



22 May 2025

# Charts of the Week: Uncertainty Lingers

HAVER ANALYTICS

Link to online commentary: <https://haverproducts.com/charts-of-the-week/>

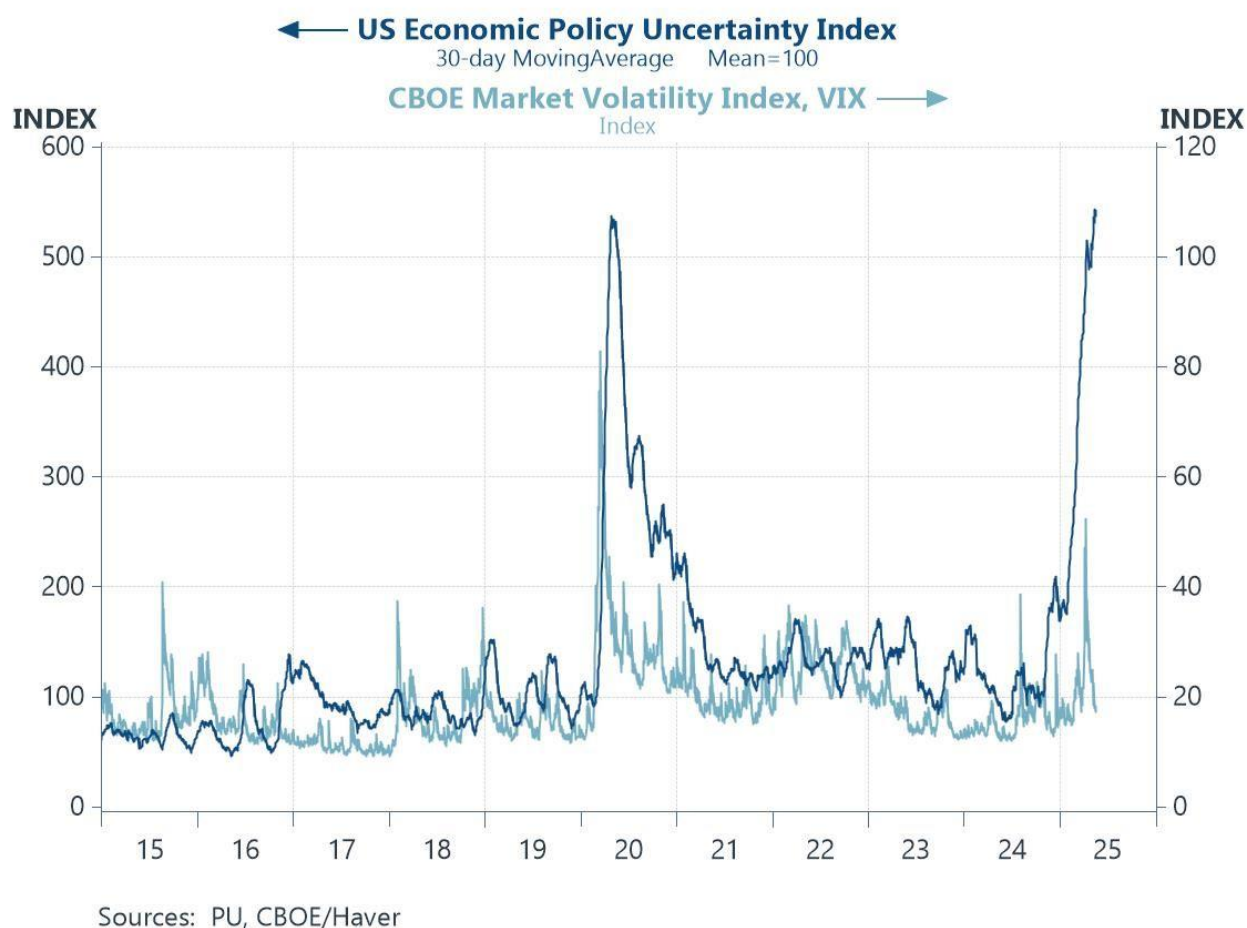
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Despite escalating global economic uncertainty—driven in large part by US tariff policies—equity markets have continued to surge, seemingly shrugging off risks that would typically provoke caution. This disconnect has grown more conspicuous in the wake of last week’s downgrade by Moody’s of the US sovereign debt outlook, which underscored mounting concerns over fiscal sustainability. Beneath the surface of the market rally, however, a series of signals suggests a more nuanced and potentially fragile backdrop. A still-elevated US Economic Policy Uncertainty Index, for instance, contrasts with a moderating VIX, hinting at sanguine investors even as policy signals grow noisier (chart 1). Globally, equity markets have been responding positively to a sharp improvement in economic surprise indices (chart 2). Yet, this momentum has been highly uneven: China’s economic surprise index has soared, while the US index remains negative, signalling a big divergence in growth dynamics (chart 3). Meanwhile, US financial conditions for growth have turned modestly supportive after a long stretch of tightening, but this can be traced in part to surging equity markets (chart 4). In the meantime, Japan’s recent increase in purchases of long-term foreign debt, including U.S. Treasuries, suggests a renewed appetite for yield, but the latest data also underscore the fragility of foreign demand for US debt (chart 5). Finally, energy consumption trends offer a longer-term lens: should countries like India, Indonesia, and Bangladesh follow China’s industrialisation trajectory, the implications for global energy demand—and the world economy more generally—could be profound (chart 6). In summary, while risk assets rally, the global macro environment is anything but settled. Underneath the optimism lies a world grappling with heightened protectionism, structural constraints, divergent recoveries, and mounting fiscal and geopolitical strain.

