



- Onshore and offshore yuan both strengthen to fixing levels after “trade truce” ([link](#))
- “Sell America” trade fades, though risks remain for reemergence of “Buy America” ([link](#))
- Markets turn their attention towards fiscal implications of US budget process ([link](#))
- European corporate bond issuance picks up as sentiment improves ([link](#))
- Japanese yen rebounded after overnight plunge on tariff relief ([link](#))
- Fitch upgrades Argentina to CCC+ on policy shifts and FX reform ([link](#))

[Mature Markets](#)


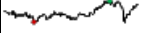

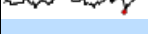


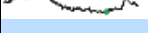



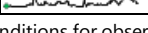
[Emerging Markets](#)

[Market Tables](#)

Tariff Truce Rally Eases, but Softer US CPI Print Offers Fresh Support

Yesterday saw a significant relief rally in risk assets as this weekend’s 90-day US-China “tariff truce” came with a greater-than-expected reduction in tariffs. Yesterday’s rally appeared to have run its course earlier today, reflected in muted European market activity, but market sentiment may receive a boost from today’s lower than expected US CPI print for April. This is the third consecutive print coming in below expectations (2.3% y/y versus 2.4% expected). S&P 500 futures ticked up slightly (+0.15%) after the release. Longer-term focus is shifting towards the US Congress’s budget process, whereby upside risks are seen for US term premiums. The “tariff truce” relief rally was more muted in Chinese equities, compared to its US and European peers, as some market participants consider that Chinese policymakers may have less incentive to push through with higher fiscal spending or more stimulus, even though US import duties remain elevated. The People’s Bank of China (PBoC) set its CNY fixing stronger, just below 7.2 versus the US dollar for the first time since April 7. By contrast, the Japanese yen depreciated significantly yesterday (-2% versus the US dollar) on the back of reverse-safe-haven flows, although it recovered somewhat today.

Key Global Financial Indicators

Last updated: 5/13/25 8:54 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5844	3.3	3	9	12	-1
Eurostoxx 50		5396	0.1	3	13	6	10
Nikkei 225		38183	1.4	4	12	0	-4
MSCI EM		46	2.2	1	10	7	10
Yields and Spreads			bps				
US 10y Yield		4.44	-2.8	15	-5	-4	-13
Germany 10y Yield		2.67	1.9	13	10	16	30
EMBIG Sovereign Spread		329	-17	-28	-59	-39	4
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.3	0.0	0	2	-3	6
Dollar index, (+) = \$ appreciation		101.6	-0.2	2	1	-3	-6
Brent Crude Oil (\$/barrel)		65.6	1.1	6	1	-21	-12
VIX Index (% change in pp)		18.3	-0.1	-6	-19	5	1

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

Mature Markets

[back to top](#)

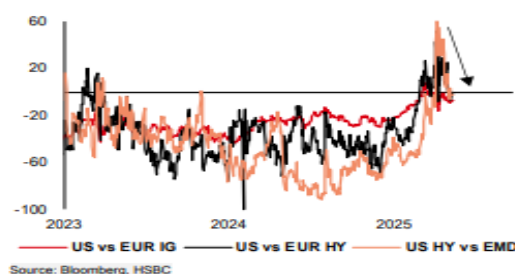
United States

April CPI data surprised to the downside, with headline and core CPI both printing at 0.2% m/m. The initial market reaction saw Treasury yields moderately lower across the curve led by the shorter end, with the dollar weaker. Equity market futures also rose on the print.

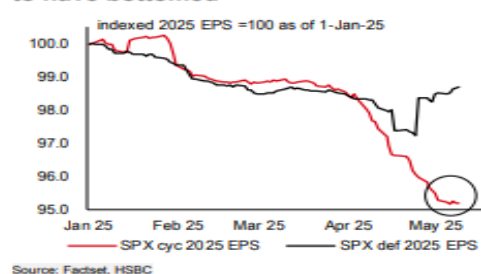
	Actual	Consensus	Prior
Headline CPI, MoM	0.2%	0.3%	-0.1%
Core CPI, MoM	0.2%	0.3%	0.1%
Headline CPI, YoY	2.3%	2.4%	2.4%
Core CPI, YoY	2.8%	2.8%	2.8%

Analysts see the “Sell America” trade as fading, though fundamental risks remain. This weekend’s productive US-China trade negotiations and announced climbdown in tariff rates represent a turning point for the “Sell America” trade, which saw investors turn away from the dollar and broader US-denominated assets, according to several analysts. Even prior to the deal, the S&P 500 and Nasdaq indices had erased their April 2 “Liberation Day” losses, climbing by 14 and 17 percent, respectively, since their nadir last month. HSBC analysts note that on the US corporate side, IG and HY credit have meaningfully tightened versus overseas peers, while EPS expectations for cyclicals appear to have also bottomed out. At the same time, broader US earnings revisions have rebounded strongly in the last two weeks.

