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- US agency MBS spreads tighten ahead of GSE privatization ([link](#))
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- Rising demand for Chinese corporate bonds amid shrinking trading volumes for government-related bonds ([link](#))
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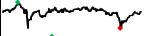








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Market sentiment improves on US tariff ruling and Nvidia results

Global equities gained on upbeat Nvidia earnings and after a US trade court ruling blocked President Trump's import tariffs. The US court of international trade ruled that Trump's global tariffs are illegal, with the panel of judges finding the President did not have authority to use the emergency powers legislation he cited when he implemented higher global tariffs last month. Global equities were also supported by upbeat Nvidia results, with its shares gaining as much as 6% in early trading after CEO Huang predicted "exponential growth" for the AI computing market. In fixed income markets, advanced economy government bond yields rose, with 10-year Treasury yields 4 bps higher. Elsewhere, the dollar and gold prices were little changed this morning. On the monetary policy front, the Bank of Korea cut its policy rate by 25 bps to 2.5%, as widely expected, and indicated more rate cuts ahead.

Key Global Financial Indicators

Last updated: 5/29/25 8:15 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		5889	-0.6	-1	6	12	0
Eurostoxx 50		5408	0.5	0	5	9	10
Nikkei 225		38433	1.9	4	7	0	-4
MSCI EM		46	-0.5	-1	5	8	10
Yields and Spreads			bps				
US 10y Yield		4.52	4.0	-1	35	-9	-5
Germany 10y Yield		2.57	1.6	-7	7	-12	20
EMBIG Sovereign Spread		329	-1	8	-30	-45	5
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.6	0.3	0	1	-3	7
Dollar index, (+) = \$ appreciation		99.9	0.0	0	1	-5	-8
Brent Crude Oil (\$/barrel)		65.1	0.2	1	1	-22	-13
VIX Index (% change in pp)		19.0	-0.4	-2	-5	5	2

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

Mature Markets

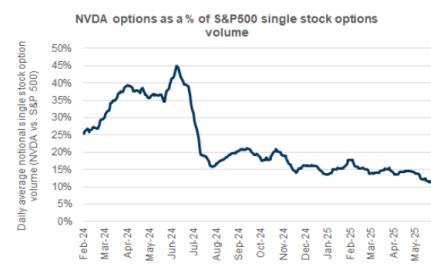
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United States

Nvidia shares gained as much as 6% in premarket trading following an upbeat earnings release and a solid sales forecast after markets closed yesterday. Investors continue to see Nvidia earnings as a bellwether for tech sector momentum and the future of the AI-driven rally, with positioning around it closely watched as a signal of market sentiment. A measure of such positioning is offered by Nvidia options, which still account for 12% of all single-stock options volume in the S&P 500—down from the June 2024 peak of 45%, but still notably high. Given this elevated positioning, Nvidia earnings have driven significant volatility in both the stock and broader indices historically and may continue to impact these proxies going forward.

Exhibit 1: NVDA options volumes relative to S&P 500 have remained stable in recent months but are well-below peak levels witnessed in June 2024

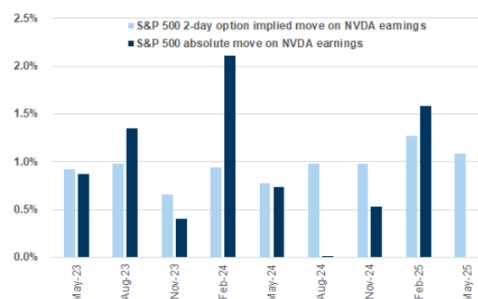
Rolling daily average of notional single stock options volumes for NVDA vs. S&P 500 constituents



S&P 500 constituents fixed as of May 1, 2025
Source: Goldman Sachs Global Investment Research, Compustat, Bloomberg

Exhibit 3: SPX options pricing suggests that investors expect a significant move in S&P 500 on NVDA earnings relative to the past quarters

