



- Multiple global markets are at or near record highs ([link](#))
- Markets think odds of Fed rate hike are higher than a rate cut next year ([link](#))
- Japanese Yen spikes to 10-week high on suspected intervention ([link](#))
- Corporate bond market in US faces strong investor demand ([link](#))
- Indian banks may issue foreign currency bonds to support rupee ([link](#))
- Fitch upgrades Argentina to B- from CCC+ ([link](#))

[Mature Markets](#) | [Emerging Markets](#) | [Market Tables](#)

Markets Extend Global Rally on Hopes of Middle East Peace Deal

Markets extended the ongoing global rally on hopes that a Middle East peace deal is imminent. Oil prices plunged, with Brent falling below \$100/barrel for the first time in over two weeks. Stocks in Asia staged a strong rally overnight and passed the baton to European markets, which are surging in early morning trading. US equity index futures are also higher, although the moves are modest than those seen in Europe. Government bonds in Europe and the US joined in the rally, with yields down 5–10 bps across the board. Yesterday saw record closes for the S&P 500, Nasdaq, and Russell 2000 small cap indexes in the US, while other markets at or close to all-time highs included Brazil, South Korea, and Taiwan POC, among several others. Q1 corporate earnings in both emerging markets and advanced economies have been very strong and very diversified across a wide range of sectors, boosting market sentiment.

Key Global Financial Indicators

Last updated: 5/6/26 7:59 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
		7259	0.8	2	10	29	6
		6048	3.0	4	6	15	4
		59513	0.4	1	11	62	18
		65	2.0	4	15	45	20
Yields and Spreads							
		4.35	-7.5	-8	2	5	18
		3.00	-6.8	-12	0	46	14
		240	-1	-9	-39	-116	-13
FX / Commodities / Volatility							
		47.7	0.7	1	3	5	2
		97.8	-0.6	-1	-2	-1	-1
		99.5	-9.4	-16	-9	60	64
		16.3	-1.1	-2	-8	-8	1

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: 5/6/26 8:00 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)		100	-9.4	-16	-9	60	64	
WTI Crude Oil (\$/barrel)		92	-10.2	-14	-18	55	60	
Natural Gas (Netherlands TTF)		43	-9	-7	-15	22	60	
Breakeven Inflation		%	bps					
USD: 2Y		2.9	-11.0	-15	7	10	66	
USD: 5Y		2.7	-7.3	-7	9	17	34	
USD: 5Y5Y		2.4	-1	0	5	1	-3	
EUR: 2Y		2.8	-19.3	-29	6	132	117	
EUR: 5Y		2.4	-10	-15	8	65	61	
EUR: 5Y5Y		2.2	-1	-2	1	7	9	

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

Mature Markets

[back to top](#)

United States

Short term interest rate markets in the US currently indicate that a rate hike is more likely than a rate cut next year. Based on pricing for options on Secured Overnight Funding Rate (SOFR) futures yesterday afternoon, the odds of a rate hike by June 2027 are at almost 42%, while the odds on a rate cut are just 34%. The rate hike probability was at 12% before the conflict in the Middle East broke out. The prolonged closure of the Strait of Hormuz, which is now in its 68th day, has resulted in stubbornly high oil prices and global supply disruptions that are raising the risk of inflation worldwide. The Reserve Bank of Australia and central banks in Pakistan and the Philippines have already hiked preemptively, and market expect multiple rate hikes from the BOE, BOJ and ECB this year. The US is less vulnerable to the energy crisis, but it is likely not immune. Petrol prices are up sharply, and interest rates are rising steadily, leading market participants to adjust their expectations about future Fed policy.

Is a Hike More Likely Than a Cut?

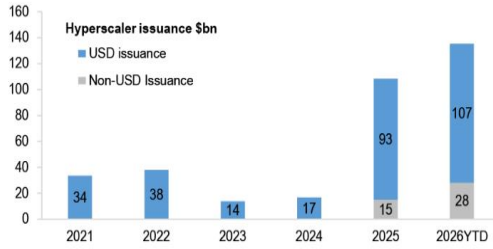
Market pricing currently says so

■ Option-implied probability of a hike from current rates by June 2027
 ■ Option-implied probability of a cut from current rates by June 2027



