



- **Advanced economy government bond markets face steepening pressures** ([link](#))
- **US markets rattled by weak Treasury auction** ([link](#))
- **Survey finds that investors are turning more bearish about on equities** ([link](#))
- **High spillovers from US Treasuries to emerging markets conditional on a stronger dollar** ([link](#))
- **Disappointing euro area PMIs weaken market confidence** ([link](#))
- **Hong Kong SAR sees surge in IPOs** ([link](#))

[Mature Markets](#)



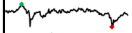






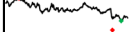
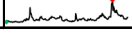
| [Emerging Markets](#)

| [Market Tables](#)

## Global Markets in Full Retreat as US Interest Rates Surge Higher

**Equity markets across the globe were down as a surge in US interest rates rattled investor confidence.** A weak Treasury auction and the US rating downgrade last Friday accelerated an ongoing trend of rising US rates that has been underway for six weeks. The benchmark 10-year US Treasury yield is up 60 bps since early April to its highest level since January, as markets fret about US public finances. The US House of Representatives has just passed the President's tax bill, which is expected to increase the budget deficit even further. The bill now moves to the US Senate for its consideration. In the midst of all the anxiety, Bitcoin hit a new record on hopes of new market friendly regulations from US lawmakers. Bitcoin is up 33% over the past month. Meanwhile, Asian currencies appreciated sharply on speculation that stronger regional currencies could be part of tariff negotiations with the US. In other news, Japanese Government bond yields are also in focus as longer maturity yields hit their highest level in decades as the BOJ tapers bond purchases and inflation has begun to increase significantly.

Key Global Financial Indicators

Last updated: 5/22/25 7:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		5845	-1.6	-1	11	10	-1
Eurostoxx 50		5399	-1.0	0	9	7	10
Nikkei 225		36986	-0.8	-2	6	-5	-7
MSCI EM		46	-0.3	0	9	7	10
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.61	0.8	18	21	18	4
Germany 10y Yield		2.66	1.2	4	22	12	29
EMBIG Sovereign Spread		321	-4	-2	-45	-43	-4
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.5	-0.1	0	1	-3	6
Dollar index, (+) = \$ appreciation		99.7	0.2	-1	1	-5	-8
Brent Crude Oil (\$/barrel)		63.9	-1.6	-1	-5	-22	-14
VIX Index (% change in pp)		20.8	-0.1	3	-10	8	3

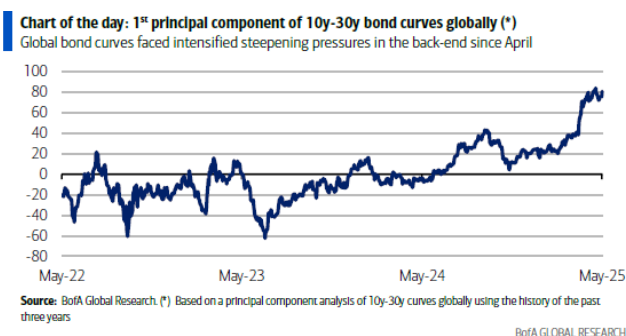
Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

[back to top](#)

### Advanced Economy Government Bond Markets

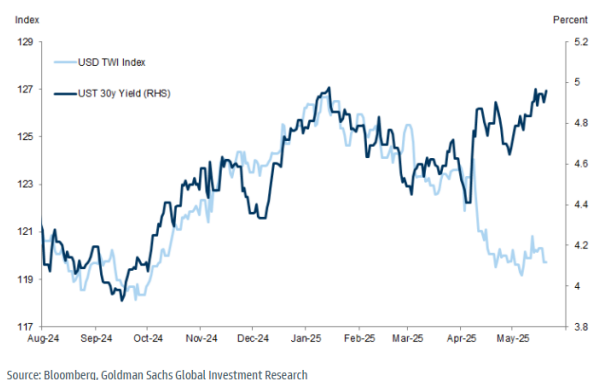
**Government bond markets in advanced economies face yield curve steepening pressures at the long end.** Bank of America analysts expect the most curve steepening in the US and Japan, with the euro area and the UK facing smaller moves. In the US, investors expect larger budget deficits in the wake of the ongoing budget deficits, which will probably result in a large increase in Treasury supply, especially next year. In addition, tariffs could cause an increase in inflation. In Japan, the tapering of the central bank's government bond purchases and rising inflation have put upward pressure on interest rates. A lack of demand longer maturity demand from Japanese life insurance companies is also putting upward pressure on long rates. A significant increase in longer-dated interest rates could pose a major challenge to global markets.



