



- **US markets shrug off Moody's downgrade** ([link](#))
- **US cyclical stocks rally on tariff truce, but margin risks linger** ([link](#))
- **Pound consolidates gains after EU-UK post-Brexit agreement** ([link](#))
- **Long-dated JGB yields surge after weak auction raises investor demand concerns** ([link](#))
- **RBA cuts its policy rate against a backdrop of heightened global uncertainty** ([link](#))
- **Chinese banks lower benchmark lending rates, in line with monetary policy easing** ([link](#))

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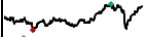







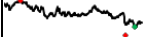
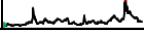
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## US Equities Take a Breather After Winning Streak

**US equity futures signaled an opening in the red as investors appeared to take a pause following a 6-day winning streak in the S&P 500 index.** US equity markets closed yesterday slightly higher, rebounding from earlier losses following Moody's downgrade. The price action suggests investors may have looked past the downgrade, focusing instead on the improved macro outlook and still resilient earnings momentum. Across the pond, European equities rose modestly and currency markets traded in limited ranges, with the dollar slightly weaker. In fixed income, US Treasury and euro-area sovereign bond yields were also little changed. JGBs were the notable mover this morning, with 20-year JGB yields surging as much as 15 bps to 2.56%, the highest level since 2000. A weak 20-year JGB auction raised concerns about investor demand. The bid-to-cover ratio at the 20-year JGB sale today fell to 2.50x, the lowest level since August 2012. Elsewhere, the Reserve Bank of Australia cut its policy rate against a backdrop of heightened global uncertainty. In a second rate cut this year, the key rate was reduced by 25 bps to 3.85%, a two-year low.

**Key Global Financial Indicators**

Last updated: 5/20/25 8:02 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			<b>%</b>				<b>%</b>
S&P 500		5964	0.1	2	13	12	1
Eurostoxx 50		5447	0.4	1	10	7	11
Nikkei 225		37529	0.1	-2	8	-4	-6
MSCI EM		46	0.2	1	11	6	11
<b>Yields and Spreads</b>			<b>bps</b>				
US 10y Yield		4.46	0.8	-1	13	1	-11
Germany 10y Yield		2.59	-0.1	-9	12	6	22
EMBIG Sovereign Spread		330	3	2	-37	-33	5
<b>FX / Commodities / Volatility</b>			<b>%</b>				
EM FX vs. USD, (+) = appreciation		45.6	0.0	0	2	-4	6
Dollar index, (+) = \$ appreciation		100.3	-0.2	-1	1	-4	-8
Brent Crude Oil (\$/barrel)		65.2	-0.5	-2	-4	-22	-13
VIX Index (% change in pp)		18.2	0.0	0	-11	6	1

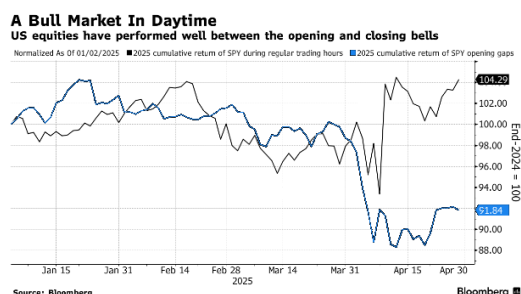
Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

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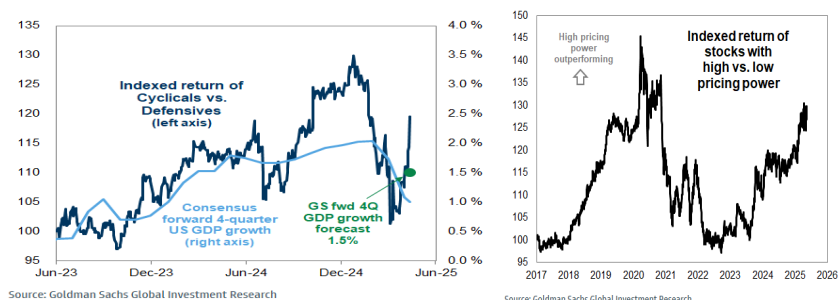
### United States

**US equity markets closed slightly higher yesterday, rebounding from earlier losses following Moody's downgrade.** The price action suggests investors may have looked past the downgrade, focusing instead on the improved macro outlook and still resilient earnings momentum. The S&P 500 ended the day up +0.1%, after recovering from a 1.1% intraday drop, while Treasury yields fell, reversing earlier increases to close about 2 bps lower. The move in yields appeared technically driven, as the 30-year briefly topped 5%, which some investors viewed as an attractive entry point. Notably, the reversal also aligns with a broader pattern seen since Liberation Day: most equity losses have occurred outside regular trading hours, while markets have consistently strengthened during the day session.

