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- **Long-dated Japanese government bond yields reach multi-decade high amid volatility** ([link](#))
- **New York Fed plans to enhance Standing Repo Facility with early settlement auctions** ([link](#))
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- **Romanian leu rebounds versus euro after intervention supports the currency** ([link](#))
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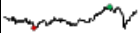
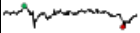








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## US-China Tariff Truce Boosts US dollar and Risk Assets

**An agreement to lower mutual tariffs—albeit temporarily—between the US and China boosted global risk sentiment.** Asian and European equities rose, and S&P 500 futures gained 3% ahead of the open, following weekend talks in Geneva where US Treasury Secretary Bessent and China’s Vice Premier Lifeng agreed to a major mutual tariff cut. Under the deal, the US will lower recently introduced additional tariffs on Chinese goods from 145% to 30%, while China will reduce its tariffs on US goods from 125% to 10%, at least for the next 90 days. Today, the US dollar strengthened with the dollar index rising by 1%, and oil prices rose from recent lows by 4%. The Japanese yen weakened by almost 2% versus the US dollar. With markets in “risk on” mode, global sovereign yields increased almost across the board. The EURO STOXX index has now advanced to well above its pre-“liberation day” mark, and trades close to record highs. The US S&P 500 index and the Chinese CSI 300 index have returned to pre-April 2 levels but remain below peaks seen earlier this year.

Key Global Financial Indicators

Last updated: 5/12/25 8:10 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5660	-0.1	0	6	8	-4
Eurostoxx 50		5392	1.5	2	13	6	10
Nikkei 225		37644	0.4	3	12	-1	-6
MSCI EM		45	0.7	0	8	6	7
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.45	7.3	11	-4	-5	-12
Germany 10y Yield		2.63	7.0	12	6	12	27
EMBIG Sovereign Spread		345	1	-11	-47	-25	20
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.3	-0.1	0	2	-3	6
Dollar index, (+) = \$ appreciation		101.6	1.3	2	2	-3	-6
Brent Crude Oil (\$/barrel)		66.4	3.8	10	2	-20	-11
VIX Index (% change in pp)		20.2	-1.7	-3	-17	8	3

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

**A data-heavy docket will greet market participants this week amid continued tariff news**, including potential details from the weekend's reportedly productive US-China trade talks. In the US, market participants will be attentive to CPI, PPI, and retail sales data, as well as the University of Michigan's preliminary May consumer sentiment survey. Meanwhile, earnings from Walmart on Thursday will be taken as a bellwether for the strength of the US consumer and the resilience of corporates. Outside the US, economic data will also include GDP releases for several jurisdictions, including the Eurozone and Japan, employment figures for the UK and Australia, and CPI data for India and Argentina. In central bank developments, the Bank of Mexico will hold its rate decision on Thursday, while numerous policymakers from the Fed, ECB, BoJ, and BoE will also feature this week.

## Mature Markets

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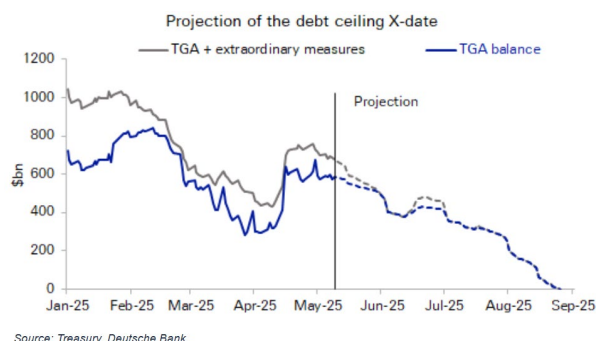
### United States

**New York Fed set to enhance Standing Repo Facility tool.** In a speech at the Federal Reserve's Short-Term Funding Markets Conference, SOMA Manager Roberto Perli signaled that the New York Fed plans to make early settlement auctions for its Standing Repo Facility (SRF) a permanent feature of the tool. Feedback from market participants to the Fed suggested that a morning timing for the facility would increase the likelihood of its use when economically convenient, as well as lower the hurdle rate that dealers consider when evaluating its use over other repo alternatives. Analysts generally note that the morning feature would go a long way in improving its effectiveness, with Wells Fargo believing that reforms to the facility will reduce "tail risks" for the fed funds and SOFR markets. However, JPMorgan notes that other operational tweaks, such as central clearing and an expansion of the eligible counterparty list, are yet to be addressed. They also highlight that the Fed will still need to tackle the stigma problem, though that might be overcome by various options, including mandating periodic usage of the SRF and/or incorporating the facility into liquidity regulations. Additionally, the Fed may need to better communicate the SRF's role as a monetary policy tool and not just a lender-of-last-resort facility such as the Discount Window.

