US recession increases. Other countries could also find their economies at risk of recessionary pressures.

Key Global Financial Indicators

Last updated: 3/31/25 7:44 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5581	-2.0	-2	-6	6	-5
Eurostoxx 50		5225	-2.0	-4	-4	3	7
Nikkei 225		35618	-4.0	-5	-4	-11	-11
MSCI EM		44	-1.9	-2	1	7	5
Yields and Spreads					bps		
US 10y Yield		4.19	-6.1	-15	-2	-1	-38
Germany 10y Yield		2.70	-3.0	-7	29	40	33
EMBIG Sovereign Spread		345	10	11	17	4	20
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		44.6	0.0	-1	1	-4	4
Dollar index, (+) = $ appreciation		104.0	0.0	0	-3	-1	-4
Brent Crude Oil ($/barrel)		74.0	0.6	1	1	-15	-1
VIX Index (%, change in pp)		24.3	2.7	7	5	11	7

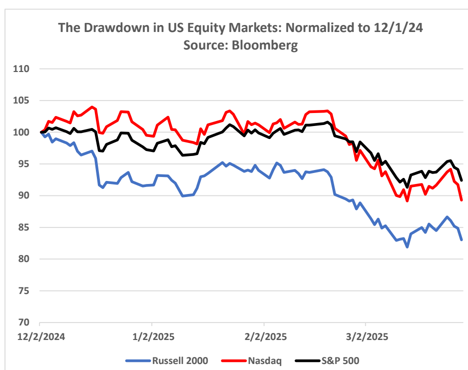
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

On the data front, the main event of the week for the US is Friday's jobs report, with the consensus forecast predicting that 120K jobs were added in March and that the unemployment rate will tick up to 4.2%. In addition, ISM data could also move markets. The euro area reports on CPI and employment tomorrow and PMIs later in the week. PMI data are also due to be reported in China, Japan, India, and the UK. Central bank meetings will be held in Australia, Poland, and the Philippines, among other countries. Meanwhile, the market agenda is likely to be dominated by the possible announcement of new US tariffs.

Mature Markets back to top

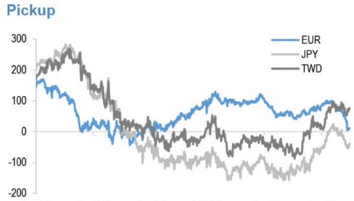
United States

Friday marked a third consecutive down day as US equity markets extended their losses. Worries about the economy and tariffs have darkened the outlook. The Nasdaq is back in full correction territory, down 14% from its December high. The small cap Russell 2000 index is almost in a bear market, down 17%. The S&P 500 is near a correction, down 9% since its January high. Higher than expected core PCE data and a much higher than expected University of Michigan inflation expectations print underlined the risk that inflation could return, especially after the tariffs start to bite. However, sharply lower Treasury yields helped cushion the blow and the VIX was only slightly higher, indicating that market conditions remain orderly. Meanwhile, earnings season will begin shortly, giving market participants more insight into the health of US corporations.



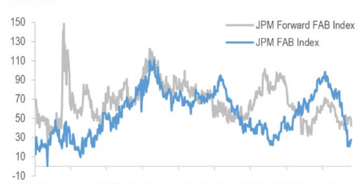
Lower Treasury yields and a weaker dollar make US corporate bonds less attractive to foreign investors. Hedging costs are rising as these market trends continue, with euro and Yen based investors facing negative returns. JP Morgan's index of the attractiveness of US investment grade (IG) bonds for foreign investors is retesting new lows, as is the forward looking index. However, the US corporate bond market remains healthy, with investors snapping up new supply and credit spreads remaining contained despite the recent equity selloff. For dollar based investors, the high level of outright yields in the IG sector makes these bonds very appealing. The spread to Treasuries of the Bloomberg IG US Corporate bond index is at 90 bps, up from the lows of the year of 77 bps, and offering a yield of around 5.5% for longer maturity bonds. According to contacts, the strong balance sheets and historically high yields of the IG sector make for a compelling investment case.

