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UPDATE

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Global Macro Commentary | Global

May 4: Hormuz Inflation Repricing

SoH tensions lifted oil; Treasuries bear-flattened as Fed hike risk repriced; USD strengthened; equities slipped; EMFX weakened; DXY at 98.47 (+0.3%); US 10y at 4.44 (+6.8bp).

Higher oil and renewed Gulf tensions pushed inflation risk back into rates markets, strengthening USD and pressuring equities.

Developed Markets

- **US rates sold off in a clear bear-flattening move, led by the front end as markets repriced policy expectations toward a more restrictive path (2y: +7.5bp; 5y: +7.4bp; 10y: +6.8bp; 30y: +5.6bp).** The move was driven primarily by the sharp rise in oil (Brent: +5.3%; WTI: +3.1%) following renewed tensions around the Strait of Hormuz, reinforcing concerns that the energy shock could sustain or reaccelerate inflation. Front-end yields underperformed as traders added rate-hike premium into the forward curve, with pricing shifting toward at least one additional hike over the medium term. Breakeven inflation rates also widened (2y: +4.5bp; 10y: +2.1bp), confirming that the move was driven more by inflation expectations than real-rate repricing. The long end lagged the sell-off as structural demand emerged near the 5% level in 30y yields, which briefly traded above 5.0%, consistent with prior resistance levels attracting dip buyers.

- **The dollar strengthened broadly across G10, supported by higher US yields and safe-haven demand linked to geopolitical risk (DXY: +0.3%)**. The FX reaction remained tightly aligned with rate differentials, as the widening in US front-end yields reinforced USD carry attractiveness. USD/JPY rose 0.1% to 157.24, with the pair remaining near recent highs despite heightened sensitivity to potential Japanese intervention. EUR/USD declined 0.3% to 1.17, reflecting both rate differentials and the euro area's greater exposure to the energy shock. GBP/USD fell 0.4% to 1.35, broadly tracking EUR weakness.

- **Commodity-linked currencies underperformed as risk sentiment softened, despite higher oil.** AUD/USD fell 0.5% and NZD/USD fell 0.4%, reflecting their pro-cyclical exposure to global growth rather than direct commodity benefit. USD/CAD rose 0.3% to 1.36, suggesting that oil's positive terms-of-trade impact was offset by broader USD strength and risk aversion. NOK was the exception, outperforming modestly with USD/NOK declining 0.2%, consistent with its higher beta to oil prices. CHF remained relatively stable (USD/CHF: +0.2%), reflecting balanced safe-haven flows.

Molly Nickolin
Strategist
Molly.Nickolin@morganstanley.com +1 212 761-3592

Lingdi Xu
Economist
Lingdi.Xu@morganstanley.com +1 212 761-2957

Sofia Palacios
Strategist
Sofia.Palacios@morganstanley.com +1 212 761-0428

Gek Teng Khoo
Strategist
Gek.Teng.Khoo@morganstanley.com +852 3963-0303

Hiromu Uezato
Strategist
Hiromu.Uezato@morganstanleymufg.com +81 3 6836-8431

Nimish M Prabhune
Strategist
Nimish.Prabhune@morganstanley.com +91 22 6996-1862

Maria Chiara Russo
Strategist
Maria.Chiara.Russo@morganstanley.com +44 20 7677-3499

- **Euro-area rates also sold off as energy-price risks pushed ECB speakers toward a more cautious inflation stance.** German yields rose across the curve, led by the front end (2y: +8.6bp; 10y: +5.1bp; 30y: +3.3bp). EUR/USD fell 0.3%, while Euro Stoxx 50 declined 2.0% as higher energy costs raised concerns about weaker growth and stronger inflation. UK rates were unchanged across the curve, leaving gilts as an outlier versus the broader global sell-off. GBP weakened against both USD and EUR (GBP/USD: -0.4%; EUR/GBP: +0.1%). The move reflected broad dollar strength rather than a domestic rates repricing given the local holiday.

