



- **European yields move higher again, as investors eye an ECB hike at June meeting** ([link](#))
- **Analysts expect South Africa’s central bank to hike its policy rate on Thursday** ([link](#))
- **JGB yields rose despite news that supplemental budget won’t require additional issuance** ([link](#))
- **Chinese property sector shows signs of renewed weakness** ([link](#))
- **Governor Waller supports removing easing bias from Fed communications** ([link](#))

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Risk Sentiment Turns Cautious Amid Ongoing Uncertainty about Peace Agreement

After global equities rose sharply on Monday, markets were mixed on Tuesday, with investors still seeking clarity on a potential peace agreement. Oil prices declined, but were sensitive to headlines this morning, with Brent crude trading just below \$100 per barrel. The outlines of an agreement began circulating late last week and into the weekend, though conflicting reports and a lack of final confirmation appeared to weigh on sentiment. Japanese and European equities were modestly lower today after gaining sharply on Monday. **US equity futures were trading about 0.6% higher**, tracking close to a record high, following the market holiday on Monday. **Treasury yields were trading about 6–7 bps lower**, though other global bond yields were mixed, with Japanese and German bond yields edging higher again. Investors are increasingly pricing in an ECB rate hike at the June meeting despite some easing of oil prices.

Key Global Financial Indicators

Last updated: 5/26/26 7:24 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		7473	0.4	1	4	29	9
Eurostoxx 50		6092	-0.7	4	4	13	5
Nikkei 225		64996	-0.2	7	9	73	29
MSCI EM		66	-0.2	1	3	43	20
Yields and Spreads			bps				
US 10y Yield		4.48	-7.7	-19	18	-3	31
Germany 10y Yield		2.97	2.3	-22	-3	41	11
EMBIG Sovereign Spread		240	-4	4	0	-90	-13
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.6	0.0	0	0	4	2
Dollar index, (+) = \$ appreciation		99.0	-0.2	0	0	0	1
Brent Crude Oil (\$/barrel)		98.7	2.7	-11	-6	53	62
VIX Index (% change in pp)		16.6	0.1	-1	-2	-4	2

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

Key Global Inflation and Energy Indicators

Last updated: 5/26/26 7:24 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Oil and Gas			%				%
Brent Crude Oil (\$/barrel)		99	2.7	-11	-6	53	62
WTI Crude Oil (\$/barrel)		92	-4.4	-15	-2	50	61
Natural Gas (Netherlands TTF)		47	3	-5	4	27	75
Breakeven Inflation		%	bps				
USD: 2Y		2.9	-0.6	-18	-18	-6	57
USD: 5Y		2.6	-0.2	-12	-8	6	29
USD: 5Y5Y		2.4	-1	-4	4	0	-1
EUR: 2Y		2.8	1.0	-26	-12	126	114
EUR: 5Y		2.3	1	-18	-8	62	56
EUR: 5Y5Y		2.1	0	-7	-1	4	5

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

In the week ahead, inflation will be in focus, with data releases due in the US (PCE, Thursday), the euro area (CPI, Thursday-Friday), and Japan (Tokyo CPI, Thursday). Other key macro data include China’s April industrial profits. On the monetary policy front, the South African Reserve Bank is expected to hike rates by 25 bps (Thursday), while the Bank of Korea is likely to remain on hold (Thursday). Elsewhere, Japan’s Ministry of Finance will release its April FX intervention data on Friday.

