GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, MARCH 6, 2025

LEAD EDITOR: PATRICK SCHNEIDER

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- **Some analysts highlight lingering uncertainty around the German fiscal package** (link)
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- **The central bank of Türkiye cut its policy rate by 250 bps to 42.5% as expected** (link)
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Global Bond Yields Continue to Rise While the Dollar Erased Its Post-Election Gain

European bond yields rose another 6–8 bps on Thursday, with the sell off extending to Asia where Japanese yields rose 10 bps. While the main global catalyst has been the announcement of higher fiscal spending in Germany, some Japanese unions also reportedly asked for the largest wage increase in over thirty years, boosting the prospects for inflation and further rate hikes. The ECB cut its benchmark rates by 25 bps this morning as expected, with investors looking for additional color in the press conference. Treasury yields have been more subdued than other advanced economies in recent days. Initial jobless claims came in below expectations at 221k, dispelling some recent growth fears, though all eyes will be on the nonfarm payrolls report tomorrow (exp. 160k). The rapid shifts in global macro have weighed on currency markets, with the dollar index down nearly 3% in the last week alone. The mighty Swedish krona has risen over 6% this week, while the euro reached its highest level since early November. Most emerging market currencies have gained over the last week as well. Global oil prices stabilized today but have fallen in recent weeks, with Brent declining below $70/bbl for the first time since September after OPEC+ announced it would increase production.

Key Global Financial Indicators

Last updated: 3/6/25 8:56 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		5843	1.1	-2	-4	14	-1
Eurostoxx 50		5483	-0.1	0	2	12	12
Nikkei 225		37705	0.8	-1	-3	-5	-5
MSCI EM		44	3.0	0	3	10	6
Yields and Spreads					bps		
US 10y Yield		4.29	1.1	3	-14	19	-28
Germany 10y Yield		2.85	6.1	44	48	53	49
EMBIG Sovereign Spread		323	-5	-4	6	-45	-2
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		44.7	0.1	1	2	-4	4
Dollar index, (+) = $ appreciation		104.0	-0.2	-3	-3	1	-4
Brent Crude Oil ($/barrel)		69.5	0.2	-6	-7	-16	-7
VIX Index (%, change in pp)		23.5	1.6	2	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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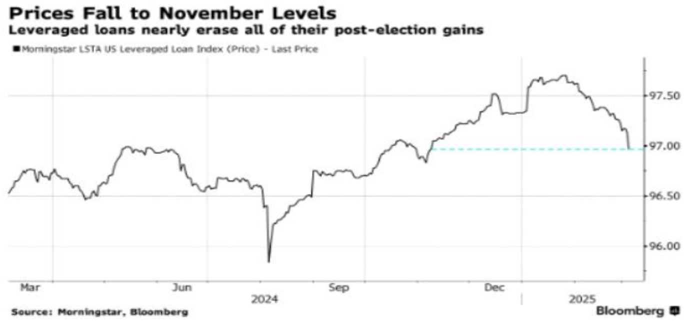
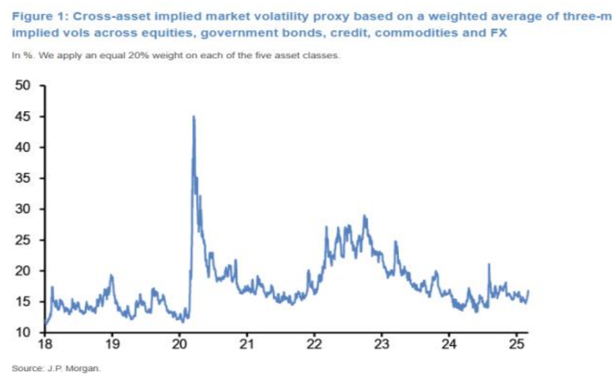
United States

Initial jobless claims of 221k came in slightly below consensus (233k). Continuing claims were 1.89 mn (vs 1.87 expected). Immediate market reaction was limited, though 10y yields rose slightly. 2y yields remained below 4%. Stock futures were down over 1% ahead of the print. The January trade deficit hit a record $131.4 bn, possibly driven by importers rushing to get ahead of tariffs, according to analysts.