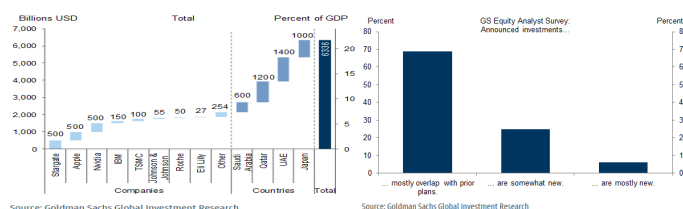


### Cyclicals stocks surged on tariff relief, but margin pressures persist amid elevated tariff rates.

Cyclical stocks have strongly outperformed defensive sectors, by 18 ppts since early April, as markets priced in an improved macro backdrop following US-China tariff de-escalation. Light investor positioning, particularly among hedge funds and systematic strategies, likely amplified the rally. The equity sentiment indicator from Goldman Sachs that combines positioning data for institutional, foreign and retail investors registered -1.5 standard deviation last Friday, improving from -2.5 on April 4. However, the effective US tariff rate is still expected to reach 16% in 2025, which poses downside risks to corporate margins. In this environment, firms with strong pricing power—defined by stable and elevated gross margins—have resumed their outperformance, echoing patterns seen during the 2018–2019 trade tensions.



**Trillion-dollar investment headlines may be overstating their potential economic impact on the US economy.** Companies have announced over \$2 tn in planned US investments, with foreign governments pledging an additional \$4.2 tn over multiple years. However, Goldman Sachs estimates the actual boost to US growth will be modest. The analysis projects these pledges will generate \$30–135 bn in additional annual investment (0.1–0.4% of GDP) over the next few years, while announced foreign purchases of US goods could add another \$50 bn (0.1–0.2% of GDP) if realized. Several caveats temper the outlook: many commitments lack clear implementation plans or financing; a portion of the spending—such as R&D, land, or overseas activity—does not count as fixed investment in national accounts; and a large share appears to repackage existing plans rather than represent net new capital formation. Consistent with this, equity analyst capex forecasts have seen little upward revisions.

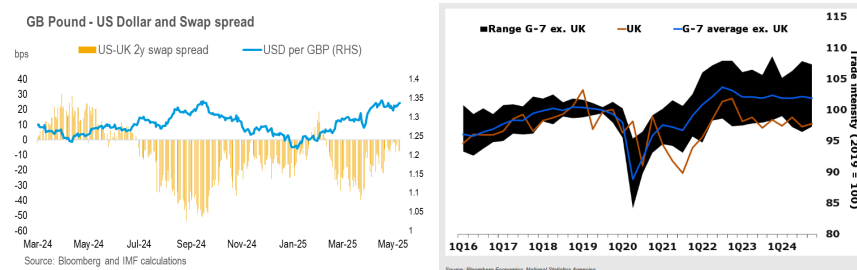


## Euro area

**European equities traded higher this morning**, with the Stoxx 600 up by 0.5%, led by gains in the utilities (+1.5%), health care (+0.9%) and industrial (+0.7%) sectors. ECB Governing Council member Müller said yesterday that further rate cuts cannot be ruled out but emphasized that significant reductions would require clear justification. In yesterday's data the Eurozone final April CPI remained steady at 2.2%/y/y, unchanged from March, while core CPI rose to +2.7%/y/y from prior 2.4%/y/y. **European government bond yields were little changed this morning, with 10-year bund yields at 2.59%.** Southern spreads were a touch lower, with the 10-year BTP-bund yield spread at 101 bps. Analysts at HSBC have a bearish view on Italian BTPs, as they emphasized that spreads are at their lows while risk sentiment in the market remains fragile and volatile.