S&P 500 realized moves vs. 2-day options implied moves on NVDA earnings

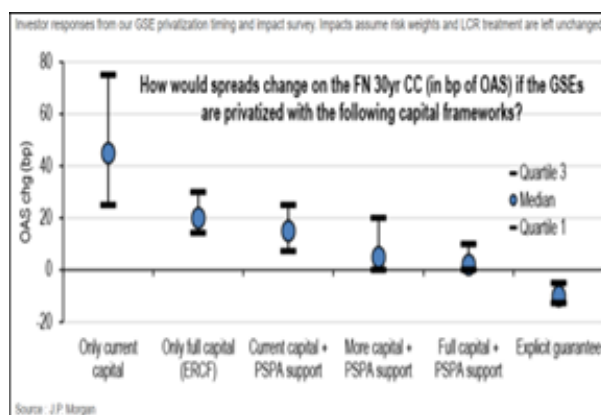


Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

This morning, **economic data painted a mixed picture.** US GDP contracted at a 0.2% annual rate in Q1, slightly better than the initial -0.3% estimate (median -0.3%). Core PCE inflation eased to 3.4% (median expectation of 3.5%). However, personal consumption rose just 1.2%, down from 1.8% and below the 1.7% forecast. Jobless claims also increased by 14k to 240k, above the expected 230k. Treasury yields fell modestly immediately after the data releases.

Agency MBS spreads have tightened modestly ahead of GSE privatization.

This follows President Trump's stated support for maintaining a government guarantee for Fannie Mae and Freddie Mac, even if the mortgage giants are eventually privatized and released from conservatorship. Under conservatorship since the 2008 GFC, the two firms have operated under government control, with the US effectively backing their obligations. Investors in the \$9 tn agency MBS market see the guarantee as essential for keeping risk premiums low. Without it, spreads to Treasuries could widen by up to 40 bps, according to a JP Morgan survey. The same survey, however, found that stronger capital provisions and a retained guarantee would likely limit any spread impact. Some analysts also caution that privatization could raise mortgage rates for borrowers. However, privatization is not going to happen quickly or easily. While Santander estimates the GSEs could raise up to \$382 bn via IPO, any changes to their conservatorship status would likely require congressional approval and extended policy deliberations.

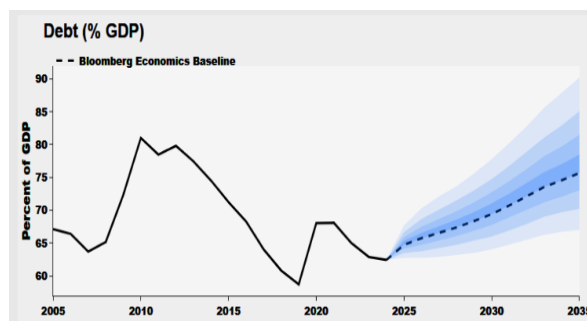
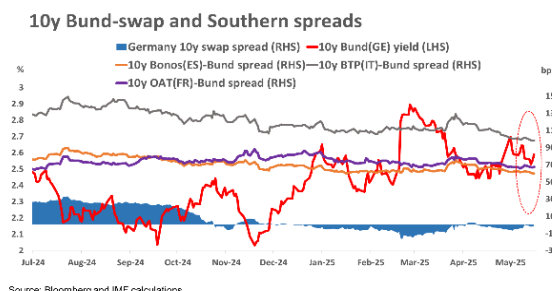


Source: JP Morgan

Euro area

European equities rose this morning, following gains of Asian stocks overnight after a court ruling blocked some the announced US tariffs while Nvidia posted strong results. The Stoxx 600 was up by 0.3% this morning, led by gains in the information technology sector (+1.4%), with the banking (+0.7%) and consumer discretionary goods (+0.6%) sectors also in the green. All European bourses advanced, with France outperforming (CAC 40 +0.7%).