### United States

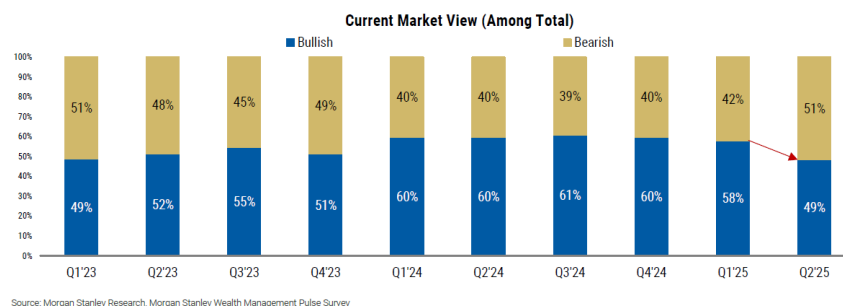
**A weak 20-year Treasury auction rattled US markets yesterday.** This was highly unusual, as the 20-year note is not usually a major focus for markets. However, because it was the first auction after the Moody's downgrade last Friday and due to a rise in rates that was already underway before that, the weak result triggered a surge in Treasury yields across the curve and a weakening of the dollar. The benchmark 10-year Treasury yield hit 4.59%, the highest level since February 12. The long bond yield hit 5.09% intra-day, not far from its post global financial crisis high of 5.11% back on October 31, 2023. Stocks were mixed before the auction, but all the major indexes sold off sharply in the aftermath. Markets are becoming more and more uneasy about the trajectory of US public finances, with the new tax package currently under negotiations in Congress expected to increase the deficit even further. The tariffs could make the situation even worse. US Treasuries and the dollar are behaving in an atypical manner, with rising rates being accompanied by greater depreciation, a pattern normally associated with emerging markets, making investors very nervous. Early this morning, the long bond yield hit 5.11% and the 10-year yield hit 5.61% before both pulled back to overnight levels.

**Exhibit 1: No reversal in Dollar and UST weakness after trade tension de-escalation, unlike equities**



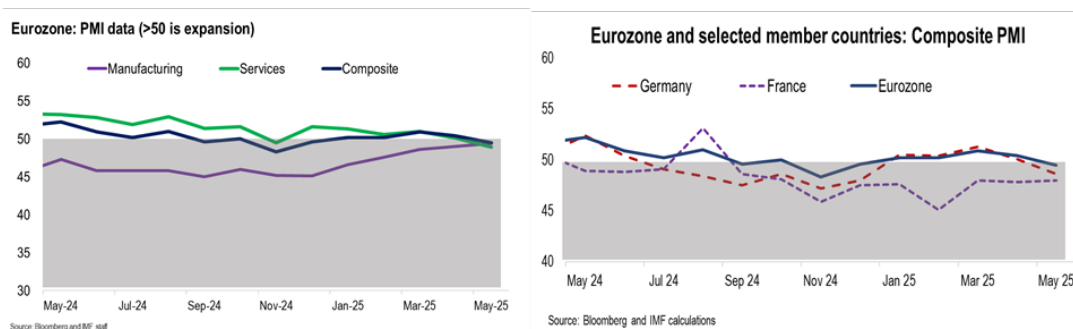
**The latest survey from Morgan Stanley finds that investors are growing bearish about US equities.** Although they are almost evenly divided in their outlooks, the percentage of bearish investors has risen from 42% at the beginning of the year to 51% today. 44% expect the US stock market will be down by the end of H1 2025. One-third of all investors believe the US will face a recession, although this is below the 40% level seen at the beginning of 2023. Another 27% expect high market volatility, compared to just 14% in Q4 2025. Investors flagged tariffs as the greatest risk to the US economy and markets, followed by inflation and market volatility. Investors are not worried about Fed policy and corporate earnings. As a result of these views, 63% of those surveyed expect to make changes to their portfolio allocations.