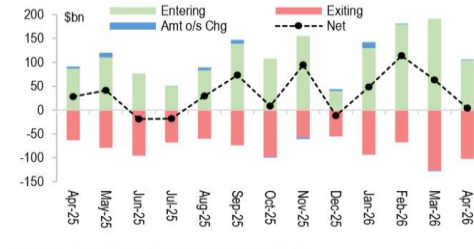
Demand for US corporate bonds is surging despite record new issuance. Last month saw the largest volume of investment grade (IG) new issuance for the month of April, the second highest in history \$184 bn. The hyperscalers are leading the way with their issuance through April already higher than the entire amount for 2025. Last week, Meta (AA-/AA-/Aa3) saw nearly \$100 bn of demand for its sale of \$25 bn bonds. Despite all the new issuance, JP Morgan points out that the IG corporate bond market barely grew due to the large volumes leaving the market due to maturities. Foreign interest is also strong, with Asian buyers taking down close to \$400 mn per day last week. The rise in US interest rates, with the long bond yield recently crossing 5%, has made the IG market very attractive from a yield perspective. JP Morgan's IG corporate bond index currently offers an all-in yield of 5.49%. Secondary market trading was also close to a record in April in terms of volume.

Figure 5: 2026 Hyperscaler issuance already ahead of full-year 2025



Source: J.P. Morgan, Bloomberg Finance L.P., Dealogic.

Figure 6: Index barely grew despite near-record April supply



Source: J.P. Morgan, Bloomberg Finance L.P.

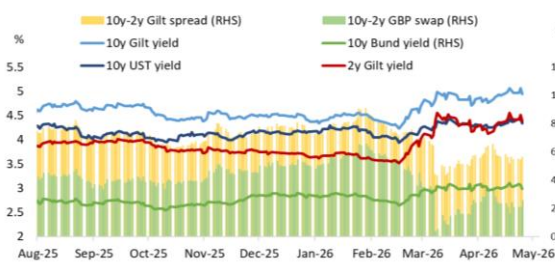
Euro Area

European equities rose to a two-week high this morning on revived hopes for a peace agreement in the Middle East. The Stoxx 600 index extended yesterday’s gains to trade around 1.6% higher, with all sectors in the green except for energy which, that retreated by about -2% on lower energy commodities prices (Brent -3.2% at \$106.25/bbl, and European natural gas futures -7% at €43.8/MWh). All regional bourses edged higher and the euro gained 0.6% against a globally weaker dollar this morning, to trade at \$1.1763/€. European government bond (EGBs) yields declined across the curve led by the front-end, as money market scaled back bets of ECB tightening by pricing 66bps of rate hikes by March 2027 against 87bps priced-in yesterday.

United Kingdom

UK gilts rebounded this morning on news of easing tensions in the Middle East. Gilts outperformed EGBs and US Treasuries across tenors, with the yield curve bull-steepening as the 2y yield was -15bps lower at 4.37% while the 10y and 30y yields went down by about -12bps to respectively 4.93% and 5.62%. Equities gained, with the FTSE 100 index up 2.1% led by strong gains in the materials (+4.1%) and banking (5%) sectors. **Bloomberg** sees political uncertainty still posing a downside risk to the pound with the GBP/EUR pair as a good place to express that view; the analysts note that the pair is bumping against resistance at the 1.16 level, which creates an attractive entry point for those betting against the pound ahead of tomorrow’s local elections. GBP/EUR has also benefitted from higher oil prices since the start of the US-Iran war, so a potential peace deal adds downside risk.

UK gilt yields, swap rates and inflation swaps curves



Source: Bloomberg and IMF calculations

GBP/EUR Running Into Resistance Around 1.16



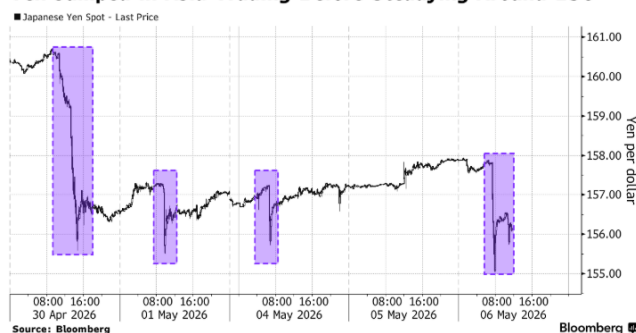
Source: Bloomberg

Bloomberg

Japan

The yen rose as much as 1.8% midday to \$155.04/\$, the strongest level since February 2024. In the afternoon, the yen slowly retraced to 155.97/\$, still 1.1% stronger than yesterday’s close. This week’s price action, characterized by sharp, liquidity-independent moves, had reinforced market conviction that authorities may be actively defending a level around 157, increasingly seen by some analysts as a near-term “line in the sand.” However, absent a shift in Japan’s policy mix—a tighter fiscal approach or a more aggressive BOJ hiking cycle—the broader trend of yen weakness is expected to persist.

