



- **US headline CPI in line with expectations while core increases slightly more than expected** ([link](#))
- **Analysts point to sector divergence in US earnings and valuations amid tech concentration** ([link](#))
- **US consumer outlook diverges as fuel costs impact lower-income households** ([link](#))
- **Domestic political developments weigh on UK gilts and sterling** ([link](#))
- **Ten-year JGB yield hits its highest level since 1997 with strong demand in the latest auction** ([link](#))
- **Renminbi swap-line drawdowns at two-year highs** ([link](#))
- **Argentina's rating upgrade sparks bonds rally and opens a new issuance window** ([link](#))

[Mature Markets](#) | [Emerging Markets](#) | [Market Tables](#)

US Treasury Yields Drop on Headline CPI in Line with Expectations

Treasury yields fell following a US headline CPI release in line with expectations. The drop was slightly bigger at the short end, with the 2-year yield -3 bps lower immediately after the release and the Treasury yield curve bull steepening. Prior to the release, advanced economy sovereign bond yields had risen as the prospect for a ceasefire in the Middle East looked increasingly fragile, with oil prices gaining for the third straight day and Brent futures surpassing \$107 a barrel. Global equities retreated and the tech sector underperformed. US equity futures signaled an opening in the red, with the tech-heavy Nasdaq futures falling -0.9% after a rally in chipmakers pushed the index to back-to-back record highs yesterday. Across the pond, domestic political developments weighed on UK gilts and sterling. Gilt yields rose sharply across the curve in early morning trade on reports of increased pressure on PM Starmer to resign following large losses in last week's local elections. 30-year gilt yields rose as much as 12 bps to 5.79%, their highest level since 1998. Elsewhere, concerns of new taxes on AI profits hit Korean stocks (-3.4%) with the Korean won weakening for a fourth straight day amid speculation of continued foreign investors' equity selling.

Key Global Financial Indicators

Last updated: 5/12/26 8:10 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		7413	0.2	3	9	27	8
Eurostoxx 50		5838	-1.0	-1	-1	8	1
Nikkei 225		62743	0.5	6	11	64	25
MSCI EM		68	-0.1	6	12	48	24
Yields and Spreads			bps				
US 10y Yield		4.43	2.0	1	12	-4	27
Germany 10y Yield		3.10	5.6	3	4	45	24
EMBIG Sovereign Spread		235	-3	-7	-19	-111	-19
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.6	-0.2	0	1	5	2
Dollar index, (+) = \$ appreciation		98.3	0.3	0	0	-3	0
Brent Crude Oil (\$/barrel)		107.5	3.2	-2	13	66	77
VIX Index (% change in pp)		18.8	0.4	1	0	0	4

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

Key Global Inflation and Energy Indicators

Last updated: 5/12/26 8:04 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Oil and Gas							
Brent Crude Oil (\$/barrel)		108	3.2	-2	13	66	77
WTI Crude Oil (\$/barrel)		101	3.3	-1	5	64	77
Natural Gas (Netherlands TTF)		47	1	8	8	30	76
Breakeven Inflation		%	bps				
USD: 2Y		3.0	0.0	-3	15	27	74
USD: 5Y		2.8	0.2	1	16	25	42
USD: 5Y5Y		2.4	0	2	6	0	0
EUR: 2Y		3.0	7.2	-5	27	137	132
EUR: 5Y		2.5	6	0	20	70	71
EUR: 5Y5Y		2.2	2	0	4	8	10