Figure 8: 10y USD IG Corps FX Hedged Yield Pickup



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 9: JPM Foreign Attractiveness of USD IG Bonds

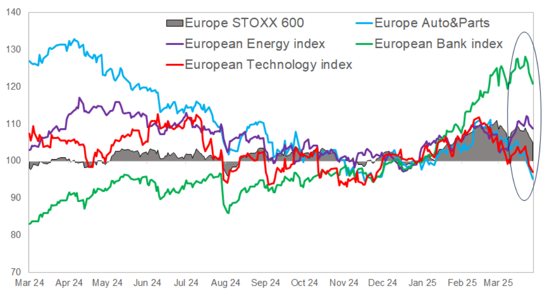


Source: J.P. Morgan, Bloomberg Finance L.P.

Euro Area

Stocks fell, government bonds yields were lower and the euro was slightly weaker ahead of the US tariff deadline. The STOXX 600 index is -1.7% lower, with all sectors trading in the red and the mining (-3.6%) and auto (-3.3%) sectors underperforming. The 10-year bund yield continued to ease this morning (-4bps), trading around 2.68%, while European government spreads were marginally wider with 10-year French yields paring some declines on news that France's far right leader Marine le Pen was convicted of embezzlement. Bloomberg reports that le Pen has received a 5-year ban on standing for election. In other news, inflation data in Germany was lower than expected.

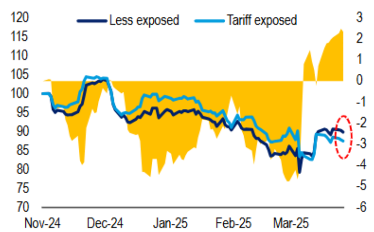
European Stocks: Selected Indices, Jan 2025 = 100



Source: Bloomberg and IMF calculations

Analysts caution that euro corporate bond markets are at risk from a potential tariff war. While European equities that are exposed to tariff risks have already been underperforming, BofA analysts highlight that European credit sectors that have significant US revenue exposure have recently been outperforming those sectors that are less exposed to tariffs. While noting the market had reacted to news last week that the US would implement a 25% tariff on auto imports, the analysts still see recent price action in euro corporate bond markets as too benign. Separately Bloomberg also reported this morning that returns of a Bloomberg index of European high-yield bonds are set to end the month with a negative return of 0.9%, which would be the largest decline since September 2022. Focusing on markets more broadly, Goldman Sachs analysts argue that risks from the April 2 tariffs is larger that several market participants have been assuming.

Chart 5: "Tariff exposed" European credit sectors have actually outperformed less tariff exposed sectors in the last few weeks
Spreads for *less tariff exposed* (telcos/utilities/real estate) and *tariff exposed* (healthcare/leisure/services) European sectors



Source: ICE Indices LLC. Rebalanced to 100 as of 4th November 2024. OAS. RHS is difference between the two spreads. Grouping based on European credit sectors' broad exposure to US revenues.

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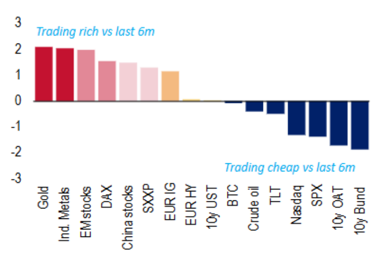
Chart 6: Correction risks remain for the over performers: credit still in the "rich" club, unlike equity markets
Asset price z-scores, last 6m.



Source: Bloomberg. ICE Indices LLC. 6m z-score. Standard deviations.
Yields used for gov't bonds. OAS used for EUR IG and HY. Bond products are presented with inverted z-scores.