Leveraged loan prices have fallen significantly in recent weeks. The US leveraged loan market has seen a sharp repricing this week as growth fears spark concerns about a deterioration in credit quality**.** Resilient growth had supported prices and issuance during 2024 as borrowers sought to refinance and extend maturities. While growth concerns are likely to remain a headwind, markets are pricing in close to 70 bps of cuts in 2025, which should provide some relief to borrowers.



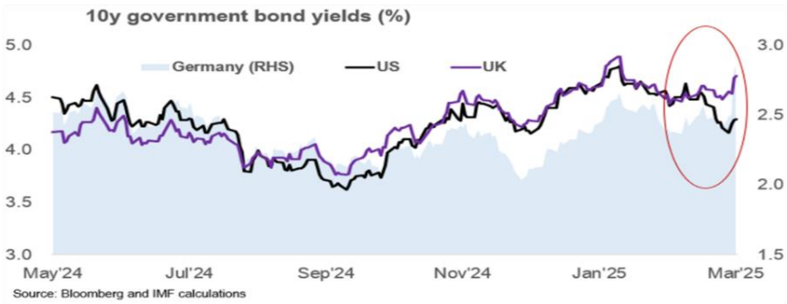
Cross asset volatility has remained modest thus far despite high economic uncertainty. The large jump in economic policy uncertainty has caused only a modest increase in overall market volatility despite an uptick in recent days, based on JPMorgan's average of implied volatility across equities, bonds, credit, commodities, and currencies. Measures of equity volatility, including the VIX and VVIX, have risen this week, but JPMorgan analysts highlighted that levels remain below that associated with previous corrections. Analysts believe retail investors continue to provide a backstop to the equity market, while overall leverage remains contained. Meanwhile, the nearly 30 bp move in German bund yields on Wednesday drove a significant, but still relatively modest increase in three-month EUR/USD implied volatility.



Europe

ECB cuts its three main policy rates by 25 bps as expected, while revising the inflation outlook slightly higher and the growth slightly lower. The statement noted that "monetary policy is becoming meaningfully less restrictive" while "the disinflation process is well on track." The latest staff projections for headline inflation are 2.3% in 2025, 1.9% in 2026, and 2.0% in 2027. The slight upward revision in headline inflation in 2025 reflects stronger energy prices. Core inflation is projected to reach an average of 2.2% in 2025, 2.0% in 2026, and 1.9% in 2027. The latest projections also expect a slower economic recovery relative to the December projections with GDP growth of 0.9% in 2025, 1.2% in 2026, and 1.3% in 2027, with the downward revisions reflecting lower exports and elevated policy uncertainty weighing on investment. **The euro advanced against the dollar (+0.5%) to reach 1.0844, a new four-month high**. European bond yields were trading around 6–8 bps higher on the day. Equities were mixed, with the German DAX up modestly.

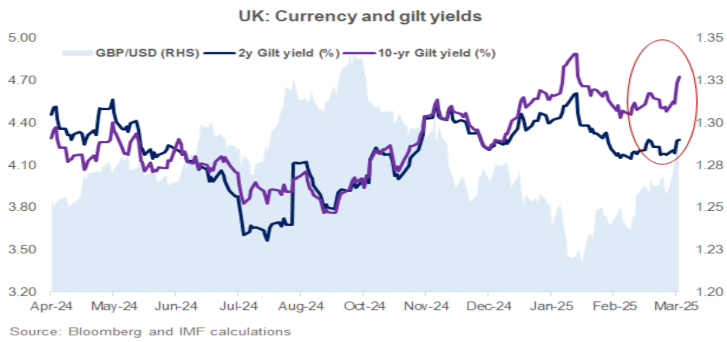
Wednesday's move in German 10y bund yields was the largest increase since March 1990, when markets began to price in the significant fiscal costs associated with reunification. Yesterday, Germany also issued via syndication €6 bn of its new 30y benchmark bond. According to Bloomberg data, the order book came in at €36.0 bn, resulting in a bid-to-cover ratio of 6x. Per the German Finance Agency, central banks and official institutions received 55% of the issue, with asset managers picking up around 24%, and the remainder split across bank treasuries, hedge funds, and other NBFIs. In related news, funding options for the European Commission's proposed €800 bn fiscal package are likely to be discussed at today's EU summit.