**New York Fed to Add Regular Early Standing Repo Operation**



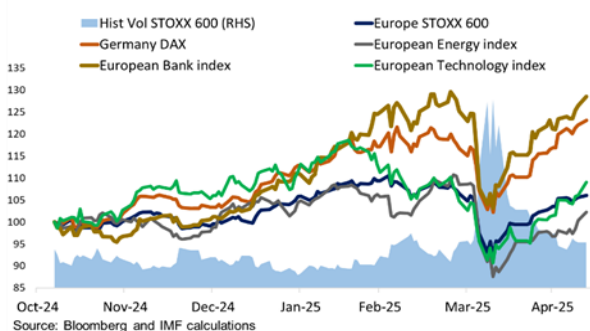
**The Treasury estimates it will run out of borrowing capacity under the debt ceiling by August**, with reasonable probability. In a letter to the US Congress on Friday afternoon, Treasury Secretary Scott Bessent provided an update that the debt ceiling X-date—the date when the US will exhaust its legal borrowing capacity—is expected to fall sometime in August, while Congress is in recess. Deutsche Bank analysts project that Treasury's \$95 billion in extraordinary measures, which are accounting maneuvers to extend fiscal capacity, and \$596 billion in cash kept in the TGA as of May 7, will run out in the second half of August. Other analysts, such as those at Morgan Stanley, believe there are risks to the date being later, possibly until early October, because of tariff revenue, the resumption of previously halted federal student loan collections, and fresh extraordinary measures that may be unlocked on September 30. Regardless of the x-date timing, contacts largely expect that the US Congress, particularly Congressional Republicans, will sort out the budget reconciliation process that will incorporate a debt ceiling passage before the August deadline, with late July as the actual working deadline.



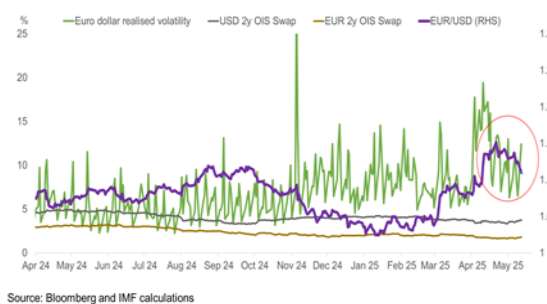
## Europe

**European equities surged, mirroring gains in US equity-index futures and Asian stocks, after the announcement this morning of a US-China temporary trade deal to cut tariffs.** The Stoxx 600 index rose by +1%, led by gains in the consumer discretionary goods (+4%), information technology (+3.5%) and materials (+2.5%) sectors, with the energy sector (+2.8%) boosted by higher oil prices (Brent +2.9%). All major European bourses traded higher today, with France (CAC40 +1.5%) and Italy (FTSE MIB +1.6%) outperforming. The euro dropped (-1.4%) against the dollar this morning, trading at \$1.1092/€, as the dollar strengthened against all G10 currencies on the back of the US-China deal and scaled back expectations of rate cuts from the Fed through 2025 ahead of tomorrow's US CPI data.

European Stocks (Oct 2024= 100)