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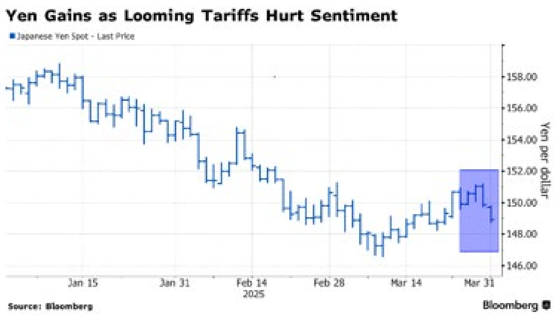
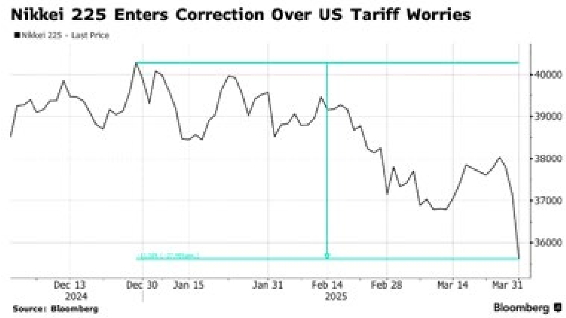
Japan

The Yen rallied as tariff anticipation dampens global sentiment, appreciating (+0.5%) today to $149.11/$, now +1.3% since Thursday close. The move also prompted finance minister Kato to say he would communicate closely with US Treasury secretary Bessent on FX on market stability issues. The Nikkei 225 Stock Average fell 4.0% on Monday, now down 10.7% year-to-date, as exporter- and chip-related stocks slid on the stronger Yen and concerns about the possible global trade war. Industrial production grew +2.5% m/m in February (consensus +2.3%), the fastest pace in nearly a year, driven by strong demand on autos and auto parts, with officials adding that they had not heard about any direct impact of US tariffs on production at this point.





Emerging Markets

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EMEA stocks joined the global selloff. In Türkiye, the lira held against the dollar at around TRY38/$, as the central bank has reportedly consumed up to $25bn of FX reserves to support the currency last week. **Asian equities declined (EM Asia: -2.5%), the steepest loss in a month, on heightened concerns over a possible global trade war.** Taiwan POC (TAIEX: -4.2%) and Korea (KOSPI: -3.0%) led the declines. **Currencies in Latin America depreciated against the dollar ahead of the April 2 tariff deadline.** Bloomberg analysts think that the addition of two dovish members to the Colombian monetary policy committee could lead to a 25 bps rate cut later this week, although the consensus forecast is for the central bank to stay on hold at 9.5%.

EM fund flows

EM bond and equity funds have yet to recover from non-resident investors outflows. Total outflows from both asset classes continued for the third straight week last year (-$0.6bn, -$10.9bn YTD). EM assets continue to struggle to attract foreign investors for the fourth year in a row due to weak returns relative to US assets (Figure 2). While hard currency funds saw some inflows last week (+$0.4bn) the year-to-date outflows have now matched the outflows from local currency funds (-$1.9bn). Most of the outflows from local currency bonds have been from funds that are overweight China where yields have bounced back from record level lows. Souring global risk appetite has already taken a toll on global equity fund flows (-$21.4bn) and is likely to prove to be a headwind for further inflows into EM assets later this year.

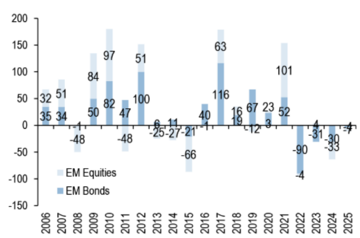
Figure 1: Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		-0.6	-10.9
	EM Bonds		-0.1	-3.8
	Hard Ccy		0.4	-1.9
	Local Ccy^		-0.5	-1.9
	o.w. EM ex-China		-0.2	-0.6
	o.w. China		-0.3	-1.3
	EM Equities		-0.6	-7.1
	US HG		0.6	40.6
	US HY		0.3	10.4
	Global Equities		-21.4	46.3
	EM Bond and Equity ETFs		0.7	9.0
	EM Bond ETFs		0.2	-1.1
	EM Equity ETFs		0.6	10.1
	Non-resident EM flows*		2.8	-30.2