Exhibit 1: 51% of investors are now bearish versus 42% at the beginning of 2025

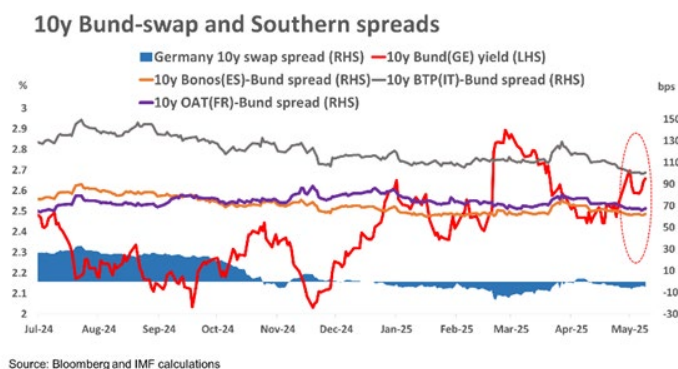


## Euro Area

**European equities continued to edge lower this morning**, after stock markets traded in the red in Asia overnight on fears of widening US deficit, while US equity-index futures pointed this morning to a mild rebound after yesterday's losses. The Stoxx 600 index was down by -1% with losses across all sectors and all European bourses were in the red with the CAC 40 continuing to underperform. **The euro lost ground (-0.3%) against the dollar** to trade at \$1.1298€, after today's release of preliminary May PMIs in France, Germany, and the Eurozone disappointed. Composite PMIs slid in May below the contractionary mark (50pts) in the Eurozone and Germany and remained there in France.

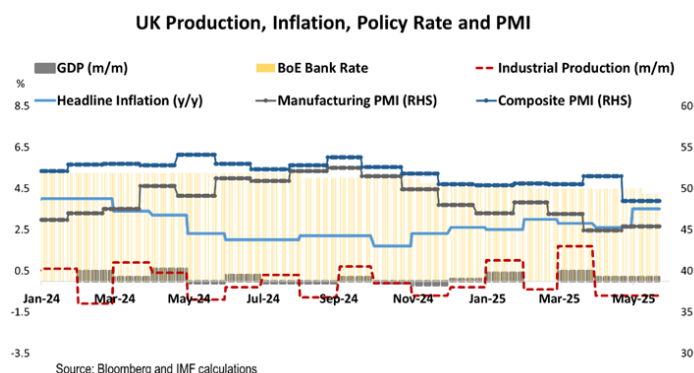


**European government bond (EGB) yields edged lower on the front end of the curve this morning**, as the 2y Bund yields declined by -4bps to 1.82% while the 10y Bund yields were little changed at 2.64%, with the swap rates also little changed across tenors. Commerzbank continues to see risks building up for long-term European yields on spillovers from the US. Southern spreads were little changed this morning, with the 10y BTP-Bund yield spread at 100bps and the 10y OAT-Bund spread at 67bps. Credit Agricole points to risk-on sentiment supporting peripheral bonds, which for the case of BTPs they attribute to Italy's improved credit rating outlook (S&P upgrade and Moody's review due tomorrow).



## United Kingdom

The pound lost some ground (-0.2%) against the dollar, trading at \$1.3397/£; with the gilt yield curve steepening at both ends this morning after today's data showed May PMIs marginally improving in line with expectations. After the unexpected spike of inflation in April (3.5%/y/y driven largely by services inflation at 5.42%), Deutsche Bank expects inflation to peak at 3.7% in September (averaging at 3.3% in 2025) before declining to 2.4% in 2026, which would lead the Bank of England (BoE) to postpone the June rate cut to August and accelerate easing from 4Q 2025 as inflationary pressures and the labor market soften. HSBC warns on sustained high services inflation, expecting slower moderation ahead and suggesting that the BoE may face prolonged challenges before lowering interest rates.