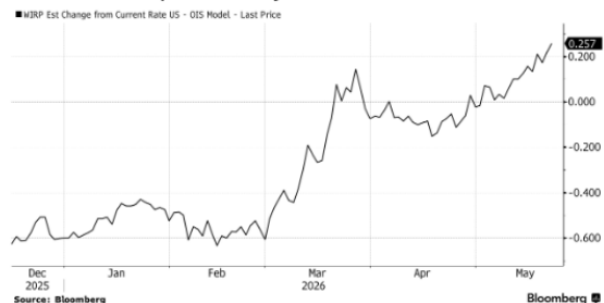
Mature Markets

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United States

Fed Governor Christopher Waller said he supports removing the easing bias from Fed statements, broadly consistent with the FOMC minutes. He noted that the next move is as likely to be a rate hike as a cut, as "Inflation is not headed in the right direction." He also noted that the labor market has mostly stabilized. Meanwhile, Kevin Warsh was sworn in as the new Fed Chair at a White House ceremony, with President Trump emphasizing that Warsh would operate independently. Market-implied policy expectations also moved higher, with the swap market (OIS) fully pricing a 25 bp hike by December at one point before pulling back slightly. **10y Treasury yields were trading 6–7 bps lower this morning and are about 15 bps below their recent highs.** On the data front, University of Michigan’s final consumer sentiment index fell to a record low of 44.8, down from a preliminary reading of 48.2. Long-term inflation expectations (5–10 years) rose to 3.9%, compared to 3.4% preliminary.

Waller Confirms Shift
Rates have moved to price in a hike by December

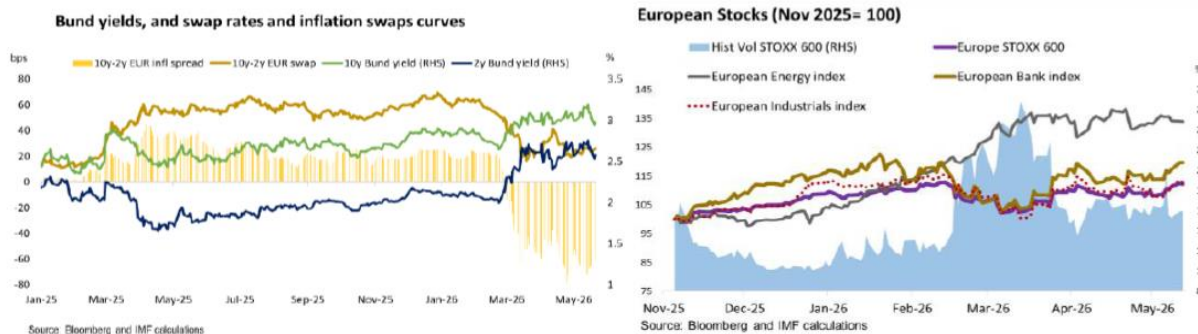


Euro Area

European equities traded slightly lower this morning amid continued uncertainty around a peace deal. The Stoxx 600 index was down about 0.2% this morning after rallying sharply yesterday, with most regional markets trading lower. The CAC 40 in France was down as much as 1%, while the DAX fell around 0.6%.

European government bonds partially retraced yesterday’s move, with yields about 2–5 bps higher after falling 9–12 bps yesterday. President Lagarde noted over the weekend that the ECB’s 2026 inflation forecast may be revised upward (the CPI printed at 3% in April). Isabel Schnabel highlighted that given

the size and persistence of the energy shock, the ECB will most likely need to hike in June. Markets renewed their expectations for rate hikes, pricing in an additional 5 bps of tightening today, and about 64 bps of hikes by April 2027 (compared to 59 bps yesterday and 71 bps on Friday). European bond spreads were little changed today, with the BTP-Bund spread at 72 bps and OAT-Bund at 61 bps. Deutsche Bank noted that this week’s issuance schedule should be supportive for bonds, as gross supply falls to €18.1 bn (from €33bn last week) and net supply should be negative.