1. US credit rebounding strongly...



2. ... while cyclical EPS expectations seem to have bottomed



Meanwhile, the proportion of US companies issuing positive corporate guidance has turned less negative lately. In contrast, the US dollar has not caught up with the broader US risk asset rally and remains 2.5% lower versus majors since Liberation Day, despite yesterday’s 1% move higher. Wells Fargo analysts are bullish on the dollar, however, given a slow-to-ease Fed and higher rate differentials versus low-yielding CHF and JPY, along with already stretched USD short positioning. Nonetheless, risks to the positive outlook and reemergence of the “Buy America” trade remain, including still record levels of trade uncertainty and pressures that may have already hurt tariff-sensitive businesses like Ford and Mattel, along with still elevated, though now reduced, recession fears.

3. S&P 500 earnings revision ratio

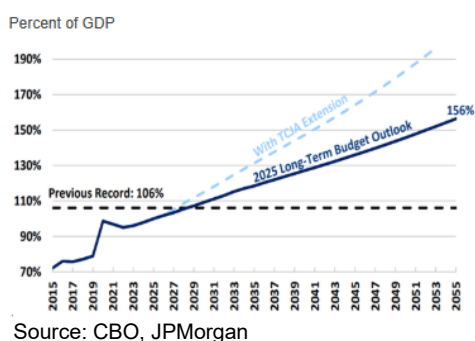


Figure 7 - USD positioning now firmly net short



Markets may turn more attention towards the US Budget Reconciliation process as peak tariff turmoil appears to pass. JPMorgan analysts note that the market is likely to increasingly focus on the Congress's budget process, which may result in a bill with an estimated \$5 trillion additional cost over the next 10 years, according to the Council for a Responsible Federal Budget. On Monday, the House's Tax Committee released some details of the proposal, which so far aims to cut taxes by over \$4 trillion by renewing most of the Tax Cuts and Jobs Act (TCJA) and introducing new provisions like eliminating income taxes on tips and overtime pay through 2028. The proposal also aims to reduce spending by at least \$1.5 trillion, with offsets including special taxes on college endowments. While the bill is not yet settled and additional changes are expected, contacts believe that significant upward revisions to the US federal debt pile versus the CBO's previous outlook are likely, meaning potentially higher term premia and significantly higher long-end Treasury yields. Analysts expect the budget to be passed before the July 4 US holiday.

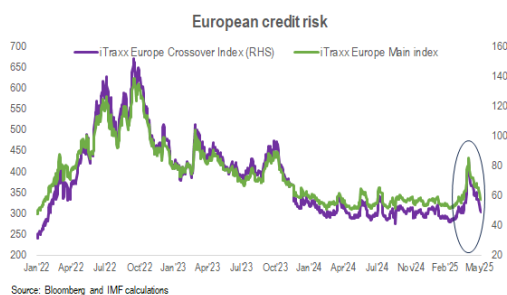
Figure 9: Federal debt held by the public under CBO's Long-Term budget outlook



Europe

European equity markets were trading slightly higher ahead of US inflation data due later today. The Stoxx 600 was up +0.2% and is almost 2% higher than the April 2 close. Regional bourses were also trading in the green. European government bond yields continued to edge 1–3bps higher across all tenors with the 10y bund yield at 2.67%. Meanwhile the euro was a touch firmer against the dollar to trade at 1.1104. On the data front, the May German ZEW expectations index rose to 25.2, (11.3 exp, -14 prior) pointing to an improvement in investor confidence and exceeding consensus expectations.