## Emerging Markets

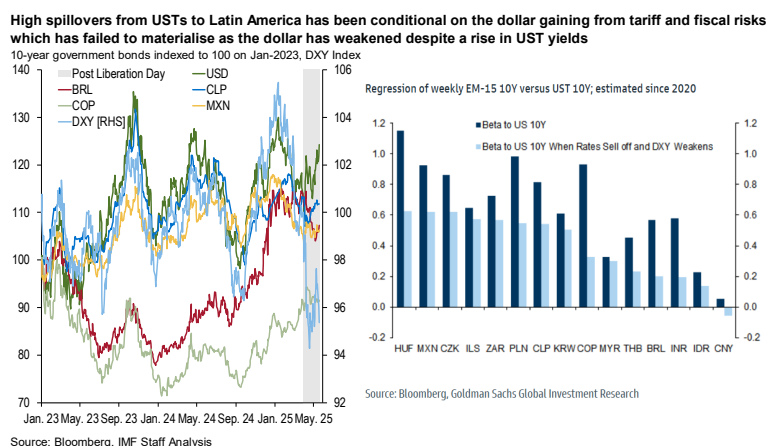
[back to top](#)

**EMEA currencies and equities were trading mixed.** In CEE, equities in Poland were underperforming (-0.8%) in early morning trade, while those in Romania were outperforming (+1.2%). CEE currencies were mostly trading in narrow ranges against the euro. **Asian equity markets were down across the board after yesterday's US selloff.** Local currencies were volatile. Goldman expects Asian currencies to appreciate against the dollar going forward. **Latin American currencies had a mixed performance yesterday as the Brazilian real gained the most (+0.4%) whereas the Mexican peso was among the worst performers across emerging markets (-0.5%).** Borrowing costs in the region weren't spared from the higher rise in global bond yields. Mexican equity markets held up their gains despite a fall in US equity markets (+0.4%).

## Emerging Bond Markets

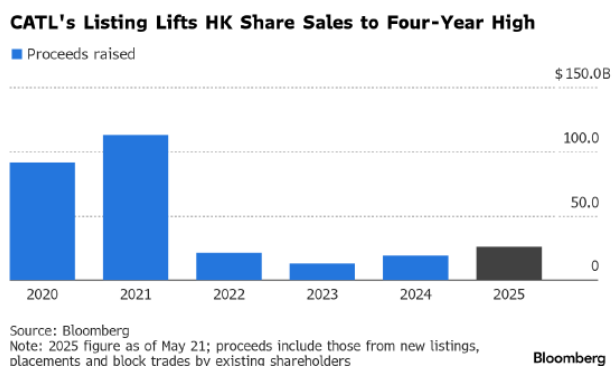
**High spillovers from US Treasuries to emerging market bonds are conditional on a stronger dollar.** US Treasury markets have seen a notable pick up in volatility since April 2 with 10-year bond yields rising more than 40bps on net. The pressure from higher borrowing costs in the US appears to have limited impact

on Latin American markets in contrast to previous steep selloff episodes in US rates. Goldman Sachs analysts think that the spillovers have been limited because the dollar has weakened (-8.4% YTD) even as rates have risen in the US. US Treasuries are treated by investors as risk-free and are used to price risky assets. The weaker dollar thus far appears to be beneficial for most emerging markets in terms of limited spillovers from higher US borrowing costs and stronger currencies providing a tailwind to help inflation get back to target levels.