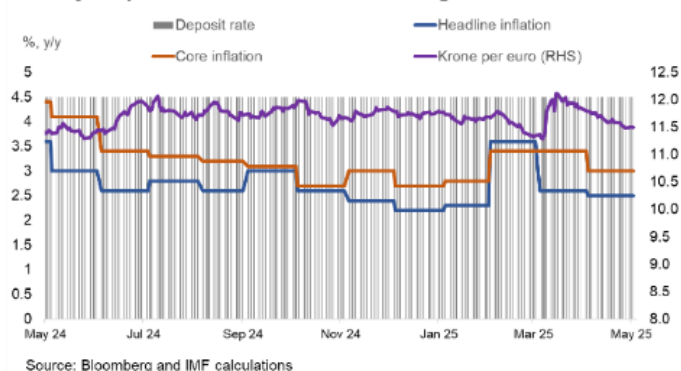
The euro was slightly weaker (-0.1%) this morning. Analysts at ING expect the euro to weaken further should the tariff court ruling stand, arguing that the current 2-year EUR-USD interest rate swaps differential of 180 bps would be consistent with the euro trading as low as 1.06. ECB Governing Council member Villeroy said yesterday that more policy easing could be expected given little signs of upward pressure on consumer prices; while ECB member Knot emphasized that the outlook for growth and inflation remains uncertain. **European government bond yields were marginally higher** across tenors this morning. After reform of the German fiscal framework, analysts at Bloomberg now expect Germany's debt to GDP ratio increasing to around 75% within the next ten years, from the current level of 62%. Analysts expect the budget deficit to reach around 3% of GDP in the coming years, driven by higher defense and infrastructure spending, with increased public investments boosting GDP in the long run helping to contain the rise in the debt-to-GDP ratio, and with Germany's debt servicing costs likely to climb from very low levels compared to peers to an effective interest rate on debt of about 2.8% by 2035, up from 1.4% in 2024.



Norway

The krone appreciated this morning (+0.3% to the euro to trade at NOK11.46/€, and +0.1% to the dollar at NOK 10.16/\$), while government bond yields little changed after Norway's **April retail sales printed yesterday higher than expected**. Sales grew by 0.7% m/m (vs. est. 0.4%), from 0.6% q/q in March, with an increase of 1.5% in the three months to April compared with the previous trimester. Analysts at Danske bank saw in April sales data the continuation of an upper trend started last Autumn on the back of higher real wages, strong employment and normalization of savings ratios. Handelsbanken also sees an upturn in households' consumption in the coming months **after data released on Monday showed an increase by 4.2% y/y of consumer credit in Norway, the highest growth since 2023**. The krone has appreciated 2% to the dollar month-to-date.

Norway: Deposit rate, inflation and exchange rate



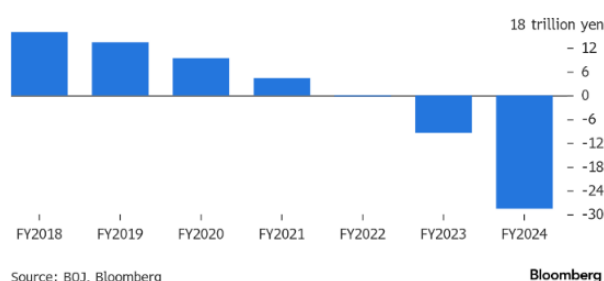
United Kingdom

The **UK government announced today that it will set binding investment targets in private markets for defined-benefit pension funds**, securing £27.5 bn for “local investment priorities”. The government also confirmed plans to consolidate roughly £1.3 tn of retirement savings into few “megafunds” and to allow companies to reinvest surpluses of their defined-benefit programs into their core businesses.

Japan

The BOJ's unrealized losses on government bond holdings reached a record ¥28.6 tn (\$198 bn) for the 2024 fiscal year, triple the previous year's amount, according to the BOJ's financial statement released on Wednesday. The losses are attributed to the rising bond yields, with the 10-year JGB yield increasing to around 1.5% at the end of March from about 0.73% a year earlier. Despite the losses, the BOJ's net income remained ¥2.26 tn for the year ended March, and the governor expects