Figure 2: EM bond and equity fund flows

USD billion

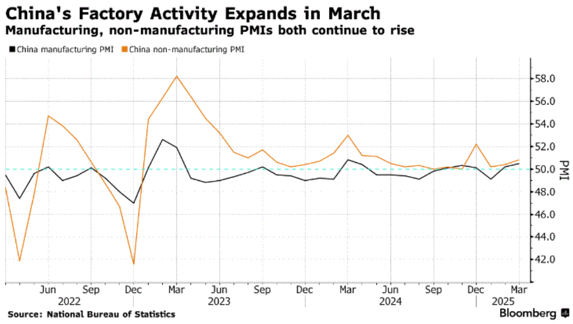


*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

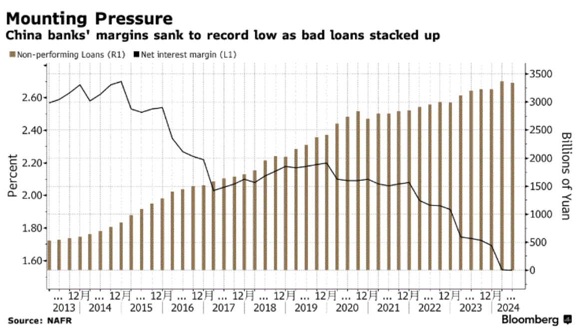
Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

China

China's manufacturing activity expanded at its fastest pace in a year in March. According to the National Bureau of Statistics, official purchasing managers' index came in at 50.5 in March, up from 50.2 in February, pointing to improvement in manufacturing supply and demand. The non-manufacturing PMI, which covers services and construction, also rose to 50.8 from 50.4 in February. Analysts view that the PMI data suggests infrastructure spending is increasing again and that exports have remained resilient in the face of US tariffs. Onshore CNY (+0.2%) and offshore CNH (+0.1%) continued to strengthen today upon the positive PMI data. Yuan was fixed at 7.1782, 862bps stronger than survey consensus.

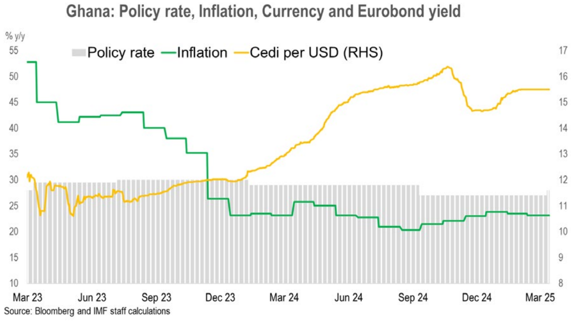


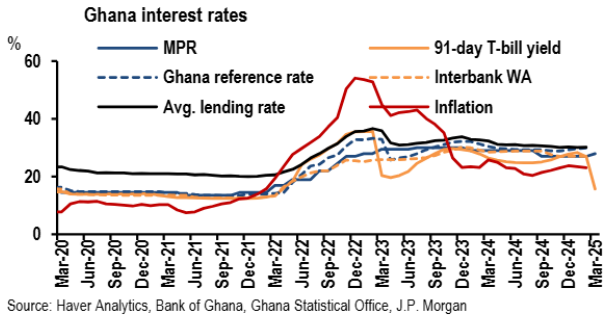
China's Finance Ministry will inject CNY500 bn ($69 bn) into four major state banks to strengthen their capital buffers. Bank of Communications, Bank of China, Postal Savings Bank of China, and China Construction Bank will raise up to CNY520 bn ($72 bn) through share placements, with the Ministry of Finance subscribing to CNY500 bn. This move aims to bolster the banking system despite already exceeding capital requirements, following stimulus policies like mortgage and policy rate cuts. The new shares will be issued at a premium of 8.8% to 21.5% above their Friday closing levels in Shanghai. According to the official statement, the Finance Ministry will sell CNY500 bn of special sovereign bonds to support these injections, promising long-term returns for investors. Analysts believe the move is aimed at boosting the big banks' capability to service the real economy, allowing them to maintain relatively high asset growth to better support the emerging industries and cope with the downward pressure on margins amid rate cuts.