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

Mature Markets

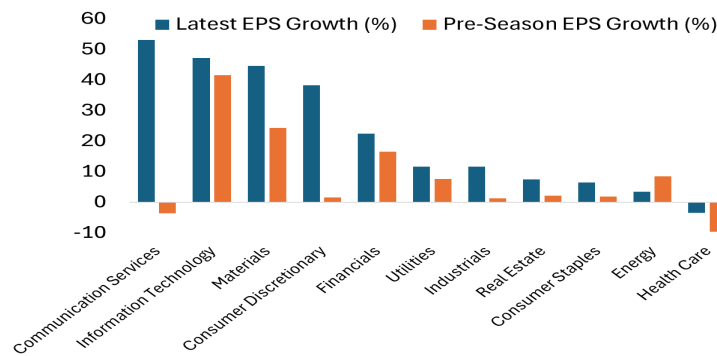
[back to top](#)

United States

This morning, **US headline CPI rose in line with expectations while core increased slightly more than expected.** Headline CPI increased 0.6% m/m in April (vs. +0.6% exp. and +0.9% prior), marking a second consecutive strong reading and bringing the year-over-year rate to 3.8% (exp. 3.7%). Core CPI increased 0.4% (0.2% prior), lifting the annual rate to 2.8%, in both cases slightly above expectations. According to analysts, the outturn reflected another rise in gasoline prices (+7% m/m) following March’s sharp increase, alongside higher airfares, partly offset by declines in other travel-related and discretionary categories. Treasury yields fell following a US headline CPI release in line with expectations. The drop was slightly bigger at the short end, with the 2-year yield -3 bps lower immediately after the release and the Treasury yield curve bull steepening.

Analysts point to sector divergence in earnings and valuations amid tech concentration. Recent market performance continues to reflect a divergence across sectors, with technology underpinning index-level gains while energy lags, according to Bloomberg. Energy stocks have declined by around 5% over the past month, reflecting earnings outcomes that fell short of pre-season expectations, with first-quarter EPS growth of about 3.5%. At the same time, valuations have compressed, with the sector trading at around 13.5 times forward earnings, compared with close to 21 for the S&P 500. By contrast, analysts noted that a narrow group of technology-related firms continues to account for a disproportionate share of earnings growth, reflecting ongoing strength in AI-linked investment.

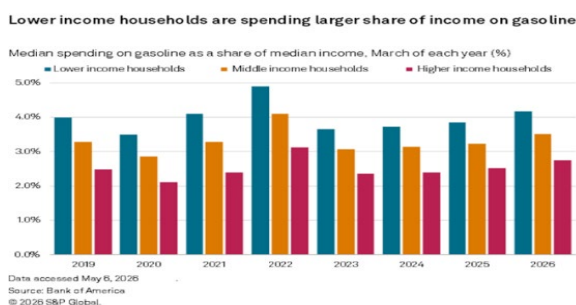
S&P 500 sectors, 1Q26 EPS growth (%)



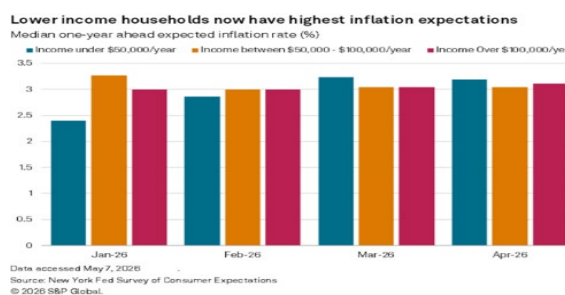
Source: Bloomberg Intelligence

The US consumer outlook diverges as fuel costs are weighing on lower-income households. Rising US gasoline prices are weighing more heavily on lower-income households, according to analysts at S&P Global Market Intelligence. Bank of America data indicated that lower-income households are allocating a rising share of income to fuel, with the median household in the bottom income third spending 4.2% on gasoline in March, up from 3.9% a year earlier. By contrast, higher-income households spent 2.7%, up from 2.5% (left chart). Analysts say higher-income households remain more insulated, supported by stronger wage gains and asset wealth. At the same time, analysts note that energy-driven cost pressures are being absorbed unevenly across households, with lower-income households reporting relatively higher near-term expectations in recent months (right chart).

