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- US investment grade spreads widen on the rising risk aversion ([link](#))
- Crude continues to slide amid trade policy uncertainty and OPEC+ announcements ([link](#))
- Chinese equities gain on ambitious growth goal and a fiscal deficit target ([link](#))
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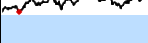







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German Bund Yields Spike on Investment Plans

German bund yields rose sharply and the euro strengthened on a historic increase in borrowing to fund defense and infrastructure investment. The 10-year bund yield was 24 bps higher this morning, with other euro-area sovereign bond yields also increasing significantly. Chancellor-in-waiting Merz announced a €500 bn special fund for infrastructure and exempting defense spending over 1% of GDP for constitutional borrowing limits. Euro area stocks gained on the news. Across the pond, US Treasury yields were little changed and the dollar continued to weaken amid continued trade uncertainty as President Trump warned tariffs will cause “a little disturbance,” but his administration is “OK with that.” Commerce secretary Lutnick said before the President spoke that he was considering a pathway for tariff relief for Mexican and Canadian goods, with a deal potentially coming soon. Elsewhere, Chinese equities gained as the authorities signaled China’s determination to push ahead with an ambitious growth goal this year. China set a growth target around 5% despite the threat from US tariffs.

Key Global Financial Indicators

Last updated: 3/5/25 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5778	-1.2	-3	-5	14	-2
Eurostoxx 50		5510	2.3	0	5	13	13
Nikkei 225		37418	0.2	-2	-4	-7	-6
MSCI EM		43	0.8	-2	0	8	3
Yields and Spreads			bps				
US 10y Yield		4.25	0.4	-1	-17	10	-32
Germany 10y Yield		2.73	23.5	30	36	41	36
EMBIG Sovereign Spread		327	-4	1	10	-37	3
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		44.3	0.2	0	2	-5	4
Dollar index, (+) = \$ appreciation		105.1	-0.6	-1	-2	1	-3
Brent Crude Oil (\$/barrel)		70.1	-1.3	-3	-6	-15	-6
VIX Index (% change in pp)		23.7	0.1	5	8	9	6

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

Mature Markets

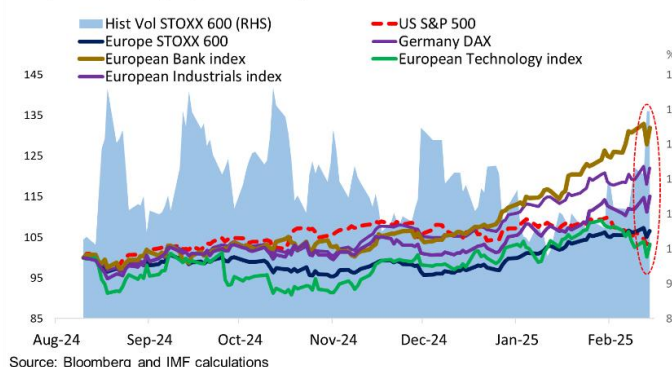
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Euro area

Sovereign bond yields rose sharply today while the curve bear steepened on news of increased defense spending and related debt issuances. The 2-year bund yield rose 13 bps while longer term bund yields jumped with 10-year yields 24 bps higher. Germany is reportedly poised for a significant fiscal expansion following a political agreement between CDU/CSU and SPD on a **reform that includes a €500 bn infrastructure fund, with €100 bn allocated to federal states, and defense expenditures above 1% of GDP permanently exempted from the debt brake.** Current plans suggest that defense spending could rise to 3% of GDP as early as next year. Deutsche Bank sees this fiscal shift as a historic paradigm change, comparable to German reunification and expects material impacts on bund yields with narrowing of the spread with US bond yields as the 10-year bund yield heads to 3%. ING highlights the political hurdles, noting that the strategy of passing the debt brake reform through the "old" Bundestag before the new parliament convenes could prompt some CDU members to fear backlash for breaking election promises. UBS emphasizes that defense spending reforms will eliminate the need for future special funds and provide substantial fiscal space especially if the European Commission allows, as announced yesterday, national governments to trigger escape clauses in EU fiscal rules. Goldman Sachs sees the Bundesbank's proposal for a debt brake reform, which would allow additional investments of €100–220bn by 2030 within a tiered deficit rule, as offering limited near-term fiscal relief, with Commerzbank noting that this could be difficult to achieve under the new Bundestag. **Money markets reduced by 11 bps their expectations of further easing by the ECB in 2025 this morning, moving to price-in -73 bps of rate cuts by December against -84 bps yesterday.**