European corporate bond issuance is picking up. According to Bloomberg, European primary market issuance picked up to €19.8bn yesterday buoyed by a more constructive tone in markets. 20 issuers tapped the market yesterday, the most for a Monday since January 2023, per Bloomberg data. Among the deals yesterday was issuance from Volkswagen which sold €1.9bn of green hybrid bonds in a two-part deal which received more than €9.85bn of investor bids. There were also several mandates issued yesterday suggesting that issuance may remain buoyant if risk sentiment holds, and broader market conditions remain favorable. Analysts note that the greater-than-expected reduction in US-China tariffs for a 90-day period supported risk sentiment with measures of European credit risk declining yesterday. The iTraxx Crossover index of European junk-rated credit default swaps declined by around 14bps to 305bps.

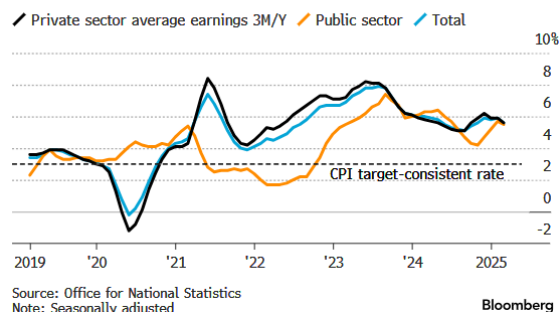


United Kingdom

Front-end gilts outperform on slowing wage growth data.

Data released this morning showed that private sector wage growth (excluding bonuses) slowed to 5.6%3m/y from 5.9% in March and printed below consensus expectations of 5.7%. Meanwhile, separate data showed that the number of UK workers on payrolls fell to 30.3million with the number of job vacancies declining the most in over a year. Analysts at Capital Economics note that “the combination of weakening labor activity, but still-high wage growth leaves the BoE in a tricky position.” BoE Deputy Governor Lombardelli and external MPC member Green have recently remarked that underlying inflation measures such as wage growth and services inflation remain too high and therefore warrant a cautious approach to policy setting. Analysts continue to expect the next rate cut to be in August with money markets pricing in around 51bps of easing by year-end, up from around 48bps priced yesterday. 2Y gilt yields were around 3bps lower to trade at 3.97%, outperforming the rest of the curve and European peers while sterling was advancing against the dollar (+0.3%) to trade at 1.3212.

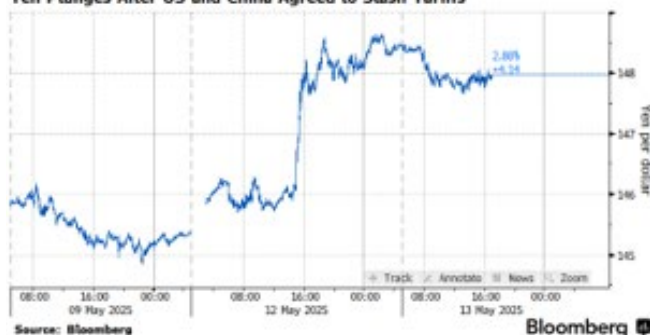
UK Wage Growth is Still Too High for Comfort at the BoE