Ghana

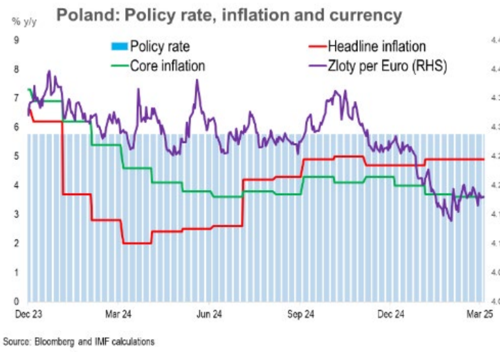
The cedi continued to trade steady against the dollar at GHS15.50/$ **after the central bank** (BOG) **surprised hiking its policy rate by 100bps to 28% last Friday.** This was the first MPC meeting chaired by the new Governor Johnson Asiama who said the hike was meant to "re-anchor the disinflation process," after inflation remained in February at 23.1%y/y, well above the BOG's 6–10% target range and the new Ghana's President John Mahama's aim of 11.9% inflation by the end of 2025. The BOG also plans to introduce a new 273-day bill to help it manage market liquidity, and a possible move to a single reserve requirement for banks, from the current tiered structure (i.e., from 15% for banks with loan-to-deposit ratio above 55%, to 25% for banks with a ratio below 40%).The cedi has stabilized against the dollar at the current level since February and Governor Asiama expects its to continue to be steady on the back of increased FX reserves. JP Morgan estimates that Ghana's gross FX reserves rose to $9.4bn in February with the BOG's net reserves at $6.7bn (nearly +100% from February 2024).





Poland

The zloty was little changed (-0.1%) **against the euro this morning,** trading at around PLN4.18/€, after today's data showed **headline inflation printing below expectations in March at 4.9% y/y** (vs. est.5.1%), unchanged from February, with the Polish Finance Minister Domanski saying today that "most likely" inflation will further decline in the coming months. On a sequential basis, inflation slowed to 0.1% m/m (vs. est. 0.3%) from 0.3% m/m in February. Still, consensus expects the **central bank (NBP) to keep its policy rate unchanged at 5.75% at its upcoming meeting on Wednesday.** The zloty has appreciated by +2.3% against the euro YTD, and analysts at ING maintain a constructive view on the currency based on the continuous hawkish stance from the central bank. JP Morgan notes that the NBP might flag downside risks to the outlook.



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Global Financial Indicators

3/31/25 7:45 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		5,581	-2.0	-1.5	-6.3	6.2	-5
Europe		5,225	-2.0	-3.5	-4.4	2.8	7
Japan		35,618	-4.0	-5.3	-4.1	-10.5	-11
China		3,887	-0.7	-1.2	-0.1	8.1	-1
Asia Ex Japan		74	-2.0	-2.1	0.7	9.5	3
Emerging Markets		44	-1.9	-1.8	1.3	6.5	5
Interest Rates					basis points		
US 10y Yield		4.2	-6	-15	-2	-1	-38
Germany 10y Yield		2.7	-3	-7	29	40	33
Japan 10y Yield		1.5	-5	-6	11	76	39
UK 10y Yield		4.7	-4	-6	17	72	8
Credit Spreads					basis points		
US Investment Grade		131	3	4	9	11	11
US High Yield		384	19	22	51	38	56
Exchange Rates					%		
USD/Majors		104.0	0.0	-0.2	-3.4	-0.5	-4
EUR/USD		1.08	0.0	0.2	4.3	0.8	5
USD/JPY		149.3	-0.4	-0.9	-0.9	-1.6	-5
EM/USD		44.6	0.0	-0.7	1.4	-4.2	4
Commodities					%		
Brent Crude Oil ($/barrel)		74.0	0.6	1.4	1.7	-7.2	0
Industrials Metals (index)		151.0	-1.3	-1.8	4.0	8.1	8
Agriculture (index)		57.6	0.2	-0.4	-0.6	-3.6	1
Implied Volatility					%		
VIX Index (%, change in pp)		24.3	2.7	6.9	4.7	11.3	7.0
Global FX Volatility		8.3	0.0	0.0	0.0	1.7	-0.9
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		84	2	4	-1	-24	-1
Italy		114	2	4	1	-24	-1
France		73	2	4	-1	22	-10
Spain		65	2	2	1	-21	-4