Yen Jumped in Asia Trading Before Steady Around 156



Emerging Markets

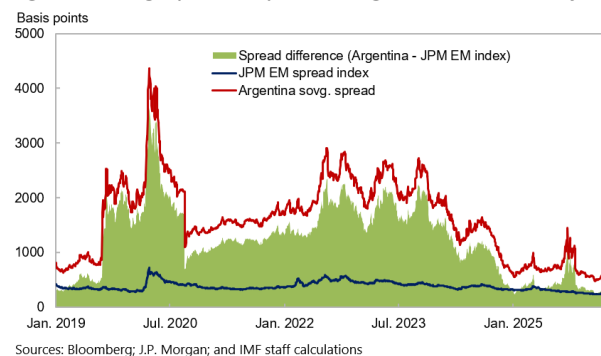
[back to top](#)

EMEA equities and currencies were mostly higher in early morning trade on positive headlines around the US-Iran war as well as corporate earnings. The National Bank of Poland is expected to keep rates on hold at 3.75% at its policy meeting later today. **Asian currencies broadly strengthened (EM Asia: +0.7%), led by the Korean won (+1.8%) and Thai baht (+1.4%).** Asian equities also rallied strongly (EM Asia: +4.1%), driven primarily by Korea (KOSPI: +6.5%), where foreigners added exposure after local media reported that Samsung Securities had entered a partnership with Interactive Brokers to enable overseas investors to trade Korean equities. **Markets in Latin America followed US markets higher on hopes of a reduction of tensions in the Middle East.** Local currencies appreciated, led by the real (+1.1%).

Argentina

Fitch upgraded Argentina's rating to B- from CCC+, with a stable outlook. Fitch analysts cited stronger fiscal and external balances, progress on economic reforms, and policy measures aimed at gradually restoring market access and improved prospects for rebuilding FX reserves. Bloomberg analysts also observed that Argentina's country risk premium, reflected in hard-currency spreads, has narrowed sharply from distressed levels seen over the past seven years. Fitch analysts also noted that the country is resilient to the energy price shock due to its status as a net energy exporter and anticipate the current account deficit to narrow marginally. However, they cautioned that Argentina's international liquidity position remains weak and vulnerable to confidence shocks, while high inflation and a history of macroeconomic instability continue to constrain the credit profile. Moody's and S&P currently rate the sovereign at Caa1 and CCC+, respectively, both with stable outlooks.

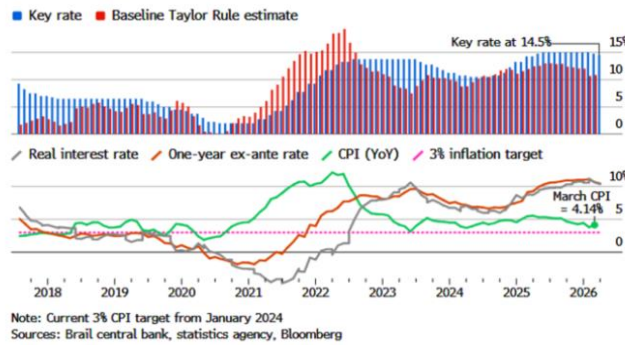
Argentina sovereign spreads compress to the tightest level in over seven years



Brazil

Policymakers affirmed the need for a restrictive stance to guard against inflation risk. Although policy rates were reduced, the minutes from the April 29 meeting stressed that monetary conditions must remain tight amid persistent inflationary pressures driven by recent geopolitical tensions and resilient domestic demand. The minutes highlighted the risk of further de-anchoring in longer-term inflation expectations, particularly for 2028, with recent data suggesting that the risk may be rising. Looking ahead, policymakers noted that the magnitude and duration of the monetary "calibration" cycle will be data dependent. Bloomberg analysts observed that the central bank is expected to gradually reduce the policy rate, barring additional deterioration in oil prices or inflation expectations.