## China

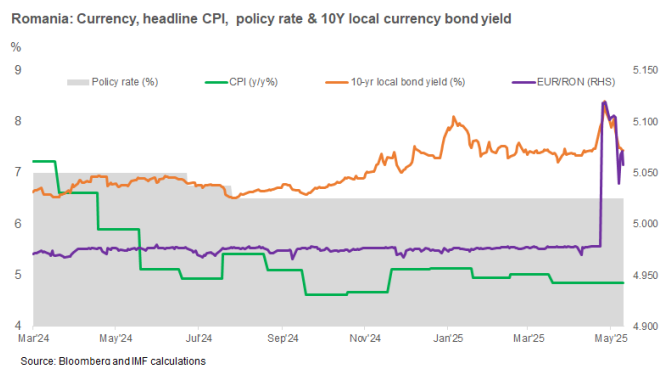
**Chinese companies have increased their capital raising as investors search for alternatives to US assets.** IPOs in Hong Kong SAR have raised \$25.8 bn thus far this year, about 34% higher than what was raised in all of 2024, according to Bloomberg data. Bloomberg data also showed that US dollar bond issuance from mainland companies totaled \$2.8 bn in the second week of May alone, one of the busiest stretches in Asia this year. Meanwhile, analysts noted a robust pipeline for equity listings of Chinese firms, many of which do not rely heavily on US exports, including drugmakers and sensor manufacturer Hesai Group. The RMB ended on the day little changed. While the onshore CSI 300 index was unchanged, the Hong Kong Hang Seng index lost 1.2% following 2 days of gains.



## Romania

**Some analysts see less risk of a downgrade for Romania following the election outcome.** According to Bank of America (BoFA) analysts, Sunday's victory of centrist candidate Dan in Romania's presidential election represented "the most favorable scenario" for the country and in their opinion "significantly reduces downgrade risk." The analysts have a constructive view on Romania's dollar-denominated 2037 bonds, citing attractive valuations relative to peers. In addition, the analysts note there may be upside risks from fiscal consolidation which should avoid a credit rating downgrade this year. On the other hand, downside

risks could come from substantial FX intervention by the central bank, supply pressure and a lack of fiscal consolidation. The next ratings reviews are due from August onwards. This morning the Romanian president said that a 7.5% deficit was the goal for 2025, while Treasury Chief Nanu said that the country will look to use other funding options, including private placements and local debt sales until market conditions permit the next eurobond sale.



*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 Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), 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

5/22/25 7:43 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		5,845	-1.6	-0.8	10.5	10.1	-1
Europe		5,399	-1.0	-0.2	8.8	7.4	10
Japan		36,986	-0.8	-2.0	6.1	-5.4	-7
China		3,914	-0.1	0.2	3.4	7.5	-1
Asia Ex Japan		79	-0.1	-0.3	9.6	8.5	9
Emerging Markets		46	-0.3	-0.3	8.6	6.9	10
<b>Interest Rates</b>			basis points				
US 10y Yield		4.6	1	18	21	18	4
Germany 10y Yield		2.7	1	4	22	12	29
Japan 10y Yield		1.6	5	9	26	56	47
UK 10y Yield		4.8	1	11	22	54	20
<b>Credit Spreads</b>			basis points				
US Investment Grade		137	4	2	-23	21	17
US High Yield		374	6	15	-87	33	46
<b>Exchange Rates</b>			%				
USD/Majors		99.7	0.2	-1.1	0.8	-5.0	-8
EUR/USD		1.13	-0.2	1.1	-1.0	4.5	9
USD/JPY		143.6	-0.1	-1.4	1.4	-8.4	-9
EM/USD		45.5	-0.1	0.2	0.9	-3.2	6
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		63.9	-1.6	-1.0	-3.9	-17.3	-13
Industrials Metals (index)		141.2	-0.9	-1.7	-1.6	-14.6	1
Agriculture (index)		57.3	-0.9	0.2	-1.6	-7.6	0
Gold (\$/ounce)		3298.6	-0.5	1.8	-2.4	38.7	26
Bitcoin (\$/coin)		110601.1	2.1	7.0	21.3	59.3	18
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		20.8	-0.1	2.9	-9.8	8.5	3.4
Global FX Volatility		8.8	0.0	0.3	-1.1	2.1	-0.4
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		75	1	-4	-15	-24	-11
Italy		101	1	0	-16	-28	-15
France		68	1	0	-10	20	-15
Spain		62	0	0	-8	-15	-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: 5/22/2025 7:57 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M		
	vs. USD		(+) = EM appreciation						% p.a.						
China		7.20	0.0	0.0	1.4	0.5	1.3		1.8	0	1	1	-56	6	
Indonesia		16328	0.4	1.2	3.3	-2.0	-1.2		6.7	-1	-7	-21	-12	-29	
India		86	-0.4	-0.5	-0.9	-3.2	-0.5		6.8	4	-1	22	-58	-52	
Philippines		56	0.1	0.2	1.9	4.4	4.3		5.0	1	5	-7	-63	10	
Thailand		33	-0.4	1.3	2.0	11.0	4.6		2.0	2	-1	6	-86	-32	
Malaysia		4.27	-0.1	0.2	2.7	9.9	4.6		3.6	1	-1	-8	-28	-22	
Argentina		1146	-0.3	-1.3	-4.3	-22.4	-10.0		30.2	51	93	-358	-420	106	
Brazil		5.65	0.4	-0.1	2.8	-9.3	9.3		14.2	12	-2	-33	291	-175	
Chile		944	0.0	-0.1	1.9	-5.9	5.6		5.6	0	-2	7	-19	-11	
Colombia		4177	-0.2	0.1	2.5	-8.7	5.5		12.0	9	4	-11	143	23	
Mexico		19.38	-0.1	0.6	1.2	-14.0	7.5		9.4	6	-7	-9	-42	-91	
Peru		3.7	0.2	-0.1	0.8	1.4	2.1		6.5	6	11	-17	-56	-11	
Uruguay		42	0.0	0.1	1.3	-7.8	5.0		9.4	-1	-2	-24	29	-22	
Hungary		357	-0.3	0.9	0.4	0.3	11.5		6.7	2	3	-5	6	28	
Poland		3.75	-0.3	1.1	-0.1	5.1	10.0		5.1	0	4	28	-41	-52	
Romania		4.5	0.1	2.0	-2.6	2.8	7.4		7.5	-3	-56	20	93	21	
Russia		79.6	0.2	0.5	2.5	13.3	42.7								
South Africa		18.0	-0.4	0.0	3.3	1.3	4.5		10.7	1	-10	-33	-98	26	
Türkiye		38.91	-0.1	-0.5	-1.7	-17.3	-9.1		33.5	-17	-150	-159	534	374	
US (DXY; 5y UST)		100	0.2	-1.1	0.8	-5.0	-8.1		4.15	-1	9	16	-31	-23	