BOJ's Paper Losses From Bonds Triple to Record

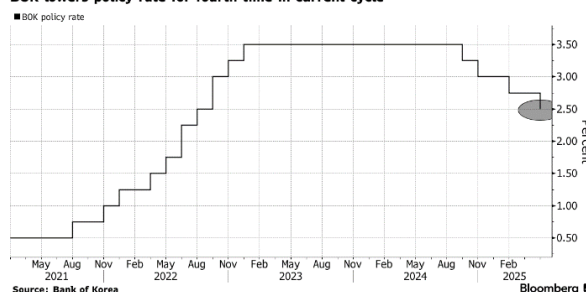


profits to return in the longer run as the bank's bond holdings mature over time. Fitch Ratings noted that higher JGB yields do not have an immediate impact on rated issuers' credit profiles. Major Fitch-rated Japanese banks' JGB holdings have short average maturities of around 1–3 years, while regional banks usually have longer average JGB maturities. The impact of rising bond yields on companies is limited, as the top 100 corporates do not typically have elevated leverage, with half holding net cash positions. Today, the yen depreciated (-0.3%) while the stock market gained (Nikkei 225: +1.9%).

Korea

The Bank of Korea (BOK) cut its policy rate by 25 bps to 2.5%, as widely expected, and indicated more rate cuts ahead. The BOK statement noted a slower recovery in domestic demand and a potential deepening downturn in exports. Reflecting these headwinds, the BOK revised down its 2025 growth outlook to 0.8% from 1.5% projected in February and lowered its 2026 forecast to 1.6% from 1.8%. Separately, the Korea Stock Exchange plans to introduce weekly options and dividend futures tied to the Kospi 200 Index and Kosdaq 150 Index, pending regulatory approval. Demand for short-term derivatives has been rising as traders seek to hedge or speculate in financial markets affected by geopolitical tensions and policy shifts.

Bank of Korea Moves Again
BOK lowers policy rate for fourth time in current cycle



Emerging Markets

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In **Asia**, equities gained (EM Asia +1%) on upbeat Nvidia earnings and after a US trade court ruling blocked President Trump's import tariffs. EM Asian currencies mostly depreciated, led by the Philippine peso (-0.4%) and Malaysian ringgit (-0.3%). **EMEA markets were mixed.** In CEE, equities were mixed with Poland (-0.5%) underperforming while equities in Romania gained (+0.4%). CEE currencies were mostly trading in a tight range to the euro while the Hungarian forint was marginally weaker. The South African rand strengthened (+0.5%) ahead of the MPC meeting later today where the central bank is expected to lower its policy rate by 25 bps to 7.25%. In **Latam**, most currencies depreciated and equities were mixed yesterday. The Brazilian real (-0.8%) and Mexican peso (-0.7%) led the regional currency retreat. Equities

gained in Colombia (+0.4%) and Mexico (+0.2%) but the rest of the region experienced losses, led by Chile (-1.3%). In **Guatemala**, the central bank left its lending rate unchanged at 4.5%.

China

Bond investors are reportedly shifting to corporate bonds from government-related bonds, pushing CGB yields to near two-month highs (1-year: +1.4bps to 1.48%; 10-year: +1.4bps to 1.72%) and narrowing the 3-year credit spread between AAA-rated corporate bonds and CGBs to 33 bps, 9 bps lower than one month ago. Bloomberg reported that trading volumes for government-related bonds have shrunk, e.g., the daily trading volume for China Development Bank's January 2035 note, one of the most active government-related bonds, plunged to RMB 46 bn on Wednesday, just 17% of May's daily average and 24% of its average since issuance. Analysts expect funds to shift to corporate bonds, which offer steady and higher coupon income than government-related peers. The credit market is likely to be further boosted by this month's deposit-rate cuts, which may spur some investors to shift funds out of banks and into wealth-management products (WMPs). Unlike banks, which prefer low-risk government-related bonds, WMPs favor higher-yielding credit to boost returns. Today, the stock market gained (CSI 300: +0.6%), led by tech sectors on DeepSeek model upgrades. The yuan was little changed, despite the PBOC setting the fixing weaker for the third session at 7.1907 per dollar.