Median gasoline spending as a share of income, by income group



Median one-year-ahead inflation expectations, by income group



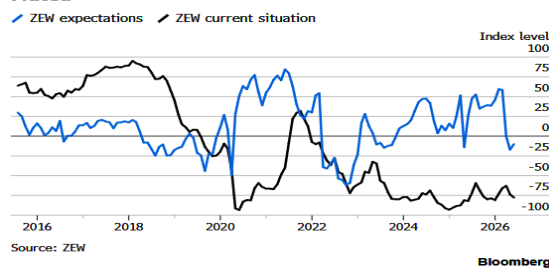
Euro area

European equities were trading lower in early morning trade on geopolitical developments. The Stoxx 600 index was lower (-0.8%), with the banking sector index underperforming (-1.8%) and regional bourses also in the red.

Germany’s ZEW survey of expectations surprised to the upside.

The May reading for the ZEW survey of expectations rose to -10.2 from -17.2 in April, and beat consensus expectations of a decline to -19.5. The ZEW current conditions index fell to -77.8 from -73.7 in April and printed slightly better than estimates of -78.0. The statement accompanying the data release pointed to cautious investor optimism of a resolution to the Middle East conflict as well as expectations of Germany’s fiscal stimulus measures having a positive impact on growth. Despite the better-than-expected data, euro area government bond yields were higher across the curve reflecting geopolitical developments and higher oil prices. The 2-year bund yield rose +6 bps to 2.71% and the 10-year bund yield was +5 bps higher at 3.01%. Money markets scaled up ECB rate hike expectations with around +75 bps of tightening priced by December, up from +70 bps yesterday. Meanwhile the euro was trading weaker (-0.3%) to a broadly firmer dollar at \$1.1747.

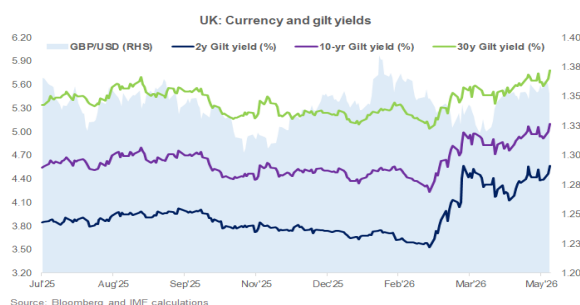
German Investor Confidence Improves, But Stays Muted



United Kingdom

Domestic political developments are weighing on UK gilts and sterling. Gilt yields rose sharply across the curve in early morning trade on reports of increased pressure on PM Starmer to resign following large losses in last week’s local elections. 30-year gilt yields climbed as much as 12 bps to 5.79%, to reach the highest level since 1998 according to Bloomberg data. The pound weakened (-0.7%), underperforming against all major G-10 currencies this week. Elsewhere, UK bank stocks were also trading lower with shares in Barclays (-3.7%), NatWest (-3.6%) and Lloyds (-3.0%) suffering the largest declines in the FTSE100 as

markets assess the potential impact of higher yields, a weaker growth outlook and the potential for an increase in the banking surcharge on the sector. Meanwhile, money markets scaled up BOE rate hike expectations, pricing in around +70 bps of hikes by December, up from around +67 bps of tightening priced yesterday.

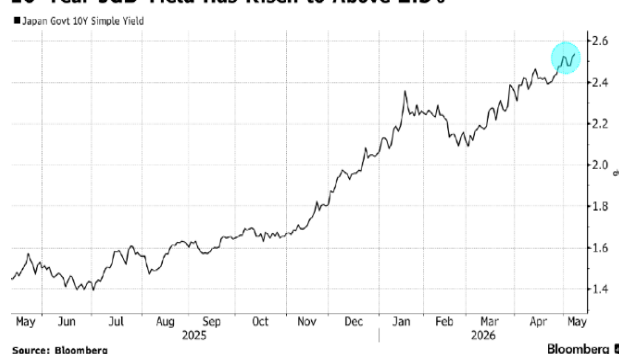


Japan

Multi-decade highs JGB yields attracted strong auction demand. The 10-year JGB auction drew the strongest demand since last September and was above recent norms. The bid-to-cover, or total bids/amount sold was 3.9 vs 2.57 at the prior sale and a 12-month average of 3.23. The 10-year yield rose (+3.6 bps to 2.55%), to the highest level since 1997, amid broader global rates rising and the ongoing focus on BoJ normalization. **The BoJ's April meeting summary of opinions released this week reinforced the possibility of a June hike,**