## United Kingdom

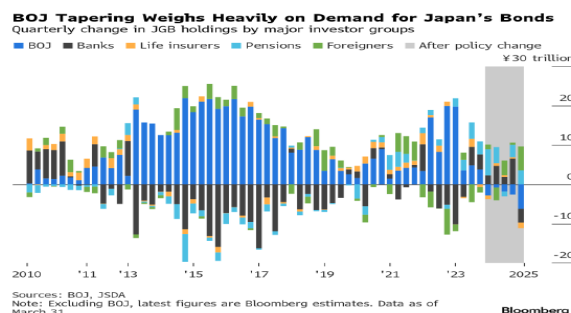
**The pound was firm to the dollar this morning**, trading at \$1.34/£, **with UK equities in the green** (FTSE 100 +0.5%) **and gilts yields little changed after the announcement yesterday of an EU-UK post-Brexit agreement.** Officials expect the agreement to boost the UK economy by £9 bn with its key elements including a €150 bn EU defense fund accessible to UK firms, reduced border controls on UK food exports in exchange for alignment with EU food standards, and extended EU access to UK fishing waters until 2038. Analysts at Deutsche Bank see the UK-EU deal as a net positive for both parties by reducing non-tariff barriers and boosting trade efficiency and energy security. Analysts estimate that the deal could raise UK GDP by around 0.5% by 2040. ING, however, considers the deal has limited benefits since agricultural exports to the EU represent only 6% of UK goods exports. Instead, ING argues that the UK faces fiscal pressures that this deal alone cannot alleviate with likely tax hikes on the horizon. Analysts at Bloomberg believe that Brexit has weighed on UK economy's trade intensity resulting in slower productivity and reducing GDP but up to 3% cumulatively by 2030. The analysts are of the view that broader trade alignment or a customs union would be needed to meaningfully boost UK growth and unlock about £10 bn in fiscal headroom for the UK, but political hurdles make such progress unlikely.



## Japan

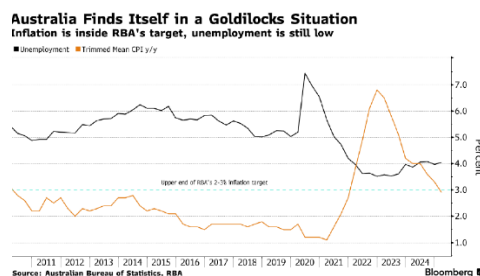
**A weak JGB auction results raised concerns about waning investor demand, lifting bond yields.** The bid-to-cover ratio at the 20-year JGB sale today fell to 2.50x, the lowest level since August 2012. Following the auction, the yield on the benchmark 10-year note rose to as high as 1.53%, before settling at 1.49% (+1 bp). However, the yield on the 20-year bond surged as much as 15 bps to 2.56%, the highest level since 2000. The yield on the 40-year bond also rose (+10 bps), suggesting uncertainty regarding demand ahead of next week's auction. As the BOJ scales back its bond purchases, investors have become

increasingly attentive to signs of weakening demand. As of the end of last month, BoJ's holdings of long-term government debt totaled ¥576.6 tn, down by 2.2% compared with the end of July 2024, just before the BOJ slowed the pace of its bond purchases. The BOJ is expected to update its plans for quantitative tightening on June 17, at the conclusion of its board meeting.



## Australia

**The Reserve Bank of Australia lowered its policy rate against a backdrop of heightened global uncertainty.** In a second rate cut this year, the key rate was reduced by 25 bps to 3.85%, a two-year low. Market participants interpreted the latest policy move as a “dovish cut”, given the prominence of “uncertainty” featured in the policy statement, including on geopolitics and trade, as well as domestic demand, wages, and firm pricing behavior. Traders are pricing in the possibility of additional rate cuts by year end. The yield on the 2-year note fell 16 bps following the rate decision to 3.43%, while the Australian dollar weakened (-0.5%), extending declines seen earlier. That said, since the RBA’s 2-day meeting that concluded on April 1, inflation was higher than expected, wage growth accelerated and hiring rose.