Emerging Markets

- **AxJ FX and rates were mixed as the rally in AI stocks were the main theme.** KRW and TWD outperformed, gaining 0.1% as local equities rallied ~5%, with Korea equities seeing a record $2.4bn of foreign inflows while Taiwan equities saw $2.1bn of foreign inflows. Korea rates underperformed alongside the weakness in US rates and rate hike comments from BoK Senior Deputy Governor Ryoo; KRW 1y1y reversed the initial 6bp drop at market open to finish 1bp higher by the end of the Asia session. MYR FX and rates outperformed amid the rally in AI stocks and CNH strength (+0.1%); MYR gained 0.4% and 5y MYR NDIRS fell 2bp in a bull-flattening move. Oil-exposed currencies (THB, INR and PHP) underperformed as brent prices rallied 2.5%, led by THB (-0.7%) as gold prices fell 1%. IDR weakened 0.3% while 10y IndoGB rallied 5bp after April headline CPI decelerated more than consensus expected.

- **Markets in LatAm underperformed after being closed last Friday.** FX in the region traded weaker, with COP depreciating ~2.43% as Friday's unanimous BanRep hold continued to weigh on the peso, leaving it as the weakest performer across EM. PEN on the other hand outperformed, appreciating ~0.04%. Rates in the region traded weaker, with COP IBR seeing the sharpest steepening as the 2Y fell ~42bp while longer tenors rose more than 10bp, including the 10Y up ~17bp. In Colombia, markets are currently pricing in ~40bp of hikes in the next meeting and ~205bp of hikes for the whole cycle, with an implied terminal rate near 13.31% in March of next year.

- **CEEMEA currencies generally strengthened against USD where active trading occurred.** HUF gained 0.3%, PLN gained 0.2%, and ILS gained 0.2%, reflecting modest risk-on sentiment and lower oil. ZAR also appreciated 0.1%, while commodity signals were mixed (gold: -0.1%; silver: +2.2%), limiting a clear directional impulse.

Central Bank Monitor

Developed Markets

- In the US, **New York Fed President Williams** signaled that policy may eventually need to ease, but not imminently, as inflation remains above target and there are no clear signs yet justifying rate cuts. He emphasized heightened uncertainty—driven in part by geopolitical risks—and maintained that policy is well positioned while the Fed monitors mixed signals from a still-resilient but evolving labor market. At the same time, he expects longer-term inflation expectations to stay anchored and sees structural positives like productivity gains from AI, though inflation pressures (e.g., tariffs, supply chains) remain relevant.

- In the Euro Area, **ECB Governing Council Member Kazimir** said policy tightening in June is all but inevitable due to the Iran conflict. **Bundesbank President Nagel** noted that should the inflation outlook not show marked improvement, this points to a June rate hike.
- In Canada, **BoC Governor Macklem** said policymakers believe inflation would peak in April before gradually easing toward its 2% target by early 2027. He vowed that if energy prices stay high, the bank will not let their effects become persistent inflation.
- In Japan, **BoJ Finance Minister Katayama** said the authorities can take bold action on speculative foreign-exchange moves in line with a US-Japan agreement. She stated there have been speculative moves in FX markets but declined to comment on whether authorities intervened Monday.

Emerging Markets

- In Korea, **BoK Senior Deputy Governor Ryoo** said it is time to consider ending the rate-cut cycle and thinking about potential hikes, citing stronger-than-expected economic resilience following the Middle East conflict alongside rising inflationary pressures. He noted that prices are facing "significant upward pressure" even after accounting for government measures aimed at stabilizing inflation. Ryoo added that BoK could signal the possibility of rate hikes this year at its May meeting. He noted that KRW remains weaker than suggested by fundamentals, although markets do not appear to view current level as a major concern. He described the 1Q26 growth rebound of 1.7% as "surprising".
- In India, **RBI Governor Malhotra** said that repatriations from India markets may moderate as asset valuations have corrected, improving the net capital account position going forward. He noted that while elevated energy prices will exert upward pressure on the current account deficit, the impact could be offset by the numerous free trade agreements that India has recently signed. Malhotra also highlighted that India banks currently deal mainly with offshore market makers rather than end-users, adding that if the global INR market is to be brought onshore, domestic banks will need to evolve into global market makers. He added that although India's government securities market is liquid by most standards, there is

scope to improve liquidity across tenors and securities. He also pointed to the development of credit derivatives as "a largely underutilised area."

- In Thailand, **BoT Governor Vitai** said the government's stimulus package should adopt a targeted approach to assist sectors affected by higher energy costs stemming from the Middle East conflict. He added that the government should strike an appropriate balance between cash transfers, which can help boost activity in 2026, and investment spending, which will sustain growth momentum into 2027. Vitai also noted that a rate hike would offer limited benefits and could unnecessarily weaken demand, as any increase in the policy rate would take 10-12 months to feed through to the economy, by which time inflation may have already eased. He added that the BoT is preparing tools similar to those introduced during the pandemic to ease borrowers' financial burdens if needed.