with several members emphasizing vigilance on upside inflation risks from the Middle East conflict. US Treasury Secretary Scott Bessent's visit also kept attention on policy normalization, with analysts noting that any public encouragement for earlier BoJ hikes could push JGB yields higher. In FX, the yen weakened (JPY: -0.3%) as the dollar firmed on higher oil prices. FM Katayama said that Japan and the US are coordinating closely on FX policy, keeping intervention as an option to address excessive yen volatility.

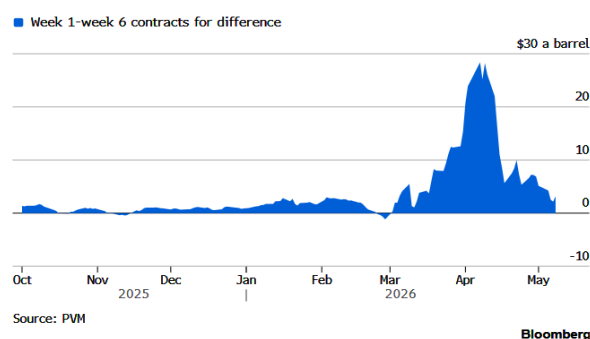
10-Year JGB Yield Has Risen to Above 2.5%



Commodities

Oil prices rose for the third straight day, with Brent futures surpassing \$107 a barrel as the prospect for a ceasefire in the Middle East looked increasingly fragile. Despite this, oil market premiums have dropped while the gold-oil correlation remains negative. Oil market premiums have eased in recent weeks as buyers pull back despite ongoing disruptions linked to the Strait of Hormuz, according to analysts at Bloomberg. Premiums for key North Sea grades used to price Dated Brent have fallen by as much as 90% over the past month, with some prompt cargoes trading near (or slightly below) benchmark levels. This has been reflected in the futures curve, with Brent's backwardation narrowing. However, traders caution that current conditions may not be sustained, with the market relying on temporary buffers. Demand indicators have softened somewhat, as refiners adjust run rates, draw down inventories, and diversify supply. As inventories decline and refinery activity normalizes, analysts warn that upward pressure on physical premiums could re-emerge. Across assets, correlations have also shifted, with gold's short-term relationship with oil remaining strongly negative at around -0.8, while spot prices continue to hover around technical resistance levels according to Bloomberg.

Brent prompt spreads (week 1–6 CFDs)



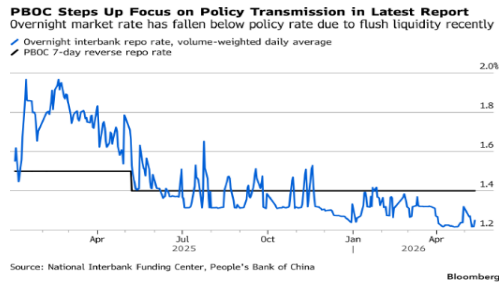
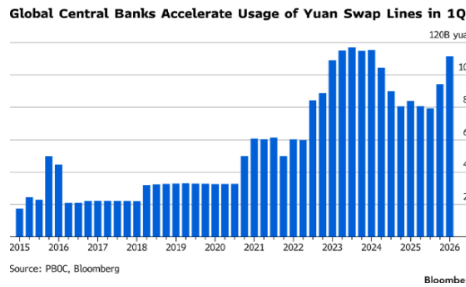
Emerging Markets