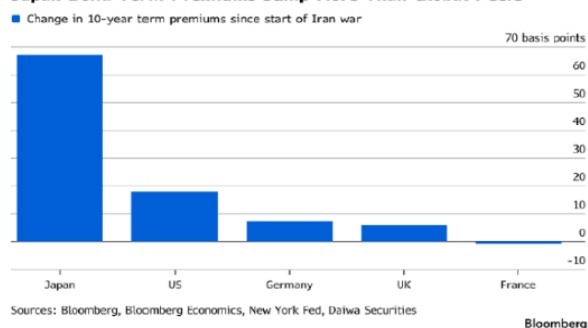
Japan

JGB yields rose close to 2 bps today, with the 10yr yield back up to 2.71% after reaching as high as 2.78% last week. Market analysts continue to express concern about rising inflation amid higher energy prices, further fiscal strains, and uncertainty about the BOJ’s policy path. Term premia in Japan have risen faster than other advanced economies since the conflict began. However, **government officials said they will finance a ¥3 trillion (\$18.9 bn) supplementary budget without additional bond issuance.** Finance Minister Katayama said that the government will use about ¥513.5 bn (\$3.2 bn) from the reserve fund to finance utility subsidies, while higher than expected tax revenue will allow them to cancel previously planned issuance and keep overall bond issuance unchanged. Nevertheless, Wednesday’s 40y bond auction will remain a test of investor demand for longer maturity debt. **Deputy Governor Ryozo Himino said that the BOJ would review its bond purchase tapering program at the June meeting while considering the recent sell off in bonds, market functioning, and the views of market participants.** Swap markets are pricing in about a 76% probability of a rate hike at the June meeting.

Japan Inflation Expectations Continue to Rise

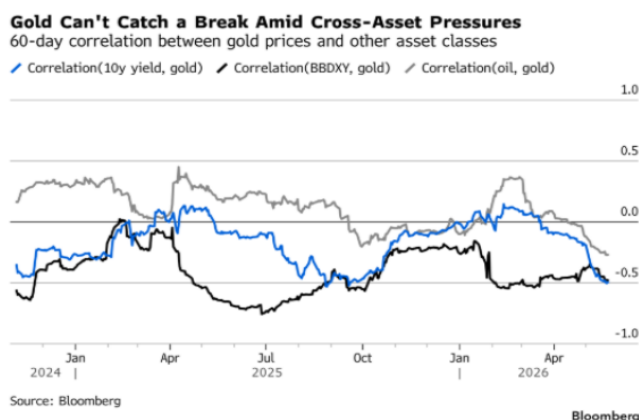


Japan Bond Term Premiums Jump More Than Global Peers



Commodity Markets

Gold prices have declined to post-conflict lows near **\$4,500 per troy ounce.** While analysts believe structural support to gold prices—such as continued central bank purchases—remains intact over the medium term, gold prices have declined in recent weeks, approaching their lowest level since February. Analysts pointed to the hawkish repricing in interest rate markets, with expectations of central bank hikes around the world. Gold has been trading with negative correlations versus oil, bond yields, and the dollar.



Israel

The shekel continued to appreciate (+1.1% since Friday) after the central bank of Israel (BoI) cut its policy rate by 25 bps yesterday to 3.75%. Inflation printed at 1.9% y/y in April, unchanged from March, and the latest survey published in May showed inflation expectations for the next twelve months falling to 1.8%, from 2.3% previously. Analysts noted that the strong shekel (+9.8% YTD) has helped tame inflation pressures but has weighed on growth (annualized GDP was -3.3% in Q1). A Bloomberg survey showed that analyst expectations for 2026 growth have fallen to 3.2% from 4.5% previously. Goldman Sachs expects the central bank to cut the policy rate to 3.25% by the fourth quarter, though JP Morgan (JPM) expects a slower pace of easing. JPM also believes the BoI could intervene in currency markets if the shekel strengthens further.

Emerging Markets

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In EMEA, equities and currencies were mixed this morning. Equities in Hungary were outperforming (+0.2%) while CEE currencies were mostly weaker against the euro. Turkish equities were trading lower (-1.0%) led by declines in the industrials and consumer staples sectors. Elsewhere, the National Bank of Hungary is expected to keep its policy rate unchanged at 6.25% at its meeting later today. Senegal's 2031 USD bonds declined by around 4 cents to trade at 51.38 as investors weighed news of the appointment of Ahmadou Alhaminou Mohamed Lo as the country's new prime minister. Meanwhile, Bosnia and Herzegovina is reportedly looking to issue a 5y euro-denominated bond.