Exhibit 1: G4 Rates Closes

	US			Germany			UK			Japan		
Tenor	4-May	1d Δ (bp)	2wk	4-May	1d Δ (bp)	2wk	1-May	1d Δ (bp)	2wk	1-May	1d Δ (bp)	2wk
2y	3.952	7.5		2.726	8.6		4.414	(3.5)		1.379	0.8	
3y	3.979	7.7		2.727	7.7		4.429	(3.7)		1.593	(0.9)	
5y	4.088	7.4		2.806	6.0		4.484	(4.0)		1.879	(0.6)	
7y	4.261	6.9		2.912	5.6		4.681	(4.6)		2.285	(0.9)	
10y	4.438	6.8		3.086	5.1		4.963	(4.8)		2.504	(1.3)	
20y	5.013	6.1		3.516	4.0		5.581	(4.5)		3.374	(1.7)	
30y	5.015	5.6		3.577	3.3		5.647	(4.5)		3.716	(0.7)	

Exhibit 2: Macro Closes

Majors				EM				Equities / Commodities			
Spot	4-May	1d Δ (%)	2wk	Spot	4-May	1d Δ (%)	2wk	Index	4-May	1d Δ (%)	2wk
DXY	98.47	0.3		CNH	6.83	(0.0)		S&P	7200.75	(0.4)	
EUR	1.169	(0.3)		INR	95.09	0.2		Stoxx	5763.61	(2.0)	
GBP	1.353	(0.4)		THB	--	--		FTSE	--	--	
JPY	157.24	0.1		KRW	1474.00	(0.2)		Nikkei	--	--	
CHF	0.784	0.2		ZAR	16.80	0.9		VIX	18.29	7.7	
AUD	0.717	(0.5)		MXN	17.52	0.3		Gold (S)	4521.91	(2.0)	
CAD	1.363	0.3		BRL	4.96	0.2		WTI (Fut)	105.14	3.1	

Exhibit 3: Inflation Closes

US TIPS				10y Real Yields, BEI							
Tenor	4-May	1d Δ (bp)	2wk	10y	4-May	1d Δ (bp)	2wk	10y	4-May	1d Δ (bp)	2wk
5y	1.340	4.3		DBRi	0.585	8.1		BTPi	1.715	5.7	
BEI	2.742	3.3		BEI	2.350	0.0		BEI	2.244	0.0	
10y	1.917	4.9		UKTi	1.434	(3.1)					
BEI	2.520	2.1		BEI	3.529	(1.8)					
30y	2.715	4.6		JGBi		######					
BEI	2.298	1.1		BEI	1.986	1.2					

Exhibit 4: G4 Central Banks

Central Bank OIS

Fed	Implied	1d Δ (bp)	Total Δ	ECB	Implied	1d Δ (bp)	Total Δ	BOE	Implied	1d Δ (bp)	Total Δ	BOJ	Implied	1d Δ (bp)	Total Δ
EFFR (5/1)	3.640	0.0	--	EONIA (4/30)	1.930	0.0	--	SONIA (4/30)	3.730	0.0	--	TONAR (4/30)	0.727	0.0	--
04/29/26	3.641	0.0	0.1	04/30/26	1.946	0.0	1.6	04/30/26	3.743	0.0	1.3	04/28/26	0.734	0.0	0.7
06/17/26	3.626	0.4	(1.4)	06/11/26	2.182	2.4	25.2	06/18/26	3.818	(6.9)	8.8	06/26/26	0.890	(0.0)	16.3
07/29/26	3.612	(0.0)	(2.8)	07/22/26	2.370	4.7	44.0	07/30/26	4.017	(4.1)	28.8	07/31/26	0.948	(1.7)	22.1
09/16/26	3.629	3.2	(1.1)	09/10/26	2.594	8.9	66.4	09/17/26	4.218	(1.4)	48.8	09/18/26	1.028	(1.9)	30.1
10/28/26	3.662	5.7	2.2	10/29/26	2.677	9.1	74.7	11/05/26	4.288	(3.9)	55.8	10/30/26	1.101	(1.4)	37.4
12/09/26	3.716	8.7	7.6	12/17/26	2.762	9.7	83.2	12/17/26	4.323	(3.8)	59.4	06/29/26	0.890	(0.0)	16.3

