GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, MAY 6, 2025

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- **Political tensions in Germany push European markets lower** (link)
- **US stocks regain key technical level** (link)
- **Falling oil prices put US oil companies at risk** (link)
- **Taiwan POC dollar stabilizes after a burst of extreme volatility** (link)
- **Markets in China rally after Labor Day holidays** (link)
- **Stronger Swiss Franc could trigger central bank intervention** (link)
- **Special Feature: Emerging and Frontiers Markets Issuance** (attached)

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Markets grapple with multiple challenges

Equity markets in Europe and US equity index futures are in retreat after political turmoil in Germany and worries about the trade war dampened sentiment, although Asia had a positive session. Presumptive Chancellor Merz failed to win a majority in the first Bundestag vote, triggering shock waves throughout Europe. Local markets had been rallying strongly in recent weeks on hopes that larger fiscal and defense spending by the new German government led by Mr. Merz would boost the entire euro area. In the US, more companies refused to provide earnings guidance or reported weaker than expected earnings, citing trade uncertainties. On a more positive note, FX markets in Asia stabilized today after bursts of volatility on Friday and Monday in the Taiwan POC dollar, the Hong Kong SAR dollar, and other regional currencies. China's decision to keep the yuan steady in today's fixing helped stabilize local FX markets for the moment, but many expect dollar weakness to continue.

Key Global Financial Indicators

Last updated: 5/6/25 7:59 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		5650	-0.6	2	11	9	-4
Eurostoxx 50		5252	-0.6	2	8	6	7
Nikkei 225		36831	1.0	5	18	-5	-8
MSCI EM		45	0.8	4	12	7	8
Yields and Spreads			bps				
US 10y Yield		4.33	-1.0	16	34	-15	-24
Germany 10y Yield		2.53	1.4	3	-5	6	16
EMBIG Sovereign Spread		357	1	-2	-27	-18	32
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.4	0.0	0	3	-3	6
Dollar index, (+) = $ appreciation		99.6	-0.2	0	-3	-5	-8
Brent Crude Oil ($/barrel)		61.5	2.0	-4	-6	-26	-18
VIX Index (%, change in pp)		24.7	1.0	0	-21	11	7

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

Mature Markets

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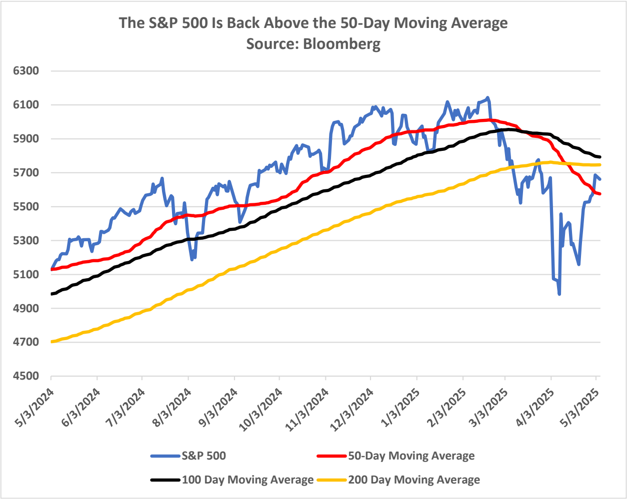
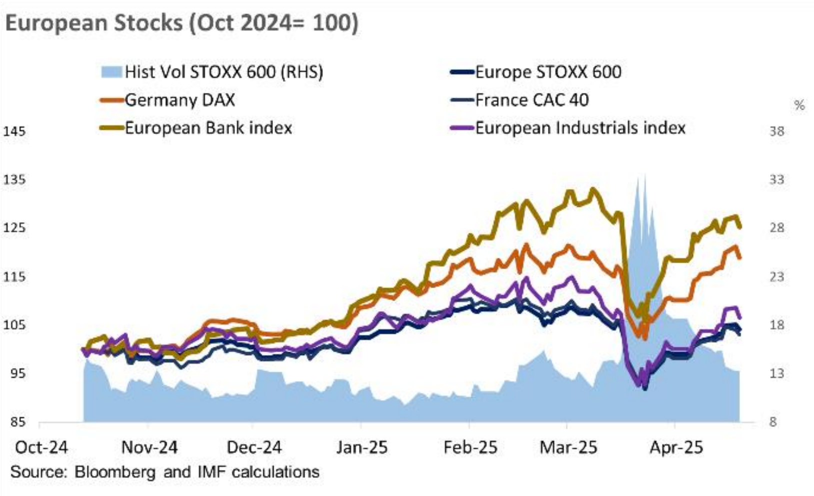
United States

