GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, MAY 4, 2026

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- **Markets may be too complacent about oil price rise** (link)
- **US equity rally broadens as indexes trade near record highs** (link)
- **ECB rate hike almost fully priced for June** (link)
- **OPEC+ agrees to a moderate increase in supply** (link)
- **Yen remains volatile on intervention rumors** (link)
- **Mexico expected to cut by 25 bps this week** (link)

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Markets Pull Back from Record Highs as Middle East Tensions Simmer

Equity markets in Europe were down, and US equity futures pointed to a decline from Friday's record closes as tensions in the Middle East appeared to reemerge. There were press reports of attacks by Iran on ships attempting to pass through the Strait of Hormuz, although these were denied by US authorities. Brent crude is back above $110/barrel, while government bonds are selling off in the US and Europe as inflation fears intensify. The US long bond is trading a touch below 5%, not far from the post-GFC high of 5.13% in November 2023. However, stocks have bounced off intraday lows on optimism about strong corporate earnings and hopes that the AI trade will continue to prosper. Many expect market participants to buy the dip, a strategy that has been well rewarded over the past few years. Meanwhile, the Yen remained volatile on rumors of official intervention despite the Golden Week holidays. Markets in India stabilized after the ruling party appeared to make gains in regional elections.

Key Global Financial Indicators

Last updated: 5/4/26 7:52 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7230	0.3	1	10	27	6
Eurostoxx 50		5816	-1.1	-1	2	10	0
Nikkei 225		59513	0.4	1	11	62	18
MSCI EM		64	0.2	1	13	43	17
Yields and Spreads					bps		
US 10y Yield		4.41	4.0	7	7	10	24
Germany 10y Yield		3.06	2.4	3	7	53	21
EMBIG Sovereign Spread		243	-4	-2	-34	-120	-10
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		47.2	-0.3	0	2	4	1
Dollar index, (+) = $ appreciation		98.4	0.2	0	-2	-2	0
Brent Crude Oil ($/barrel)		111.8	3.3	3	3	82	84
VIX Index (%, change in pp)		18.0	1.1	0	-6	-5	3

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: 5/4/26 7:54 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		112	3.3	3	3	82	84
WTI Crude Oil ($/barrel)		105	3.1	9	-6	80	83
Natural Gas (Netherlands TTF)		47	2	0	-7	40	75
Breakeven Inflation		%			bps		
USD: 2Y		3.1	1.7	5	20	27	80
USD: 5Y		2.8	0.5	7	19	28	43
USD: 5Y5Y		2.4	0	5	7	5	0
EUR: 2Y		3.0	-7.2	6	20	148	131
EUR: 5Y		2.5	-5	5	15	74	68
EUR: 5Y5Y		2.2	-1	1	1	8	9

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

The US jobs report is likely to be a key focus in the coming week. The consensus forecast is that 60K jobs were added in April, and that the unemployment rate will hold steady at 4.3%. The durable goods report due later today could also have an impact on markets. The US Treasury refunding announcement is also due this week, but market participants expect no significant changes to auction sizes for coupon securities. The euro data calendar features various PMI and unemployment data releases. China, India, Japan, and the UK are also due to release their latest PMI reports this week, while Brazil will report on industrial production. The many countries in which central bank meetings are to be held this week include Australia, Mexico, South Africa, and South Korea. The annual ASEAN summit will begin on Friday.

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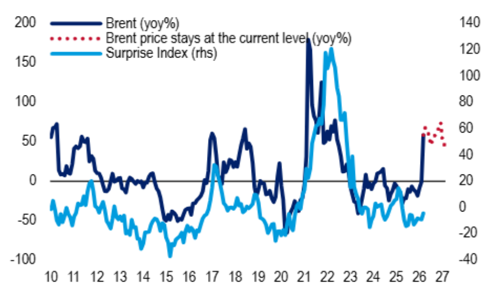
Oil Markets

Markets may be too complacent about the rise in oil prices. Although it has pulled back from its wartime high of $126 set yesterday morning, the price of Brent crude remains very elevated. Markets seem to believe that the impact of the conflict in the Middle East will not be as severe as originally feared. As a result, equity markets are at or near record highs, interest rates have not moved significantly higher, and volatility is back down with the VIX well below 20. Market measures of inflation are up, but not by that much, as exemplified by the breakeven yields on Treasury Inflation Protected Securities (TIPS), which are up about 20–30 bps across the curve. For a comparison, TIPS breakeven yields rose by 80–100 bps in 2022 at the height of the inflation surge. Historically, major oil price spikes are accompanied by significant upside surprises in inflation, according to Bank of America. The MOVE index of US Treasury market volatility is very low relative to the volatility of oil prices.

