



- Global fund managers most underweight USD since 2006 amid long-term challenges ([link](#))
- US Treasury bills maturing around debt-ceiling X-date significantly cheapen ([link](#))
- Some analysts scale back ECB easing expectations as “tariff truce” uplifts forecast ([link](#))
- Buybacks seen as strong support of Japanese equities rally ([link](#))
- Chinese equities advance on growing optimism over tech earnings ([link](#))
- Brazil central bank minutes seen to indicate “tighter-for-longer” ([link](#))

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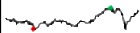
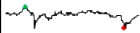






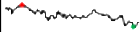
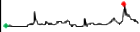
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Tech-spectations Reboot Rally in US and Chinese equities

Yesterday, the S&P500 index rose by 0.7% into positive year-to-date territory, albeit still below its highs reached in February. The tech-heavy Nasdaq outperformed and increased by 1.6% yesterday, and is set to open higher today as well with futures trading 0.4% up. Along with sustained optimism around easing trade tensions, yesterday's rally was led by Nvidia (+5.6%) and other AI-related companies on US President Trump's visit to the Middle East, which saw US pledges to ease regulations for AI and supply semiconductors to certain nations in the region. Yesterday's softer-than-expected US CPI print suggested that pass-through from tariffs to consumers has not yet materialized, further fueling positive sentiment. Both on-shore and off-shore Chinese equities rose strongly before earnings announcements by key tech firms. The “tariff truce” relief rally fizzled in Europe, with the Stoxx 600 showing a small (marginal) minus. The US dollar continued to weaken gradually as reflected by Bloomberg's US dollar index, which returned to pre-“tariff truce” levels.

Key Global Financial Indicators

Last updated: 5/14/25 8:12 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5887	0.7	5	9	12	0
Eurostoxx 50		5398	-0.3	3	10	6	10
Nikkei 225		38128	-0.1	4	11	-1	-4
MSCI EM		46	0.2	2	9	7	10
Yields and Spreads			bps				
US 10y Yield		4.48	1.4	21	10	4	-9
Germany 10y Yield		2.67	-0.9	20	16	12	30
EMBIG Sovereign Spread		326	-3	-32	-62	-41	1
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.5	0.1	0	2	-3	6
Dollar index, (+) = \$ appreciation		100.6	-0.4	1	1	-4	-7
Brent Crude Oil (\$/barrel)		65.9	-1.0	8	2	-20	-12
VIX Index (% change in pp)		18.3	0.1	-5	-13	5	1

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

The Bank of America (BoFA) Global Fund Manager Survey indicates that investors are most underweight the US dollar since May 2006. BoFA's latest global fund manager survey indicates that investor exposure to the dollar fell to a 19-year low, with 17% of those surveyed underweight versus the broad dollar index. The survey also indicates that 40% of fund managers are looking to increase their hedges against a weak dollar versus 28% not seeking any change in hedge ratios. The survey was conducted between May 2nd and May 8th, before the weekend US-China détente and the significant dollar rally on Monday, where the climbdown in tariff rates and the speed of the announcement surprised market participants. However, while the thawing in trade tensions is seen as dollar-positive in the near term by several FX strategists, some also note that long-term structural challenges remain. Morgan Stanley highlights that uncertainty over trade policy has not lessened for FX investors, with tariff rates still high on a historical basis, meaning that the cost of business in the US will remain elevated. Most dealers estimate that the effective tariff is now somewhere north of 10%, with Goldman now placing the effective tariff increase at +13pp. Bearish long-term views of the dollar from FX strategists are also motivated by expectations for more favorable growth in regions outside the US, as well as continued debate over the USD's haven status amid volatile US policymaking.