European equities jumped this morning following headlines of Germany's investment plans. The STOXX 600 index rose by 1.6% to a fresh high led by strong gains in materials (+3.9%), industrials (+3.8%), banking (+3.4%) and IT (+2.7%) sectors. All European bourses traded in the green this morning, with Germany (DAX +3.3%) and Italy (FTSE MIB +2.2%) outperforming as Germany's Rheinmetall (+4.5%, YTD +90%) and Italy's Leonardo (+4.3%, YTD +75%) remained at the lead of the rally in the defense sector (STOXX Aerospace & Defense Index +3%). The automobile sector also edged higher today (+3.2%, +5.5% YTD), with analysts at JP Morgan noting a debate over Europe's CO2 emissions targets as the EU may reportedly offer a three-year extension to meet targets.

European Stocks (Aug 2024= 100)

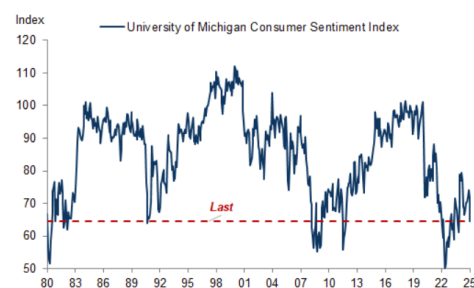


The euro appreciated (+0.8%) today, consolidating progress against the dollar to +3.5% YTD. Today's data showed producer prices increasing more than expected in the Eurozone in January, as the PPI printed at 1.8% y/y (0.8% m/m) against consensus expectations of 1.3% y/y (0.3% m/m) from 0.1% y/y (0.4% m/m) in December. PMIs rose more than expected in the expansionary range in Spain and Italy today, as the composite indices grew in February to 55.1pts in Spain (vs est. 54.8pts) and 51.9pts in Italy (vs. est. 50pts), from respectively 54pts and 49.7pts in January.

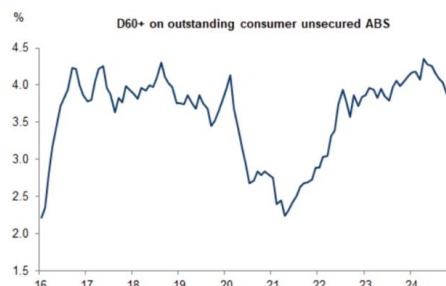
United States

Analysts see a strong consumer despite bearish sentiment. Soft data on the state of consumers in the US has shown some weakness lately (U. Michigan and Conference Board surveys) in sharp discrepancy with hard data on unemployment, strong spending and low bankruptcies. Analysts at Goldman Sachs believe consumer fundamentals remain strong. In particular, delinquencies on asset-backed securities (ABS) that have unsecured consumer loans as their underlying asset have been flat to moderately decreasing. This asset class is highly sensitive to consumer credit conditions and can be seen by the market as a potential canary in the coal mine for consumer fundamentals. Consumer spending was strong driver of GDP growth in 2024 and any potential weakness is a concern.

Exhibit 1: The University of Michigan consumer sentiment survey is currently indicating very low consumer confidence.



Source: University of Michigan, Goldman Sachs Global Investment Research

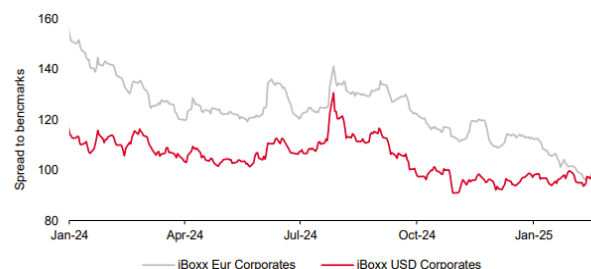


Source: Intex, Goldman Sachs Global Investment Research

US investment Grade spreads have widened over the past week on the rising risk aversion.