[back to top](#)

In **Asia**, currencies mostly weakened, with the **Indonesian rupiah** (-0.7%) underperforming, hitting a record low amid concerns that higher energy costs could worsen the inflation outlook, fiscal balance, and fuel-supply risks. Equities declined (EM Asia: -1.3%) while **Philippine bond yields** jumped (1-year/10-year: +12 bps/+17 bps to 5.57%/7.39%, respectively) on inflation concerns and as a deepening peso sell-off sapped investor sentiment, with demand at 13-year low at a 5-year government bond auction. In **EMEA**, equities and currencies traded mostly lower this morning on fading hopes for a US-Iran peace deal in the near term. In CEE, equities underperformed in Poland (-1.2%) where the zloty weakened (-0.1%) to the euro. The Hungarian forint also depreciated to the euro (-0.2%) while other CEE currencies were little changed. In **South Africa**, the rand weakened (-0.5%) and equities dropped (-1.8%), weighed down by precious-metals and mining shares as gold prices fell -0.8%. Bloomberg noted that internal political challenges to President Ramaphosa are pressuring domestic government bond yields that sold today about +8 bps across the curve. Looking forward, Bank of America expects inflation, that printed at 3.1% y/y in March, to rise steadily driven by fuel prices to reach 4.7% in February 2027, pushing the South African central bank to raise the policy repo rate to 7.25% in two hikes. Elsewhere, equities traded in the red in the Gulf region, underperforming in Abu Dhabi (-1.1%). In **Latam**, currencies were mixed yesterday, with the Chilean and Colombian peso underperforming. In Brazil, where analysts have raised their 2027-end policy rate estimates on the back of persistent inflation, the real was flat. Regional equities mostly traded lower, with Argentine stocks bucking the trend (+2.3%).

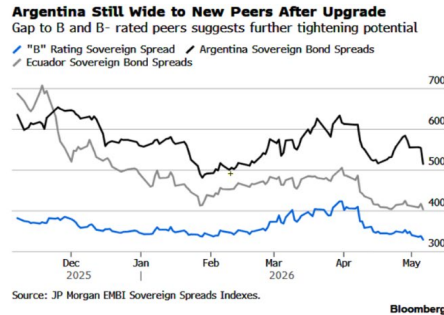
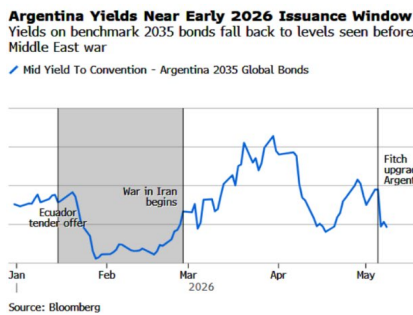
China

Renminbi swap-line drawdowns reached a two-year high. Global central banks' drawdowns on the People's Bank of China (PBoC) renminbi swap lines rose to 111.6bn yuan (\$16.4bn) in 2026 Q1, a two-year high, consistent with stronger demand for RMB liquidity to support trade and investment settlement amid geopolitical stress and higher dollar funding costs. The PBoC flagged risks of imported inflation from higher oil and commodity prices linked to the Middle East conflict, while reiterating a "moderately loose" stance but emphasizing improving transmission of low financing costs rather than additional broad easing. Meanwhile, the PBoC's Q1 monetary policy report explicitly highlighted guiding overnight money-market rates to operate near the policy rate as a key operating target, and noted shortcomings in bond-market pricing efficiency and risk management; Local analysts interpreted the messaging as a warning against excessive bond-market leverage and a signal that the PBoC may use liquidity operations and government-bond transactions to lean against disorderly moves.