Exhibit 1: Oil spikes tend to lead to a series of inflation upside surprises

Brent (yoy%) vs global inflation surprise index

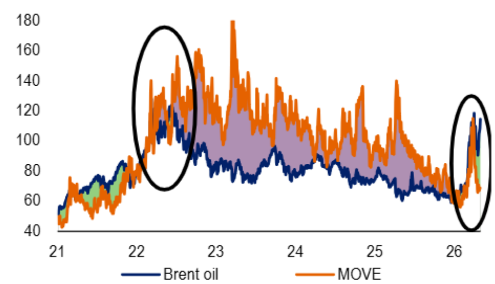


Source: BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 2: The MOVE rates vol index is very low compared to crude oil

Brent oil vs ICE BofA Move Index since 2021

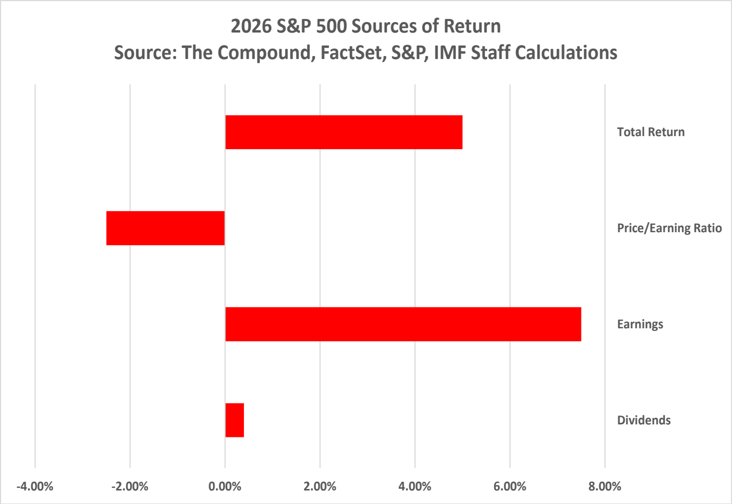


Source: Bloomberg

BofA GLOBAL RESEARCH

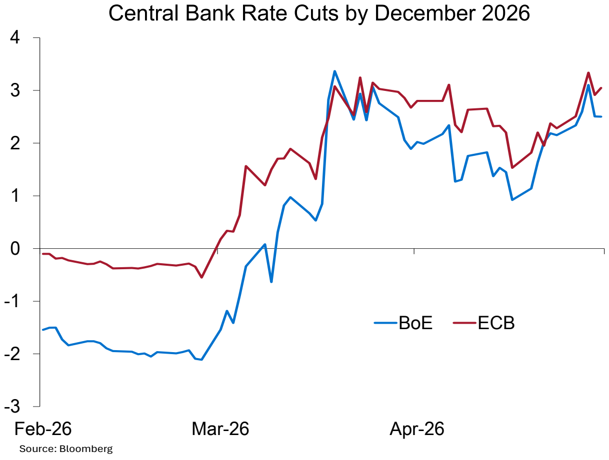
United States

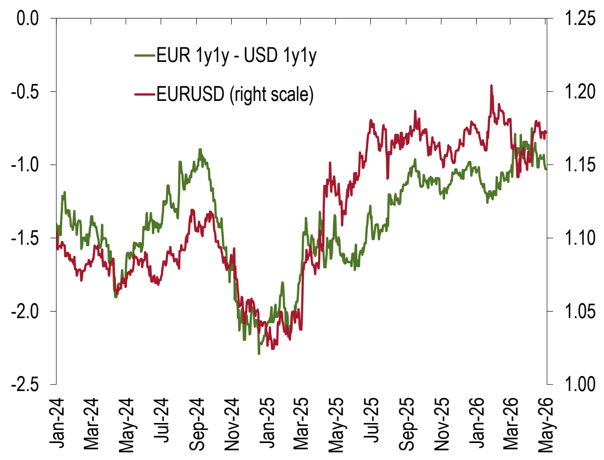
The US equity market is trading at a record high, with the rally broadening out to encompass many more sectors and companies beyond the technology giants of the S&P 500. New records were also recently set by the Mid Cap S&P 400 index and the S&P 600 and Russell 2000 small cap indexes. The 2026 returns for US equities have been dominated by earnings, as a still resilient economy, robust consumer demand, and easy financial conditions help US corporations deliver strong financial results. For the S&P 500, the price to earnings ratio has actually declined as earnings outpaced equity price increases. Meanwhile, investor expectations for the rest of the year remain very optimistic, as earnings-per-share forecasts for the S&P 500, S&P 400, and S&P 600 are at all-time highs. While the response to last week's hyperscaler earnings reports were mixed, they all delivered profits that comfortably beat Street forecasts. A number of euro area markets have fallen behind the US in 2026 after a year of outperformance in 2025, hurt by the disproportionate impact of the war in the Middle East.