Some contacts are becoming more optimistic for the prospects for US stocks. The nine-day rally in the S&P 500 was the longest winning streak since 2004, and although the rally ended yesterday, many believe that the tariffs will be less impactful than originally feared, setting the stage for another leg upwards for US stocks. Technical analysts have pointed out the index has moved back above its 50-day moving average for the first time since the week it hit its all-time record close in February, which is viewed as a bullish sign. Other analysts point to strong earnings reports from the large US tech companies such as Meta and Microsoft, which have sparked a strong recovery in the Magnificent Seven stocks that have led the US market in recent years. The better than expected jobs report on Friday also boosted optimism about US markets in certain quarters. However, the latest Bloomberg survey finds that professional investors are at their most pessimistic about the US equity market in 2 ½ years.



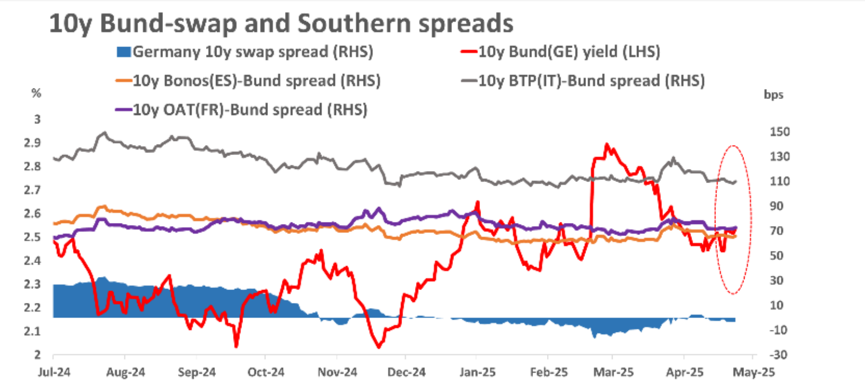
Europe

European equities fell this morning, with Germany underperforming (DAX -1.3%) after Friedrich Merz, who is expected to lead a ruling coalition of CDU/CSU and the Social Democrats, fell short today of the required majority in a parliamentary vote at the Bundestag to be confirmed as Germany's chancellor.



On the data front, today's final figures of April PMIs for the Eurozone showed both the services and the composite indices higher than their flash estimates at respectively 50.1pts (vs est. 49.7pts) and 50.4pts (vs est. 50.1pts). Investor morale in the Eurozone rebounded in May, with the Sentix investor confidence index published yesterday rising by more than expected to -8.1pts in May (vs. est. -12.5pts) from -19.5pts in April. ECB Governing Council member Fabio Panetta warned yesterday that rising protectionism threatens global prosperity and emphasized that trade barriers and geopolitical tensions are key concerns for the ECB, while ECB Governing Council Yannis Stournaras said he does not see possible inflationary effects if the EU tariff reaction is selective, and that the ECB is likely to continue with rate cuts. **Today's March PPI for the**