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

Emerging Market Financial Indicators

Last updated: 3/31/2025 8:01 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.25	0.1	0.1	0.3	-0.3	0.6		1.9	0	-4	8	-49	19
Indonesia		16580	-0.1	-0.1	0.1	-4.1	-2.7		7.0	0	-5	7	28	-6
India		85	0.4	0.6	2.4	-2.4	0.2		6.9	0	6	-9	-30	-48
Philippines		57	0.2	0.1	1.3	-1.7	1.3		5.1	-4	-1	0	-31	26
Thailand		34	0.1	0.1	1.0	7.8	1.3		2.2	0	2	-11	-42	-18
Malaysia		4.43	0.0	-0.3	0.6	6.8	0.8		3.8	0	3	-1	-8	-4
Argentina		1071	0.1	-0.2	-0.7	-19.9	-3.7		36.0	-53	144	694	-1674	680
Brazil		5.76	-0.3	-0.6	2.1	-13.0	7.2		15.1	2	20	-17	461	-79
Chile		953	-0.1	-2.6	1.1	3.4	4.6		5.7	-1	6	-9	-4	0
Colombia		4203	-0.8	-1.4	-1.2	-8.2	4.8		12.3	17	39	84	221	44
Mexico		20.38	0.0	-1.7	0.8	-18.5	2.2		9.4	-7	-11	-17	-3	-97
Peru		3.7	-0.5	-0.6	0.8	1.7	2.7		6.7	1	23	32		8
Uruguay		42	0.0	0.3	0.9	-10.9	3.7		9.5	2	-7	-22	47	-19
Hungary		372	-0.1	-0.6	4.4	-1.1	6.9		6.9	0	-4	48	25	47
Poland		3.87	-0.1	0.0	4.5	3.4	6.8		5.5	-2	-2	-1	18	-12
Romania		4.6	-0.1	0.1	4.3	0.5	4.4		7.2	-4	-1	4	88	-3
Russia		84.8	0.2	-0.7	5.5	9.0	33.9							
South Africa		18.4	0.3	-0.6	1.8	3.1	2.6		10.8	-3	8	14	-128	35
Türkiye		37.95	0.1	0.1	-3.9	-14.9	-6.8		34.3	42	-25	607	503	463
US (DXY; 5y UST)		104	0.0	-0.2	-3.3	-0.5	-4.1		3.92	-6	-18	-10	-30	-47

	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		3,887	-0.7	-1.2	-0.1	8.1	-1.2		108	4	10	-41	12
Indonesia		6,511	0.0	2.0	-1.9	-10.7	-8.0		126	13	19	26	35
India		77,415	0.0	0.7	5.8	4.6	-0.9		115	12	15	8	29
Philippines		6,181	0.5	-0.2	3.0	-11.2	-5.3		102	8	2	15	23
Thailand		1,158	-1.5	-2.7	-3.8	-16.0	-17.3						
Malaysia		1,514	0.0	0.5	-3.9	-2.2	-7.8		89	10	10	6	19
Argentina		2,378,563	-1.4	0.7	7.8	96.0	-6.1		805	34	18	-654	168
Brazil		131,902	-0.9	-0.3	7.4	3.0	9.7		232	4	-6	19	-15
Chile		7,694	0.5	0.8	4.9	15.8	14.7		129	4	1	5	16
Colombia		1,604	0.2	-0.3	-0.2	20.3	16.2		350	14	17	57	24
Mexico		53,173	-0.6	1.0	1.6	-7.3	7.4		317	2	2	6	5
Peru		30,127	-0.4	-0.8	5.5	6.2	4.0		149	4	1	8	8
Hungary		89,073	-2.6	-2.0	2.2	36.2	12.3		167	8	16	14	12
Poland		96,017	-1.8	-2.3	4.4	16.0	20.7		119	6	3	21	7
Romania		17,554	-0.1	0.9	0.2	3.1	5.0		261	12	10	77	26
South Africa		88,883	-0.8	-0.1	3.4	19.2	5.7		338	17	23	-21	45
Türkiye		9,659	0.0	6.8	0.0	6.8	-1.7		322	-2	39	21	63
EM total		44	-1.0	-1.8	1.3	6.5	4.7		390	12	16	95	25

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

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