Chart 13: Investors are the most UW US dollar since May '06
Net % OW US dollar

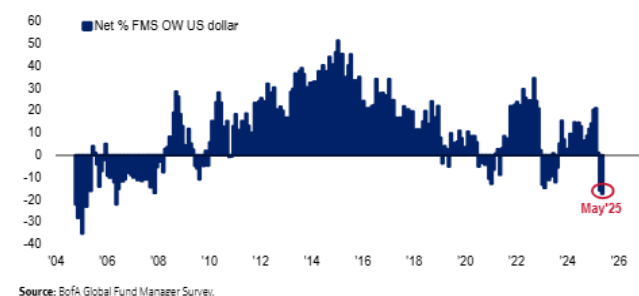
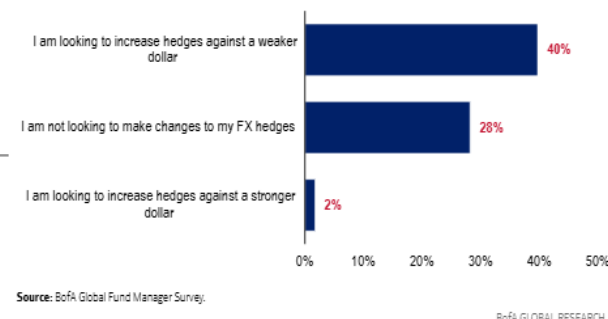
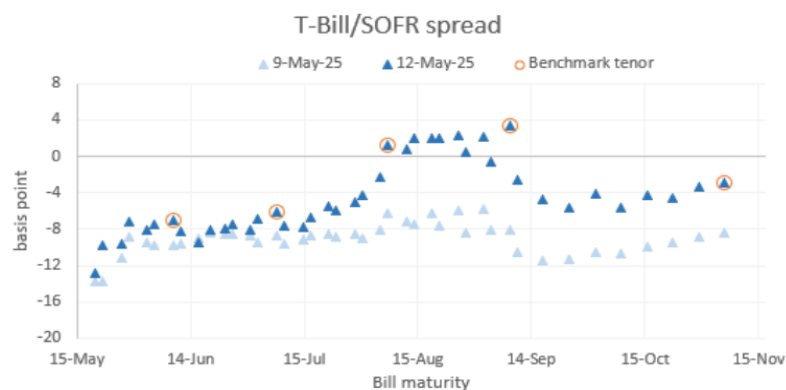


Chart 14: 40% of investors looking to increase hedges against weaker dollar
When thinking about the hedge ratio of my overseas exposures...



Debt ceiling T-bills cheapen as x-date identified.

Yields on Treasury bills maturing in or around mid-August to early September have started to rise materially versus other bills across the maturity curve and are trading moderately above same-maturity SOFR swaps. Analysts note that investors, specifically money market funds, have started to avoid bills maturing around that date, given that is when the government is likely to run out of the ability to finance itself absent a debt-ceiling resolution, per Treasury Secretary Bessent on Friday. As in past debt-ceiling episodes, these dislocations are likely to persist until the debt ceiling is lifted, with several analysts noting that mid-July is the working deadline for Congress to act considering the August recess. A paring back of Fed rate cut expectations by investors following the weekend's cooling of US-China tariff tensions may have also contributed to the apparent T-bill hump for mid-August to early September maturities; the next rate cut is now priced for the September FOMC meeting.