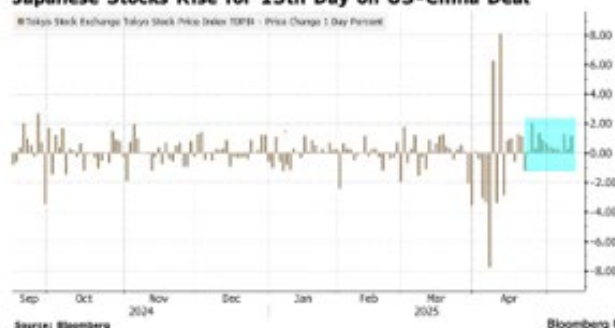
Japan

The Japanese yen depreciated sharply from around \$/146 to \$/148.48 late yesterday, before appreciating (+0.4%) to \$/147.93 today on Finance Minister Kato's comment on potential discussions with Bessent next week. Kato said he will seek to discuss FX matters with Bessent and reiterated that Japan would not use the topic of US Treasuries sales as leverage in its trade talks with the US. Analysts are expecting further yen weakness, as investors regain risk appetite and shun safe assets. The summary of opinions of the May 1 BOJ monetary policy meeting, published today, mentioned extremely high uncertainty in outlook and the need to keep wait-and-see mode until tariffs settle, adding to the market's dovish perception of BOJ and hence downward pressure on yen. BOJ Deputy Governor Uchida reiterated today at the parliament that the rapid moves in FX markets have increased the uncertainty in the economic outlook, but also expressed optimism on wages and economic outlook once global uptrend resumes. Overnight index swaps are pricing a 77% chance of a rate hike by end-2025, up from 32% last Tuesday. Equities rose (Nikkei +1.4%; Topix: +1.1%), a thirteenth consecutive rising session for Topix, led by automakers (Toyota +3.5%; Suzuki +3.8%) and banks (Mitsubishi UFJ +3.7%; Sumitomo Mitsui +3.0%). In particular, Rakuten Bank surges to the +18% daily limit after net income beats expectations, possibly foreshadowing the earnings results of Japan's megabanks later this week. 10y JGB yield held steady at 1.44%, while 30y yield reversed yesterday's spike, -11.7 bps to 2.86% after 30y auction saw healthy demand.

Yen Plunges After US and China Agreed to Slash Tariffs



Japanese Stocks Rise for 13th Day on US-China Deal



Emerging Markets

[back to top](#)

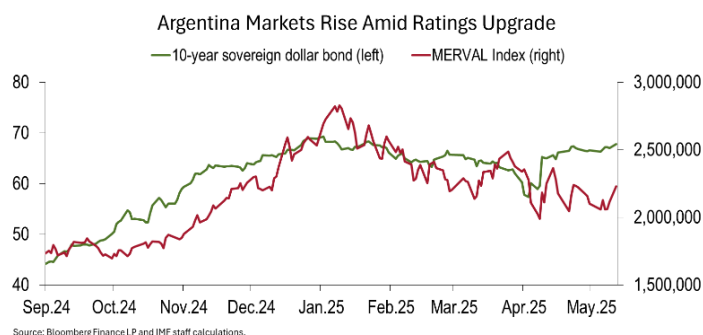
EMEA equities and currencies were mostly moderately lower this morning. Equities in CEE were overall little changed, with Romania (+0.9%) outperforming while stocks underperformed in Czechia (-0.2%). CEE currencies were also mostly stable against the euro. The rand weakened (-0.2%) against the dollar to trade at ZAR18.30/\$. While in Türkiye the stock market was down by -0.4% and the lira was steady against the dollar at TRY38.79/\$. Today's data showed that Türkiye's official reserves dropped by \$15bn in March, according to Bloomberg the steepest monthly decline since the 2023 presidential elections, with the balance of payments reporting a deficit of \$4.1bn in March as opposed to \$4.3bn in February.

Asian equities broadly gained (EM Asia: +2.2%) after the US-China 90-day trade truce. Asian currencies were mixed today, with Thai baht (+0.5%) appreciating the most, while Philippine peso (-0.5%), Korean won (-0.4%) and Malaysian ringgit (-0.4%) depreciated versus the US dollar.

Latin American equities advanced amid broader risk-on sentiment, led by Chile (+1.1%), Colombia (+0.6%), with gains also in Mexico and Brazil. Regional currencies weakened as the dollar strengthened, with the Chilean peso (-1%) and Mexican peso (-0.8%) seeing the sharpest declines while Brazil and Colombia's currencies posted modest losses.

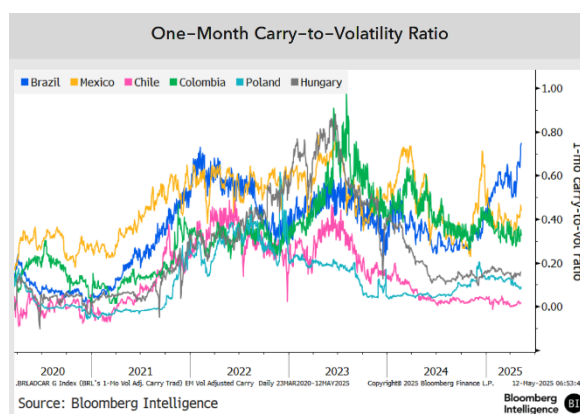
Argentina

Fitch Ratings upgraded Argentina's long-term foreign- and local-currency issuer default ratings from CCC to CCC+, citing improved policy credibility, FX liberalization, and renewed IMF support. In April, the authorities replaced its crawling peg with a floating exchange rate band (1,000–1,400 ARS/USD) and secured a \$12 bn disbursement under a new IMF Extended Fund Facility agreement, lifting net reserves from -\$7 bn to +\$5 bn. A robust economic recovery and disinflation have exceeded expectations from the agency, and these developments have strengthened near-term debt servicing capacity, although external market access remains prohibitively expensive. Argentina's benchmark 2035 dollar bonds rose 68 cents on the dollar, while local equities surged 5.5% following the upgrade.