Argentina

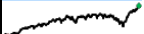
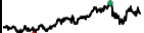


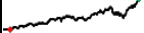
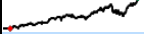










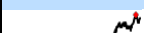




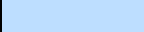


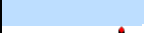
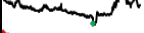

Argentina’s window to tap international debt markets is reopening as yields decline. Sovereign bonds have rallied following a rating upgrade by Fitch Rating (from CCC+ to B-) last week, with the agency citing confidence in the government’s ability to secure funding as one of the reasons for the upgrade. Yields have pulled back to the levels seen during the perceived issuance window in early-2026 (left chart). Market reports indicate that investors now view the current conditions as another window of opportunity for Argentina to secure additional funding before the 2027 election related uncertainties start to cloud the markets. The country faces about \$15 bn in payments in foreign-currency bonds in 2027. That said, the government might want to hold off until the spreads compress further towards those of similarly rated peers (right chart).



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), 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 Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff’s interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

Last updated: 5/12/26 8:10 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,373	0.2	1.6	8.2	26.2	8
Europe		5,838	-1.0	-0.5	-1.5	8.3	1
Japan		62,743	0.5	5.8	11.0	64.3	25
China		4,948	-0.1	2.9	6.5	27.0	7
Asia Ex Japan		118	0.1	6.5	14.6	50.6	26
Emerging Markets		68	-0.1	5.9	12.1	48.0	24
Interest Rates			basis points				
US 10y Yield		4.4	2	1	12	-4	27
Germany 10y Yield		3.1	6	3	4	45	24
Japan 10y Yield		2.6	4	4	12	110	49
UK 10y Yield		5.1	12	6	29	48	64
Credit Spreads			basis points				
US Investment Grade		112	1	-2	-8	-25	4
US High Yield		320	1	-3	-19	-42	-16
Exchange Rates			%				
USD/Majors		98.3	0.3	-0.2	-0.4	-3.5	0
EUR/USD		1.17	-0.4	0.4	-0.2	5.9	0
USD/JPY		157.6	0.2	-0.2	-1.2	6.1	1
EM/USD		47.6	-0.2	0.4	0.6	5.1	2
Commodities			%				
Brent Crude Oil (\$/barrel)		107.5	3.2	-2.1	19.1	67.0	79
Industrials Metals (index)		184.8	-0.1	3.0	6.4	30.0	13
Agriculture (index)		59.8	0.5	0.3	7.2	4.4	12
Gold (\$/ounce)		4700.1	-0.8	3.1	-0.8	45.2	9
Bitcoin (\$/coin)		80744.8	-1.3	1.1	13.2	-21.4	-8
Implied Volatility			%				
VIX Index (% change in pp)		18.8	0.4	1.4	-0.5	0.4	3.8
Global FX Volatility		6.7	0.0	-0.3	-0.8	-1.9	-0.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		72	2	-3	-3	-6	13
Italy		76	2	-4	-3	-27	6
France		64	2	-1	-1	-4	-7
Spain		43	1	-2	-3	-20	-1

