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Our Economy and the World

Issue: 407

Date: 11th May 2025

This week's issue of "Our Economy and the World" includes:

Key Global and Regional Developments over the Past Week

- CNBC: China says U.S. asked for trade meeting in Switzerland
- The Guardian: UK and India agree 'landmark' trade deal after three years of negotiations
- CNN: The Fed holds interest rates steady again as the US economy slows on Trump's tariffs
- Reuters: Brazil central bank hikes rates to near 20-year high, leaves next steps open

Special Analysis

- IMF: Global Financial Stability Report - Enhancing Resilience amid Uncertainty

Developments in Financial and Commodity Markets in the Past Week

- Reuters: Oil falls as market eyes US-China trade talks, storage report mixed
- Reuters: European shares slip as investors assess earnings, await Fed rate decision

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Key Global and Regional Developments over the Past Week

[CNBC: China says U.S. asked for trade meeting in Switzerland](#)

The upcoming meeting in Switzerland between U.S. Treasury Secretary Scott Bessent and his Chinese counterpart was requested by the Trump administration, Chinese officials said Wednesday. China will be entering the talks “firmly” opposed to U.S. tariff hikes, and willing to participate only in a dialogue “based on equality, respect and mutual benefit,” Foreign Ministry spokesman Lin Jian wrote on X.

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[The Guardian: UK and India agree ‘landmark’ trade deal after three years of negotiations](#)

Britain and India have agreed a long-desired trade deal that ministers said would cut tariffs and add £4.8bn a year to the UK economy by 2040. The agreement, which was finalised on Tuesday after more than three years of negotiations under successive governments, has long been touted as one of the biggest prizes of Brexit.

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[CNN: The Fed holds interest rates steady again as the US economy slows on Trump’s tariffs](#)

The Federal Reserve said Wednesday it will hold interest rates steady as the US economy begins to show the effects of President Donald Trump’s haphazard trade war. The central bank kept its benchmark lending rate unchanged at a range of 4.25% to 4.5%, extending a holding pattern that began in January.

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Officials have said it's best to wait on the sidelines for data to show how the US economy is responding to Trump's significant policy changes, which have unsettled American consumers and businesses.

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Reuters: Brazil central bank hikes rates to near 20-year high, leaves next steps open

Brazil's central bank raised interest rates by 50 basis points on Wednesday in a sixth straight hike that pushed borrowing costs to their highest in nearly 20 years, and left future steps open amid global uncertainties and sticky domestic inflation. The bank's monetary policy committee, known as Copom, raised the Selic to 14.75% in a unanimous decision, matching forecasts from 32 of 35 economists in a Reuters poll.

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Special Analysis

IMF: Global Financial Stability Report - Enhancing Resilience amid Uncertainty

The October 2024 Global Financial Stability Report highlighted stretched asset valuations, growing financial system leverage, and low financial market volatility against a backdrop of heightened levels of economic uncertainty. Such fragilities can amplify shocks and trigger abrupt tightening of financial conditions, exacerbating economic downturns with potentially sizable additional economic costs.

A sharp repricing of risk assets followed the series of tariff announcements by the United States since February and accelerated following the April 2 release of plans for larger-than-expected tariffs. Financial market volatility across stock, currency, and bond markets rose markedly. The response by other countries further amplified uncertainties.

Against the heightened volatility of asset prices, this Global Financial Stability Report assesses that global financial stability risks have increased significantly, primarily due to the tightening of global financial conditions. According to the IMF's Growth-at-Risk model, macro-financial downside risks to growth have increased meaningfully.

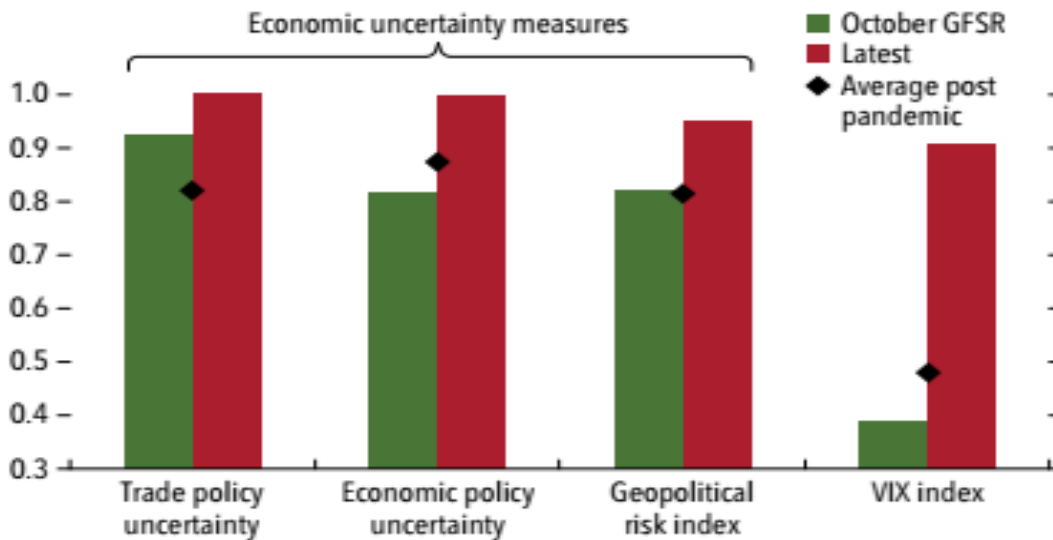
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Figure ES.1. Economic Uncertainty and Financial Volatility
(Percentile)



Sources: Bloomberg Finance L.P.; Baker, Bloom, and Davis 2016; Caldara and Iacoviello 2022; and IMF staff calculations.

Note: "Economic policy uncertainty" and "trade policy uncertainty" are the indices of Baker, Bloom, and Davis (2016); "geopolitical risk" is the index of Caldara and Iacoviello (2022). The series are shown in percentiles since 1997 based on monthly data; "Average Post Pandemic" is the average percentile since 2022. Economic uncertainty measures are text based. Latest level for VIX Index is as of April 15, 2025. VIX = Chicago Board Options Exchange Volatility Index.

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Developments in Financial and Commodity Markets in the Past Week

[Reuters: Oil falls as market eyes US-China trade talks, storage report mixed](#)

Oil prices edged lower on Wednesday as investors priced in a build in gasoline inventories in the U.S. ahead of the U.S.-China trade talks this weekend. Brent crude futures were down 77 cents a barrel, or around 1.24%, at \$61.38 a barrel by 1:50 p.m. ET (1750 GMT), while U.S. West Texas Intermediate crude was down 73 cents, or 1.24%, lower at \$58.36 a barrel.

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[Reuters: European shares slip as investors assess earnings, await Fed rate decision](#)

European shares ended lower on Wednesday, pausing after weeks of strong gains, while investors monitored a raft of corporate earnings ahead of the U.S. Federal Reserve's rate decision later in the day. The pan-European STOXX 600 index (STOXX) closed 0.5% lower, while other regional indexes also ended their day in the red.

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