In Asia, regional equities were mixed, with China (+0.5%) and Korea (+2.5%) higher on the day, while India and Indonesia were trading lower. Most currencies were modestly weaker, with the Thai baht and Malaysian ringgit down about 0.5%. In the Philippines, short term rates rose sharply (1yr +15 bps), reflecting ongoing concern about inflation and the policy outlook.

In Latin America, most regional assets gained amid a broad global rally on Monday. Equities rose in Brazil (+0.9%), Chile (+2.5%), and Colombia (+2.4%). Regional currencies also appreciated about 0.5%, with the Mexican peso, Brazilian real, Colombian peso, and Chilean peso all higher on the day. **Brazilian equities are down over 5% in May,** with political risk weighing on risk sentiment amid continuing fallout from the Banco Master failure.

Brazil

Brazil's Supreme Court ruled that supervisory fees collected by Brazil's securities regulator (CVM) should be returned to the agency. Currently, most of the fees are kept by the National Treasury, while only a small share goes to the CVM. The decision is expected to strengthen the CVM's oversight capacity after years of limited funding despite the rapid growth of Brazil's capital markets. Officials said challenges

remain, including the need to hire more staff and improve budget management to use the larger funding base effectively. Some market participants view the ruling as an important step to strengthen capital markets oversight in Brazil.

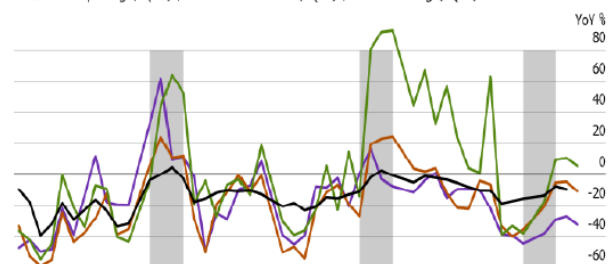
China

The RMB was little changed today after touching a three-year high in the previous session, with both CNY and CNH trading around 6.79/\$ and the daily fixing set at 6.83/\$. Bloomberg reported that the offshore yuan may further strengthen if local firms unwind RMB carry trades, with Macquarie estimating that Chinese exporters and multinationals have built up around \$800 billion in yuan carry positions since 2022.

Sentiment weakened in the property market, as property sales by floor space fell 9.5% y/y in April, following a 7.5% y/y decline in March. Real estate investment also fell 20.1% y/y, accelerating from a 11.3% y/y decline in March. Weekly data suggest momentum weakened further in the first three weeks of May, with sales gains in tier-1 cities slowing and declines in lower-tier cities deepening. The m/m fall in average new home prices across 70 cities remained broadly steady in April relative to March. Price increases in tier-1 cities moderated, while declines in tier-2 cities slowed. Other indicators, including new building starts and local government proceedings from land sales, also saw significantly steeper falls in April.

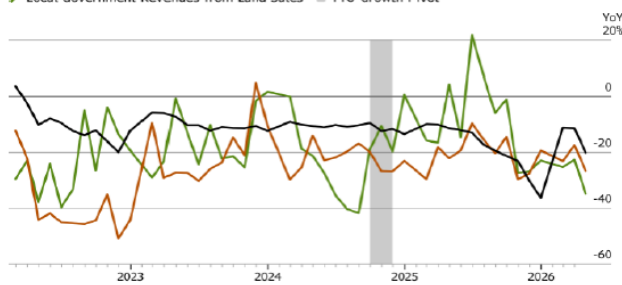
Housing Rebound Eases Off

Floor Space Sold
 National Tier-1 Cities Tier-2 Tier-3
 Covid Reopening (1Q23) / Pro-Growth Pivot (4Q24) / Tier-1 Easing (1Q26)