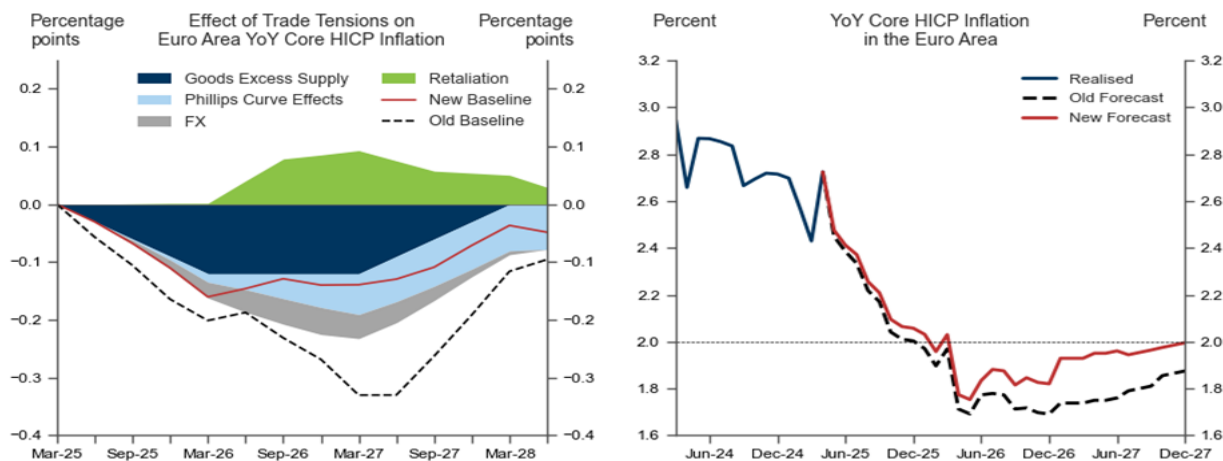


Europe

European equity markets were trading lower, giving up some of their recent gains. The Stoxx 600 was down -0.2% in early morning trade with the largest declines in the information technology (-1.3%) and consumer discretionary (-0.7%) sectors. Regional bourses were also lower, with France's CAC40 underperforming. European government bond yields reversed course and were lower across all tenors. The euro was firmer (+0.4%) against a broadly weaker dollar to trade at 1.1234.

Some analysts scale back ECB easing expectations. Following the recently announced temporary reduction in US-China trade tariffs alongside an easing in global financial conditions, Goldman Sachs analysts have revised their growth, and inflation forecasts higher for the euro area and scaled back their expectations of ECB easing. The analysts now expect core inflation in the euro area to reach 2.1% y/y in Q42025, up 0.1ppt from their previous estimates and now expect growth of 0.1% in each of Q3 and Q4 of this year up from 0% previously. As a result of the upward revision to their macro forecasts, the analysts now expect one less ECB rate cut and have raised their estimate of the neutral rate to 1.75% in July versus 1.5% in September previously. The analysts expect a rate cut in June with a second cut in July on the back of downgraded ECB projections, slowing activity and cooling wage growth. Money market pricing for ECB rate cuts remains relatively steady this morning with 21bps of easing priced for the upcoming June meeting and a total of 45bps of easing by year-end.

Exhibit 4: Reduced Downward Pressure on Inflation from Trade Rerouting

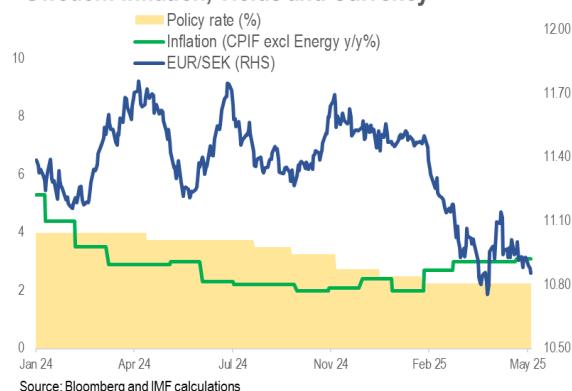


Source: Goldman Sachs Global Investment Research, Haver Analytics

Sweden

The latest Riksbank's meeting minutes suggest that a rate cut is likely, but with uncertain timing. Minutes from the Riksbank's May meeting showed that while the policy rate was kept on hold, the Board was leaning more dovish with several members discussing the prospect of a rate cut. The minutes state that "it is somewhat more probable that inflation will be lower than that it will be higher than in the March forecast. This could suggest a slight easing of monetary policy going forward." Analysts at JP Morgan note that despite the dovish pivot in the minutes, the timing of any rate cut remains uncertain. Following the announcement of US tariffs on April 2, the JP Morgan added two rate cuts to

Sweden: Inflation, Yields and Currency



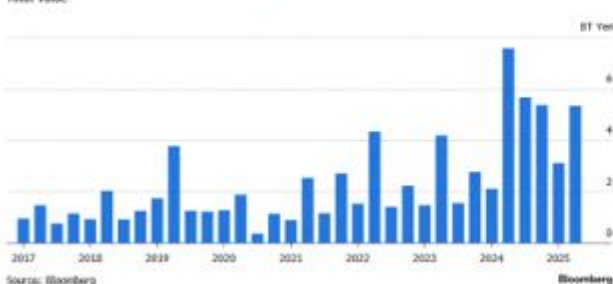
Source: Bloomberg and IMF calculations

their forecast with the first cut expected in June, although they noted that this may get delayed to 2H25 given elevated uncertainty. The analysts note that a stronger Swedish krona combined with falling commodity prices should result in an easing in inflation which could support a cut. Data released today showed that the final reading of April underlying inflation in Sweden was broadly unchanged at 3.1%/y. This morning, the Swedish krona was trading a touch firmer against the euro at 10.86/€ and is close to 6% stronger YTD.