Cooling Down

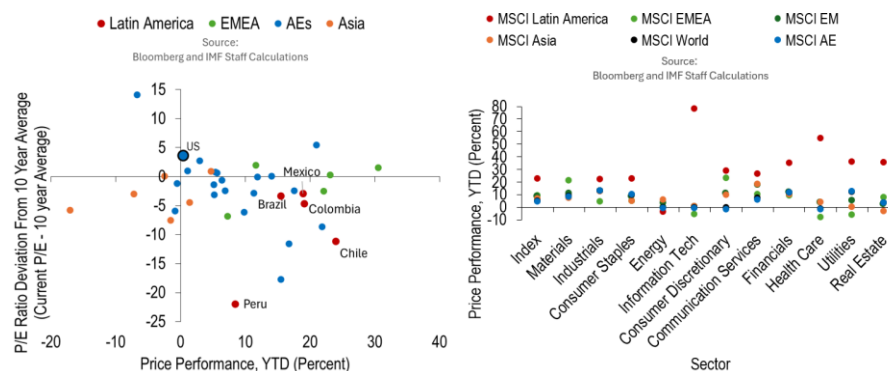
Volumes shrink for government-related bonds, spurring demand for credit

■ Daily trading in China Development Bank's January 2035 bond



Latin American Equities

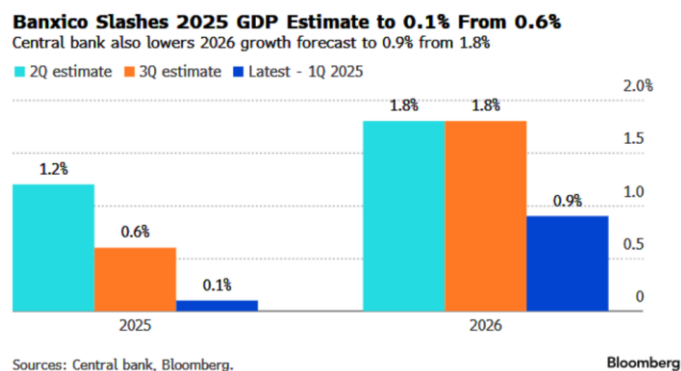
Equity valuations in Latin America remain attractive despite outperforming this year. The MSCI Latin America Index has gained 23% YTD, outperforming the MSCI All Country World Index by 18 pts (right chart). Even after the major rally, equities in the region remain historically undervalued (left chart). Price-to-Earnings ratios for Latam countries remain below their 10-year average and fall within a range of 5 to 15, compared to 25 for the S&P 500. The regional outperformance appears to be broad based across most sectors, with all MSCI Latin American sectors outperforming other regional aggregates YTD except for Materials and Energy (right chart).



Mexico

Banxico cut GDP growth forecasts for 2025 and 2026. The central bank estimated the economy will grow at 0.1% in 2025 and 0.9% in 2026, down from the previous estimates of 0.6% and 1.8%, respectively. Central bankers highlighted the balance of risks to growth is significantly biased to the downside, citing increased levels of uncertainty stemming from US trade policy, intensified geopolitical conflicts across the

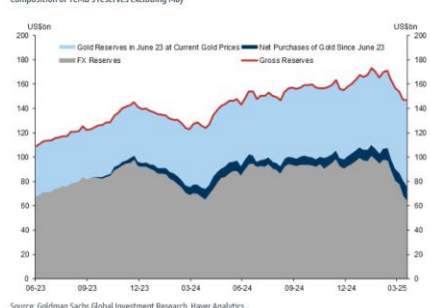
globe, reduced public spending, and severe weather impacts. Inflation forecasts were left unchanged relative to those announced in the last monetary policy statement on May 15, but short term forecasts were higher than the previous quarterly report. Bi-weekly inflation reported on May 22 showed a slight uptick in both headline (4.22% y/y from 3.9%) and core (3.97% y/y from 3.96%). The Mexican peso is the second best performing Latam currency this year (+7.4% stronger YTD), after the Brazilian real.



