GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, MAY 15, 2025

LEAD EDITOR: PATRICK SCHNEIDER

- **Treasury yields move higher amid fiscal concerns, Fed expectations, and bond supply** (link)
- **Household balance sheets display resilience, but student loan delinquencies rise** (link)
- **European primary market issuance hit the highest level since mid-February** (link)
- **First quarter UK GDP surprised to the upside at 0.7% q/q** (link)
- **Kenya's FX reserves reached a record high in dollar terms** (link)

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Positive risk sentiment stalls as investors take a break from trade optimism

Most global equity markets were modestly lower after US stocks had rallied over 4% this week. Financial markets were relatively quiet on Thursday after stocks and Treasury yields had pushed higher in recent days following some easing of US-China trade tensions. US stock futures were lower alongside most European and Asian markets. This morning, US PPI came in below expectations, while retail sales were mixed, with a stronger headline print, even as the control group that feeds into GDP contracted and was weaker-than-expected. Elsewhere, investor focus has shifted towards the Republican tax and budget bill, with a preliminary draft pointing towards substantial deficits in the coming years. The bill would also aim to raise the debt ceiling ahead of the "X date" estimated to be between July-August. The dollar (DXY) resumed its decline this week after a brief rebound from late April to early May, with both the yen and euro gaining today. Oil prices were down close to 3% this morning, with Brent crude back near $64 per barrel.

Key Global Financial Indicators

Last updated: 5/15/25 8:38 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		5893	0.1	5	9	11	0
Eurostoxx 50		5384	-0.4	2	8	6	10
Nikkei 225		37756	-1.0	2	11	-3	-5
MSCI EM		46	0.8	4	10	6	11
Yields and Spreads			bps				
US 10y Yield		4.50	-3.8	12	17	16	-7
Germany 10y Yield		2.65	-4.6	12	12	23	29
EMBIG Sovereign Spread		323	-3	-30	-50	-48	-2
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.6	0.2	1	2	-3	6
Dollar index, (+) = $ appreciation		100.9	-0.2	0	1	-3	-7
Brent Crude Oil ($/barrel)		64.1	-3.0	2	-1	-23	-14
VIX Index (%, change in pp)		19.0	0.4	-4	-11	7	2

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

Mature Markets

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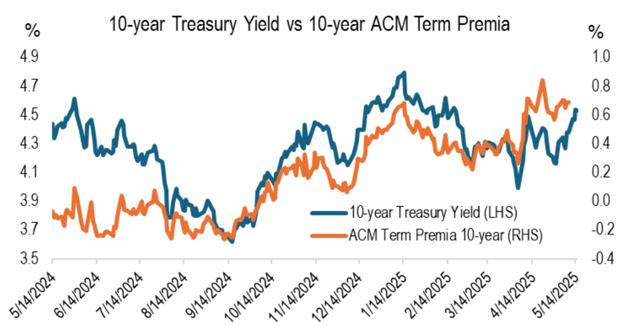
United States

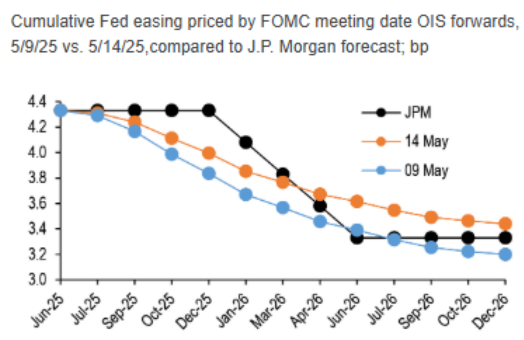
Retail sales and April PPI data came in softer-than-expected. Headline and core PPI printed at -0.5% and -0.4% m/m, respectively, while retail sales printed 0.1% with positive revisions. However, the control group for retail sales was negative at -0.2%. Initial and continuing jobless claims were broadly in line with expectations at 229k and 1881k, respectively. Treasury yields and equity futures briefly declined following the release, but the market reaction was muted on net.