Some analysts highlight lingering uncertainty around the German fiscal package. Analysts at Credit Agricole noted that the package announced by the CDU/CSU and the SPD, which includes a €500bn infrastructure fund and exempts defense expenditures above 1% of GDP from the debt brake, "has to be taken with caution" citing potential political and constitutional issues that could prevent the full spending program from being passed. In addition, the analysts note that final implementation may also be "less ambitious than expected." Commerzbank analysts also noted that formal discussions will begin on March 13th in the Bundestag with a vote scheduled for March 17th. The analysts expect this to pass given the CDU/CSU, SPD, and Greens still have a 2/3 majority in the outgoing Bundestag, although some concessions may be required.

United Kingdom

Pound sterling rose as much as 0.6% against the dollar yesterday following hawkish comments from policymakers before stabilizing today. External MPC member Megan Greene stated that monetary policy needed to "remain restrictive," and that the Bank of England would likely continue to take a "gradual approach to easing policy rates." BoE Chief Economist Pill remarked that "large and more rapid interest rate cuts are unlikely," given the uncertain path for inflation. In addition, BoE policymakers remarked that potential US tariffs pose a "substantial" risk to the UK and world economy. Following the comments, money markets are now pricing in around 52 bps of easing by year-end from the BoE, down from 59 bps expected last week. Elsewhere, 10y gilt yields were higher again this morning, rising 3 bps to 4.71%. Separately, according to Bloomberg, UK banks borrowed £10 bn from the BoE's Indexed Long-Term Repo facility yesterday, exceeding £10 bn for the first time since March 2020, while banks also borrowed £57.8 bn from the BoE's Short-Term Repo facility. **The sterling has gained over 2% this week and almost 3% YTD against the dollar.**



Japan

Japanese government bond yields rose 10 bps to 1.54% alongside the sell off in European bonds, while some unions are requesting large wage increases, bolstering the case for further rate hikes. The annual wage negotiations are seen as a key input for monetary policy decisions as the central bank debates the sustainability of inflation. The Japanese Trade Union Confederation (Rengo) reported that is members requested a 6.1% wage increase, up from 5.9% last year, and the highest since 1993. **The yen appreciated to 147.60 against the dollar, the strongest level since October.**

Emerging Markets

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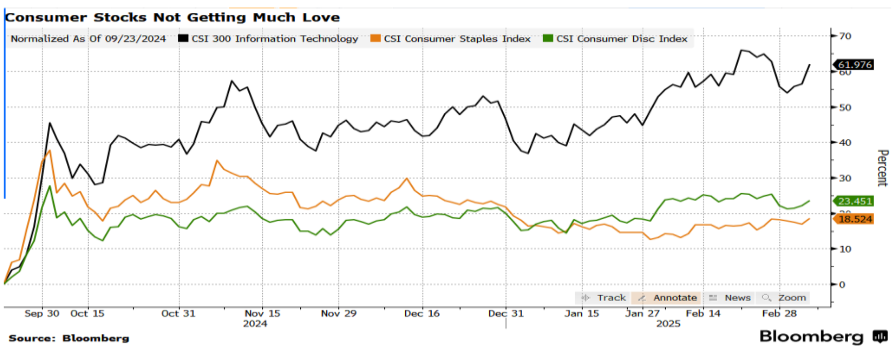
EMEA equities were mostly trading higher while currencies were mixed. Equities in CEE continued to gain, though Hungary (-0.3%) underperformed. Regional currencies were mostly weaker against the euro, and local currency bond yields continued to climb. In South Africa, equities gained (+0.9%) and the rand was marginally weaker against the dollar after the current account deficit narrowed by more than expected in Q4.Hungary's industrial production disappointed in January but retail sales surprised on the upside.

In Asia, regional equity markets mostly gained (EM Asia: +2.2%) ahead of Chinese press meetings alongside the National People's Congress, with Hong Kong SAR outperforming (+3.2%). **Onshore Chinese stocks also gained (CSI300: +1.4%), though consumer stocks have generally lagged, with tech driving the market**. Regional currencies were mixed, with the Thai baht underperforming (-0.5%). Bank Negara Malaysia held the overnight policy rate at 3% as expected while forecasting resilient domestic demand, but also highlighted external risks from US tariffs. The RMB appreciated (+0.2%) against the dollar, with a fixing at 7.1692/$, 706 pips stronger than the estimate, the smallest gap since December.