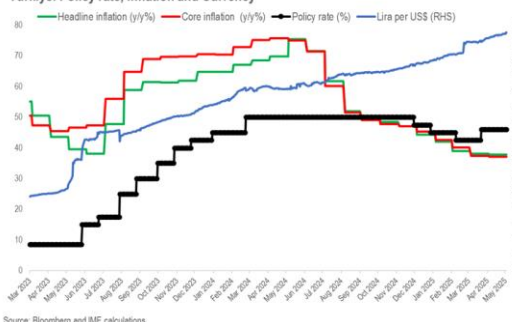
Türkiye

Market analysts expect further reserve losses to be limited. Goldman Sachs analysts argue that the decline in gross reserves following the detention of Istanbul mayor Ekrem İmamoğlu was mainly a result of foreign outflows. However, the analysts highlight that despite this decline, the central bank's balance sheet is relatively healthier than in 2023. Moreover, given a small current account deficit and “very light” foreign positioning, they see limited risk of further reserve losses. The analysts also point out that anchoring inflation expectations remains a major challenge for the central bank. Against this backdrop, it may be surprising that the central bank is allowing the lira to depreciate at a faster-than-usual rate recently—as the pace of depreciation is a key driver of inflation expectations. However, the analysts suggest that this is likely partly driven by the central bank's desire to curb a resurgence in carry trade positions. Also, the analysts are skeptical that the current FX strategy can be maintained and expect it to come to an end in July at the latest—when the central bank is expected to restart its easing cycle. The Turkish lira was little changed this morning, roughly 1.7% weaker than at the start of this month, and almost 10% weaker YTD.

Exhibit 1: FX Reserves Are Close to the Level Prior to the Disinflation Programme
Composition of TCMB's reserves excluding May



Türkiye: Policy rate, Inflation and Currency



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









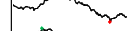
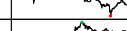

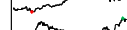



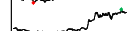





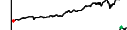

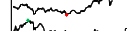






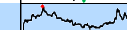

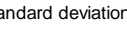


5/29/25 8:15 AM	Level Last 12m	Latest	Change				YTD
			1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		5,889	-0.6	-0.9	5.9	11.8	0
Europe		5,408	0.5	-0.3	4.8	9.0	10
Japan		38,433	1.9	3.9	7.2	-0.3	-4
China		3,859	0.6	-1.4	2.2	6.8	-2
Asia Ex Japan		78	-0.6	-0.7	6.2	9.8	8
Emerging Markets		46	-0.5	-0.9	5.2	8.5	10
Interest Rates			basis points				
US 10y Yield		4.5	4	-1	35	-9	-5
Germany 10y Yield		2.6	2	-7	7	-12	20
Japan 10y Yield		1.5	1	-4	21	44	43
UK 10y Yield		4.7	1	-1	26	34	17
Credit Spreads			basis points				
US Investment Grade		135	0	-2	-12	20	15
US High Yield		368	-2	-6	-53	26	39
Exchange Rates			%				
USD/Majors		99.9	0.0	0.4	0.7	-5.0	-8
EUR/USD		1.13	0.0	0.1	-0.8	4.5	9
USD/JPY		145.0	0.1	0.7	1.8	-8.0	-8
EM/USD		45.6	0.3	0.0	0.7	-2.6	7
Commodities			%				
Brent Crude Oil (\$/barrel)		65.1	0.2	1.0	2.8	-17.3	-11
Industrials Metals (index)		142.7	0.7	0.1	-1.3	-14.6	2
Agriculture (index)		56.4	0.0	-2.3	-2.9	-8.8	-1
Gold (\$/ounce)		3297.7	0.3	0.1	-0.6	41.0	26
Bitcoin (\$/coin)		108785.0	1.4	-0.1	14.7	61.4	16
Implied Volatility			%				
VIX Index (% change in pp)		19.0	-0.4	-1.9	-5.2	4.7	1.6
Global FX Volatility		8.7	0.0	-0.2	-0.9	1.8	-0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		73	1	-2	-11	-29	-12
Italy		98	0	-3	-13	-35	-17
France		67	0	-1	-5	20	-16
Spain		60	0	-2	-7	-15	-10