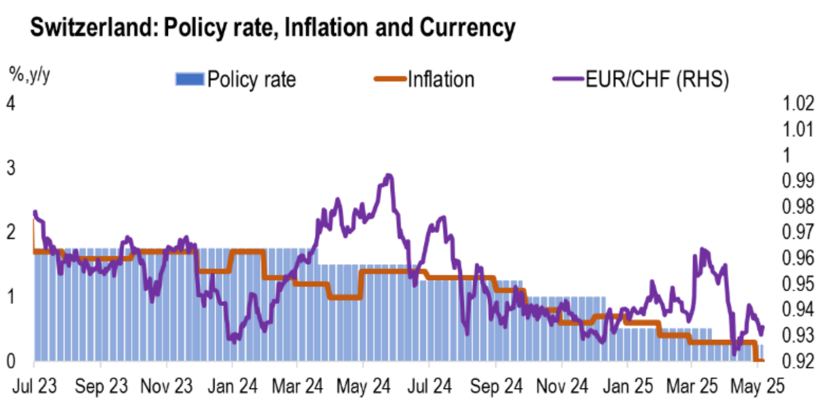
Eurozone printed below expectations with the index slowing to 1.9%y/y (vs. est. 2.5%y/y) from prior 3%y/y in February. **The euro was little changed against the dollar to trade at $1.1317,** with the common currency at 9.3% stronger against the greenback YTD. **European government bond yield curves bear steepened this morning**, with the 2y Bund yields little changed at 1.75% while the 10y yields were up to 2.54% (+3bps) and the 30y Bund yields rose to 3% (+4bps). Intra-EMU government bond spreads were fractionally lower with the 10y BTP-Bund spread at 109bps and the 10y OAT-Bund spread at 72bps.



Source: Bloomberg and IMF calculations

Switzerland

The franc weakened today against the euro (-0.3% to trade at €1.0712/CHH) **and was little changed against the dollar** (-0.1% at $1.2153/CHF) **after inflation surprised to the downside yesterday with the CPI flat (0%y/y and 0%m/m) in April.** Core inflation also declined below expectations to 0.6%y/y in April (vs. est. 0.8%y/y) from 0.9%y/y in March while imported inflation declined significantly to -2.5%, driven by the recent appreciation of the franc (+2.4% QTD against the euro and +6.9% QTD against the dollar). Analysts at UBS expect the Swiss National Bank (SNB) to cut its policy rate by another 25bps, bringing it down to 0% in June 2025, with risk increasingly tilted toward a possible move back into negative interest rates; analysts suggest the SNB might intervene in the FX market to counter appreciation of the CHF as this can weigh on the economy amid signs of weaker growth from declining manufacturing PMI in April (down to 45.8pts from prior 48.9pts). SNB President Schlegel indicated the SNB is ready to intervene in the FX market if necessary for price stability.

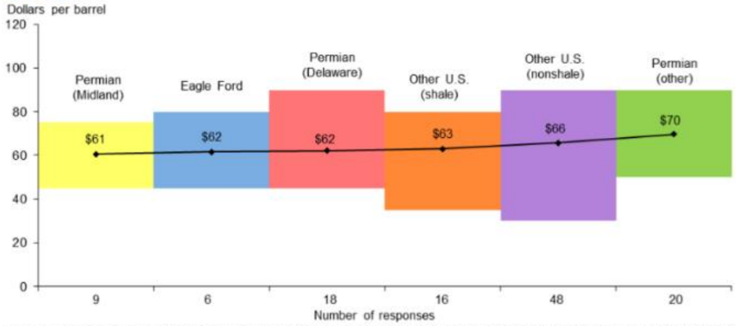


Source: Bloomberg and IMF calculations

Commodity Markets

Oil prices are down about 20% so far in 2025, putting US oil companies at risk. Most analysts expect further declines in oil prices due to weak demand and a slowing global economy. The prospect of tariffs further darkens the outlook and the unexpected announcement of a production increase from OPEC+ has put even more downward pressure on oil prices. The latest Dallas Fed survey of regional oil producers found that the breakeven price for profitable oil production for the US West Texas Intermediate (WTI) is in the $61-$70 range. WTI is currently trading at $57.50, and analysts are worried that a sustained period of low prices could lead to massive layoffs in the US oil sector. Credit losses on oil sector debt could also occur as cash flows for oil producers decline.