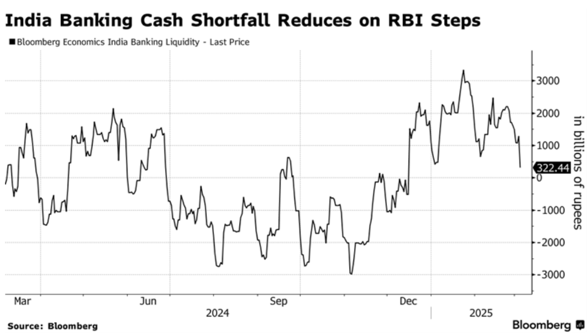
In Latin America, risk assets rallied on Wednesday, with the Brazilian real (+2.2%) and the Chilean peso (1.6%) outperforming. Argentine equities gained 3.8% amid reports of negotiations around a new IMF program. Elsewhere, El Salvador has reportedly resumed buying Bitcoin.

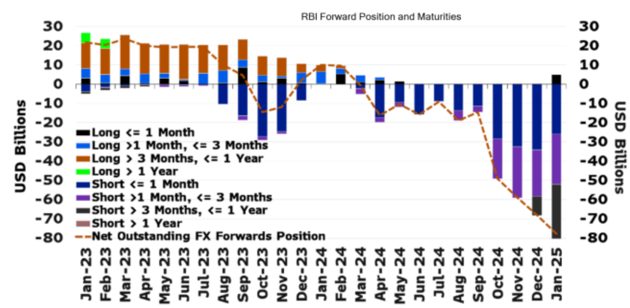
China

Chinese authorities promote economic growth, financial stability, and policy space during National People's Congress. PBOC Governor Pan Gongsheng reiterated that rate cuts were likely but failed to provide a detailed timeline. Barclay's analysts believe the PBOC is waiting for any lingering currency pressures to ease. The governor noted that the number of high-risk small financial institutions has halved but did not mention plans to boost risk mitigation resources through the financial stability fund, as speculated by the media earlier. He also announced an expansion of the relending scheme from RMB0.5 tn to between RMB0.8 tn and RMB1 tn, largely to support the tech sector. The finance minister highlighted progress in curbing hidden debt, with RMB2.96 tn of debt swap bonds issued by local governments. Meanwhile, **the commerce minister emphasized that boosting consumption is a top priority**, with plans to expand last year's successful trade-in program, though some economists believe it only serves to frontload demand.

India

The Reserve Bank of India (RBI) announced plans to buy INR1 tn ($11.5 bn) in bonds and conduct a $10 bn buy-sell FX swap to ease liquidity pressures. The RBI previously had purchased around INR1 tn in bonds, conducted a $15 bn FX swap, and offered frequent variable rate repo auctions to ease liquidity pressures that have arisen from FX intervention and tax payments. Bloomberg analysts noted that the RBI's large short forward dollar position could imply further liquidity pressures in the near term, with a majority of the forward book maturing in less than three months. Dollar-rupee forward premiums dropped, with the one-year sliding 20 bps to 1.99%. Otherwise, Citigroup economists expect at least two 25 bp rate cuts in April and June due to easing inflation and some growth concerns.





Source: RBI

EM bond issuance

International bond issuance slowed this week following elevated bond market volatility and a strong start to the year. For the week ending on March 1, emerging market issuers sold $11.4 bn in bonds, down from $30 bn the week before. Sovereign issuers sold $5.9 bn, down from $16 bn last week, and a weekly average of $10.7 bn in 2025. ($10.7 billion). Corporate and financial sector issue also slowed to $2.5 bn and $2.4 bn, respectively. YTD issuance volumes in EMs stand at $189 billion, up year on year from 2024.

Figure 1. EM bond issuance, by sector (bn. USD)

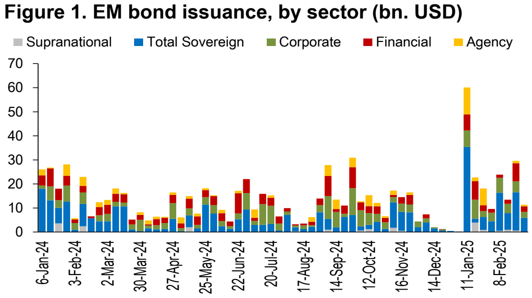
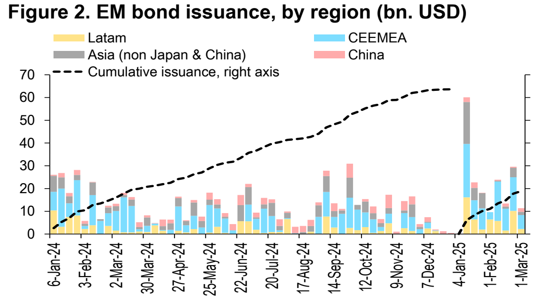