Economic Releases

Developed Markets

- **US March Factory Orders**: 1.5% (MSe:1.5%; C:0.6%; P:0%). Factory orders grew at 1.5% as we expected.
- **Australia March Building Approvals**: -10.5% m/m (P: 29.7%). Building approvals fell in March, reversing the previous month's surge. The decline was slightly worse than the -10.2% estimate.
- **Switzerland April Manufacturing PMI**: 54.5 (C: 52.0; P: 53.3). Swiss manufacturing activity rose to its highest level since October 2022. The reading exceeded expectations.
- **Euro Area April Final Manufacturing PMI**: 52.2 (MSe: 52.2; C: 52.2; P: 51.6). The eurozone manufacturing sector reached a 47-month high. The ongoing crisis in the Middle East led to stockpiling, bolstering output levels and new orders.

Emerging Markets

- **S&P Global April Manufacturing PMI: Indonesia:** 49.1 (P: 50.1); **Korea**: 53.6 (P: 52.6); **Malaysia**: 51.6 (P: 50.7); **Philippines**: 48.3 (P: 51.3); **Taiwan**: 55.3 (P: 53.3)
- **Indonesia April Headline CPI**: 2.4% y/y (C: 2.7%; P: 3.5%); **Core CPI**: 2.4% y/y (C: 2.5%; P: 2.5%); **March Trade Balance**: \$3.3bn (C: \$2.1bn; P: \$1.3bn); **Exports**: -3.1% y/y (C: 0.6%; P: 1.0%) and **Imports**: 1.5% y/y (C: 10.6%; P: 10.9%)
- **India April Final HSBC Manufacturing PMI**: 54.7 (Preliminary: 55.9; P: 53.9)
- **Chile March IMACEC**: -0.1% y/y (C: 0.5%; P: -0.3%) The print missed consensus but improved from the prior month, with sequential momentum supported by non-mining activity, commerce and services. Mining and industry remained drags, reinforcing an uneven activity backdrop. With higher inflation and downside risks to activity, or economists continue to expect the BCCh to remain on hold for most of the year.

The Day Ahead

Developed Markets

- 5:30am BST - **Australia May RBA Monetary Policy Decision** (MSe: 4.35%; C: 4.35% ; P: 4.35%). We expect the RBA to hike the cash rate by 25bp at its meeting on 5 May. However, we expect this will be a very close call, with a split decision by the Board likely. The balance between upside inflation risks and downside growth risks will be keenly debated by the Board.

- 7:30am BST - **Switzerland April CPI** (C: 0.6% y/y, 0.3% m/m; P: 0.3%, 0.2% m/m)
- 7:00am BST - **Sweden April CPI ex-energy flash** (MSe: 0.4% y/y; C: 0.4%; P: 1.1%); **CPI flash** (MSe: 1.4% y/y; C: 1.2%; P: 1.6%); **CPI flash m/m** (MSe: 0.8%; C: 0.3%; P: 0.5%). We expect core inflation to significantly drop due to food VAT reduction in April, with food inflation declining by -6.0% m/m. Fuel prices increased by 9.0% m/m on our forecast, and electricity prices slightly declined again.
- 7:45am BST - **France March Industrial Production** (MSe: 0.3% m/m; C: 0.5%; P: -0.7%). Solid business surveys in the manufacturing sector suggest industrial production rebounded in March.
- 8:50am BST - **France April Composite PMI final** (MSe: 47.6; C: 47.6; P: 47.6). In line with flash estimate.
- 8:55am BST - **Germany April Composite PMI final** (MSe: 48.3; C: 48.3; P: 48.3). In line with flash estimate.
- 9:00am BST - **Euro Area April Composite PMI final** (MSe: 48.6; C: 48.6; P: 48.6); Services PMI final (MSe: 47.4; C: 47.4; P: 47.4). In line with flash estimate.
- 9:00am BST - **Euro Area ECB Wage Tracker**. The ECB wage tracker is very unlikely to already reflect any adjustment of wage negotiations to higher energy prices. We will thus simply monitor if, as of early April, negotiated wages were still expected to hover around 2.5% y/y for most of 2026.
- 9:00am BST - **Euro Area ECB Executive Board member and Chief Economist Philip Lane** speaks on Central Bank independence in Berlin.
- 9:30am BST - **UK April Composite PMI final** (MSe: 52.0; C: 52.0; P: 52.0); **Services PMI final** (MSe: 52.0; C: 52.0; P: 52.0). In line with the flash release; we will be focused on any revisions to prices charged.
- 9:40am BST - **Euro Area ECB Executive Board member Piero Cipollone** speaks at ASviS Sustainable Development Festival in Milan.
- 8:30am EST - **US March Trade Balance** (MSe: -61.5b; C: -61b; P: -57.3b). The advance report on goods trade indicated a slight widening in the trade gap in goods, and we forecast similar for the overall balance: -$4b to -$61.5b.
- 10:00am EST - **US March New Home Sales** (MSe:730k ; C:660k;). New home sales fell short of our forecasts in January. We expect some underlying increase, payback for the January shortfall, and a 730k per month average in February-March along with some upward revision to January.
- 10:00am EST - **US Vice Chair for Supervision Bowman** speaks at