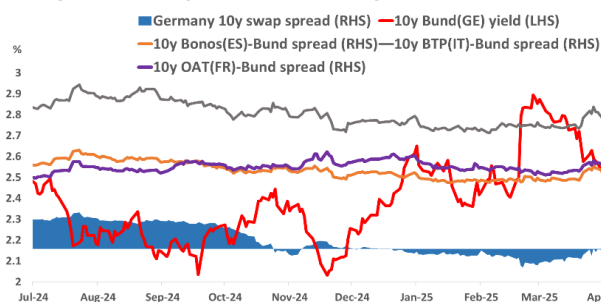


Euro-Dollar exchange rate and Volatility

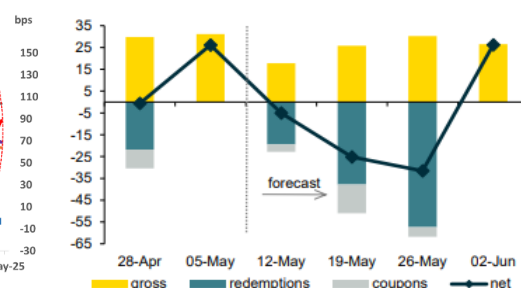


**ECB Executive Board member Schnabel said Saturday that while inflation may fall below 2% in the Eurozone in the short-term, upward risks remain in the medium-term.** This would suggest that the ECB should keep a “steady hand” on interest rates near current levels since an “accommodative policy stance would be inappropriate.” Today, money markets have significantly scaled down bets of further policy easing by the ECB through 2025, pricing in -46bps of rate cuts by December against -61bps priced-in last Friday.

10y Bund-swap and Southern spreads

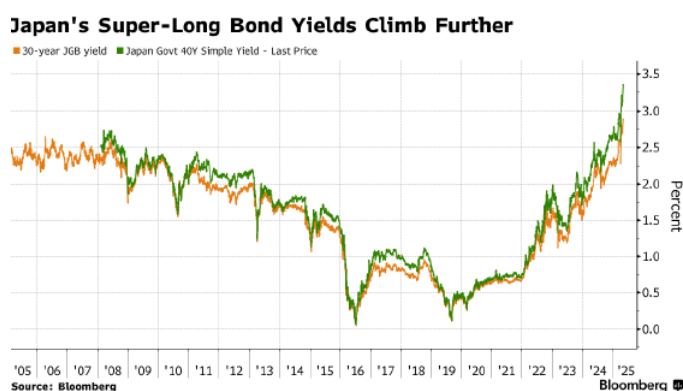


Expected EGB issuance and backflows over the coming weeks, in €bn



## Japan

**Long-dated Japanese government bond (JGB) yields reached a multi-decade high amid market volatility and a dearth of buyers.** Yield on the 30-year JGB reached 2.98%, its highest level since November 2000, having risen by about 20 bps since the beginning of May. Meanwhile, movements in short-dated JGBs have been relatively more modest as investors scaled back expectations for rate hikes by the Bank of Japan (BOJ); the yield on the two-year note rose 9 bps over the same period. Risk aversion and preference for safe-haven assets had spurred record foreign inflows into JGBs last month. Data from Japan's Securities Dealers Association showed that global investment funds purchased, on net, ¥2.18 tn (\$15.5 bn) of JGBs with original maturities of 10 years or longer. Across all tenors, net purchases by global funds totaled ¥6.03 tn, the second highest on record dating back to 2004. That said, the BOJ has slowed its JGB purchases while major Japanese life insurers have sought to reduce their JGB holdings, leading to a rise in yields. Data from the Securities Dealers Association showed that insurers sold a record ¥645.8 bn of super-long bonds in March.



## Emerging Markets

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**EMEA equities were mostly trading higher while currencies were mixed.** Equities in CEE were mostly trading in the green with Polish equities outperforming (+1.1%), while CEE currencies were mixed against the euro. Ukraine's sovereign dollar-denominated bonds were rallying in early morning trade amid peace-talk efforts. According to Bloomberg, Ukraine's 2035 dollar-denominated bond yield declined to 14.61% from 15.48% on Friday. Reflecting the more constructive tone, Turkish and South African equities were also trading higher (+3.1%) and (+1%) respectively. Meanwhile the lira was broadly flat against the dollar at \$38.76, while the South African rand was weaker (-0.3%) against a stronger dollar at 18.27/\$. Elsewhere Ghana's eurobond maturing 2035 gained 2.4% to 71.08 cents on the dollar according to Bloomberg data after S&P raised the country's credit rating from 'selective default' to CCC+.

**A temporary détente in US and China tariffs boosted Asian equities.** The Hong Kong Hang Seng index rose 3%, outperforming regional peers while the Japan yen shed 1.6% as risk aversion receded. The Korean won also underperformed (-1.5%) as trade data for the first 10 days in May confirmed a decline in exports. Elsewhere, an agreement for an immediate ceasefire over the weekend between India and Pakistan lifted stocks. The NSE Nifty 50 Index jumped as much as 3% in Mumbai, while Pakistan's KSE-100 rallied as much as 9.2%.