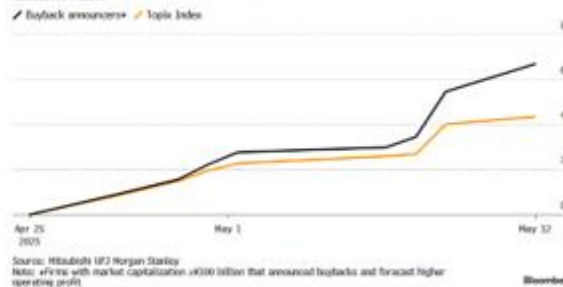
Japan

Japan equities broke its 13-day rally on concerns over the nation's lack of a tariff deal and weak earnings from the auto sector. Topix fell 0.3% while Nikkei 225 fell 0.1%, led by electronics makers and automakers after Honda and Nissan posted disappointing earnings. However, according to Bloomberg, analysts believe that share repurchases can continue to support a rally in the longer term. Many Japanese corporate balance sheets are "over-capital", thereby providing capacity for buybacks even during trade tensions and market uncertainty. Companies have announced over ¥8.4 trn (\$57 bn) in share repurchases so far this year, almost double the same period last year and the most since at least 2017. Given current uncertainties in earnings forecast, buybacks are also considered as a signal of reassurance for shareholders, and as tangible evidence of improved internal governance. This has also boosted appeal to global investors, with foreigners being net buyers of cash Japanese equities for five consecutive weeks through May 2. Today, yen rebounded further (+0.8%) to \$/¥146.03, especially late in Asia trading, and 10y benchmark sovereign yields rose 1.7 bps to 1.45%.

Buybacks Announced by Japanese Firms
Total value



Buyback Announcements Help Boost Shares
Cumulative returns



Emerging Markets

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EMEA equities traded mostly higher while currencies were fractionally weaker this morning. Equities in CEE traded in the green save for Poland (-0.8%), while CEE currencies were little changed against the euro with the zloty marginally weaker (-0.2%) to trade at PLN 4.24/€. The rand advanced (0.4%) against the dollar to trade at ZAR18.23/\$, with equities fractionally (+0.1%) higher today in South Africa.

Asian currencies appreciated (EM Asia: +0.4%), especially late in Asia trading, after reports indicated the US and South Korea had discussed FX policy earlier this month. Korean won appreciated the most (+1.6%), followed by Malaysian ringgit (+0.6%) Taiwanese dollar (+0.5%) and Indonesian rupiah (+0.4%). Some investors see this as indicative that US administration may pursue policies that involve countries selling the dollar to cure perceived economic imbalances stemming from a strong currency. Asian equities continued to rally (EM Asia: +2.6%) on trade truce, led by Hong Kong SAR (Hang Seng: +2.4%) and Indonesia (Jakarta Composite: +2.2%).

Latin American equities advanced yesterday on "tariff truce optimism", led by Colombia (+2.7%), Brazil (+1.7%), Mexico (+1%), and Chile (+0.5%).

A softer US inflation reading weighed on the dollar and boosted carry trades, lifting the Brazilian real (+1.2%), Mexican peso (+1.1%), Chilean peso (+0.7%), and Colombian peso. Elsewhere, China committed to a \$9 bn credit line for Community of Latin American and Caribbean States (CELAC) members to finance infrastructure projects.