## Uncertainty and market volatility

Our first chart this week highlights the dramatic spike in US economic policy uncertainty that followed the announcement of sweeping new U.S. tariffs in early April, a move that re-ignited global trade tensions and sent shockwaves through markets. The surge in the Economic Policy Uncertainty (EPU) Index was accompanied by a sharp rise in the VIX—Wall Street’s so-called “fear gauge”—as investors grappled with the implications of a more protectionist stance and the potential for retaliation. However, in the weeks since, as the administration has partially walked back some of the more aggressive trade measures, markets have responded positively: the VIX has retraced most of its gains, reflecting a rebound in investor sentiment. Yet, the EPU index remains at elevated levels, suggesting that while market volatility has subsided for now, underlying uncertainty around the future direction of trade policy—and its broader economic impact—continues to loom large.

Chart 1: US Economic Policy Uncertainty versus the VIX index

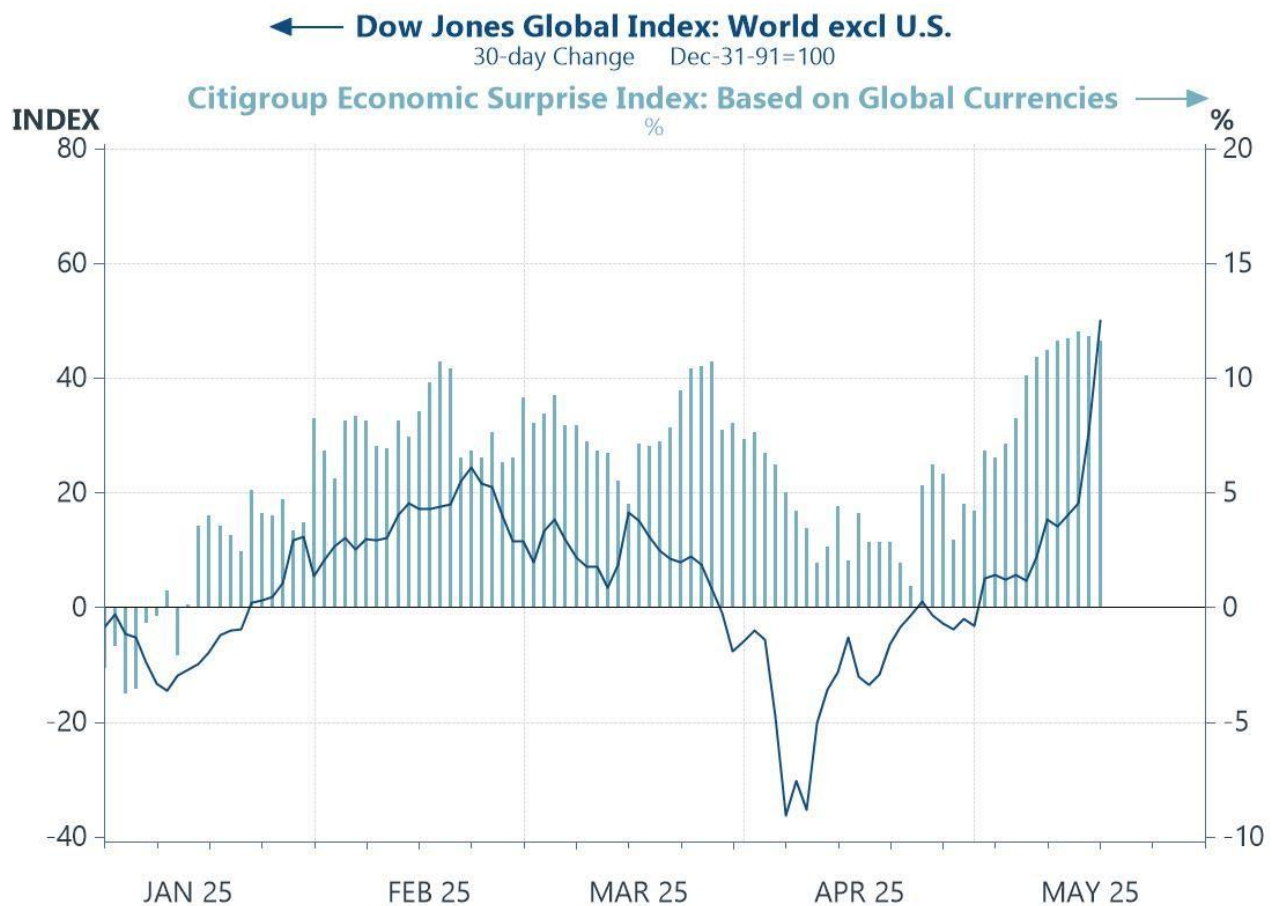


## Markets and data surprises

This second chart shows the sharp rebound in global equity markets has unfolded alongside a steady improvement in economic data surprises. After a dip in April, the Dow Jones Global Index (excluding the

U.S.) has surged in recent weeks, mirroring a notable uptick in the Citigroup Economic Surprise Index—a measure of how actual economic data compares to expectations. The surprise index, having recovered from negative territory in April, is now firmly positive, suggesting that recent global data releases have consistently exceeded forecasts.

Chart 2: The Dow Jones Global (ex US) Equity Market Index versus Global Growth Surprises



Sources: Wall Street Journal, Citigroup/Haver Analytics

## US, European and China data surprises

This next chart, however, illustrates that these global gains in growth surprises have accompanied a widening divergence in data surprises across the major regions. Since late April, the China growth surprise index has surged, indicating that Chinese economic data have consistently outperformed expectations—likely reflecting supportive policy measures and a rebound in industrial activity. In contrast, the US has remained far more subdued.