Brazil Rate Is Restrictive Though War, Election Cloud Outlook
Real interest rate, ex-ante, Taylor Rule all suggest room for policy easing



China

Bond yields rose while domestic equities advanced, supported by risk-on sentiment and better-than-expected service data. Today, onshore equities rose (CSI 300: +1.5%) after the holiday, helped by strong RatingDog services and composite PMIs. The Star 50 Index of the Shanghai Stock Exchange climbed as much as 9.2% today before closing up 5.5%, now up 23.2% year-to-date and past its all-time high set in 2021. The ChiNext Index of the Shenzhen Stock Exchange was up only 2.8% today but is now up 18% year-to-date, joining a broader AI-related rally across Asian markets. For the yuan, both onshore CNY (+0.2%) and offshore CNH (+0.3%) strengthened today, with the fixing at 6.8562/\$, the strongest level since March 2023, versus 6.8628 before the holiday.

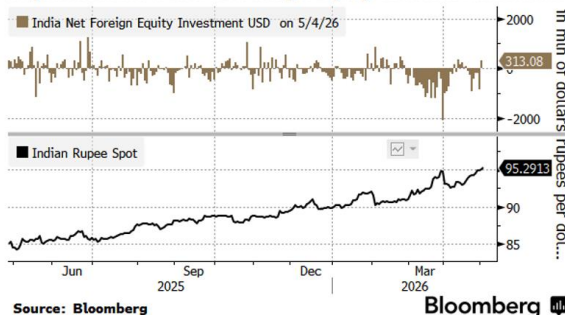
China's Star 50 Index Breaks Out to Reach Fresh High



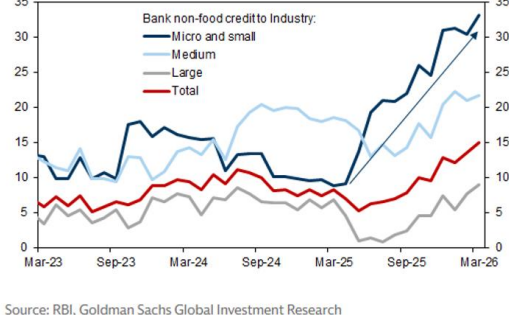
India

The Reserve Bank of India is weighing a plan for state-owned lenders to issue foreign currency bonds to draw capital inflows and help support the rupee. Bloomberg reported that RBI officials had held preliminary discussions on a proposal for lenders to issue foreign-currency bonds, potentially with five-year maturities, supported by the central bank offering FX swaps to participating lenders to hedge currency risk. India had used similar tools before—the State Bank of India issuance similar bonds in 1998 and 2000. Today, the rupee strengthened (+0.7%) to 94.58/\$, after having reached a historical low of 95.44/\$ yesterday. On the domestic side, authorities cleared yesterday an INR181 bn (\$1.9bn) emergency credit guarantee scheme offering up to 100% coverage for the micro, small and medium enterprises (MSMEs), and strong support for airlines, enabling additional working capital lending with minimal credit risk for banks. Goldman believes this measure should further facilitate credit flow to the MSME sector, which has already seen a significant increase in credit growth, from 9% y/y in March 2025 to 33% y/y in March 2026.

Rupee at Record Low as Foreign Equity Outflows Accelerate



Bank non-food credit to Industry: Percent change yoy



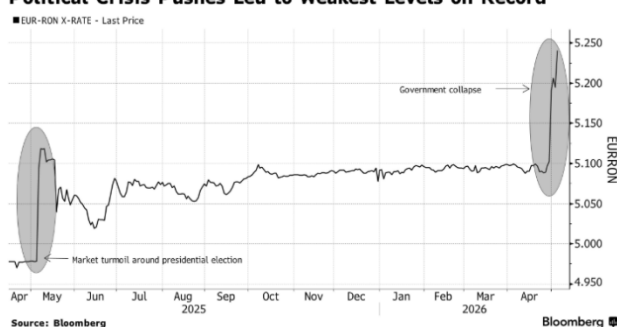
Romania

The Romanian leu weakened significantly on domestic political developments.