Spreads on US investment grade bonds have widened over the last week, surpassing the 100 bps mark. This is the fastest pace of a sell-off since last August. This is in contrast to European investment grade corporates which have remained fairly resilient. Analysts at Société Générale believe US corporate spreads suffered from general macro uncertainty instead of fundamentals and see spreads returning to previous range of 90–100 basis points. In their view, current investment grade corporate bond yields remain attractive.

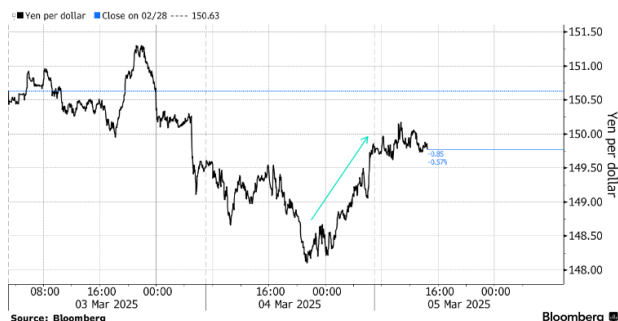
USD IG is widening quickly, EUR IG more resilient for now



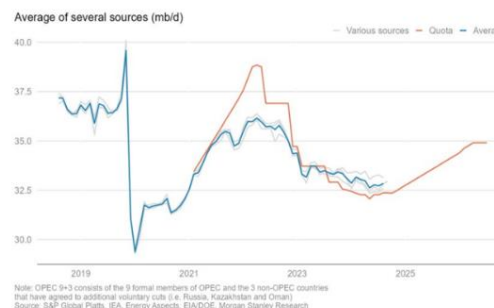
Source: Markit, SG Cross Asset Research/Credit

Japan

BOJ deputy governor Uchida signaled future rate hikes in a speech to business leaders today, suggesting **the benchmark rate could exceed 1% within two years**, while cautioning against early speculation. **The yen pared overnight losses and appreciated (+0.3%). Dollar-yen passed the 150 mark in early trading**, with analysts commenting on potential profit-taking from JPY long positions by speculators. Analysts also indicated Uchida's speech, aligning with current rate hike expectations, had no significant bond market impact. Separately, the lower house passed a ¥115.2 tn (\$770 bn) budget for the year starting in April, trimming ¥343.7 bn (\$2.3 bn) from the earlier proposal. The budget allocates ¥38.3 tn (\$256 bn) to social security costs, ¥28.2 tn (\$189 bn) to debt servicing, and ¥8.5 tn (\$57 bn) to defense spending, which rises 9.7% due to regional security tensions. Today, Japanese stocks fluctuated and gained slightly (Nikkei 225: +0.2%), as investors remained sensitive to news regarding tariffs. Carmakers rebounded, with Toyota rising 3.5%, though Bloomberg estimated that Japan's car industry is particularly vulnerable to US tariffs, as cars and parts constitute about a third of Japan's US exports.

Yen Weakens Past 150 Level**Commodities****Crude prices fell further on high trade policy uncertainty and a surprise OPEC+ announcement.**

Since early 2025, Brent crude prices have been under pressure due to trade policy uncertainty, which has significantly impacted global oil demand prospects. Additionally, OPEC+ surprised the markets by announcing an increase in oil production starting in April. Specifically, on Monday, the group revealed that its members have agreed to boost production to 2.2 mn barrels per day over the next 18 months. As a result, Brent prices (-1.2%) fell this morning to \$70 per barrel, their 4th consecutive day of price declines. Overall, crude prices have dropped almost 15% since mid-January.

Oil has been on a downward trend since early-January**OPEC 9+3 crude oil production****Emerging Markets**[back to top](#)