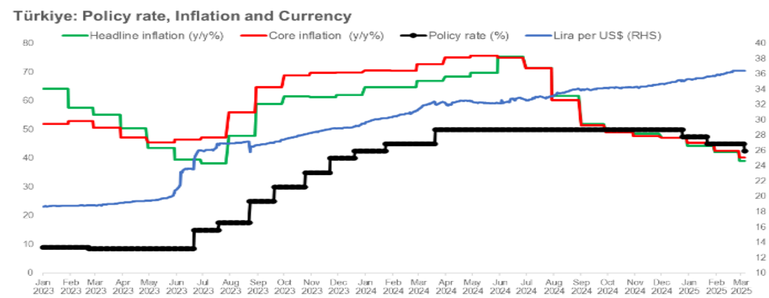
Figure 2. EM bond issuance, by region (bn. USD)



Sources: Bond Radar, and IMF staff calculations.

Türkiye

The central bank of Türkiye cut its policy rate by 250 bps to 42.5%, as expected. This marks the third consecutive 250 bp rate cut after the central bank started its easing cycle in December 2024. While some analysts had expected a larger rate cut given the downside surprise in the February inflation print (39.1%y/y versus 39.9% expected, 42.1% previously), Bloomberg analysts argued that FX-related developments could result in only gradual rate cuts. They believe that the recent increase in foreign-currency denominated deposits likely contributed to the lira's recent depreciation, with the currency weakening despite central bank intervention (estimated at roughly $9 bn over the past two weeks). However, Deutsche Bank analysts do not see the recent increase in local FX demand as a structural shift against the lira, and instead attribute the recent increase to temporary seasonal factors. They did however, caution that the short-term nature of local investors' positioning in lira could mean that residents' demand for FX increases as the policy rate eases. The Turkish lira is now roughly 1.3% weaker against the dollar than at the start of February.



Source: Bloomberg and IMF calculations

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.

Global Financial Indicators

3/6/25 8:56 AM	Level Last 12m	Level Latest	Change 1 Day	Change 7 Days	Change 30 Days	Change 12 M	YTD
Equities			%				%
United States		5,800	1.1	-1.1	-4.7	13.6	-1
Europe		5,483	-0.1	0.2	2.4	11.5	12
Japan		37,705	0.8	-1.4	-2.8	-4.8	-5
China		3,956	1.4	-0.3	1.6	12.1	1
Asia Ex Japan		76	3.2	-0.2	3.8	13.3	5
Emerging Markets		44	3.0	-0.4	2.9	9.5	6
Interest Rates			basis points				
US 10y Yield		4.3	1	3	-14	19	-28
Germany 10y Yield		2.9	6	44	48	53	49
Japan 10y Yield		1.5	9	14	26	82	44
UK 10y Yield		4.7	2	19	22	71	13
Credit Spreads			basis points				
US Investment Grade		122	2	2	5	-7	2
US High Yield		341	7	11	39	-25	13
Exchange Rates			%				
USD/Majors		104.0	-0.3	-3.0	-3.4	0.6	-4
EUR/USD		1.08	0.4	4.1	4.3	-0.7	5
USD/JPY		147.4	-1.0	-1.6	-2.6	-1.3	-6
EM/USD		44.7	0.1	1.2	2.0	-4.4	4
Commodities			%				
Brent Crude Oil ($/barrel)		69.5	0.2	-5.6	-5.9	-8.9	-6
Industrials Metals (index)		151.4	0.7	2.9	3.8	9.2	8
Agriculture (index)		57.5	-0.2	-2.2	-5.7	-0.6	1
Implied Volatility			%				
VIX Index (%, change in pp)		23.5	1.5	2.3	8.0	9.0	6.1
Global FX Volatility		8.7	0.0	0.5	0.1	2.0	-0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		83	3	-1	-1	-20	-3
Italy		114	3	0	7	-19	-2
France		72	2	-1	0	26	-11
Spain		63	2	-1	2	-20	-7