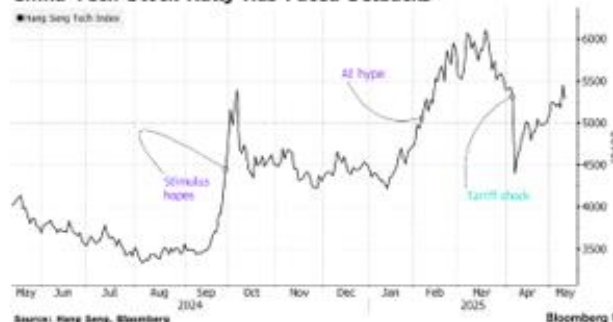
China

Both onshore (CSI300: +1.2%) and offshore (Hang Seng: +2.3%) equities rose strongly before earnings announcements by key tech firms. The Hang Seng China Enterprises Index rose 2.5%, driven mainly by Xiaomi (+3.6%), Alibaba (+3.3%) and Tencent (+2.8%). Optimism over tech earnings has risen after JD.com Inc. reported robust results for the March quarter (sales: +16%; net income: +53% over Q1 2024). After market close, Tencent reported revenues that beat estimates (+13% over Q1 2024) after growing its gaming and social media portfolio despite economic slowdown. Yuan was fixed at \$/7.1956 today, the first time since November that the fixing is weaker than analyst estimates. Local media reported today that Chinese regulators are expected to roll out more measures to provide financing support for private companies. China's private-sector companies have raised a total of CNY104.3 bn (\$14.5 bn) through bond sales by May 13 this year, a 23.5% increase year-on-year, albeit from a low base in 2024, citing Wind Information Co. data. Some analysts believe regulators should further simplify review process for public listing, roll out more bond varieties to meet diversified financing needs of private companies.

China Tech Sector Earnings Estimates Have Climbed



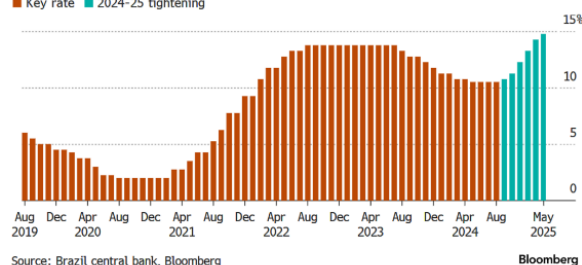
China Tech Stock Rally Has Faced Setbacks



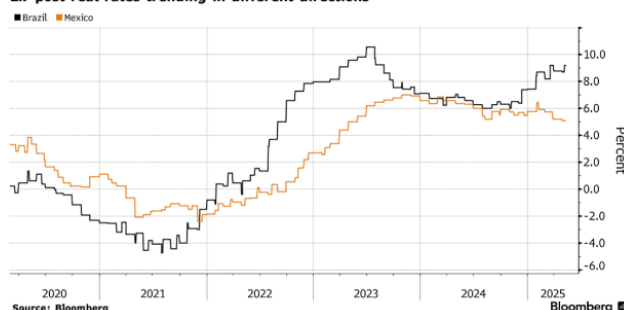
Brazil

Minutes from the Central Bank of Brazil meeting on May 7 are seen to reveal a “tighter-for-longer” stance due to unanchored inflation forecasts, with the Selic rate raised by 50bps (left chart). Inflation currently stands at 5.53% y/y, exceeding the target range of 1.5% to 4.5%, and is projected to remain above target through 2028. The board plans to keep policy unchanged in coming meetings, acknowledging that high borrowing costs are moderating growth. In this context, the Brazilian real has weakened against the Mexican peso since the April 2 tariffs and has yet to recover. Should the dollar strengthen from the unwinding “tariff trade”, it may pressure the Mexican peso more than the real due to differing monetary policy positions (right chart). For Thursday, analysts expect Mexico's central bank to cut its policy rate by 50 bps to 8.5%.

Brazil Central Bank is Tightening Policy
Policymakers raised rates by 50bps to 14.75% on May 7



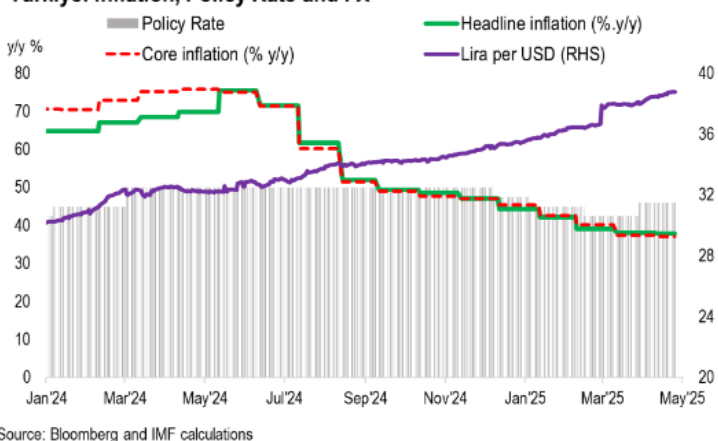
Real Rates Will Support BRL Against MXN
Ex-post real rates trending in different directions