In **Asia**, currencies appreciated, led by the Indonesian rupiah (+0.8%) and the Philippine peso (+0.8%). Equities rose (EM Asia: +2.3%) on hopes of some US tariff rollbacks and China's increased stimulus to meet its growth target, with Hong Kong SAR (+2.8%) and Thailand (+2.5%) outperforming. India's largest bourse, the National Stock Exchange of India Ltd., will change the expiration day for equity derivatives from Thursdays to Mondays starting April 4, which traders view as unfavorable because of significant weekend carry-over risk. In **EMEA**, CEE equities rallied with analysts pointing to Germany's plans to increase defense spending. This morning Poland's equity market outperformed (+2.9%) while equities in Czechia (+2.1%), Hungary (+1.3%) and Romania (+1.4%) were also sharply higher. CEE currencies also strengthened to the euro, with the Polish zloty seeing the largest gains (+0.2% to 4.15/€). On the data front, preliminary data showed Czechia's February inflation easing in line with expectations (to 2.7%/y from 2.8%). CEE local currency bond yields were between 5 and 10 bps higher this morning. Elsewhere in EMEA, South Africa's equities gained (+1.4%) while equities in Nigeria (-0.9%) and the U.A.E (-0.8%) were trading in the red. In **LATAM**, most currencies appreciated yesterday. The Mexican peso, which was pressured by tariff fears yesterday, appreciated the most (+0.8%). Other major regional currencies also closed the day with notable gains, except for Colombia which depreciated -1.3%. In Colombia, the Q4 2024 trade deficit came in larger than the market expectations. Equities, however, had a mixed day. In Mexico, equities gained 0.6%, recovering from yesterday's losses, while those in Colombia and Chile declined.

China

Chinese stocks advanced onshore (CSI 300 + 0.4%) and offshore (HSCEI: + 3.1%) as the authorities set an ambitious growth goal and a large fiscal deficit target. In today's annual government work report, premier Li Qiang announced a 2025 economic growth goal of 5%. He also increased the fiscal deficit target to around 4% of GDP, the highest in over three decades, and lowered the inflation target to 2%, the lowest since 2003. Strategists believe these targets are within expectations but anticipate stronger measures in response to tariff shocks. Economists view the growth target as ambitious, given external uncertainties and weak domestic demand, requiring more stimulus. Authorities plan to sell RMB 1.3 tn (\$179 bn) in ultra-long special sovereign bonds, up from RMB 1 tn (\$138 bn) last year, and RMB 4.4 tn (\$606 bn) in local government special bonds, up from RMB 3.9 tn (\$537 bn). Additionally, the government will increase special bond sales, including RMB 500 bn (\$69 bn) for bank capital injections, which are not counted toward the headline budget deficit. Bloomberg estimates the broad fiscal deficit target at 9.9% of GDP in 2025, up from 7.7% last year. On the demand side, there are social welfare enhancements, covering pension and medical insurance, and an additional consumer goods subsidy program, which fell short of market expectations. Today, the yuan appreciated (+0.2%) and yields on 10-year government bonds slipped marginally to 1.75%.

China's Main Targets for Growth and Fiscal Stimulus

	2025 target	2025 consensus forecast	2024
GDP target	Around 5%	Around 5%	Around 5%
Consumer inflation target	Around 2%	Around 2%	Around 3%
Headline deficit ratio (% of GDP)	Around 4%	4%	3%
Headline budget deficit	5.66	5.4	4.06
Special sovereign bond (t yuan)	1.3	2	1
Local government special bond (t yuan)	4.4	4 or more	4*
Unemployment rate	Around 5.5%		Around 5.5%
New urban jobs	Over 12 million		Over 12 million

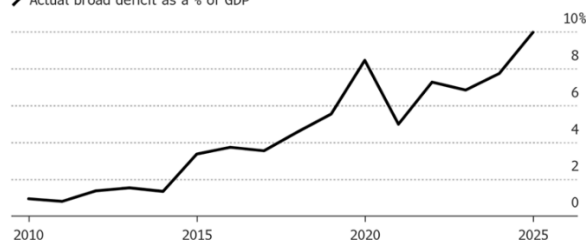
Source: Government work reports, annual fiscal budgets, Bloomberg survey on economists
 Note: 2025 consensus forecast reflects the median projection of 26 economists polled by Bloomberg in late February. Local government special bond issuance in 2024 was increased to 4 trillion yuan later that year from 3.9 trillion yuan originally.

Bloomberg

China Ramps Up Fiscal Stimulus as Tariffs Hit

Broad deficit planned for 2025 climbs to record high

Actual broad deficit as a % of GDP



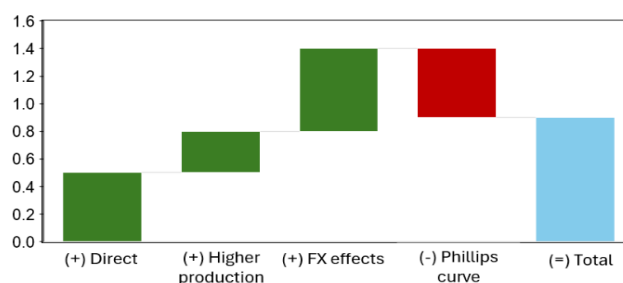
Source: Bloomberg calculations based on China's budget report, ANZ Bank
 Note: Broad deficit refers to the gap between the combined actual revenue and spending under the general public budget and the government-managed fund budget.