Euro Area

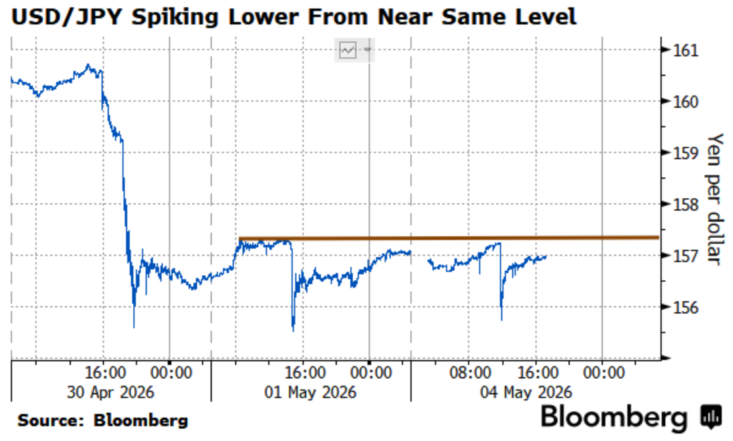
Investors are close to fully pricing in an ECB rate cut at the June 10 meeting, with around 75 bps of hikes priced in by year-end. Swap markets are pricing in about 23 bps of tightening for the June meeting, which is down from peak tightening expectations in March but up from the levels seen in April when policymakers had been more optimistic about the conclusion to the energy crisis and Middle East conflict. ECB Governing Council Member Olli Rehn noted on Saturday that "monetary policy must react forcefully and quickly" to any signs of inflation becoming entrenched. He also noted that upward moves in bond yields were doing some of the work of tightening financial conditions, but the central bank must be in charge of the appropriate policy setting. **The euro has broadly tracked the short-term interest rate differential with US rates,** excluding the dollar rally at the height of the conflict. The rate differential has gradually become less negative over the last year, with the policy outlook potentially pointing in the same direction.





Japan

The yen fluctuated amid persistent intervention risk and thin Golden Week liquidity. It strengthened by as much as 0.8% to 155.72/$ midday, before closing the Asian hours little changed at 157.00/$. Authorities declined to comment on whether Monday's moves reflected fresh action, instead reiterating concerns about speculative trading and stressing readiness to week if volatility becomes excessive. Analysts estimate Japan spent roughly JPY5.4 tn ($34.5 bn) last Thursday, with Goldman Sachs noting ample remaining firepower—enough to intervene 30 more times at last week's scale—but flagging that officials are likely to conserve resources and act selectively, viewing the 160 level as a key line of defense and the 157 area as a near-term battleground. Meanwhile, the renewed focus on currency stability also spilled into related markets, with Vice FM Mimura saying authorities are maintaining readiness to intervene in the crude oil futures market, again linking speculative moves in this market to yen weakness.



Emerging Markets

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Stocks in EMEA were down on the latest Middle East tensions. However, stocks in Poland bucked the trend and posted moderate gains. **Asian equities staged a major rally (EM Asia: +5.1%) after the long weekend, catching up to global gains driven by solid earnings from tech mega caps.** Japanese and Chinese asset markets remain closed for holidays. **Markets in Latin America were closed for the May Day holiday on Friday.** Mexico is expected to cut by 25 bps this week, while the central banks of Brazil and Colombia are scheduled to release the minutes from their latest meetings.