**Latin American equity markets closed mixed on Friday** as stocks declined in Mexico and Colombia (both -0.6%) but rose in Chile (+0.8%) and Brazil. Regional currencies strengthened, led by the Colombian peso (+0.7%), Mexican peso (+0.5%). The Chilean peso also advanced, supported by rising CMX copper prices, while Brazil's real gained modestly.

## China

**Chinese equities rose following US-China agreement to slash “reciprocal” tariffs.** Under the agreement, the US will temporarily lower tariffs on Chinese imports by 115 ppt to 30%, down from the current rate of 145%, while China will reduce its 125% levies on American goods to 10% as both sides continue negotiations. Hong Kong's benchmark Hang Seng Index jumped more than 3% on the announcement; the mainland bourses had stopped trading for the day. Earlier in the day, amid optimism for a thawing in trade tension between the two economies, Chinese equities had erased losses sustained following the tariff announcements on April 2 with the onshore CSI 300 Index rising 1.2%. Meanwhile, in a sign that tariffs had weighed on cross-border e-commerce, the number of US-China all-cargo flights fell to 28 on May 7, compared to a daily average of 65.8 in April, according to data from VariFlight. Cross-border e-commerce accounted for 60–70% of air cargo volume before April; analysts expect some of the capacities to be reallocated to Southeast Asia and the Middle East.

### Chinese Stocks Gain on Trade Talk Progress



## Chile

**Chile's April inflation rate eased to 4.5%.** Last Thursday's print contributed to the decline of two-year breakeven rates, which are down by 8bps to 3.23% this month (orange line, left chart). Despite this, two-year swap rates have risen by 13bps to 4.58% (black line, left chart) as the Fed's hawkish stance limits dovish expectations for Chile's central bank. Goldman Sachs analysts expect 75bps worth of cuts to 4.25% in the second half of this year but considers that the timing depends on the Fed's actions. Market pricing suggests that inflation has already peaked and will return to the 4–2% target range by the first quarter next year (right chart).

### Breakevens Fall as Swaps Rise

Two-year breakevens at lowest since Dec. while Camara rates inch up



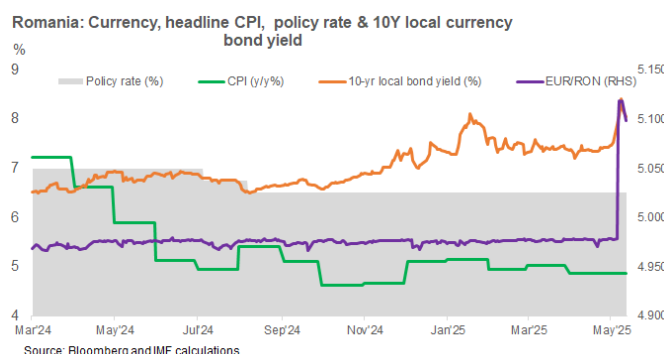
### Sharp Decline, Followed by Slow Glide to Target

Chilean inflation forwards price May drop



**The Romanian leu rebounds versus euro after central bank intervention supports the currency.** The Romanian leu was advancing against the euro (+0.6%) in early morning trade at RON5.0867/€, after losing around 3% last week following the collapse of the government. The central bank has intervened to support the currency after it weakened past RON5.12/€ last week. Yields on Romania's 10-year government bond yields were also lower, at 8.06%, having reached a peak of 8.5% last week. This morning, the finance ministry announced that it plans to raise €300m via the sale of 1-year T-bills on the domestic market tomorrow and is looking to raise €200m in euro-denominated bonds due in 2026 at a separate domestic auction on Thursday. Late last week, the finance ministry announced that it was planning on scaling back local debt sales following the recent back-up in yields on domestic political developments.





## EM Fund Flows

**Weekly inflows into EM bond and equity funds rose to +\$481mn (from +\$455mn) and +\$1.4bn (from +\$782mn), respectively, for the week ending May 9.** Hard currency bond fund inflows slowed to +\$115mn (from +\$310mn), while local currency fund inflows increased to +\$366mn (from +\$145mn), driven largely by EM ex-China (+\$361mn) and modest China inflows (+\$5mn). ETF bond flow sharply reversed to -\$388mn (from +\$573mn), while non-ETF flows rebounded to +\$869mn (from -\$188mn). Within equities, ETF inflows surged to +\$1.7bn (from +\$905mn), while non-ETF outflows deepened to -\$260mn (from -\$123mn). YTD, EM bond and equity flows stand at -\$10.6bn and -\$15.9bn, respectively.