## Emerging Markets

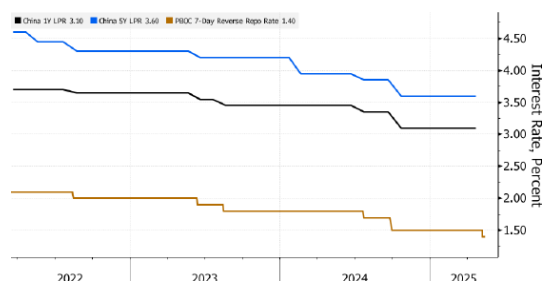
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In **Asia**, equities were broadly higher while currencies were little changed. Shares in **Hong Kong SAR** outperformed (+1.5%), boosted by strong demand for the IPO of Contemporary Amperex Technology Co. Ltd. (“CATL”), which saw its share price rising as much as 18% in its debut. Expectations for tariffs to be lowered for India and Japan in upcoming trade negotiations with the US also boosted investor sentiment. According to news reports, India is looking to reach an interim agreement with the US before July, when US Administration’s tariffs are slated to be rolled out. Meanwhile, Japan’s key trade negotiator Ryosei Akazawa is reportedly making arrangements to visit the US for a third round of talks as soon as this week. In **EMEA**, currencies and equities traded mixed this morning. In CEE, equities were slightly higher, with Hungary (+0.3%) outperforming, while currencies were mostly trading weaker against the euro. According to Bloomberg, Ukraine’s dollar bonds declined as the US appeared to withdraw its role as mediator in talks between Russia and Ukraine. Elsewhere, the South African rand was trading firmer (+0.3%) and the Turkish lira was a touch weaker. Elsewhere, the **Central Bank of Nigeria** is expected to keep rates on hold at 27.50% later today. Meanwhile, Bloomberg reports that Kazakhstan may sell Eurobonds in July to use the proceeds to cover the budget deficit. In **Latam**, most currencies appreciated yesterday. The region’s equity outperformance was also broad based and mostly outperformed US equity markets. Equity markets in the

region have not been deterred from the market turmoil earlier in April with most country's major indices up by more than 25% year-to-date in dollar terms. Front-end of Brazilian yields have continued their rally whereas Colombian yields saw a minor sell-off in the belly of the curve. **Banco do Brasil** ended the lower (-2.4%) following its plunge last week after the bank withdrew its earnings guidance. While the plummet in the stock price last week (-13%) has made the bank lose its spot as the second largest publicly traded stock in the country, this is not the first time that the stock has seen this volatility over the last 15 years. Episodes in 2016, 2017 and 2020 were also periods when the share price of the bank dropped by more than 15% in a day.

## China

**Chinese banks lowered their benchmark lending rates for the first time in seven months**, reflecting monetary policy easing to counter the impact of higher tariffs. In a statement from the PBOC, the one-year loan prime rate ("LPR") was lowered to 3% from 3.1%, in line with the consensus forecast for a 10-bps reduction. The 5-year rate, a reference rate for long-term loans including mortgages, was cut to 3.5% from 3.6%. The LPRs were last lowered by 25 bps in October following broad policy easing, including a rate cut from the PBOC. Following the LPR reduction, some of the largest banks also lowered their deposit rates, in an effort to keep their profit margins stable. Banks including ICBC, China Construction Bank, Agricultural Bank of China, Bank of China and China Merchants Bank trimmed deposit rates across maturities. A survey of official bank announcements and updates on banks' mobile apps indicated a 15 bps reduction in the one- and two-year fixed deposit rates. Rates on three- and five-year deposits were lowered by 25 bps. CGB yields and the RMB were little changed on the day.



## Brazil

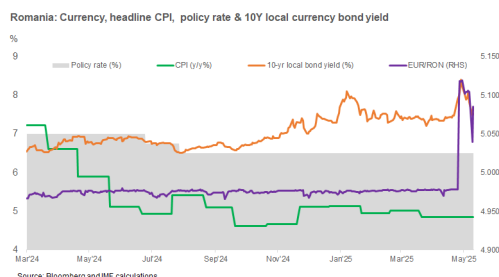
**Brazil's inflationary pressures are remaining broad based as growth numbers exceed expectations.** The BCB's monthly GDP indicator came in firmer-than-expected (+0.8% m/m, +0.4% exp.). The better-than-expected activity figures follow the central bank's 50 bps hike earlier in the month as the BCB tries to cool down Brazil's economy and bring inflation back to target. Goldman Sachs analysts think that inflation has picked up pace again due to a combination of factors that include an overheating economy and short and medium-term inflation expectations drifting higher. Proxies for the momentum of inflationary pressures also appear to be broad based: a majority of the subcomponents of the consumer price index is either above the BCB's inflation target and or above the upper bound of its target range. Analysts also think that the more inertial measures of inflation are still "red hot at the core" and expect a final 25 bps hike from the central bank at its next meeting in June.