EM Fund Flows

Inflows into EM funds continued for the third consecutive week. EM bond fund inflows moderated (+$1.9bn, prior week +$3.4bn) while equity fund flows post small inflows (+$30mn, prior week +$3.2bn). Within EM bonds, inflows were mostly from hard currency funds (+$1.4bn, prior week +$2.5bn) while local currency funds also saw smaller inflows (+$0.4bn, from +$0.9bn). For EM equity funds, ETFs inflows decelerated (+$1.8bn, prior week +$4.2bn), while non-ETFs posted increased outflows (-$1.7bn, prior week -$1.0bn). For regional equity funds, Asia ex-Japan saw outflows (-$0.8bn, prior week +$0.5bn) and EMEA also posted small outflows (-$34mn) while LATAM posted small inflows (+$310mn). YTD, cumulative inflows into EM Funds stand at +$13.5bn for EM bonds and +$72.7bn for EM equities, remaining strong compared to recent years.

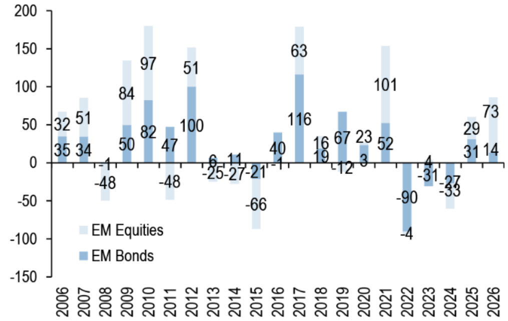
Figure 1: Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		1.9	86.2
	EM Bonds		1.9	13.5
	Hard Ccy		1.4	4.4
	Local Ccy^		0.4	9.2
	o.w. EM ex-China		0.5	10.1
	o.w. China		0.0	-0.9
	EM Equities		0.0	72.7
	US HG		2.7	119.7
	US HY		1.8	-4.5
	Global Equities		21.0	239.0
	EM Bond and Equity ETFs		2.2	81.5
	EM Bond ETFs		0.4	2.1
	EM Equity ETFs		1.8	79.5
	Non-resident EM flows*		-7.1	-51.2

Figure 2: EM bond and equity fund flows

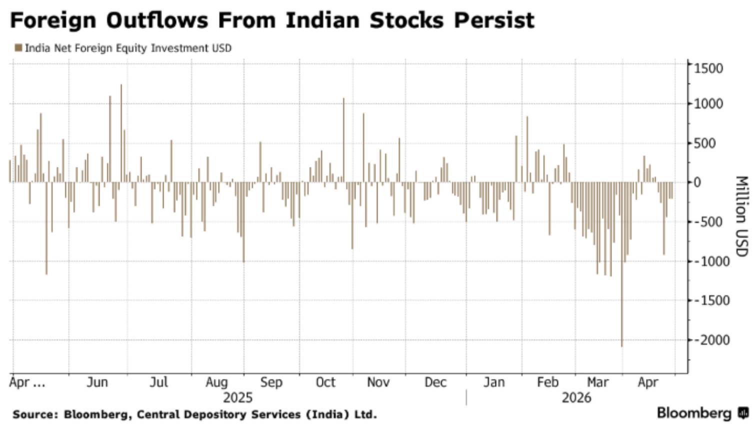
USD billion



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

India

Indian financial markets saw a modest relief rally as early state election results pointed to stronger-than-expected outcomes for Prime Minister Modi's Bharatiya Janata Party. Early vote counts indicate the BJP to be on course to secure its first-ever election victory in West Bengal, beyond its traditional strongholds in northern and western India. Investors consider the win as reinforcing policy continuity and providing incremental support to local assets at a time of elevated volatility. However, market movements have remained measured so far, with rupee continuing to test record lows at 95.03/$, while 10-year government bond yield fell 3 bps to 7.01%. Equities advanced by as much as 1.0% before paring gains (SENSEX: +0.4%) as trading resumed after the long weekend, supported by consumer and auto stocks and a broader Asia-Pacific risk rally. Foreign investors continued to withdraw from Indian equities, with global funds selling net INR74.1 bn of Indian stocks on the National Stock Exchange last Thursday. Reserve Bank of India's Governor Malhotra said last Friday that foreign outflows from India markets may slow this year as asset values have corrected.



Mexico

Banxico is expected to deliver rate cuts this week, though policymakers are likely divided. Market analysts expect Banxico to cut the policy rate to 6.5% at this week's meeting, likely in another split decision, while potentially signaling the end of the easing cycle that began in March 2024. Bloomberg analysts anticipate that a minority of policymakers will vote to hold, reflecting concerns over inflation and credibility risks from further easing, although the majority may take comfort from inflation expectations remaining within the target range. Goldman Sachs analysts echo similar sentiments, noting the recent dovish communication, weaker-than-expected domestic activity, a stable exchange rate, and moderating core inflation. Still, with inflation remaining above target and inflation expectations deteriorating, analysts see scope for policymakers to signal that the rate normalization cycle comes to an end.