Figure 1: Weekly cross-asset flows

USD billion

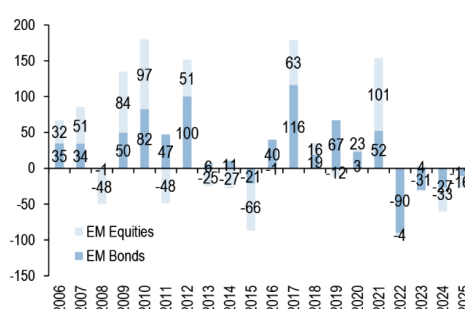
Asset	8w flows (8w ago → current)	This wk	YTD
<b>EM Bonds and Equities</b>		1.9	-26.5
<b>EM Bonds</b>		0.5	-10.6
Hard Ccy		0.1	-10.1
Local Ccy <sup>a</sup>		0.4	-0.6
o.w. EM ex-China		0.4	-2.1
o.w. China		0.0	-0.6
<b>EM Equities</b>		1.4	-15.9
US HG		0.2	28.2
US HY		1.1	1.4
Global Equities		-10.4	5.1
<b>EM Bond and Equity ETFs</b>		1.3	1.3
EM Bond ETFs		-0.4	-5.0
EM Equity ETFs		1.7	6.4
<b>Non-resident EM flows<sup>a</sup></b>		4.2	-50.1

<sup>a</sup>High-frequency non-resident EM portfolio flow data where available. <sup>a</sup>Local ccy split is retail only.

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

Figure 2: EM bond and equity fund flows






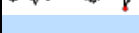


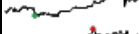
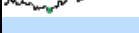






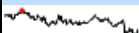




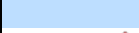
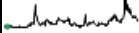
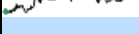
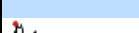

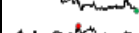
USD billion



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## Global Financial Indicators

5/12/25 8:10 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5,768	-0.1	2.1	7.5	10.4	-2
Europe		5,392	1.5	2.1	12.6	6.0	10
Japan		37,644	0.4	3.3	12.1	-1.4	-6
China		3,891	1.2	3.2	3.7	6.2	-1
Asia Ex Japan		76	0.6	-0.3	7.8	7.1	5
Emerging Markets		45	0.7	-0.2	7.6	5.7	7
<b>Interest Rates</b>			basis points				
US 10y Yield		4.5	7	11	-4	-5	-12
Germany 10y Yield		2.6	7	12	6	12	27
Japan 10y Yield		1.5	9	19	13	54	35
UK 10y Yield		4.6	8	14	-11	48	8
<b>Credit Spreads</b>			basis points				
US Investment Grade		139	-5	-9	-22	22	19
US High Yield		373	-23	-32	-87	31	44
<b>Exchange Rates</b>			%				
USD/Majors		101.6	1.3	1.8	1.5	-3.5	-6
EUR/USD		1.11	-1.3	-1.8	-2.1	2.9	7
USD/JPY		148.1	1.9	3.0	3.5	-5.2	-6
EM/USD		45.3	-0.1	-0.3	1.9	-3.0	6
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		66.4	3.8	10.2	3.7	-14.2	-9
Industrials Metals (index)		143.1	1.0	1.2	2.8	-9.5	2
Agriculture (index)		57.8	1.1	0.6	-1.5	-4.9	1
Gold (\$/ounce)		3221.4	-3.1	-3.4	0.3	37.9	23
Bitcoin (\$/coin)		103852.3	-0.4	7.3	21.5	69.5	11
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		20.2	-1.7	-3.5	-17.4	7.6	2.8
Global FX Volatility		9.3	0.1	-0.6	-1.7	2.3	0.1
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		79	-1	-4	-17	-25	-7
Italy		103	-2	-6	-22	-31	-13
France		69	-1	-3	-9	21	-14
Spain		63	-2	-2	-10	-16	-6