	Actual	Consensus	Prior	Revised
Headline Retail Sales	0.1%	0.0%	1.4%	1.7%
Control Group Retail Sales	-0.2%	0.3%	0.4%	0.5%
Headline PPI, MoM	-0.5%	0.2%	-0.4%	0.0%
Core PPI, MoM	-0.4%	0.3%	-0.1%	0.4%
Headline PPI, YoY	2.4%	2.5%	2.7%	3.4%
Core PPI, YoY	3.1%	3.1%	3.3%	4.0%
Initial jobless claims	229k	228k	228k	229k

Treasury yields rose yesterday amid large private sector issuance, fiscal concerns, and hawkish Fed speak. Treasury yields rose around 7 bps, led by the 7y and 10y tenors, with the 10y yield now past the 4.5% level. Markets have turned their focus to the fiscal backdrop, as Congress makes progress towards the passage of the Republican tax bill. Some analysts noted that the belly of the curve (such as the 7–10yr segment) could be the most vulnerable to a worsening fiscal outlook as deficits rise to more than 7% of GDP by 2034, per the Committee for a Responsible Foreign Budget. Markets continue to pare back expectations for Fed rate cuts amid hawkish comments by FOMC policymakers emphasizing a "patient approach." Bloomberg strategists also reported that heavy supply of corporate and mortgage debt on Wednesday may have pushed Treasury yields higher. This week saw investment grade issuers sell about $35 billion in primary markets. Rate lock-ins by borrowers for mortgages amid the spring home purchase season may have increased origination, and correspondingly the need for originators to hedge with derivatives and Treasuries.

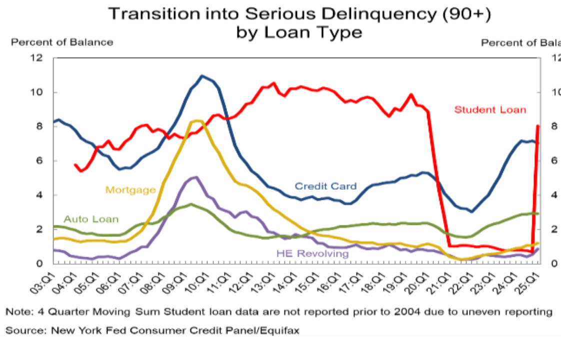


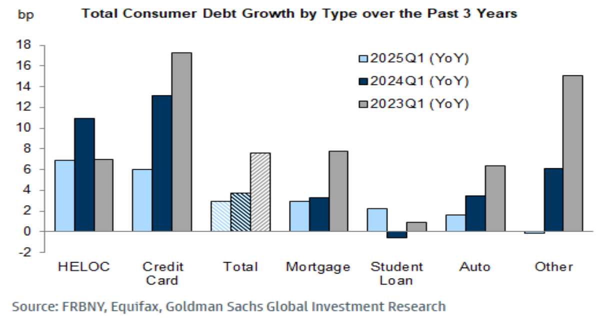
Source: Bloomberg, New York Fed



Source: J.P. Morgan

US household balance sheets remain resilient despite economic uncertainty and higher student loan delinquencies. The New York Fed's recent Quarterly Report on Household Debt and Credit showed that 90-day delinquencies on auto loans and credit card debt stabilized in the first quarter. On the downside, student loan delinquencies surged from 1% to 8% following the resumption of both federal student loan payments in October 2024 and the reporting of missed payments in the first quarter to credit bureaus. Goldman Sach analysts noted that while the market impact on asset-backed securities is minimal due to guarantees by the federal government, the roughly 9 million borrowers in delinquency could broadly affect the larger consumer loan market, due to the significant drag on their credit scores. Regarding changes in consumer debt, loan origination volumes cooled in the first quarter, with student loans again being an exception, albeit with only modest growth.