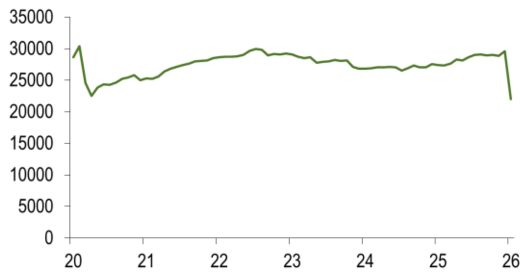
Mexico Monetary Policy Interest Rate

Source: Banxico, Bloomberg Economics

Saudi Arabia

Major OPEC+ members agreed to a modest increase of 188,000 barrels per day in June output, signaling business-as-usual despite the surprise exit of the United Arab Emirates. The hike, led by Saudi Arabia and Russia, is unlikely to materially boost supply unless the Strait of Hormuz reopens and disrupted production resumes. At the same time, the UAE highlighted its expansion ambitions, with the Abu Dhabi National Oil Company planning $55 billion in project investments, underscoring longstanding tensions over production limits. While OPEC+ is continuing its gradual output restoration path, the UAE's departure weakens the group's cohesion and long-term influence, even as members publicly downplay divisions and emphasize stability.

OPEC Total Crude ('000 bbl/day)



Source: Bloomberg and IMF staff

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Global Financial Indicators

Last updated:	Level		Change				
5/4/26 7:55 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,230	0.3	0.9	9.8	27.1	6
Europe		5,816	-1.1	-0.8	2.2	10.0	0
Japan		59,513	0.4	0.6	11.4	61.8	18
China		4,807	-0.1	0.4	8.3	26.2	4
Asia Ex Japan		110	0.2	1.0	14.6	44.5	18
Emerging Markets		64	0.2	0.6	13.3	42.5	17
Interest Rates					**basis points**		
US 10y Yield		4.4	4	7	7	10	24
Germany 10y Yield		3.1	2	3	7	53	21
Japan 10y Yield		2.5	0	4	13	125	45
UK 10y Yield		5.0	-5	5	13	48	49
Credit Spreads					**basis points**		
US Investment Grade		116	-2	-1	-8	-35	9
US High Yield		324	-5	-7	-42	-97	-12
Exchange Rates					%		
USD/Majors		98.4	0.2	-0.1	-1.6	-1.6	0
EUR/USD		1.17	-0.2	-0.2	1.4	3.4	0
USD/JPY		157.2	0.1	-1.4	-1.6	9.4	0
EM/USD		47.2	-0.3	-0.4	1.8	4.2	1
Commodities					%		
Brent Crude Oil ($/barrel)		111.8	3.3	9.9	12.4	81.3	86
Industrials Metals (index)		176.7	-0.6	-1.6	4.2	25.2	8
Agriculture (index)		59.0	0.0	2.5	4.4	1.6	10
Gold ($/ounce)		4559.4	-1.2	-2.6	-1.9	36.7	6
Bitcoin ($/coin)		78809.6	-0.1	4.2	17.2	-17.7	-10
Implied Volatility					%		
VIX Index (%, change in pp)		18.0	1.1	0.0	-5.8	-4.6	3.1
Global FX Volatility		7.1	0.1	0.2	-0.9	-2.5	0.2
EA Sovereign Spreads					**10-Year spread vs. Germany (bps)**		
Greece		78	1	2	-3	-5	19
Italy		83	1	3	-3	-27	13
France		65	0	0	-3	-6	-6
Spain		47	1	1	-2	-19	3