Türkiye

Bloomberg reported news suggesting that the central bank (TCMB) has resumed net FX purchases in May after having consumed up to \$57bn reserves in FX interventions through seven consecutive weeks in March and April. The lira was little changed against the dollar this morning, trading at around TRY 38.76/\$ (+0.1% today, -0.7% MtD), after data released yesterday showed that Türkiye's current account deficit declined in March in line with expectations to \$-4.09bn from \$-4.32bn in February. TCMB's deputy Governor Cevdet Akcay said today that households' and corporates' fears of a possible "hard landing" are increasing the prospects of disinflation in Türkiye (CPI grew in April by 37.86%/y/y), after the TCMB surprised by lifting its policy repo rate to 46% (from prior 42.50%) on April 17. Yields on domestic government bonds were little changed today after having risen significantly from March 18 on news of the arrest of Istanbul's mayor, with the 2y yields currently at 42.31% and 10y yields at 31.89% (from respectively 34.32% and 26.43% on March 18). Türkiye's USD-denominated government bond yields were also little changed today with the 10y yields at 7.56%.



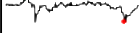


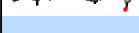


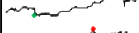









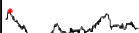

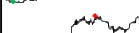
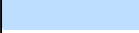

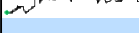
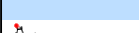


Türkiye: Inflation, Policy Rate and FX



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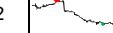
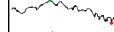


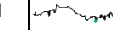


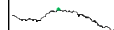



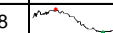






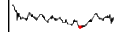
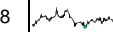


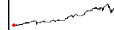


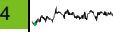







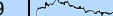
Global Financial Indicators

5/14/25 8:11 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,904	0.7	4.8	9.2	12.5	0
Europe		5,398	-0.3	3.2	9.9	6.3	10
Japan		38,128	-0.1	3.7	11.3	-0.7	-4
China		3,943	1.2	2.9	4.8	8.7	0
Asia Ex Japan		78	-0.1	1.8	9.8	8.4	8
Emerging Markets		46	0.2	1.8	9.1	6.8	10
Interest Rates			basis points				
US 10y Yield		4.5	1	21	10	4	-9
Germany 10y Yield		2.7	-1	20	16	12	30
Japan 10y Yield		1.5	2	15	12	51	36
UK 10y Yield		4.7	1	22	2	50	11
Credit Spreads			basis points				
US Investment Grade		136	0	-12	-22	17	16
US High Yield		359	-1	-53	-95	11	31
Exchange Rates			%				
USD/Majors		100.6	-0.4	1.0	1.0	-4.2	-7
EUR/USD		1.12	0.3	-0.8	-1.2	3.6	8
USD/JPY		146.3	-0.8	1.7	2.2	-6.5	-7
EM/USD		45.5	0.1	0.3	1.9	-3.0	6
Commodities			%				
Brent Crude Oil (\$/barrel)		65.9	-1.1	7.9	2.6	-14.8	-10
Industrials Metals (index)		145.0	0.8	3.3	3.4	-10.6	3
Agriculture (index)		57.2	-0.5	0.6	-1.7	-5.4	0
Gold (\$/ounce)		3219.5	-0.9	-4.3	0.3	36.5	23
Bitcoin (\$/coin)		104050.5	-0.5	0.8	22.6	69.0	11
Implied Volatility			%				
VIX Index (% change in pp)		18.3	0.1	-5.3	-12.6	4.9	0.9
Global FX Volatility		8.2	0.0	-1.6	-1.7	1.1	-1.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		77	-2	-6	-13	-26	-9
Italy		101	-1	-7	-16	-34	-15
France		68	0	-4	-9	19	-15
Spain		61	-1	-4	-9	-17	-8