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

Emerging Market Financial Indicators

5/12/2026 8:02 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (In %)					YTD	Level		Change (In basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M	YTD	
	vs. USD		(+)= EM appreciation						% p.a.						
China		6.79	0.0	0.5	0.5	6.1	2.9		1.8	-1	1	-2	14	-9	
Korea*		1489	-1.1	-1.4	-0.4	-4.6	-3.0		3.9	3	3	27	130	57	
Indonesia		17529	-0.7	-0.6	-2.4	-5.3	-4.8		6.6	2	-10	10	-14	59	
India		96	-0.3	-0.4	-2.4	-10.7	-6.0		8.0	3	9	37	116	92	
Philippines		61	-0.6	0.2	-2.1	-9.7	-4.1		5.9	2	0	45	96	123	
Thailand		32	-0.4	0.5	-1.0	3.1	-2.8		2.3	0	-2	7	26	51	
Malaysia		3.93	-0.3	0.7	1.1	9.3	3.2		3.6	2	0	-1	3	8	
Argentina		1393	0.3	0.6	-2.7	-18.8	4.2		0.0	0	0	0	-2945	-3237	
Brazil		4.90	-0.2	0.2	1.9	15.8	12.1		13.9	16	-11	33	-2	31	
Chile		897	-0.8	1.6	-0.5	5.5	0.4		5.4	-1	-8	9	-14	12	
Colombia		3755	-0.4	-0.8	-4.4	12.6	0.5		13.9	-4	25	73	205	108	
Mexico		17.24	-0.3	0.8	0.4	13.9	4.5		9.1	10	-6	14	-23	17	
Peru		3.4	0.2	2.3	-1.6	6.7	-1.9		6.7	1	-3	#VALUE!	31	93	
Uruguay		40	0.0	1.1	1.2	5.1	-1.5		7.4	0	-7	-9	-208	-11	
Hungary		304	-0.6	1.7	1.6	20.1	7.6		5.7	7	-23	-82	-87	-84	
Poland		3.62	-0.6	0.4	-0.2	5.8	-0.8		5.2	11	-8	28	26	66	
Romania		4.4	-0.3	1.0	-2.4	3.8	-2.3		6.7	-1	-36	-1	-160	3	
Russia		73.9	0.0	2.4	3.0	9.6	6.6								
South Africa		16.5	-0.5	1.0	-0.6	10.6	0.3		9.0	7	-3	27	-179	41	
Türkiye		45.40	-0.1	-0.4	-1.6	-14.6	-5.4		34.3	27	-10	122	-48	471	
US (DXY; 5y UST)		98	0.3	-0.2	-0.4	-3.5	-0.1		4.09	2	1	15	-2	37	

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD		
									basis points						
China		4,948	-0.1	2.9	6.7	27.2	6.9		86	-5	-6	-30	11		
Korea*		7,643	-2.3	10.2	30.5	193.1	81.4		24	-4	-6	-5	3		
Indonesia		6,859	-0.7	-2.8	-8.0	0.4	-20.7		92	-5	-12	-18	6		
India		74,559	-0.7	-3.2	-3.9	-9.5	-12.5		78	-10	-14	-46	-12		
Philippines		5,972	-0.2	1.3	-2.1	-7.5	-1.3		82	-1	-7	-5	7		
Thailand		1,484	-0.4	-0.4	-1.5	22.5	17.8								
Malaysia		1,751	0.3	0.2	3.5	13.2	4.2		46	-3	-11	-43	-13		
Argentina		2,833,120	2.3	2.4	-5.5	27.0	-7.2		505	-59	-54	-183	-64		
Brazil		181,909	-1.2	-2.0	-7.8	33.2	12.9		176	-2	-19	-49	-27		
Chile		10,702	-0.5	-0.1	-3.4	28.5	2.1		87	0	-8	-33	-4		
Colombia		2,109	-0.6	-2.9	-8.4	27.4	2.0		251	6	-8	-117	-26		
Mexico		70,246	0.6	4.4	0.3	23.7	9.2		194	-5	-16	-124	-23		
Peru		3,254	-0.1	5.7	-3.2	79.7	25.9		94	1	-6	-45	-15		
Hungary		133,472	-0.6	-1.8	0.4	42.4	20.2		108	-2	-23	-51	-31		
Poland		130,415	-1.0	0.3	-0.7	26.0	11.2		90	1	-2	-19	-1		
Romania		30,171	0.5	5.7	5.9	83.3	23.5		192	-1	21	-122	16		
South Africa		116,111	-2.0	1.0	-2.4	26.0	0.2		227	-6	-8	-104	9		
Türkiye		14,980	-1.0	3.3	6.4	53.7	33.0		258	-10	-5	-60	24		
EM total		68	-2.5	5.9	12.1	48.0	24.1		249	-8	-18	-144	-22		

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

*Not an EM Under IMF Classification.

[back to top](#)