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

Emerging Market Financial Indicators

5/4/2026 7:57 AM	Exchange Rates: Level, Last 12m	Exchange Rates: Level, Latest	Change (in %): 1 Day	Change (in %): 7 Days	Change (in %): 30 Days	Change (in %): 12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Level, Latest	Change (in basis points): 1 Day	Change (in basis points): 7 Days	Change (in basis points): 30 Days	Change (in basis points): 12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.83	0.2	0.0	1.0	6.5	2.3		1.8	0	1	-5	13	-10
Korea*		1473	-0.1	0.1	2.4	-6.5	-1.9		3.8	0	11	17	132	51
Indonesia		17394	-0.3	-1.1	-2.1	-5.4	-4.1		6.7	0	7	6	-8	68
India		95	-0.2	-0.9	-2.1	-11.4	-5.5		7.9	-3	13	18	121	83
Philippines		62	-0.2	-1.4	-2.5	-9.5	-4.3		5.7	-3	23	24	76	105
Thailand		33	-0.4	-0.9	-0.3	0.8	-3.5		2.3	0	3	-3	28	53
Malaysia		3.96	0.4	-0.1	1.8	6.2	2.6		3.6	-1	1	#VALUE!	-11	5
Argentina		1391	0.0	0.0	-0.7	-15.8	4.3		0.0	0	0	0	-3292	-3237
Brazil		4.96	0.8	1.3	4.5	14.5	10.9		13.8	0	19	-3	-25	25
Chile		900	0.9	-0.2	2.9	5.4	0.1		5.5	0	11	-1	-4	17
Colombia		3639	-0.4	-2.2	0.9	16.1	3.7		13.6	0	41	15	154	73
Mexico		17.50	-0.2	-0.7	1.5	12.5	2.9		9.2	0	16	8	-20	18
Peru		3.5	0.4	-1.1	-0.8	4.5	-4.1		6.7	-1	8	-26	15	94
Uruguay		40	0.1	-1.5	0.8	4.4	-2.7		7.5	0	11	-16	-214	-5
Hungary		311	-0.3	0.0	6.4	14.7	5.3		5.9	0	-8	-99	-59	-61
Poland		3.64	-0.5	-0.4	1.6	3.6	-1.4		5.3	0	17	11	50	70
Romania		4.4	-0.1	-2.3	-0.6	-1.0	-2.5		7.1	0	19	17	-28	39
Russia		75.5	-0.7	-0.9	4.6	6.6	4.3							
South Africa		16.7	-0.5	-1.2	0.7	9.2	-1.0		9.1	0	18	-15	-175	47
Türkiye		45.20	0.0	-0.4	-1.4	-14.7	-5.0		34.4	0	39	42	-62	481
US (DXY; 5y UST)		98	0.3	-0.1	-1.6	-1.6	0.1		4.05	4	10	7	13	33

	Equity Markets: Level, Last 12m	Level, Latest	Change (in %): 1 Day	Change (in %): 7 Days	Change (in %): 30 Days	Change (in %): 12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Level, Latest	Change (in basis points): 7 Days	Change (in basis points): 30 Days	Change (in basis points): 12 M	YTD
								basis points					
China		4,807	0.0	0.4	8.3	26.2	3.8		92	-2	2	-29	17
Korea*		6,937	5.1	7.1	27.3	171.0	64.6		29	0	-6	-3	7
Indonesia		6,972	0.2	-2.2	-0.8	2.0	-19.4		101	-2	-11	-19	15
India		77,269	0.2	0.8	5.4	-4.4	-9.3		89	-2	-7	-42	-1
Philippines		5,942	1.9	0.0	-0.9	-6.6	-1.8		88	-2	-5	-8	13
Thailand		1,494	0.0	2.2	2.7	24.6	18.6						
Malaysia		1,740	1.0	1.1	2.6	13.0	3.6		50	-2	-3	-45	-9
Argentina		2,832,851	-0.2	0.0	-5.6	34.8	-7.2		546	-21	-74	-178	-23
Brazil		187,318	1.4	-2.1	-0.4	38.6	16.3		179	-8	-21	-56	-24
Chile		10,908	0.5	-0.8	1.6	35.7	4.1		87	-3	-15	-40	-4
Colombia		2,178	1.5	-2.5	-4.5	32.6	5.3		241	-1	-42	-143	-36
Mexico		67,858	1.1	-1.1	-2.6	21.6	5.5		198	-11	-25	-140	-19
Peru		3,130	-0.9	-1.3	-4.4	75.2	21.2		93	-9	-18	-54	-16
Hungary		133,936	0.1	0.0	8.0	45.3	20.6		111	-7	-35	-71	-28
Poland		129,037	0.4	-1.2	2.7	27.5	10.1		92	1	-5	-23	1
Romania		28,175	-0.3	-3.8	1.0	64.4	15.3		194	-3	-9	-97	18
South Africa		114,705	-0.4	-1.5	-1.2	24.2	-1.0		238	-2	-18	-121	20
Türkiye		14,332	-0.8	-0.5	10.8	56.3	27.3		273	1	-25	-80	39
EM total		64	-0.3	0.6	13.3	42.5	17.2		258	-1	-33	-155	-13

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

*Not an EM Under IMF Classification.

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