Chart 3: Citigroup's US, Euro area and China growth surprise index



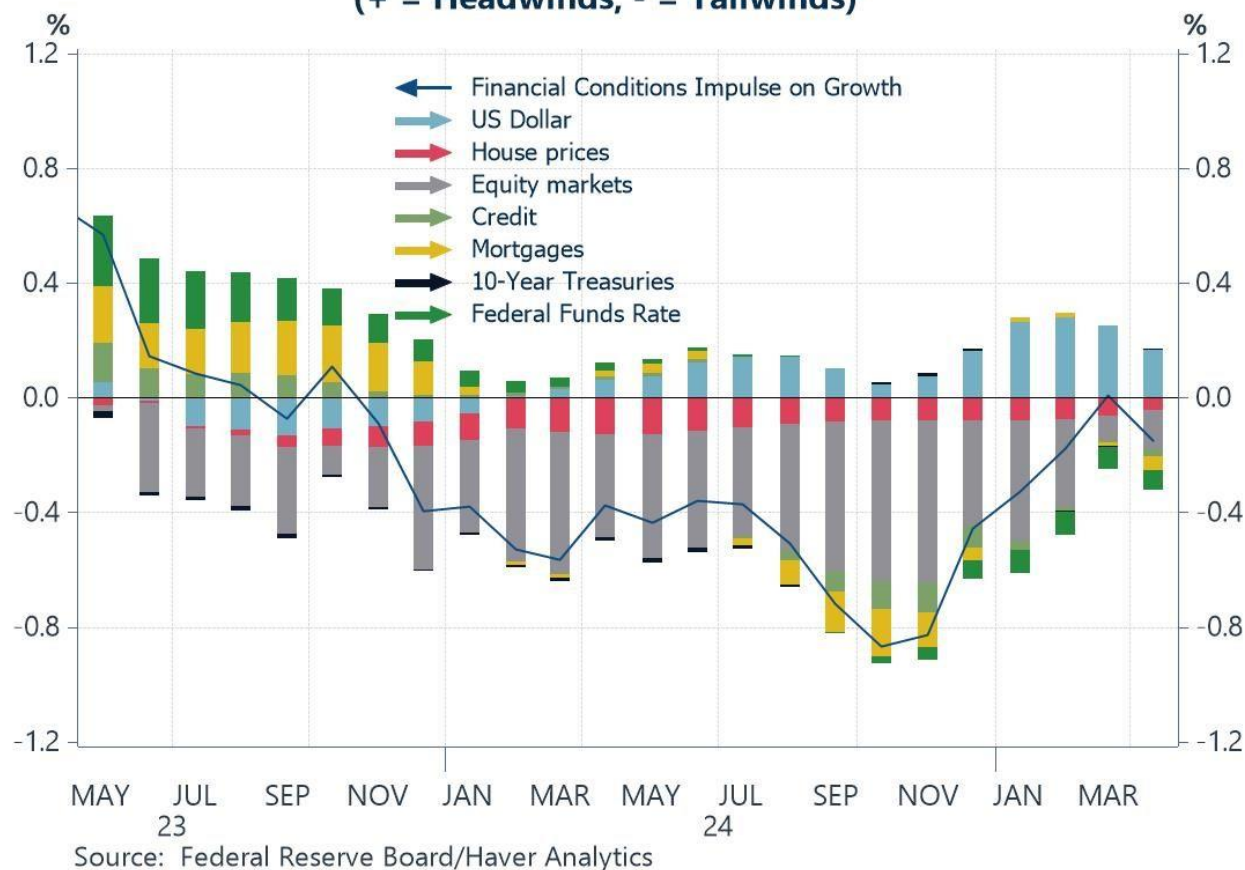
Source: Citigroup/Haver Analytics

## US Financial Conditions

This fourth chart illustrates the Fed's estimates of how various components of US financial conditions have contributed to growth over the past several months, with the net impact swinging from a notable tailwind in early 2024 to a much smaller one by April 2025. That shift reflects less supportive financial conditions across several components. The US dollar, in particular, has shifted from exerting a loosening influence in early 2024 to acting as a modest headwind in recent months—consistent with its trend toward appreciation. At the same time, equity markets and credit conditions continue to provide mild support, though less than before. The earlier boost from falling Treasury yields and lower mortgage rates has also started to fade.