Washington Financial Symposium.

- 12:30pm EST - **US Governor Barr** speaks on Banking Regulation.

Emerging Markets

- 8:30am HKT - **Thailand S&P Global April Manufacturing PMI** (P: 54.1)
- 9:00am HKT - **Philippines April CPI** (C: 5.5% y/y; P: 4.1%)
- 12:00pm HKT - **Indonesia 1Q26 GDP** (MSe: 5.3% y/y; C: 5.4%: P: 5.4%)
- 1:00pm HKT - **Singapore March Retail Sales** (C: 3.8% y/y; P: 8.3%)
- 4:30pm HKT - **Hong Kong 1Q26 Advance GDP** (C: 3.5% y/y; P: 3.8%)
- 7:00am EST - **Brazil Monetary Policy Minutes**: Markets will look for additional detail on the policy debate and any signals around the balance between inflation risks and the expected easing path.
- 6:00pm EST - **Monetary Policy Report**: Focus will be on updated inflation, activity and policy assumptions after BanRep's surprise hold, with implications for policy expectations.

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Global Macro Strategy Team

	Matthew Hornbach, CMT Matthew.Hornbach@morganstanley.com	Global Head of Macro Strategy	+1 212 761-1837
	Molly Nickolin	Global Macro Commentary	+1 212 761-3592
	Martin Tobias, CFA, CMT	US Rates Strategist	+1 212 761-6076
	Shaun Zhou	US Rates Strategist	+1 212 761-3348
	Aryaman Singh	US Rates Strategist	+1 212 761-1993
	Eli Carter	US Rates Strategist	+1 212 761-4703
	Andrew Watrous	G10 FX Strategist	+1 212 761-5287
	Molly Nickolin	G10 FX Strategist	+1 212 761-3592
	Simon Waever Simon.Waever@morganstanley.com	Head of EM Sovereign Credit and Latin America Fixed Income Strategy	+1 212 296-8101
	Ioana Zamfir	Latin America Macro Strategist	+1 212 761-4012
	Emma Cerda	Latin America Sovereign Credit	+1 212 761-2344
INTERNATIONAL PLC	**James K. Lord** James.Lord@morganstanley.com	Global Head of FXEM Strategy	+44 20 7677-3254
	Gianluca Salford Luca.Salford@morganstanley.com	Head of European Rates Strategy	+44 20 7677-1337
	Fabio Bassanin, CFA	UK Rates Strategist	+44 20 7425-1869
	Maria Chiara Russo	Euro Area Rates Strategist	+44 20 7677-3499
	David S. Adams, CFA David.S.Adams@morganstanley.com	Head of G10 FX Strategy	+44 20 7425-3518
	Neville Mandimika	CEEMEA Sovereign Credit Strategist	+44 20 7425-2509
	Arnav Gupta	CEEMEA Rates Strategist	+44 20 7677-0382
	David Cueva Oemer	CEEMEA Rates Strategist	+44 20 7425-2143
LIMITED+	**Gek Teng Khoo**	AXJ Macro Strategist	+852 3963-0303
SECURITIES CO., LTD.	**Koichi Sugisaki** Koichi.Sugisaki@morganstanleymufg.com	Head of Japan Macro Strategy	+81 3 6836-8428
	Hiromu Uezato	Japan Macro Strategist	+81 3 6836-8431