Housing Investment Slumps More

Real Estate Investment New Building Starts
 Local Government Revenues from Land Sales Pro-Growth Pivot



Source: NBS, Bloomberg Economics

EM Equity and Bond Fund Flows

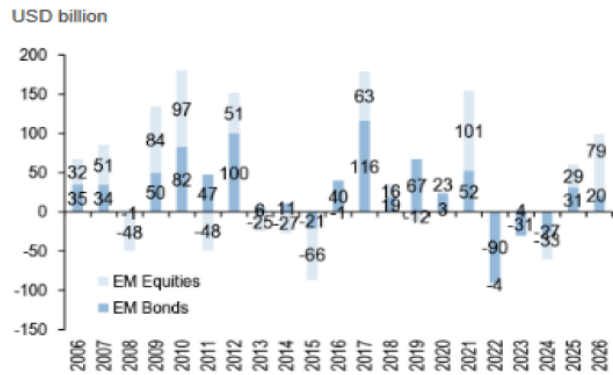
EM bond funds saw inflows decelerate but remain positive last week, while equity funds saw inflows return after large outflows. Bond funds reported weaker inflows (+\$0.4 bn, from \$1.9 bn previously), driven by a sharp decline in hard-currency fund inflows (\$0.1 bn from \$0.9 bn previously), while local-currency fund inflows also moderated (+\$0.4 bn, from \$1.0 bn). Local currency funds were led by EM ex. China, while net flows to Chinese funds were close to zero. EM equity funds saw inflows return (\$0.2 bn, from -\$1.9 bn). Among regional funds, inflows to Asia funds (\$1.4 bn) were partially offset by outflows from Latin America funds (-\$0.4 bn). EM equity ETF inflows increased slightly (\$2.8bn, from +\$2.7bn), while non-ETF outflows slowed but were substantial (-\$2.6bn, from -\$4.7bn). YTD fund flows for EM bonds (hard and local currency) stand at \$20.3 bn, while fund inflows are \$78.6 bn.

Figure 1: Weekly cross-asset flows

USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		0.5	98.9
EM Bonds		0.4	20.3
Hard Ccy		0.0	7.6
Local Ccy*		0.4	12.7
o.w. EM ex-China		0.4	13.7
o.w. China		0.0	-1.0
EM Equities		0.2	78.6
US HG		5.5	139.1
US HY		-0.7	-2.2
Global Equities		9.7	261.9
EM Bond and Equity ETFs		2.9	88.5
EM Bond ETFs		0.1	3.4
EM Equity ETFs		2.8	85.0
Non-resident EM flows*		-16.8	-77.6

Figure 2: EM bond and equity fund flows

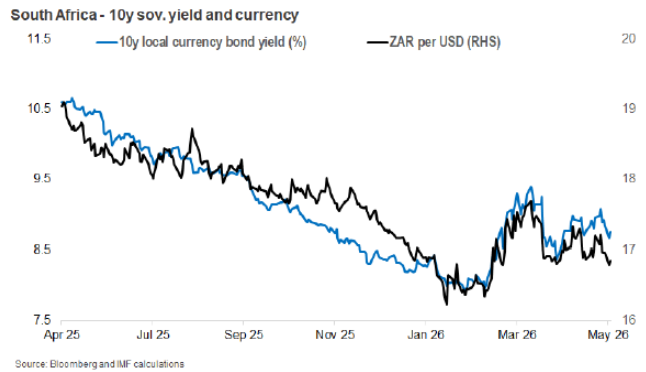


*High-frequency non-resident EM portfolio flow data where available. *Local ccy split is retail only. Sources for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

South Africa

Consensus expectations are for the South African Reserve Bank to hike this week.