Yesterday, Romania's government collapsed after losing a no-confidence vote which saw the currency weaken by as much as -0.9% against the euro to 5.2398/€. The leu trades under a managed float regime with market participants commenting that yesterday's moves in the currency suggest the central bank is allowing the currency to adjust. Romania's 10-year local currency government bond yield has risen by around 50bp YTD to 7.2% reflecting the country's

fiscal situation. Analysts at Societe Generale expect some near-term stabilization in Romania's risk assets but believe a more durable political framework has become less probable. Meanwhile, Finance Minister Nazare has said that the country must demonstrate stability and commitment to fiscal consolidation to limit further deterioration in market conditions.

Political Crisis Pushes Leu to Weakest Levels on Record

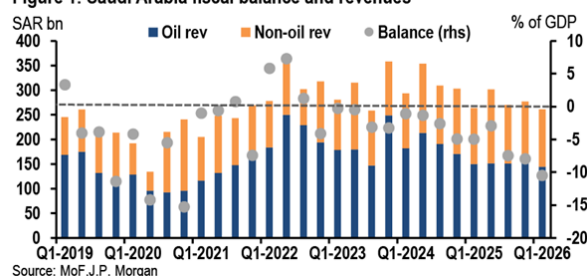


Saudi Arabia

Saudi Arabia's Q1 fiscal deficit exceeded 10% of GDP at SAR 125.7 bn in Q1 2026.

This is the largest recorded deficit since the pandemic. Analysts at JP Morgan note that while revenues were in line with consensus expectations, spending came in higher than they had anticipated driven by spending on goods, services, and capital expenditures. The analysts note that some of the spending may be temporary or one-off and could reverse, but should Saudi Arabia require additional funding, the analysts expect the country to make use of private placements with the Debt Management Office highlighting that private channels and domestic markets rather than external funding sources would be tapped if needed.

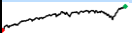
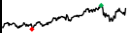

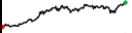
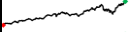
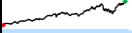




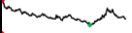

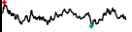










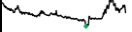
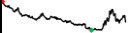


Figure 1: Saudi Arabia fiscal balance and revenues



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), 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), 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.

Disclaimer: This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

Last updated: 5/6/26 8:02 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,259	0.8	1.7	9.8	29.5	6
Europe		6,048	3.0	4.0	6.2	14.9	4
Japan		59,513	0.4	0.6	11.4	61.8	18
China		4,877	1.5	2.3	9.8	27.3	5
Asia Ex Japan		113	2.0	4.4	16.0	46.8	21
Emerging Markets		65	2.0	3.8	14.5	44.8	20
Interest Rates			basis points				
US 10y Yield		4.3	-8	-8	2	5	18
Germany 10y Yield		3.0	-7	-12	0	46	14
Japan 10y Yield		2.5	0	4	10	125	45
UK 10y Yield		4.9	-12	-13	11	43	46
Credit Spreads			basis points				
US Investment Grade		113	-2	-4	-10	-35	6
US High Yield		324	-1	-7	-42	-81	-12
Exchange Rates			%				
USD/Majors		97.8	-0.6	-1.2	-2.2	-1.4	-1
EUR/USD		1.18	0.7	0.8	2.0	3.5	0
USD/JPY		156.1	-1.1	-2.7	-2.2	9.6	0
EM/USD		47.7	0.7	1.4	2.7	5.1	2
Commodities			%				
Brent Crude Oil (\$/barrel)		99.5	-9.4	-9.9	-0.6	59.2	65
Industrials Metals (index)		181.3	1.1	2.9	6.8	27.1	11
Agriculture (index)		58.5	-1.8	-0.4	3.2	1.9	9
Gold (\$/ounce)		4691.3	2.9	3.2	0.9	36.7	9
Bitcoin (\$/coin)		82508.5	1.1	6.0	18.2	-12.9	-6
Implied Volatility			%				
VIX Index (% change in pp)		16.3	-1.1	-2.5	-7.9	-8.5	1.4
Global FX Volatility		7.0	0.0	0.0	-1.0	-2.9	0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		69	-6	-11	-11	-15	10
Italy		74	-6	-11	-12	-35	4
France		62	-3	-5	-7	-10	-9
Spain		42	-3	-5	-6	-23	-1