Europe

European equities and bond yields were lower, reflecting a more cautious tone in markets today. The Stoxx 600 was down 0.2% in early morning trading, driven by declines in the energy sector (-1.7%). Regional bourses were also lower, while the euro was firmer (+0.3%) against the dollar to trade at 1.1207. Euro area industrial production rose 2.6% m/m in March (vs 2.0% expected, 1.1% prior), with ING analysts noting that much of the upside surprise likely reflects frontloading ahead of US tariffs. Elsewhere, first quarter euro area GDP was revised slightly lower to 0.3% q/q (0.4% prior). European government bond yields were trading lower this morning with the 10y bund yield at 2.68%, though it remains up about 14 bps from a week ago. Bond spreads were little changed with the 10y BTP-Bund spread holding steady around the 102 bps mark and the 10y OAT-Bund spread at at 68 bps.

European primary market issuance hit the highest level since mid-February. Primary market issuance through Wednesday reached €77 bn, the most since the week ending February 14 when around €83 bn was issued. Market participants had expected a flurry of issuance this week as corporates' earnings blackout period ended, with further mandates and issuance expected today and Friday. Both corporates and sovereigns issued this week, including a euro-denominated bond from Pfizer alongside issuance from Belgium and Latvia. Analysts at Commerzbank noted that recent news flow has "reduced downside risks and increased confidence in [their] macro base case of no recession in the US" which they argue "extends the window for a recovery in risk assets." However, **analysts highlighted that tight valuations and elevated supply might create headwinds for the rally in corporate credit** heading into the summer. Separately, Bank of America data showed that as of May 9th, US non-financial companies have borrowed around €40 bn in reverse Yankee bonds, up from around €30 bn last year as corporates take advantage of more favorable funding costs in Europe and look to diversify funding sources.

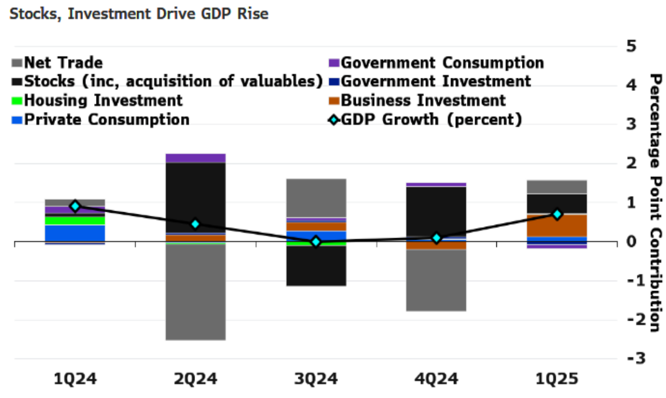
Limited room for tighter spreads

	9-Apr	Current Spread*	Mid-year 2025	*Mid-year (10 April)*	*Mid-year (14 Nov)*	Year-end 2025	*Year-end (since 14 Nov)*
iBoxx € Corporates	*128*	**107**	**100**	*115*	*105*	**105**	*110*
iBoxx € HY Capped (cum XO)	*447*	**357**	**330**	*410*	*370*	**340**	*390*
iTraxx Main	*85*	**56**	**55**	*70*	*60*	**60**	*65*
iTraxx XO	*427*	**295**	**280**	*380*	*340*	**300**	*360*

Source: Markit, Commerzbank Research
**iBoxx indices: z-spread in bp; iTraxx indices: 5y on the run CDS in bp. Current spread levels: cob 13 May 2025*
°Spread ratios of [iBoxx € HY /iBoxx € Corp] and [XO / Main]