Chart 2
In the top two areas in which your firm is active, what WTI oil price does your firm need to profitably drill a new well?



NOTES: Lines show the mean, and bars show the range of responses. Executives from 81 exploration and production firms answered this question for the Dallas Fed's Energy Survey during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas

Emerging Markets

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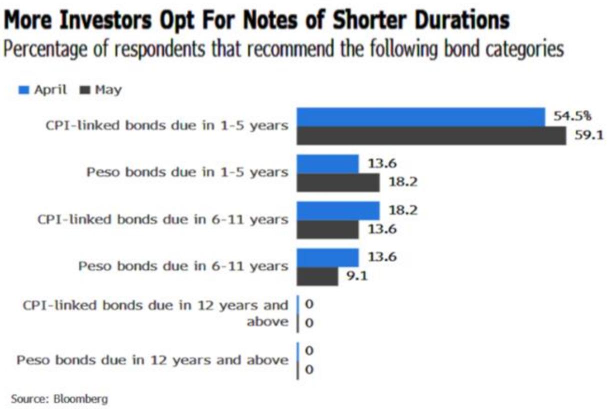
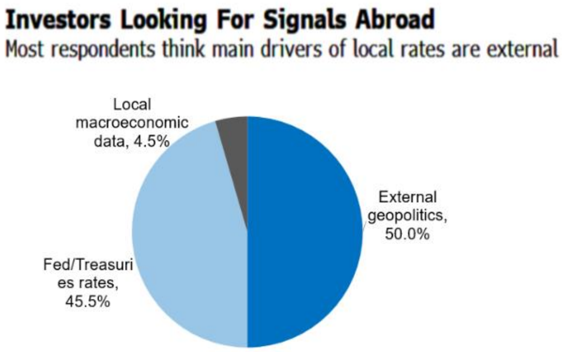
EMEA equities and currencies were trading mostly lower. Equities in CEE were mostly lower with Polish equities underperforming (-2.1%) while CEE currencies were trading weaker against the euro. **Latam market closed lower yesterday.** LATAM currencies depreciated against the US dollar, underperformed their Asian counterparts. **Asian currencies had mixed performance, with the Thai baht appreciating (+0.8%) and the Malaysian ringgit weakening (-0.7%) against the dollar.** Asian equities gained slightly (EM Asia: +0.2%), led by Indonesia (+1%) and the Philippines (+0.9%). Bloomberg reported that the Hong Kong Monetary Authority sold a record HK$60.5 bn ($7.8 bn) into the banking system to prevent the currency from strengthening beyond its trading band of 7.75 to 7.85 per dollar. Strategists believe these HKD sales could alleviate liquidity tightness due to recent capital inflows.

Chile

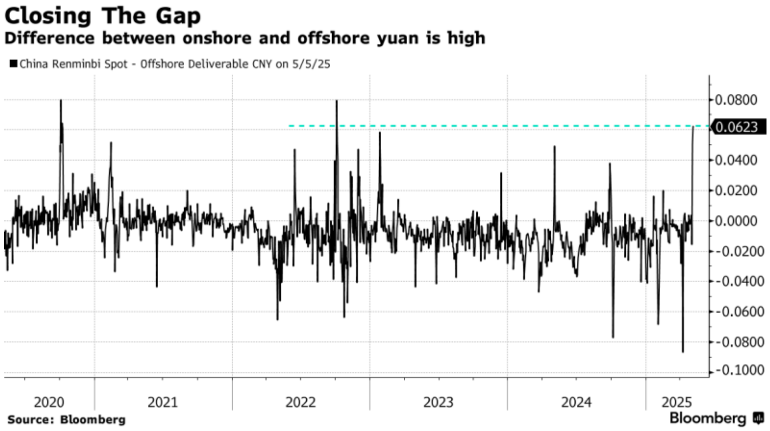
A market survey indicates that local investors are seeking refuge in shorter-duration bonds amid heightened uncertainty. A larger share of survey respondents has expressed preference for shorter duration bonds of 1-5 years maturity, about 77% in May vis-à-vis 68% in April, while over half of the respondents preferred safer inflation-linked bonds. Analysts note that the country's longer-term bond rates have been volatile due to the macroeconomic environment. Chile's economy, characterized as a small open economy, is significantly affected by global factors. Going forward, the ongoing uncertainty on global trade, coupled with the US Fed's policy, are likely to drive the country's domestic rates. Notably, the Chilean Treasury has also recently announced an increase the issuance size of shorter-duration bonds for the second quarter of the year.