Bloomberg

Mexico

Faced with a blanket 25% tariff on its exports to the US, Mexico is expected to divulge its response by this coming Sunday. While this has left the door open for negotiations, analysts at Goldman Sachs estimate retaliatory tariffs to be inflationary. The impact of retaliatory but partial import tariffs adopted by Mexico on US goods (about 8% of final consumption) could increase inflation in Mexico by around 80 bps, which could double if Mexico were to retaliate by imposing equivalent tariffs. Local markets, cautiously hoping that Mexico's countermeasures would be pragmatic, rebounded yesterday, with the peso strengthening +0.8% and equities gaining +0.6%.

25pp US Tariff on Imports from Mexico With Partial Retaliation to have a Sizable Impact on Mexican Prices (percentage points)



Source: Goldman Sachs Global Investment Research

Ukraine

















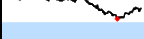






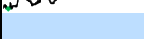

Ukraine's eurobond prices recovered with peace talks remaining in focus. Ukrainian bonds sold off following the meeting last week between US President Trump, US Vice-President Vance and Ukraine President Zelensky, and the ensuing announcement of the pause in US military aid to Ukraine. Ukraine's 2041 eurobond price fell to around 80.6 cents from around 83.2 cents on the dollar. The 2041 Eurobond price yesterday recovered somewhat to around 81 cents on the dollar with contacts focused on speculation that President Zelensky is ready to negotiate with Russia to end the war. This morning, Bloomberg data show that Ukraine's eurobonds are leading gains across EMs. In the meantime, Goldman Sachs analysts estimate that the market-implied probability of a peace-deal has declined by 10ppts to around 41%, a similar level seen around the time of the US presidential inauguration.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), Johannes S Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

3/5/25 8:14 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,794	-1.2	-2.7	-4.4	14.1	-1
Europe		5,510	2.3	-0.3	4.5	12.6	13
Japan		37,418	0.2	-1.9	-4.2	-6.7	-6
China		3,903	0.4	-1.4	1.6	9.9	-1
Asia Ex Japan		74	1.2	-2.1	0.8	11.6	2
Emerging Markets		43	0.8	-2.4	0.3	7.9	3
Interest Rates			basis points				
US 10y Yield		4.2	0	-1	-17	10	-32
Germany 10y Yield		2.7	24	30	36	41	36
Japan 10y Yield		1.4	2	8	16	74	35
UK 10y Yield		4.7	12	16	22	65	9
Credit Spreads			basis points				
US Investment Grade		122	0	4	5	-8	2
US High Yield		340	2	14	38	-27	12
Exchange Rates			%				
USD/Majors		105.1	-0.6	-1.3	-2.3	1.2	-3
EUR/USD		1.07	0.6	2.0	2.8	-1.5	3
USD/JPY		149.7	-0.1	0.4	-1.9	-0.2	-5
EM/USD		44.3	0.2	-0.1	1.5	-5.1	4
Commodities			%				
Brent Crude Oil (\$/barrel)		70.1	-1.3	-2.7	-5.4	-7.7	-5
Industrials Metals (index)		149.4	2.1	2.1	3.1	8.4	7
Agriculture (index)		57.8	1.6	-3.3	-4.7	0.0	1
Implied Volatility			%				
VIX Index (%, change in pp)		23.7	0.1	4.6	7.9	9.2	6.3
Global FX Volatility		8.5	0.0	0.4	-0.1	2.0	-0.7
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		80	-3	-2	-5	-27	-5
Italy		111	-2	-1	2	-28	-5
France		71	-3	-1	-1	24	-12
Spain		61	-3	0	-1	-25	-9