United Kingdom

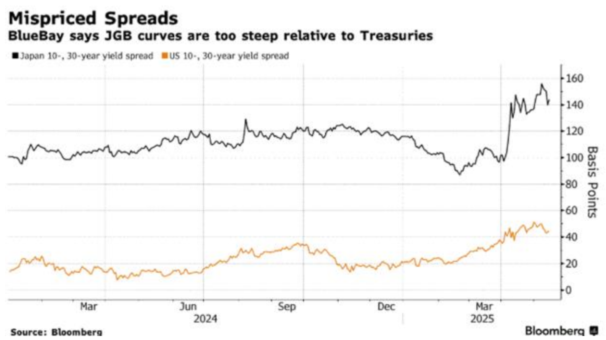
First quarter GDP surprised to the upside at 0.7% q/q (vs 0.6% expected, 0.1% prior) driven by volatile components. Growth was driven by business investment, traditionally a volatile component, with MUFG analysts noting that investors will likely "look through" the Q1 data. Pound sterling rose as much as 0.2% against the dollar following the release before fading. Market expectations for Bank of England (BoE) easing were mostly steady, with around 44 bps of rate cuts priced in by year-end. Morgan Stanley analysts cautioned that UK activity will likely slow in Q2 as some of the idiosyncratic drivers reverse and the impact of tax hikes feeds through. The analysts noted that today's data shows some signs of frontloading ahead of US tariffs with both exports and imports rising. Morgan Stanley expects the combination of slowing growth and a weaker labor market to lead the BoE to cut rates sequentially from August. Meanwhile, HSBC analysts noted that today's data release likely reinforces the BoE's "careful and gradual" approach.



Source: ONS, Bloomberg Economics. Sum of contributions doesn't fully add to GDP growth due to alignment adjustment.

Japan

Japanese bond (JGB) yields rose following underwhelming bond auction. 5y JGB yields rose 1.9 bps to 0.99%, 10y yields rose 1.6 bps to 1.47%, and 30y yields rose 4.5 bps to 2.95% today. The 5y auction saw a bid-to-cover ratio of 3.19 (vs 3.84 in April), only slightly better than the March auction that had been one of worst since 2022. Some analysts highlighted investor caution around the psychological threshold of 1%. Bloomberg analysts noted that long-end yields could rise amid significant co-movement with German bunds. However, several prominent global investors, such as Vanguard and RBC BlueBay Asset Management, are reportedly buying 30y JGBs on the belief that rate hikes amid easing trade tensions would flatten the yield curve, while the steepness of the Japanese curve (10y-30y slope) appears attractive versus US Treasuries. The yen strengthened (+0.6%) to 145.86 per US dollar today, while equities fell for a second consecutive day (Nikkei 225: -1.0%), led by exporters such as Toyota.



Emerging Markets

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EMEA equities and currencies were mostly weaker this morning. In CEE, stocks in Czechia (0.2%) outperformed while edging lower in Poland (-0.8%) and Romania (-1.1%). Currencies were little changed against the euro. In Romania, 10y government bond yields were up by 8 bps to 8% this morning despite first quarter GDP coming in below expectations at 0.2% y/y (vs 0.9% expected, 0.5% y/y prior), with ING analysts highlighting quarterly stagnation (0% q/q vs 0.3% q/q expected) and rising downside risks to their

1.2% 2025 GDP growth forecast. Elsewhere, the rand advanced (0.7%) against the dollar while equities fell 0.8% in South Africa.

Asian currencies were mixed while regional equities declined after four days of gains. The Thai baht (-0.5%) and Indian rupee (-0.3%) underperformed, while the Korean won (+0.3%) appreciated. Equity declines were led by Thailand (-1.8%) and the Philippines (-1.3%), while India's Nifty Index gained 1.6%.

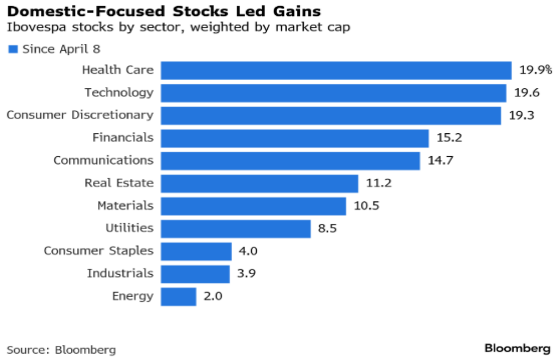
On Wednesday, Latin American equities were mixed, with gains in Chile (+1.2%) and Mexico (0.5%) offset by losses in Colombia (-1.3%) and Brazil. The Colombian peso outperformed (+0.9%), while the Chilean peso and Brazilian real edged lower. Peru's 2027 USD bond declined intraday before mostly recovering after Prime Minister Gustavo Adrianzen resigned amid political pressure around a cabinet reshuffle.