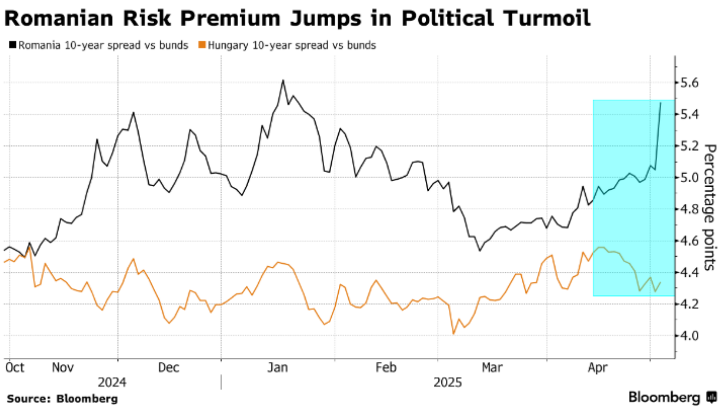
China

Chinese stocks outperformed after the holidays on signs of easing trade tensions and resilient domestic consumption data (CSI 300: +1%). Optimistic remarks from US officials about potential progress in trade talks with China, including President Trump's willingness to lower tariffs and Beijing's consideration of negotiations, contributed to the gains. Meanwhile, Citi analysts noted that Labor Day traffic data beat expectations, with total/rail/air traffic growing 8%/11%/12% y/y, leading to around +9% gains in airline stocks. A local state-backed newspaper reported that sales at key retail and catering companies increased +6.3% y/y, and the box office had record sales (RMB 740 mn, or $102 mn) in five days. These results eased concerns about slowing growth after a private gauge showed weaker-than-expected services activity (50.7) in April, the lowest level in seven months. Today, the yuan appreciated against the dollar (+0.7%) after the RMB fixing was kept steady at 7.2008 per dollar, against the momentum of a broad currency rally in Asia. Strategists viewed that the stable yuan could help reduce the chances of extreme moves in the region, given its anchoring role for currencies across Asia.



Romania

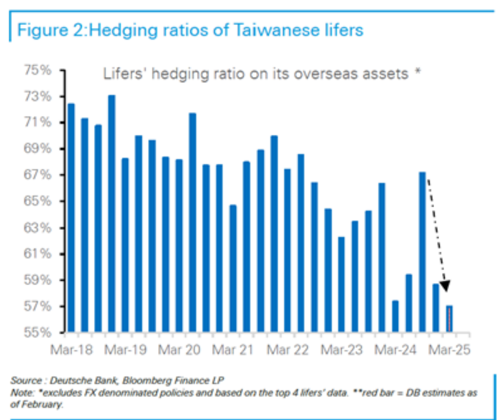
Romanian assets continue to sell off on domestic political turmoil. Local currency denominated bond yields and Romania's dollar denominated bonds sold off sharply as a far-right candidate won the first round of the presidential election, adding to domestic political concerns. According to Bloomberg, the yield on 10Y domestic bonds rose 41bps to 8% with Romanian equities declining by 2.8% yesterday, underperforming global peers. This morning, Romania's prime minister Ciolacu announced his resignation stating that his coalition was unable to make any progress after its preferred candidate was eliminated in the first round. The Romanian leu weakened by as much as 2%



against the euro to trade at 5.08/€ while Romanian equities continued their decline and were down by almost 1% in early morning trade. Bloomberg analysts note that the sharp move in the currency likely reflects the fact that the National Bank of Romania (NBR) has loosened its control over the currency, where previously the leu was kept in a narrow range via a managed float regime.