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

Emerging Market Financial Indicators

Last updated: 5/14/2025 8:10 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		7.21	0.0	0.3	1.5	0.4	1.3		1.7	-1	3	1	-56	4
Indonesia		16550	-0.2	-0.1	1.4	-2.7	-2.7		6.8	0	-3	-28	-17	-25
India		85	0.1	-0.5	0.9	-2.1	0.4		6.8	0	14	-26	-64	-51
Philippines		56	-0.1	-0.8	2.2	3.6	3.6		5.0	4	4	-11	-67	8
Thailand		33	0.0	-1.5	1.2	10.4	2.6		2.0	3	2	-4	-84	-32
Malaysia		4.29	0.8	-1.1	2.9	10.0	4.3		3.6	-1	-5	-16	-33	-23
Argentina		1125	0.5	6.3	6.3	-21.4	-8.4		29.6	35	-396	-1132	-855	43
Brazil		5.62	-0.1	2.3	4.3	-8.6	10.0		14.0	-3	-7	-66	272	-193
Chile		940	0.7	0.0	2.9	-1.8	5.8		5.6	0	4	2	-29	-10
Colombia		4220	0.2	2.0	1.9	-7.8	4.4		12.0	4	0	-22	124	19
Mexico		19.38	0.2	1.1	3.7	-13.0	7.5		9.4	1	5	-15	-49	-95
Peru		3.7	-0.2	-0.3	2.0	1.7	2.0		6.4	0	-17	-25	-72	-25
Uruguay		42	0.2	0.2	1.2	-7.5	5.4		9.5	-5	-9	-15	32	-18
Hungary		360	0.2	-0.8	0.2	-1.1	10.3		6.6	-1	0	-19	-18	20
Poland		3.78	0.1	-0.1	-0.3	4.3	9.2		5.0	0	21	17	-49	-57
Romania		4.6	0.2	-0.5	-3.7	1.0	5.5		8.0	-9	10	72	147	75
Russia		80.4	-0.7	0.4	2.0	13.6	41.1							
South Africa		18.3	0.3	0.0	3.5	0.7	3.2		10.8	3	-12	-38	-112	34
Türkiye		38.75	0.1	-0.3	-1.9	-16.7	-8.8		34.8	7	6	-35	641	510
US (DXY; 5y UST)		101	-0.4	1.0	1.0	-4.2	-7.2		4.11	1	24	9	-35	-28

	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		3,943	1.2	2.9	4.8	8.7	0.2		116	-9	2	-24	20	
Indonesia		6,980	2.2	2.2	8.4	-2.8	-1.4		100	-23	-36	2	9	
India		81,331	0.2	0.7	6.0	11.4	4.1		116	-14	-19	23	30	
Philippines		6,552	-0.2	2.1	5.9	-0.1	0.4		80	-21	-30	-6	1	
Thailand		1,217	0.2	2.4	7.8	-11.2	-13.1							
Malaysia		1,584	0.1	3.0	6.5	-1.2	-3.6		83	-14	-15	4	13	
Argentina		2,285,483	2.5	7.3	-3.4	62.1	-9.8		657	-47	-220	-593	20	
Brazil		138,963	1.8	4.1	7.3	8.1	15.5		218	-14	-13	5	-29	
Chile		8,369	0.5	2.4	10.5	24.4	24.7		114	-10	-19	-1	1	
Colombia		1,700	2.7	3.6	7.4	21.2	23.2		338	-38	-44	48	12	
Mexico		57,358	1.0	0.0	9.5	0.2	15.8		301	-34	-48	4	-11	
Peru		30,759	1.0	0.8	4.4	3.1	6.2		131	-11	-28	-9	-10	
Hungary		94,879	0.8	2.2	10.4	37.8	19.6		154	-18	-37	9	-1	
Poland		103,748	-0.5	3.4	10.7	18.2	30.4		106	-6	-19	11	-6	
Romania		16,523	-0.2	-0.6	-3.1	-4.4	-1.2		289	-24	4	112	54	
South Africa		92,785	0.2	1.4	4.6	18.0	10.3		314	-34	-79	-9	21	
Türkiye		9,725	0.3	7.2	3.2	-4.4	-1.1		298	-35	-42	25	39	
EM total		46	0.5	1.8	9.1	6.8	9.9		377	-30	-52	52	13	

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

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