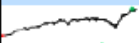

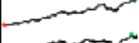


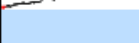
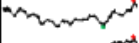


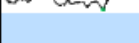


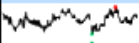








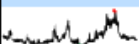

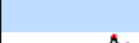

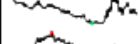

Goldman Sachs (GS) analysts expect the SARB to hike its policy rate by 25 bps to 7.0% at Thursday’s meeting, followed by a second hike in July. The analysts expect a split vote as they see little evidence of second-round effects from the oil price shock. That said, GS analysts expect the central bank to revise its inflation forecast to 4.2% for 2026 from the previous projection of 3.7%. The upward revision to the inflation forecast is likely to imply a moderate but persistent overshoot of the 1 ppt tolerance band around the 3% target. **The rand was trading lower (-0.2%) this morning, while local currency bond yields rose around 5 bps, partially reversing yesterday’s decline.** S&P Global will hold its scheduled rating review on May 29 after upgrading the sovereign to BB with a positive outlook in November. GS analysts believe further upgrades are unlikely until later in the year given the ongoing uncertainty around the Iran conflict.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), 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 Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (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). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (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

Last updated: 5/26/26 7:28 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,473	0.4	1.0	4.3	28.8	9
Europe		6,092	-0.7	4.1	3.5	12.9	5
Japan		64,996	-0.2	7.3	8.8	73.2	29
China		4,948	0.5	2.0	3.7	28.2	7
Asia Ex Japan		114	-0.1	1.2	4.6	45.1	23
Emerging Markets		66	-0.2	1.2	3.4	42.5	20
Interest Rates			basis points				
US 10y Yield		4.5	-8	-19	18	-3	31
Germany 10y Yield		3.0	2	-22	-3	41	11
Japan 10y Yield		2.7	2	-7	29	121	66
UK 10y Yield		4.8	-5	-28	-6	17	37
Credit Spreads			basis points				
US Investment Grade		107	-1	-3	-9	-30	-1
US High Yield		314	-3	-7	-14	-63	-22
Exchange Rates			%				
USD/Majors		99.0	-0.2	-0.2	0.5	-0.1	1
EUR/USD		1.16	0.0	0.3	-0.7	2.2	-1
USD/JPY		159.2	0.2	0.1	-0.2	11.4	2
EM/USD		47.6	0.0	0.5	0.4	4.1	2
Commodities			%				
Brent Crude Oil (\$/barrel)		98.7	2.7	-11.3	-0.4	55.1	64
Industrials Metals (index)		185.7	0.3	1.8	2.9	28.5	14
Agriculture (index)		57.8	-0.6	-2.5	1.1	0.8	8
Gold (\$/ounce)		4527.2	-0.9	1.0	-3.3	35.4	5
Bitcoin (\$/coin)		77162.6	-0.1	-0.6	-1.4	-29.6	-12
Implied Volatility			%				
VIX Index (% change in pp)		16.6	0.1	-1.2	-2.1	-3.9	1.7
Global FX Volatility		6.8	0.0	-0.2	-0.2	-2.4	-0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		67	1	-5	-8	-6	8
Italy		72	2	-5	-6	-27	3
France		62	0	-2	-3	-6	-9
Spain		43	1	-1	-2	-19	-1