Chart 4: Contributions to US Financial Conditions

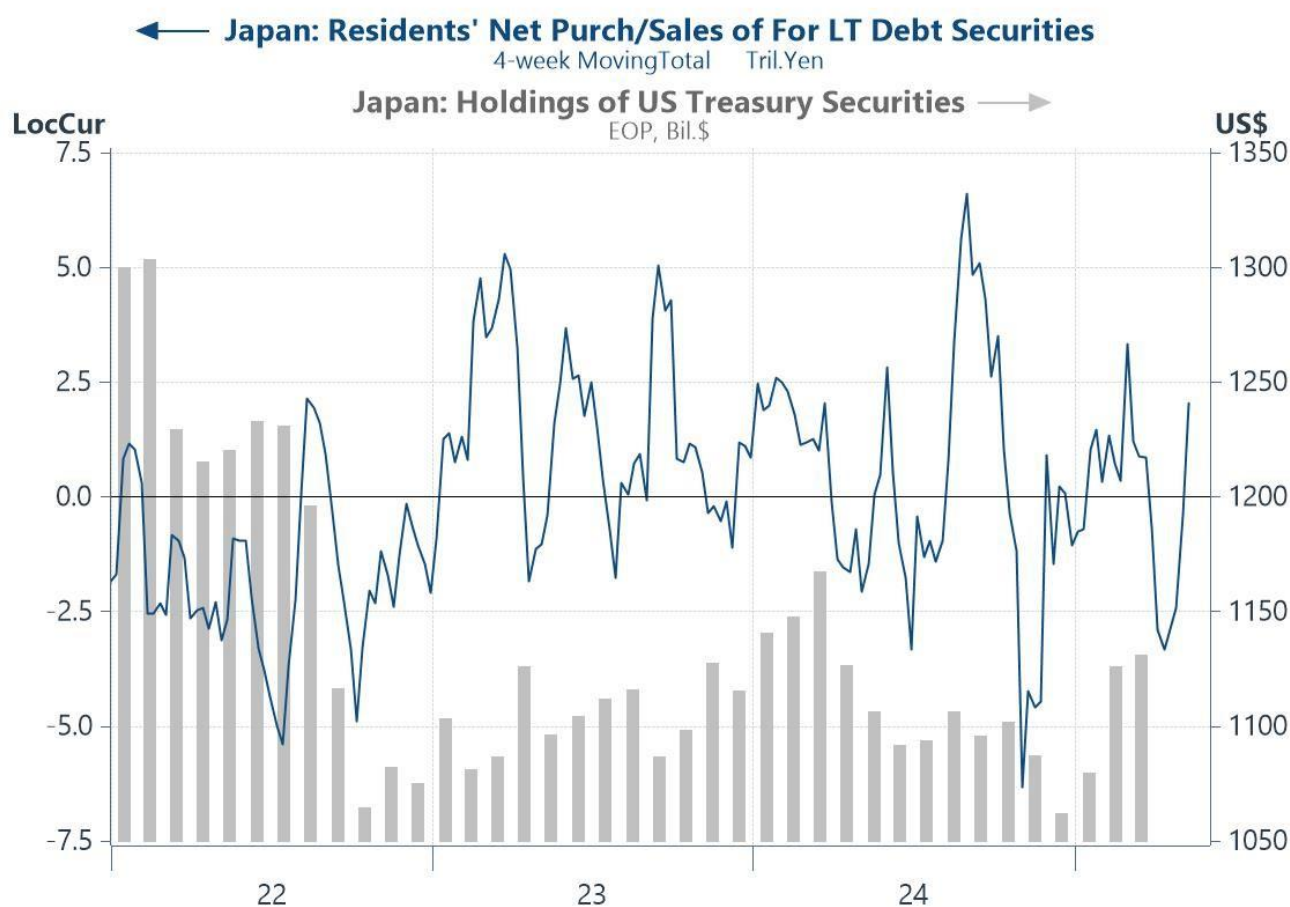
### Contributions to US Financial Conditions, Impulse on Growth, 1 year lookback (+ = Headwinds, - = Tailwinds)