Taiwan POC

The Taiwan POC dollar (TWD) spot rate diverged significantly from its one-year non-deliverable forwards by around 3000 pips, the widest in two decades**, after two sessions of sharp appreciation against the dollar** (+3% last Friday, the largest single-day rise in over three decades; and +2.6% yesterday). The sudden strength may have been driven by speculation that authorities would allow TWD to appreciate to advance trade talks with the US, prompting exporters to convert their US dollar holdings to local currency and life insurers to hedge their dollar-denominated portfolios. However, the governor insisted that the central bank had intervened to smooth volatility but was overwhelmed by “excessively strong” and “abnormal” market expectations for appreciation. Local newspapers reported that the three biggest insurers’ risk-based capital ratios remained within regulatory standards, and they had no plans to increase currency hedging yet, especially after the surge in TWD pushed up hedging costs. However, Bank of America estimates that insurers' hedge ratios (around 65% at the end of last year) are at historic lows, prompting speculation on their future hedging strategies and foreign asset reallocations. Demand for the TWD from overseas investors and retailers reportedly eased after the central bank's warning against one-sided speculation yesterday. Today, the TWD weakened against the dollar (-0.7%), ending a six-day gain.



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Global Financial Indicators

	Level		Change				
5/6/25 8:02 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		5,625	-0.6	1.1	10.9	8.6	-4
Europe		5,252	-0.6	1.7	7.7	6.0	7
Japan		36,831	1.0	5.1	18.3	-5.2	-8
China		3,809	1.0	0.6	6.1	4.1	-3
Asia Ex Japan		77	1.2	5.3	11.9	8.8	7
Emerging Markets		45	0.8	4.2	11.7	6.7	8
Interest Rates					basis points		
US 10y Yield		4.3	-1	17	34	-15	-23
Germany 10y Yield		2.5	1	3	-5	6	16
Japan 10y Yield		1.3	0	-6	5	36	16
UK 10y Yield		4.5	2	5	8	31	-4
Credit Spreads					basis points		
US Investment Grade		149	0	1	-2	31	29
US High Yield		410	5	-12	-59	74	81
Exchange Rates					%		
USD/Majors		99.6	-0.3	0.3	-3.4	-5.2	-8
EUR/USD		1.13	0.1	-0.6	3.8	5.1	9
USD/JPY		142.9	-0.6	0.4	-3.4	-7.2	-9
EM/USD		45.4	0.0	0.3	3.0	-3.0	6
Commodities					%		
Brent Crude Oil ($/barrel)		61.5	2.0	-2.9	-5.4	-21.3	-16
Industrials Metals (index)		141.8	0.3	-1.9	3.4	-10.3	1
Agriculture (index)		57.5	0.0	-1.1	1.4	-5.8	1
Gold ($/ounce)		3374.7	1.2	1.7	13.1	45.2	29
Bitcoin ($/coin)		93778.9	-0.5	-2.8	19.0	48.1	0
Implied Volatility					%		
VIX Index (%, change in pp)		24.7	1.0	0.5	-20.6	11.2	7.3
Global FX Volatility		9.9	0.0	0.3	-0.1	2.7	0.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		84	1	0	-5	-15	-1
Italy		109	0	-2	-10	-25	-7
France		72	0	0	-4	24	-11
Spain		65	0	-1	-4	-13	-4