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		4,948	0.5	2.0	3.7	28.2	6.9		83	-2	-10	-34	8	
Korea*		8,048	2.5	7.1	24.3	204.3	91.0		22	-2	-7	-9	0	
Indonesia		6,130	-1.2	-3.8	-14.0	-14.7	-29.1		97	5	-1	-8	11	
India		76,010	-1.2	1.1	-0.9	-7.5	-10.8		78	2	-13	-38	-12	
Philippines		5,963	-0.8	1.1	0.3	-6.7	-1.5		89	5	2	4	14	
Thailand		1,553	0.2	2.4	6.7	31.8	23.3							
Malaysia		1,699	-0.6	-1.6	-1.2	10.7	1.1		43	0	-11	-40	-16	
Argentina		2,846,220	-1.1	5.1	0.2	20.1	-6.7		519	-27	-22	-154	-50	
Brazil		177,816	0.9	0.5	-6.8	28.7	10.4		185	4	-2	-32	-18	
Chile		10,826	2.5	3.9	-3.1	29.0	3.3		89	6	1	-28	-2	
Colombia		2,133	2.4	1.1	-4.5	29.0	3.1		251	-6	19	-88	-26	
Mexico		68,261	-0.1	-0.2	-1.4	16.8	6.1		208	11	5	-83	-9	
Peru		3,181	-0.3	4.8	0.4	74.1	23.1		94	7	-5	-35	-15	
Hungary		131,442	1.3	-0.5	-1.8	36.8	18.4		115	13	3	-43	-24	
Poland		137,346	-0.4	4.3	5.1	34.3	17.1		93	8	5	-19	2	
Romania		30,626	0.1	0.1	4.6	72.7	25.3		185	6	-1	-77	9	
South Africa		115,380	-0.5	1.5	-1.0	23.1	-0.4		223	-5	-7	-94	5	
Türkiye		13,663	-1.6	-2.6	-5.2	46.2	21.3		276	16	15	-27	42	
EM total		66	1.9	1.2	3.4	42.5	20.4		254	5	1	-128	-17	

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

*Not an EM Under IMF Classification.

5/26/2026 7:29 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		6.78	0.0	0.5	0.7	6.0	3.0		1.8	-1	-1	0	7	-11
Korea*		1503	1.0	0.6	-1.9	-8.8	-4.2		4.1	0	-6	42	148	83
Indonesia		17789	-0.3	-0.5	-3.3	-8.7	-6.2		6.7	-5	-2	9	1	71
India		96	-0.5	0.9	-1.6	-11.1	-6.1		8.0	-3	-21	22	123	92
Philippines		62	-0.2	0.3	-1.4	-10.0	-4.5		6.1	0	-4	61	118	142
Thailand		33	-0.5	0.0	-0.9	-0.1	-3.5		2.4	-2	0	16	40	67
Malaysia		3.97	-0.5	0.1	-0.5	6.2	2.2		3.6	2	1	4	4	10
Argentina		1400	-0.7	-0.4	-1.6	-18.8	3.7		0.0	0	0	0	-2947	-3237
Brazil		5.02	0.4	-0.5	-0.7	13.0	9.1		13.9	-13	-32	28	-20	35
Chile		895	0.6	0.6	0.0	5.0	0.6		5.5	-3	-1	11	-15	16
Colombia		3640	0.5	4.4	0.0	14.0	3.8		13.8	-24	-61	62	169	95
Mexico		17.28	0.0	0.7	0.6	11.4	4.2		9.2	-11	-11	15	-26	18
Peru		3.4	0.2	0.2	2.6	7.1	-1.6		6.7	-4	-7	9	17	94
Uruguay		40	0.0	0.7	-0.8	3.8	-2.6		7.4	0	0	8	-193	-7
Hungary		305	0.3	2.0	1.8	16.0	7.2		5.6	0	-1	-43	-112	-96
Poland		3.64	0.0	0.8	-0.3	2.5	-1.3		5.2	-11	-26	11	12	64
Romania		4.5	0.1	0.1	-3.5	-1.1	-3.7		6.7	-7	-14	-20	-75	1
Russia		71.5	-0.2	-0.4	4.7	11.8	10.1							
South Africa		16.3	-0.4	2.2	1.2	9.3	1.3		8.8	-18	-35	-6	-195	22
Türkiye		45.91	-0.4	-0.7	-1.9	-15.1	-8.4		35.8	-67	-26	176	175	618
US (DXY; 5y UST)		99	-0.2	-0.2	0.5	-0.1	0.7		4.18	-8	-15	26	9	45