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

Emerging Market Financial Indicators

Last updated: 3/6/2025 8:14 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	-0.2	0.5	0.5	-0.7	0.7		1.8	-1	-3	13	-60	8
Indonesia		16330	-0.1	0.7	0.0	-3.9	-1.4		6.8	-2	-2	-11	13	-23
India		87	-0.2	0.1	0.5	-4.9	-1.7		6.8	-9	-26	-33	-40	-55
Philippines		57	0.0	1.0	1.5	-2.5	0.9		5.1	0	0	6	-31	26
Thailand		34	-0.3	0.5	0.1	5.8	1.0		2.3	-1	0	-10	-33	-7
Malaysia		4.43	0.1	0.4	0.2	6.9	1.1		3.8	-1	-2	-4	-8	-5
Argentina		1064	0.0	-0.2	-0.9	-20.5	-3.1		29.4	37	169	207	-4068	23
Brazil		5.75	0.1	1.4	0.2	-14.0	7.4		15.1	-24	9	8	484	-85
Chile		929	0.2	2.6	3.7	6.0	7.1		5.7	2	0	-5	24	6
Colombia		4108	0.1	0.6	0.7	-4.6	7.2		11.4	-1	-3	6	157	-39
Mexico		20.39	0.1	0.5	0.3	-17.2	2.1		9.5	-9	-3	-34	24	-80
Peru		3.7	0.5	0.3	1.8	2.6	2.5		6.5	2	15	-14	-44	-14
Uruguay		42	0.3	0.1	2.4	-8.2	3.7		9.7	0	-1	-1	71	4
Hungary		371	-0.6	3.8	5.0	-2.6	7.1		6.6	12	14	24	52	16
Poland		3.87	-0.5	3.5	4.3	2.0	6.7		5.6	7	5	2	51	0
Romania		4.6	0.0	3.8	4.0	-1.1	4.2		7.3	6	17	0	99	6
Russia		89.2	1.3	-1.6	8.6	1.8	27.3							
South Africa		18.3	0.2	0.9	0.8	2.9	3.0		10.6	0	2	2	-100	10
Türkiye		36.42	0.0	0.0	-1.5	-12.8	-2.9		28.1	-6	-9	-12	-271	-156
US (DXY; 5y UST)		104	-0.1	-2.9	-3.3	0.8	-4.0		4.04	-4	-3	-24	-8	-34

	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		3,956	1.4	-0.3	1.6	12.1	0.5		95	-3	-2	-59	-1
Indonesia		6,618	1.3	2.0	-1.8	-10.3	-6.5		100	-8	1	-12	9
India		74,340	0.8	-0.4	-4.5	0.3	-4.9		99	4	2	-10	13
Philippines		6,220	1.6	1.6	1.1	-9.0	-4.7		92	-10	0	-3	13
Thailand		1,190	-1.4	-2.2	-7.2	-13.3	-15.0						
Malaysia		1,559	-0.4	-1.7	-2.0	1.5	-5.1		78	2	5	-8	8
Argentina		2,290,050	3.8	-2.5	-8.5	129.1	-9.6		720	-33	58	-899	83
Brazil		123,047	0.2	-2.3	-2.5	-4.5	2.3		230	0	10	12	-17
Chile		7,323	0.3	-0.9	0.3	15.4	9.1		119	-6	-6	-13	6
Colombia		1,589	1.6	-2.4	4.2	21.6	15.2		322	-5	-6	14	-4
Mexico		52,709	0.6	-1.1	0.1	-4.7	6.5		312	3	3	-15	0
Peru		28,887	0.5	0.8	-2.3	0.9	-0.3		139	-6	-7	-6	-2
Hungary		87,510	-0.6	-0.5	0.6	32.6	10.3		149	-5	-9	-12	-6
Poland		92,832	0.8	0.5	5.0	15.0	16.7		113	-8	-4	11	1
Romania		17,450	0.5	-1.5	1.8	7.5	4.4		250	-3	-1	46	14
South Africa		88,587	1.0	1.4	1.6	20.4	5.3		312	1	7	-44	19
Türkiye		10,194	0.1	4.7	3.6	16.6	3.7		275	-5	15	-74	16
EM total		44	0.8	-0.4	2.9	9.5	6.4		365	-9	11	45	1

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

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