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

Emerging Market Financial Indicators

Last updated: 5/6/2025 8:03 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.22	0.8	0.8	1.4	-0.1	1.1		1.7	0	-3	-7	-62	1
Indonesia		16449	0.0	1.9	2.3	-2.6	-1.9		6.8	1	-3	-15	-16	-21
India		84	-0.2	1.0	1.7	-1.1	1.4		6.7	2	2	-4	-71	-62
Philippines		56	0.3	0.9	3.3	2.9	4.2		5.0	0	-3	-4	-70	10
Thailand		33	0.8	2.5	6.2	12.6	5.2		2.0	0	2	6	-82	-32
Malaysia		4.23	-0.7	2.2	5.9	12.0	5.7		3.7	1	2	0	-24	-14
Argentina		1201	-2.5	-2.0	-10.5	-26.7	-14.2		33.4	46	-1	-361	-551	423
Brazil		5.70	-0.2	-1.4	3.8	-10.9	8.3		14.2	4	0	-42	319	-177
Chile		942	0.7	0.2	5.0	-1.2	5.8		5.6	3	4	18	-34	-12
Colombia		4300	-1.2	-1.9	2.0	-9.4	2.5		12.0	2	4	14	148	22
Mexico		19.73	-0.2	-0.9	4.9	-14.4	5.6		9.4	2	9	22	-35	-94
Peru		3.7	-0.4	0.1	1.4	1.7	2.5		6.6	1	1	20	-50	-2
Uruguay		42	0.1	0.4	1.9	-8.8	4.2		9.6	-2	-10	6	44	-8
Hungary		358	-0.4	-0.8	4.4	0.8	11.1		6.6	5	4	-11	-26	14
Poland		3.78	-0.1	-0.8	4.2	5.9	9.4		4.9	6	5	-7	-64	-73
Romania		4.5	-2.1	-2.7	1.6	2.7	6.9		7.8	33	45	64	112	49
Russia		80.8	-0.4	1.6	6.8	13.0	40.5							
South Africa		18.3	0.0	1.6	7.6	1.2	3.2		10.9	3	2	-38	-112	40
Türkiye		38.60	-0.1	-0.3	-1.6	-16.4	-8.4		34.4	0	-103	144	514	470
US (DXY; 5y UST)		100	-0.3	0.3	-3.4	-5.2	-8.2		3.93	-1	16	22	-56	-45

	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		3,809	1.0	0.6	6.1	4.1	-3.2		124	0	10	-17	28
Indonesia		6,898	1.0	2.6	6.0	-3.2	-2.6		114	-6	-24	9	23
India		80,641	-0.2	0.5	10.3	9.7	3.2		130	3	4	30	44
Philippines		6,419	0.9	2.7	10.2	-3.0	-1.7		90	-8	-19	-1	11
Thailand		1,188	-0.9	2.5	5.6	-13.7	-15.2						
Malaysia		1,537	-0.2	1.0	6.4	-4.3	-6.4		95	3	-6	12	25
Argentina		2,059,932	-1.9	-7.7	-2.3	37.7	-18.7		714	8	-209	-533	77
Brazil		133,491	-1.2	-0.9	4.9	3.9	11.0		234	6	-24	27	-13
Chile		8,020	-0.2	0.4	6.9	23.4	19.5		123	-10	-19	3	10
Colombia		1,642	0.0	1.5	1.3	19.0	19.0		378	-9	-3	84	52
Mexico		55,836	0.0	-1.6	8.5	-2.5	12.8		336	-1	-10	31	24
Peru		30,504	0.9	0.7	8.3	4.2	5.3		145	-4	-19	0	4
Hungary		92,308	-0.8	-0.7	11.2	34.6	16.4		171	-12	-19	16	16
Poland		98,521	-1.9	-2.0	10.6	13.8	23.8		110	-8	-14	12	-2
Romania		16,573	-0.4	-4.8	-1.8	-3.8	-0.9		313	32	24	127	78
South Africa		91,414	-0.7	0.8	12.1	19.1	8.7		351	2	-34	21	58
Türkiye		9,191	0.9	-1.2	-2.0	-10.5	-6.5		334	-17	-11	53	75
EM total		45	0.3	4.2	11.7	6.7	8.4		406	13	-19	77	42

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

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