## Romania

**The Romanian leu weakened as the central bank of Romania is expected to determine a new trading range.** The Romanian leu was trading around 0.9% weaker against the euro at RON5.08/€, reversing yesterday's post-election result rally following comments from governor Isarescu who said that officials are yet to determine a new trading range for the leu, but that keeping the currency below the RON5/€ level was "impossible", despite foreign exchange reserves remaining at "optimum levels." Separately, the central bank announced that it had raised its inflation forecast for this year to 4.6% y/y, versus the previous projection of 3.8%. The revised forecast does not incorporate the recent volatility in the leu, which saw the



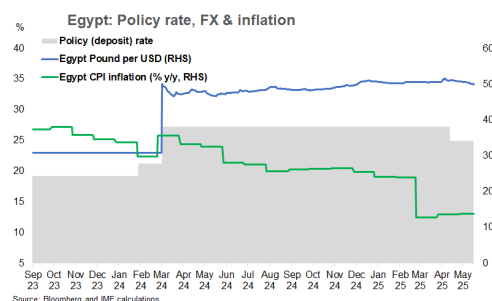
currency depreciate by as much as 3% against the euro. For next year, the central bank forecasts headline inflation to reach 3.4% y/y. Governor Isarescu remarked that further interest rate cuts would depend on market stability and may be considered in 2H25. Separately, the European Commission cuts its growth forecast for Romania to 1.4% in 2025, from 2.5% previously citing ongoing fiscal uncertainty and political instability, with growth expected to rebound to 2.2% in 2026.



## Egypt

### Consensus expect the Central Bank of Egypt to cut rates by 200 bps later this week.

According to Bloomberg consensus expectations, the Central Bank of Egypt (CBE) is expected to cut the policy rate by 200 bps to 23% at the MPC meeting later this week. However, Goldman Sachs analysts expect a larger 300 bps rate cut at this week's meeting which they expect will be followed by a series of cuts, taking the policy rate to 16% by year-end. The analysts believe the CBE has policy space to implement this extent of easing as real rates remain high, both on a historical and comparative basis. In addition, the analysts believe that FX dynamics will likely remain supportive of further disinflation over the medium-term and they see inflation continuing to trend lower, ending the year at 13% y/y before falling to below 10% by the middle of next year. That said, the analysts noted that the risk of an adverse FX shock or country-specific factors pose upside risks to their base case, which might lead the MPC to take a more cautious approach, resulting in a shallower easing cycle. This morning, the Egyptian pound was broadly steady to trade at 49.96/\$ and is up close to 2% YTD.



*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.*

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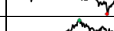

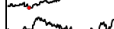





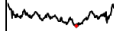





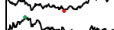











## Global Financial Indicators

5/20/25 8:00 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		5,964	0.1	2.0	12.9	12.3	1
Europe		5,447	0.4	0.6	10.4	7.3	11
Japan		37,529	0.1	-1.7	8.1	-3.9	-6
China		3,898	0.5	0.0	3.3	5.6	-1
Asia Ex Japan		79	0.2	0.9	11.6	7.8	9
Emerging Markets		46	0.2	1.0	10.6	6.3	11
<b>Interest Rates</b>			basis points				
US 10y Yield		4.5	1	-1	13	1	-11
Germany 10y Yield		2.6	0	-9	12	6	22
Japan 10y Yield		1.5	2	6	21	52	40
UK 10y Yield		4.7	-1	-1	9	49	9
<b>Credit Spreads</b>			basis points				
US Investment Grade		134	1	-3	-20	19	15
US High Yield		370	7	7	-75	28	41
<b>Exchange Rates</b>			%				
USD/Majors		100.3	-0.2	-0.7	0.9	-4.1	-8
EUR/USD		1.12	0.1	0.6	-2.3	3.6	9
USD/JPY		144.5	-0.2	-2.0	2.6	-7.5	-8
EM/USD		45.6	0.0	0.2	1.5	-3.6	6
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		65.2	-0.5	-2.2	-2.7	-17.3	-11
Industrials Metals (index)		142.0	0.1	-1.3	0.4	-16.7	1
Agriculture (index)		57.2	0.5	-0.4	-2.4	-6.9	0
Gold (\$/ounce)		3239.8	0.3	-0.3	-5.4	33.6	23
Bitcoin (\$/coin)		105168.8	-0.3	1.6	23.6	51.3	12
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		18.2	0.0	0.0	-11.5	6.0	0.8
Global FX Volatility		8.7	0.0	0.5	-1.0	1.9	-0.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		76	0	-3	-15	-24	-10
Italy		100	-1	-2	-17	-28	-15
France		67	-1	-1	-10	20	-16
Spain		62	-1	0	-8	-14	-8