Argentina

Argentina inflation slowed more than expected in April, falling from 3.7% m/m to 2.8% (vs 3.2% expected). Analysts expect the monthly rate to drop as low as 1.5% m/m by October. Annual inflation eased for the 12th consecutive month from 55.9% y/y to 47.3% y/y, the lowest in four years. The slower pace of inflation occurred despite the introduction of a floating currency regime early last month, which traders initially expected to weaken the currency as much as 10%. Instead, the peso has strengthened, though some analysts warned about export competitiveness.

Brazil

Brazilian stocks have rallied 12% since their April 8 low to reach a record high in local currency terms, though remain well below their historical peak in dollars. Year to the date, the benchmark index has gained close to 25% in dollar terms and over 15% in local currency given the nearly 10% gain in the real. Brazil and Latin America have been a relative winner amid recent trade tensions, with only a 10% tariff and increased demand for commodities from China. Despite the rally, equity valuations remain subdued, as the forward P/E ratio on the Ibovespa index remains significantly below its 10-year average. However, Bloomberg noted that continued fiscal concerns could keep risk premia high ahead of next year's election, while a Selic rate of 14.75% could stunt further earnings growth.



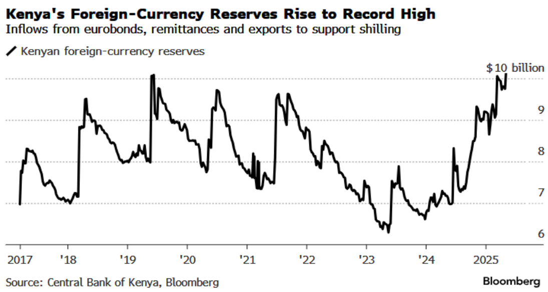
China

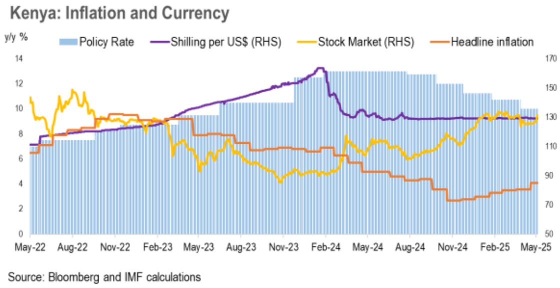
Both onshore CNY (-0.1%) and offshore CNH (-0.1%) depreciated after the People's Bank of China (PBOC) set the yuan fixing weaker for the first time in four sessions. The PBOC set the daily reference rate at 7.1963 today, compared to analyst estimates of 7.2169. The 7-day repo rate rose +0.7 bps to 1.52% today but remained close to the YTD low of 1.49% from earlier this week. **Corporate bond spreads fell to a record low following recent monetary easing.** The spread of 1y AA-rated onshore corporate notes over government bonds fell to 41 bps, the tightest since 2007 when Bloomberg data begins. Spreads on similar AAA-rated corporate bonds and negotiable certificates of deposit also reached their

narrowest since 2022, according to Bloomberg. Analysts highlighted the rise in trading volume for overnight repo (a four-month high) as a sign of leveraged bond financing. However, they cautioned that the recent easing of trade tensions could end or postpone any additional stimulus, which had been supporting the move.