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

Emerging Market Financial Indicators

Last updated: 3/5/2025 8:20 AM	xchange Rates		Local Currency Bond Yields (GBI EM)												
	Level		Cnange (in %)					Level		Cnange (in %)					
	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		7.26	0.1	0.0	0.2	-0.8	0.6		1.8	1	-3	12	-60	9	
Indonesia		16313	0.8	0.4	-0.1	-3.3	-1.1		6.8	-2	1	-18	16	-22	
India		87	0.4	0.3	0.6	-4.7	-1.6		6.9	-2	-17	-22	-32	-46	
Philippines		57	0.8	1.0	1.3	-2.4	1.1		5.1	0	-1	5	-31	26	
Thailand		34	0.1	0.3	-0.2	6.5	2.1		2.3	-1	-5	-12	-32	-6	
Malaysia		4.43	0.8	0.0	-0.1	6.9	1.0		3.8	0	-1	-3	-6	-3	
Argentina		1064	0.0	-0.2	-0.9	-20.5	-3.1		29.0	0	126	231	-4190	-15	
Brazil		5.88	0.0	-1.2	-1.4	-15.7	4.9		15.3	0	57	49	504	-61	
Chile		938	0.8	0.4	3.6	4.5	6.3		5.7	-4	-3	-11	20	4	
Colombia		4130	0.7	-0.6	1.1	-4.5	6.7		11.4	-1	-6	4	159	-38	
Mexico		20.53	0.3	-0.5	0.2	-17.5	1.4		9.6	10	-1	-32	28	-71	
Peru		3.7	0.5	0.3	1.1	2.7	2.4		6.4	0	9	-21	-46	-19	
Uruguay		42	0.0	0.1	2.3	-8.1	2.8		9.7	0	-1	0	70	4	
Hungary		372	0.9	2.4	4.9	-2.6	6.7		6.5	-2	0	2	33	4	
Poland		3.88	1.1	1.8	4.1	2.4	6.5		5.5	-2	-4	-6	41	-7	
Romania		4.6	0.8	2.1	2.9	-1.5	3.4		7.3	2	-5	-20	93	0	
Russia		89.8	0.0	-3.3	9.2	1.2	26.5								
South Africa		18.4	0.3	-0.3	0.7	2.9	2.2		10.6	-7	-4	-3	-102	10	
Türkiye		36.44	0.0	0.1	-1.4	-13.1	-3.0		28.2	13	-11	15	-193	-150	
US (DXY; 5y UST)		105	-0.6	-1.2	-2.3	1.2	-3.1		4.01	-3	-7	-23	-13	-37	

	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		3,903	0.4	-1.4	1.6	9.9	-0.8		99	1	3	-54	3	
Indonesia		6,531	2.4	-1.1	-5.0	-10.9	-7.7		102	-4	4	-4	11	
India		73,730	1.0	-1.2	-5.5	-0.5	-5.6		98	0	-1	-7	12	
Philippines		6,122	1.0	-0.4	-1.9	-11.0	-6.2		94	-5	1	5	15	
Thailand		1,207	2.5	-2.0	-4.4	-11.9	-13.8							
Malaysia		1,564	0.6	-1.5	-1.3	2.1	-4.7		79	3	6	-4	9	
Argentina		2,205,801	0.6	-6.7	-11.0	122.2	-12.9		741	-8	99	-859	104	
Brazil		0	-1.6						238	8	18	25	-9	
Chile		7,323	-0.4	-0.4	0.7	17.0	9.1		125	-1	3	-4	12	
Colombia		1,565	-0.7	-5.0	3.6	20.3	13.4		331	1	5	28	5	
Mexico		52,385	0.6	-1.3	1.6	-5.6	5.8		316	4	6	-9	4	
Peru		28,737	-0.7	0.5	-2.0	0.2	-0.8		143	-4	-2	1	2	
Hungary		87,703	1.4	0.0	4.2	33.2	10.6		154	1	0	-4	-1	
Poland		91,803	2.8	-1.6	6.6	14.0	15.4		115	-4	2	18	3	
Romania		17,360	1.5	-1.7	1.6	7.1	3.8		252	-3	6	51	17	
South Africa		87,741	1.2	-0.7	1.3	21.5	4.3		315	2	12	-33	22	
Türkiye		10,127	2.3	5.8	4.2	14.3	3.0		281	3	20	-52	22	
EM total		43	1.7	-2.4	0.3	7.9	3.3		372	-2	15	56	8	

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

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