### Japan's investor flows

Japanese investors staged a notable reversal in the week ending May 9th, shifting from sustained net selling of foreign bonds to a sharp uptick in net purchases. This turnaround came just ahead of a rise in US Treasury yields—suggesting that the surge in buying may have preceded heavier selling pressure triggered by Moody's downgrade of the US credit outlook. Looking specifically at Japan's holdings of Treasuries, the data show a steady build-up over the first quarter of the year. However, those gains predate the US "Liberation Day" tariffs and the ensuing rise in geopolitical and economic uncertainty. In the wake of these developments, Japanese investors may now face stronger incentives to pare back their US debt exposure.

Chart 5: Japan's portfolio debt market flows



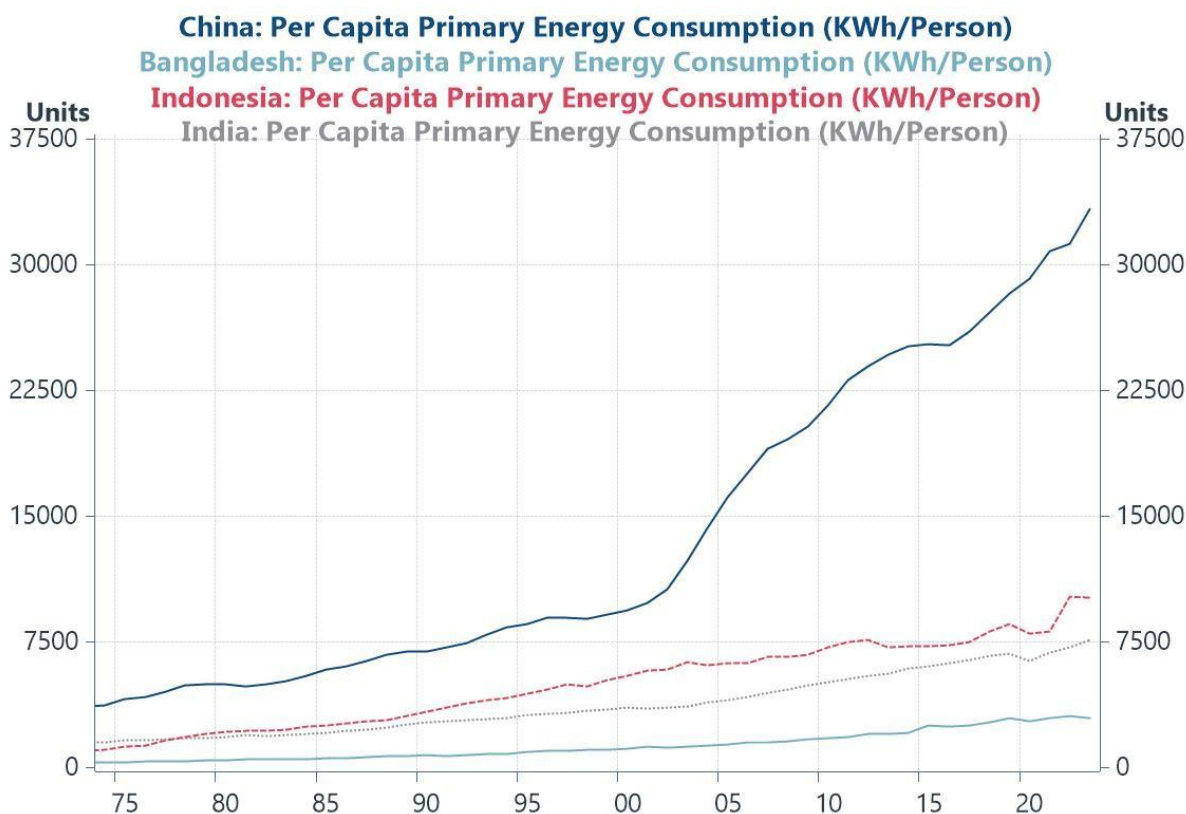
Sources: Ministry of Finance Japan, U.S. Treasury/Haver Analytics