Kenya

Kenya's FX reserves reached a record high of $10 bn on May 8, exceeding 4.5 months of import coverage, according to Bloomberg. Reserves received a boost from a reported $500 mn loan from Abu Dhabi, overseas remittances (+4% y/y in March), and recent eurobond issuance. Furthermore, FX reserves should be supported by a forthcoming $600 mn loan from the World Bank and a $265 mn loan from the African Development Bank. **Kenya's shilling has traded firm against the dollar at around KES129/$ over the last nine months**, with analysts at Tellimer noting that lower oil prices will likely reduce further the external funding needs of the country in the medium term. **Sovereign spreads declined back below 600 bps (591 bps) for the first time since March, though have risen about 100 bps YTD.**





Poland

The zloty edged marginally lower (-0.1%) against the euro and equities declined (-0.8%) this morning after first quarter GDP growth slowed to 3.2% y/y as expected (3.4% previous). Final April headline inflation printed a tick higher than flash estimates at 4.3% y/y (vs 4.2% expected). Goldman Sachs has a constructive view on the zloty heading into the upcoming presidential elections (first round this Sunday) as it expects Polish GDP to grow close to potential at 3.5% in 2025. It also expects inflation to decline to 2.8% y/y by the end of the year due to favorable base effects and currency strength (+1% against the euro and +8.5% against the dollar YTD). However, Goldman Sachs highlighted persistent fiscal challenges given the lack of political appetite to address the large fiscal deficit (-6.6% of GDP in 2024 vs government estimate of -5.5%, with a projection -6.3% in 2025) and the recent increase in defense spending. Yields on 10y Polish government bonds have risen by 23 bps in May to 5.45%.

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.

Global Financial Indicators

5/15/25 8:11 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		5,871	0.1	3.7	8.8	10.6	0
Europe		5,382	-0.4	1.8	8.3	5.5	10
Japan		37,756	-1.0	2.2	11.3	-3.0	-5
China		3,907	-0.9	1.4	3.6	7.3	-1
Asia Ex Japan		79	1.0	4.0	10.9	8.2	9
Emerging Markets		46	0.8	3.7	10.0	6.4	11
Interest Rates					basis points		
US 10y Yield		4.5	-3	13	18	17	-6
Germany 10y Yield		2.7	-4	13	13	24	29
Japan 10y Yield		1.5	2	15	11	53	38
UK 10y Yield		4.7	-3	14	3	62	11
Credit Spreads					basis points		
US Investment Grade		135	0	-8	-21	17	16
US High Yield		363	4	-34	-87	16	35
Exchange Rates					%		
USD/Majors		100.9	-0.1	0.3	0.7	-3.3	-7
EUR/USD		1.12	0.1	-0.4	-0.9	2.8	8
USD/JPY		146.0	-0.5	0.1	1.9	-5.7	-7
EM/USD		45.5	0.1	0.5	2.2	-3.5	6
Commodities					%		
Brent Crude Oil ($/barrel)		64.1	-3.1	2.0	0.3	-17.4	-13
Industrials Metals (index)		142.6	-1.1	1.7	1.5	-12.9	2
Agriculture (index)		57.1	-0.9	0.0	-2.0	-5.1	0
Gold ($/ounce)		3179.7	0.1	-3.8	-1.6	33.3	21
Bitcoin ($/coin)		102406.3	-1.1	-0.8	21.9	55.2	9
Implied Volatility					%		
VIX Index (%, change in pp)		18.9	0.3	-3.6	-11.2	6.5	1.6
Global FX Volatility		8.6	0.0	-0.8	-1.2	1.6	-0.6
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		77	1	-5	-15	-23	-8
Italy		102	1	-3	-16	-29	-13
France		68	0	-2	-8	20	-15
Spain		63	1	-2	-8	-15	-7