Brazil

The Brazilian real continues to stand out among peer currencies, supported by its highest one-month carry-to-volatility ratio since 2017 (blue line) and a steep shortening cost that helped limit losses on Monday. Implied volatility has dropped around 12%, down from 16.7% in early April. The central bank has raised the Selic rate by 250bps this year to 14.75%, offering a compelling spread compared to peers. Bloomberg analysts expect the real to remain within its familiar 5.60 to 6.00 per dollar range, currently trading at 5.675, after strengthened meaningfully from its 6.177 in January.



China

The People's Bank of China (PBOC) sets CNY fixing stronger at \$/7.1991, breaching 7.2000 for the first time since April 7, after US-China trade negotiation breakthrough. Onshore CNY (+0.1%) and offshore CNH (+0.1%) strengthened today, staying as strong as the fixing for the second consecutive day. Analysts believe that the stronger fixing indicates “green light” from PBOC for more two-way FX flexibility after progress in trade negotiations. Liquidity

conditions have remained stable, with 7-day repo rate staying low at 1.51% (+2.1 bps) after reaching 1.49% yesterday, a low since December 2024. 10y CGB yields fell (-2.1 bps) to 1.66%. Despite multiple analysts upgrading growth projections for China, onshore equities (CSI300: +0.1%) and offshore equities (Hang Seng: -1.8%) both underperformed regional peers today, as investors worry that Chinese policymakers may have less incentive to push through higher fiscal spending or enact more stimulus, despite still-high US import duties. This week's earnings results from China's tech heavyweights (JD.com, Tencent, Meituan, Alibaba) could be critical to re-engaging foreign investors to extend rebound momentum.






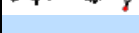


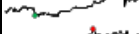
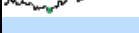






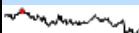




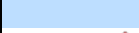
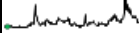
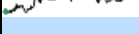
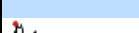


Yuan Strengthens to Fixing Levels



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 Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (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). 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.

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

5/13/25 8:55 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		5,849	3.3	4.3	9.1	12.0	-1
Europe		5,396	0.1	2.5	12.7	6.2	10
Japan		38,183	1.4	3.7	12.4	-0.5	-4
China		3,896	0.1	2.3	3.6	6.5	-1
Asia Ex Japan		78	2.7	1.3	10.7	9.1	8
Emerging Markets		46	2.2	1.2	9.9	7.1	10
Interest Rates			basis points				
US 10y Yield		4.4	-3	15	-5	-4	-13
Germany 10y Yield		2.7	2	13	10	16	30
Japan 10y Yield		1.4	-1	18	12	51	34
UK 10y Yield		4.7	1	14	-10	48	9
Credit Spreads			basis points				
US Investment Grade		138	1	-11	-23	20	18
US High Yield		366	4	-46	-93	23	38
Exchange Rates			%				
USD/Majors		101.6	-0.2	2.4	1.5	-3.5	-6
EUR/USD		1.11	0.2	-2.3	-2.1	3.0	7
USD/JPY		148.2	-0.2	4.0	3.6	-5.2	-6
EM/USD		45.3	0.0	-0.3	1.9	-3.3	6
Commodities			%				
Brent Crude Oil (\$/barrel)		65.6	1.0	5.6	2.5	-15.7	-10
Industrials Metals (index)		142.3	0.1	-0.2	2.3	-11.4	1
Agriculture (index)		57.1	-0.2	-0.4	-2.6	-6.2	0
Gold (\$/ounce)		3244.0	0.2	-5.5	1.0	38.9	24
Bitcoin (\$/coin)		103545.3	0.8	0.9	24.0	64.1	10
Implied Volatility			%				
VIX Index (%, change in pp)		18.3	-0.1	-6.4	-19.2	4.7	1.0
Global FX Volatility		8.6	0.0	-1.3	-2.4	1.5	-0.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		78	0	-6	-18	-27	-8
Italy		102	-1	-7	-22	-33	-14
France		68	0	-4	-10	19	-15
Spain		62	-1	-3	-11	-17	-7