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

Emerging Market Financial Indicators

5/6/2026 8:04 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		6.81	0.3	0.4	1.0	6.0	2.6		1.8	0	0	-5	13	-10
Korea*		1446	1.5	2.9	4.3	-4.7	-0.1		3.8	0	9	18	134	54
Indonesia		17387	0.2	-0.4	-2.0	-5.4	-4.1		6.8	5	11	11	-3	75
India		95	0.7	0.3	-1.6	-10.8	-5.0		7.8	-15	-13	3	104	68
Philippines		61	0.4	0.4	-2.1	-9.3	-3.9		6.0	5	35	47	100	128
Thailand		32	1.2	1.9	1.2	1.5	-2.1		2.3	4	7	2	30	57
Malaysia		3.93	0.9	0.7	2.6	7.8	3.4		3.6	-2	1	-8	-11	5
Argentina		1393	0.6	0.9	-0.1	-13.8	4.2		0.0	0	0	0	-3339	-3237
Brazil		4.90	0.2	1.9	5.0	16.6	12.1		13.9	-5	22	9	-22	37
Chile		906	0.7	-1.8	1.4	4.0	-0.6		5.5	2	8	5	-4	22
Colombia		3709	0.4	-2.7	-0.8	15.9	1.8		13.8	15	44	40	181	98
Mexico		17.27	0.6	1.6	2.9	13.9	4.3		9.2	-5	10	8	-25	18
Peru		3.5	0.5	0.7	-1.8	5.0	-3.6		6.7	0	1	-24	15	96
Uruguay		40	0.4	-0.2	1.5	4.8	-2.2		7.5	1	6	-14	-208	-3
Hungary		305	1.3	2.6	8.3	16.5	7.2		6.0	4	-1	-97	-60	-57
Poland		3.60	1.0	1.4	2.8	4.5	-0.3		5.3	1	9	16	45	75
Romania		4.5	0.2	-2.2	-1.2	0.2	-3.0		7.0	-6	1	12	-75	33
Russia		74.8	1.3	0.2	5.6	9.0	5.3							
South Africa		16.4	1.6	2.6	2.8	11.0	1.0		9.1	5	6	-21	-178	49
Türkiye		45.22	0.0	-0.2	-1.4	-14.6	-5.0		34.9	46	38	76	48	528
US (DXY; 5y UST)		98	-0.6	-1.1	-2.2	-1.4	-0.5		4.00	-8	-8	2	11	28

	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		4,877	1.5	2.3	9.8	27.3	5.3		88	-5	0	-36	13
Korea*		7,385	6.5	11.6	34.4	186.9	75.2		28	-1	-7	-4	6
Indonesia		7,092	0.5	0.3	1.7	2.4	-18.0		97	-5	-17	-17	11
India		77,959	0.5	1.4	4.5	-3.5	-8.5		82	-8	-12	-48	-8
Philippines		5,967	1.2	1.7	0.2	-7.7	-1.4		85	-5	-13	-5	10
Thailand		1,517	1.8	2.6	3.6	24.3	20.4						
Malaysia		1,757	0.5	1.6	4.8	13.4	4.6		48	-6	-12	-47	-11
Argentina		2,759,257	-0.3	-3.7	-8.2	29.5	-9.6		562	-31	-61	-152	-7
Brazil		186,754	0.6	-1.5	-0.7	39.9	15.9		178	-8	-25	-56	-25
Chile		10,691	-0.2	-2.0	0.0	32.5	2.0		86	-5	-15	-37	-5
Colombia		2,172	0.1	0.2	-5.6	31.7	5.0		237	-7	-46	-141	-40
Mexico		68,591	1.9	0.9	-0.6	19.6	6.7		196	-10	-26	-140	-21
Peru		3,094	0.5	-2.4	-4.4	70.5	19.8		94	-11	-17	-51	-15
Hungary		136,917	0.7	3.1	10.4	48.9	23.3		112	-7	-35	-59	-27
Poland		133,101	2.3	3.3	6.0	34.2	13.5		91	-2	-9	-19	0
Romania		28,789	0.9	1.4	3.2	73.7	17.8		194	-15	-11	-120	18
South Africa		118,937	3.4	4.0	2.4	29.2	2.7		232	-13	-26	-119	14
Türkiye		14,997	3.5	4.7	14.4	64.2	33.2		272	-5	-27	-62	38
EM total		65	3.1	3.8	14.5	44.8	19.5		251	-11	-41	-155	-20

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

*Not an EM Under IMF Classification.

[back to top](#)