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

Emerging Market Financial Indicators

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		3,907	-0.9	1.4	3.6	7.3	-0.7		113	-12	-6	-27	17
Indonesia		7,040	0.9	2.1	10.0	-2.9	-0.6		96	-22	-45	-4	5
India		82,531	1.5	2.7	7.1	12.0	5.6		111	-15	-20	18	25
Philippines		6,467	-1.3	0.0	5.4	-2.4	-0.9		76	-16	-38	-14	-3
Thailand		1,194	-1.8	-2.1	4.9	-13.3	-14.7						
Malaysia		1,573	-0.7	1.5	6.5	-2.4	-4.2		83	-11	-17	4	13
Argentina		2,301,643	0.7	11.7	0.8	55.7	-9.2		654	-42	-77	-594	17
Brazil		138,423	-0.4	3.8	7.1	8.1	15.1		216	-19	-19	-2	-31
Chile		8,470	1.2	3.8	10.1	26.2	26.2		114	-10	-19	-2	1
Colombia		1,678	-1.3	1.4	4.6	19.3	21.6		340	-37	-39	45	14
Mexico		57,645	0.5	-0.5	9.5	0.3	16.4		300	-32	-46	4	-12
Peru		30,800	0.1	1.5	3.6	2.7	6.4		131	-13	-24	-13	-10
Hungary		95,754	0.3	3.3	9.8	39.4	20.7		152	-17	-37	4	-3
Poland		103,037	-0.8	2.0	9.4	17.0	29.5		98	-15	-24	-1	-14
Romania		16,293	-1.3	-0.2	-4.7	-5.8	-2.6		291	-15	9	110	56
South Africa		91,897	-0.6	1.1	2.7	15.8	9.3		309	-32	-64	-20	16
Türkiye		9,605	-1.0	3.5	2.3	-5.4	-2.3		294	-35	-36	13	35
EM total		46	-0.6	3.7	10.0	6.4	10.7		373	-27	-33	45	9

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

Last updated: 5/15/2025 8:11 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	0.4	1.4	0.1	1.2		1.7	1	2	2	-55	5
Indonesia		16515	0.2	-0.1	1.8	-2.9	-2.5		6.8	3	2	-22	-15	-22
India		86	-0.3	0.2	0.3	-2.4	0.1		6.8	0	1	2	-57	-51
Philippines		56	0.2	-0.2	1.8	3.2	3.8		4.9	-4	-2	-7	-71	5
Thailand		33	-0.5	-1.6	0.8	9.5	2.2		2.0	1	7	-2	-83	-31
Malaysia		4.28	0.1	0.0	3.0	9.9	4.4		3.6	2	1	-11	-27	-20
Argentina		1131	-0.6	0.7	5.8	-21.8	-8.9		29.3	-30	-219	-757	-812	13
Brazil		5.63	0.1	0.6	4.5	-8.8	9.7		14.2	21	19	-29	303	-172
Chile		943	-0.3	0.4	2.6	-2.8	5.5		5.6	1	3	8	-29	-10
Colombia		4181	0.9	2.5	2.8	-8.0	5.4		12.0	0	10	-19	130	19
Mexico		19.34	0.2	1.0	3.9	-13.7	7.7		9.5	10	20	-2	-36	-84
Peru		3.7	-0.2	-0.8	1.8	1.2	1.8		6.4	0	-13	-21	-65	-21
Uruguay		42	0.1	0.4	1.3	-7.1	5.5		9.5	-1	-10	-15	30	-20
Hungary		361	0.1	0.1	0.2	-1.7	10.2		6.7	5	13	-13	-5	25
Poland		3.79	-0.1	-0.2	0.4	3.3	8.9		5.0	1	22	20	-52	-56
Romania		4.6	0.1	-0.1	-3.3	0.1	5.3		8.0	2	-6	74	152	77
Russia		80.5	-0.1	2.5	2.4	13.3	41.0							
South Africa		18.1	1.1	0.7	5.3	1.1	4.2		10.8	3	-5	-25	-113	37
Türkiye		38.69	0.2	-0.2	-1.6	-16.7	-8.6		35.0	14	-2	-34	671	524
US (DXY; 5y UST)		101	-0.1	0.3	0.7	-3.3	-7.0		4.14	-3	15	15	-21	-25

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