Colors denote

tightening/easing financial

Emerging Market Financial Indicators

Last updated: 5/29/2025 8:13 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		7.19	0.1	0.2	1.2	0.9	1.6		1.8	0	1	3	-52	7
Indonesia		16308	-0.1	0.1	2.8	-0.9	-1.1		6.7	1	1	-9	-11	-28
India		86	-0.2	0.6	-0.3	-2.5	0.1		6.7	-1	-12	1	-70	-63
Philippines		56	-0.4	-0.2	0.7	4.9	4.0		4.9	0	-3	-5	-59	7
Thailand		33	0.0	0.3	2.3	12.6	5.0		2.0	-1	-5	-2	-88	-36
Malaysia		4.24	-0.4	0.7	2.0	10.9	5.4		3.5	0	-4	-12	-36	-28
Argentina		1160	-0.3	-1.2	1.5	-23.0	-11.1		29.6	41	-59	-376	-722	48
Brazil		5.69	-0.8	-0.8	-0.6	-9.3	8.5		14.0	7	-16	-14	272	-191
Chile		941	-0.4	0.3	0.3	-4.7	5.9		5.6	2	7	12	-15	-5
Colombia		4126	-0.3	1.2	2.2	-6.8	6.8		12.1	3	7	11	122	29
Mexico		19.40	-0.1	-0.4	0.8	-12.5	7.3		9.4	1	-5	7	-53	-96
Peru		3.6	0.0	1.0	0.7	2.9	3.2		6.5	-2	-4	-12	-67	-16
Uruguay		42	-0.2	-0.1	1.0	-7.4	4.9		9.4	-2	-5	-29	23	-28
Hungary		358	-0.2	-0.2	-0.9	0.4	11.0		6.7	-2	-4	15	-20	25
Poland		3.75	-0.1	0.4	-0.2	5.5	10.0		5.1	-1	1	27	-55	-50
Romania		4.5	-0.3	0.0	-2.4	2.8	7.2		7.4	0	-10	7	78	11
Russia		78.5	1.8	1.7	4.5	14.1	44.6							
South Africa		17.8	0.5	0.9	4.0	3.1	5.6		10.7	-5	-7	-18	-127	19
Türkiye		39.12	0.0	-0.5	-1.6	-17.5	-9.6		33.7	-3	20	-178	528	394
US (DXY; 5y UST)		100	0.0	0.4	0.7	-5.0	-7.9		4.10	4	1	33	-53	-28

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		3,859	0.6	-1.4	2.2	6.8	-1.9		118	3	-6	-28	22	
Indonesia		7,176	0.0	0.5	5.3	2.9	1.4		98	4	-22	3	7	
India		81,633	0.4	0.8	1.7	9.6	4.5		108	-5	-19	8	22	
Philippines		6,413	-0.2	1.7	2.6	0.0	-1.8		81	6	-17	-3	2	
Thailand		1,164	0.3	-0.8	-0.6	-13.8	-16.9							
Malaysia		1,519	-0.3	-0.5	0.2	-5.4	-7.5		81	2	-11	-6	11	
Argentina		2,344,330	-0.5	1.1	8.6	49.5	-7.5		663	-5	-43	-743	26	
Brazil		138,888	-0.5	0.7	2.8	13.2	15.5		219	6	-9	0	-28	
Chile		8,245	-1.3	-2.1	2.3	23.4	22.9		117	6	-16	-4	4	
Colombia		1,647	0.4	0.4	1.6	18.1	19.4		335	-1	-52	16	9	
Mexico		58,736	0.2	0.3	5.6	6.4	18.6		299	12	-38	-8	-13	
Peru		31,374	0.1	0.5	3.4	2.9	8.3		129	5	-20	-32	-12	
Hungary		96,437	-0.4	1.0	3.8	40.8	21.6		158	8	-25	15	3	
Poland		103,108	-0.7	2.3	2.3	20.3	29.6		110	9	-8	14	-2	
Romania		17,984	0.3	2.4	3.1	1.2	7.6		262	15	-20	85	27	
South Africa		94,686	0.9	1.7	3.7	20.5	12.6		319	16	-30	6	26	
Türkiye		9,193	0.2	-3.0	-0.3	-12.3	-6.5		311	20	-40	34	52	
EM total		46	0.9	-0.9	5.2	8.5	9.8		383	10	-10	45	19	

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

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