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

## Emerging Market Financial Indicators

Last updated: 5/12/2025 8:05 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		7.20	0.5	0.9	1.5	0.4	1.3		1.7	0	0	-2	-62	1
Indonesia		16515	-0.1	-0.5	2.1	-2.8	-2.5		6.8	0	-3	-33	-15	-25
India		85	0.4	-1.0	1.5	-2.2	0.3		6.8	0	14	-25	-65	-50
Philippines		55	0.2	0.2	3.3	3.4	4.3		5.0	0	-1	-11	-69	9
Thailand		33	-0.6	0.1	4.7	11.9	3.3		2.0	3	-3	-3	-88	-35
Malaysia		4.30	-0.4	-1.0	4.5	10.2	4.0		3.5	-8	-13	-22	-39	-28
Argentina		1128	-1.4	3.9	-4.6	-21.8	-8.6		29.4	-46	-348	-1421	-957	29
Brazil		5.65	0.2	0.1	3.0	-9.1	9.3		13.9	-8	-22	-87	272	-203
Chile		937	-0.1	1.2	4.6	-1.2	6.2		5.6	0	3	9	-28	-12
Colombia		4224	0.6	0.6	2.2	-7.7	4.3		11.9	4	-12	-22	123	8
Mexico		19.52	-0.4	0.9	2.9	-13.9	6.7		9.4	4	-1	-3	-38	-97
Peru		3.7	-0.5	-0.1	1.2	1.0	2.4		6.5	-1	-3	-11	-58	-8
Uruguay		42	0.2	0.5	3.3	-7.6	5.3		9.5	-7	-10	-10	35	-16
Hungary		365	-1.6	-2.4	-1.0	-1.8	8.8		6.6	0	5	-27	-22	14
Poland		3.82	-1.4	-1.1	-1.1	4.1	8.3		5.0	8	16	-3	-50	-63
Romania		4.6	-0.9	-4.1	-4.5	0.5	4.6		8.3	-11	88	96	176	104
Russia		80.9	1.9	-0.5	1.4	13.2	40.3							
South Africa		18.3	-0.5	-0.1	3.3	0.4	3.0		10.8	-2	-5	-42	-118	32
Türkiye		38.77	0.0	-0.5	-1.9	-16.7	-8.8		34.8	-1	40	75	635	509
US (DXY; 5y UST)		102	1.4	1.9	1.6	-3.4	-6.3		4.08	8	14	-8	-43	-30

	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		3,891	1.2	3.2	3.7	6.2	-1.1		116	-8	-2	-24	20	
Indonesia		6,833	0.0	0.3	7.3	-3.5	-3.5		110	-6	-45	9	19	
India		82,430	3.7	2.0	9.7	13.3	5.5		124	-5	-18	30	38	
Philippines		6,458	0.0	0.7	6.2	-2.2	-1.1		87	-6	-42	-3	8	
Thailand		1,211	0.0	1.1	7.3	-11.8	-13.5							
Malaysia		1,547	0.0	0.3	6.3	-3.5	-5.8		89	-6	-22	9	19	
Argentina		2,114,386	2.6	0.6	-6.0	50.2	-16.5		688	-21	-188	-580	51	
Brazil		136,512	0.2	1.0	6.9	7.0	13.5		225	-4	-13	13	-22	
Chile		8,233	0.9	2.4	10.8	24.0	22.7		120	-3	-14	4	7	
Colombia		1,645	-0.6	0.2	5.4	18.3	19.3		368	-11	4	78	42	
Mexico		56,551	-0.6	1.3	9.8	-2.0	14.2		318	-16	-25	24	6	
Peru		30,626	1.0	1.3	5.6	2.0	5.7		139	-3	-18	-1	-2	
Hungary		93,480	-0.6	0.5	10.0	35.1	17.8		159	-14	-45	7	4	
Poland		104,458	1.2	4.0	14.6	20.7	31.3		109	-2	-28	11	-3	
Romania		16,469	-0.1	-1.1	-3.4	-4.8	-1.5		314	25	6	131	79	
South Africa		92,258	0.4	0.2	6.8	17.6	9.7		331	-18	-65	5	38	
Türkiye		9,663	2.9	6.0	3.0	-5.4	-1.7		318	-18	-36	41	59	
EM total		45	2.4	-0.2	7.6	5.7	7.4		393	-13	-37	65	29	

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

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