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

## Emerging Market Financial Indicators

Last updated: 5/20/2025 7:59 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		7.22	-0.1	-0.2	1.0	0.2	1.1		1.7	-1	-1	1	-57	5
Indonesia		16413	0.1	1.3	2.4	-2.7	-1.7		6.7	-2	-2	-19	-7	-27
India		86	-0.3	-0.3	-0.6	-2.7	0.0		6.8	-3	-5	19	-65	-56
Philippines		56	0.1	0.3	1.8	4.0	4.2		4.9	0	0	-10	-72	5
Thailand		33	0.3	0.6	0.2	9.3	3.9		2.0	2	2	2	-80	-33
Malaysia		4.30	-0.2	0.6	1.7	9.0	4.0		3.6	-1	0	-9	-27	-22
Argentina		1139	0.3	-0.7	-3.7	-21.9	-9.5		30.1	54	86	-478	-586	95
Brazil		5.65	0.2	0.4	2.7	-9.7	9.2		14.0	-3	2	-47	276	-189
Chile		938	0.5	0.9	2.5	-5.3	6.3		5.6	3	-1	8	-21	-11
Colombia		4173	0.1	1.3	2.6	-8.5	5.6		12.0	3	1	-18	148	15
Mexico		19.27	0.2	0.8	2.4	-14.1	8.1		9.4	-3	-2	-7	-44	-97
Peru		3.7	-0.1	-0.9	0.4	1.2	1.8		6.4	4	4	-20	-62	-19
Uruguay		42	0.3	0.2	1.1	-7.7	4.8		9.4	-2	-9	-22	33	-23
Hungary		358	0.0	0.9	-1.2	-0.7	11.1		6.7	1	4	-9	1	24
Poland		3.77	0.2	0.4	-1.7	3.8	9.4		5.1	6	8	31	-38	-49
Romania		4.5	-0.8	1.0	-4.4	1.4	6.3		7.5	-50	-60	23	97	24
Russia		80.6	-0.1	-0.9	0.8	12.9	40.8							
South Africa		18.0	0.6	1.9	4.2	1.2	4.8		10.8	4	-3	-30	-104	29
Türkiye		38.85	-0.2	-0.2	-1.7	-17.1	-9.0		34.3	0	-48	-79	576	455
US (DXY; 5y UST)		100	-0.2	-0.7	0.9	-4.1	-7.6		4.05	-1	-4	12	-41	-33

	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		3,898	0.5	0.0	3.3	5.6	-0.9		117	4	-7	-23	21	
Indonesia		7,095	-0.7	3.8	10.2	-2.4	0.2		110	9	-21	18	19	
India		81,186	-1.1	0.0	3.4	9.7	3.9		118	2	-13	25	32	
Philippines		6,335	-1.9	-3.5	3.3	-5.2	-3.0		90	14	-15	9	11	
Thailand		1,189	0.2	-2.1	3.3	-13.7	-15.1							
Malaysia		1,549	-0.5	-2.1	3.3	-4.8	-5.7		85	4	-13	7	15	
Argentina		2,369,505	2.2	6.2	8.8	54.3	-6.5		681	24	-51	-589	44	
Brazil		139,636	0.3	2.3	7.7	9.3	16.1		223	4	-23	4	-24	
Chile		8,392	0.1	0.8	7.4	25.1	25.1		119	5	-17	5	6	
Colombia		1,658	0.7	-2.5	1.9	15.0	20.2		345	3	-45	50	19	
Mexico		58,493	0.9	3.0	10.3	1.9	18.1		291	-13	-53	-3	-21	
Peru		30,945	-0.2	1.6	4.4	0.8	6.8		130	-2	-24	-13	-11	
Hungary		96,402	0.0	2.4	10.7	41.6	21.5		164	10	-21	24	9	
Poland		102,491	0.1	-1.7	7.7	14.6	28.8		115	11	3	22	3	
Romania		17,472	0.2	5.5	2.3	-0.1	4.5		259	-46	-19	87	23	
South Africa		92,176	-0.3	-0.5	3.0	15.1	9.6		317	3	-48	4	24	
Türkiye		9,564	-1.1	-1.9	2.6	-10.9	-2.7		304	5	-22	26	45	
EM total		46	-0.3	1.0	10.6	6.3	10.9		381	4	-18	58	17	

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

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