	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		3,914	-0.1	0.2	3.4	7.5	-0.5		115	2	-9	-26	19		
Indonesia		7,167	0.3	1.8	8.0	-0.8	1.2		94	-2	-30	0	3		
India		80,952	-0.8	-1.9	1.0	7.3	3.6		113	2	-18	20	27		
Philippines		6,305	-1.1	-2.5	2.2	-5.3	-3.4		75	-1	-21	-9	-4		
Thailand		1,173	-0.5	-1.8	1.7	-14.2	-16.2								
Malaysia		1,527	-1.2	-2.9	1.7	-6.3	-7.0		79	-4	-17	2	9		
Argentina		2,319,549	-2.5	0.8	7.2	48.4	-8.4		668	14	-81	-632	31		
Brazil		137,881	-1.6	-0.4	5.7	9.7	14.6		213	-3	-31	-1	-34		
Chile		8,418	0.3	0.6	7.7	24.9	25.5		111	-3	-22	-1	-2		
Colombia		1,650	-0.8	-1.0	1.1	17.0	19.6		336	-4	-59	40	10		
Mexico		58,568	0.4	1.6	6.9	3.8	18.3		287	-13	-60	0	-25		
Peru		31,228	0.2	1.4	5.1	3.8	7.8		124	-7	-28	-16	-17		
Hungary		95,553	-0.3	-0.1	7.8	40.6	20.5		150	-2	-31	10	-5		
Poland		100,863	-0.7	-2.3	3.8	14.2	26.7		101	3	-3	8	-11		
Romania		17,557	1.9	8.0	2.3	0.4	5.0		247	-44	-26	73	12		
South Africa		92,655	-0.8	0.3	3.1	16.6	10.2		303	-6	-59	-8	10		
Türkiye		9,373	-0.3	-3.4	0.7	-14.0	-4.7		291	-3	-32	13	32		
EM total		46	-0.9	-0.3	8.6	6.9	10.4		373	0	-28	48	9		

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

[back to top](#)