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

Emerging Market Financial Indicators

Last updated: 5/13/2025 8:35 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	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.20	0.0	0.2	1.5	0.4	1.3		1.8	5	5	3	-57	6
Indonesia		16515	-0.1	-0.5	2.1	-2.8	-2.5		6.8	0	-4	-28	-15	-25
India		85	0.0	-1.1	0.8	-2.1	0.3		6.8	-1	11	-26	-66	-51
Philippines		56	-0.6	-0.3	2.3	3.7	3.7		4.9	-4	-5	-15	-72	5
Thailand		33	-0.6	-1.7	1.2	10.8	2.6		2.0	0	-3	-6	-87	-35
Malaysia		4.32	-0.5	-2.1	2.1	9.4	3.5		3.7	13	1	-8	-25	-14
Argentina		1131	-0.3	6.2	5.8	-21.8	-8.8		29.2	-20	-414	-1166	-983	9
Brazil		5.67	0.2	0.9	3.3	-9.1	9.0		14.0	13	-13	-63	275	-190
Chile		947	-1.0	-0.5	2.2	-2.4	5.1		5.6	2	2	1	-28	-10
Colombia		4227	0.0	1.7	1.7	-8.0	4.2		12.0	7	-8	-27	120	14
Mexico		19.58	0.3	0.5	2.6	-14.2	6.4		9.4	2	-2	-16	-47	-96
Peru		3.7	-0.2	0.2	2.2	1.9	2.2		6.4	0	-20	-26	-71	-23
Uruguay		42	-0.1	0.1	1.0	-7.7	5.2		9.5	2	-6	-11	35	-14
Hungary		364	0.3	-2.3	-0.8	-1.5	9.1		6.6	7	7	-18	-17	21
Poland		3.83	0.0	-1.7	-1.4	3.8	8.0		5.0	6	16	17	-44	-57
Romania		4.6	0.2	-2.4	-4.5	0.5	4.6		8.1	-20	36	82	156	84
Russia		80.3	0.9	1.5	2.2	14.1	41.4							
South Africa		18.4	-0.7	-0.9	2.8	-0.1	2.5		10.8	0	-8	-41	-118	31
Türkiye		38.78	0.0	-0.4	-1.9	-16.7	-8.8		34.7	-5	34	-42	650	504
US (DXY; 5y UST)		102	-0.2	2.4	1.5	-3.5	-6.4		4.08	-3	19	-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		3,896	0.1	2.3	3.6	6.5	-1.0		113	-11	-1	-27	17	
Indonesia		6,833	0.0	0.3	7.3	-3.5	-3.5		101	-13	-35	7	10	
India		81,148	-1.6	0.6	8.0	11.0	3.9		116	-14	-19	23	30	
Philippines		6,567	1.7	3.3	6.9	-0.6	0.6		76	-14	-34	-7	-3	
Thailand		1,214	0.3	1.3	7.6	-11.8	-13.3							
Malaysia		1,582	2.3	2.8	6.9	-1.5	-3.6		81	-14	-17	2	11	
Argentina		2,230,395	5.5	8.3	-0.8	62.0	-12.0		657	-57	-220	-619	20	
Brazil		136,563	0.0	2.3	7.0	6.6	13.5		219	-15	-12	6	-28	
Chile		8,326	1.1	3.2	12.1	24.4	24.1		114	-9	-19	-2	1	
Colombia		1,655	0.6	0.4	6.0	19.1	20.0		342	-36	-40	54	16	
Mexico		56,766	0.4	1.7	10.2	-1.7	14.6		304	-32	-45	9	-8	
Peru		30,463	-0.5	-0.1	5.0	2.7	5.2		132	-13	-27	-9	-9	
Hungary		93,721	0.0	2.0	10.3	36.0	18.1		154	-17	-37	9	-1	
Poland		103,415	-0.1	4.3	13.5	18.3	30.0		104	-6	-21	10	-8	
Romania		16,590	0.8	0.1	-2.7	-4.2	-0.8		305	-9	19	128	70	
South Africa		92,273	0.1	0.3	6.8	17.3	9.7		314	-37	-79	-12	21	
Türkiye		9,706	-0.4	6.2	3.5	-3.5	-1.3		299	-35	-41	25	40	
EM total		46	-0.4	1.2	9.9	7.1	9.7		378	-28	-51	52	13	

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

[back to top](#)