## Energy consumption in Asia

This final and more structurally-rooted chart illustrates the dramatic divergence in per capita primary energy consumption between China and several other large, fast-growing developing economies—namely India, Indonesia, and Bangladesh—from 1975 to the present. China's energy consumption per person has surged over the past two decades, particularly after 2000, mirroring the country's rapid industrialisation, urbanisation, and rise in living standards. As of the most recent data, China's per capita energy use exceeds 30,000 KWh per person, placing it far ahead of its regional peers and underscoring the scale of its development. In contrast, India, Indonesia, and Bangladesh have seen only gradual increases. Although India and Indonesia have more than doubled their per capita consumption since the early 1990s, they remain well below China—each hovering below 11,000 KWh per person. Bangladesh, while growing steadily, remains at a much lower base. The chart highlights a key point: if these populous nations follow anything like China's energy-intensive path

to industrialisation and middle-income status, global energy demand could rise sharply. This poses significant implications for energy markets, climate targets, and infrastructure planning in the years ahead.

Chart 6: Per Capita Primary Energy Consumption in China, Bangladesh, Indonesia and India



Source: Our World in Data/Haver Analytics

## About the author



Haver Analytics is pleased to bring [Andy Cates's](#) commentaries on the state of the global economy to its clients. Andy has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He has held various senior positions in London in a number of Investment Banks including as Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units. He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

## Series info:

Chart 1: US Economic Policy Uncertainty versus the VIX index

Series 1: `movv(SEPUIN@DAILY,30)`

SEPUIN@DAILY [Economic Policy Uncertainty Index (Mean=100)]

Series 2: `SPVIX@DAILY`

SPVIX@DAILY [CBOE Market Volatility Index, VIX (Index)]

Chart 2: The Dow Jones Global (ex US) Equity Market Index versus Global Growth Surprises

Series 1: `diff(SPDJWX@DAILY,30)`

SPDJWX@DAILY [Dow Jones Global Index: World excl U.S. (Dec-31-91=100)]

Series 2: `V001CSI@INTDAILY`

V001CSI@DAILY [Citigroup Economic Surprise Index: Based on Global Currencies (%)]

Chart 3: Citigroup's US, Euro area and China growth surprise index

Series 1: `V111CSI@INTDAILY`

V111CSI@INTDAILY [Citigroup Economic Surprise Index: Based on USD (%)]

Series 2: `V023CSI@INTDAILY`

V023CSI@INTDAILY [Citigroup Economic Surprise Index: Based on EUR (%)]

Series 3: `V924CSI@INTDAILY`

V924CSI@INTDAILY [Citigroup Economic Surprise Index: Based on CNY (%)]

Chart 4: Contributions to US Financial Conditions

Series 1: `FCIL@SURVEYS`

FCIL@SURVEYS [Financial Conditions Impulse on Growth: One-Year Lookback (%)]

Series 2: `FCIL7@SURVEYS`

FCIL7@SURVEYS [FCI-G: One-Year Lookback: Nominal Broad Dollar Index(%)]

Series 3: `FCIL6@SURVEYS`

FCIL6@SURVEYS [FCI-G: One-Year Lookback: Zillow House Price Index(%)]

Series 4: `FCIL5@SURVEYS`

FCIL5@SURVEYS [FCI-G: One-Year Lookback: Dow Jones Stock Market Index(%)]

Series 5: `FCIL4@SURVEYS`

FCIL4@SURVEYS [FCI-G: One-Year Lookback: BBB Effective Yield(%)]

Series 6: `FCIL3@SURVEYS`

FCIL3@SURVEYS [FCI-G: One-Year Lookback: 30-Year Fixed Mortgage Rate(%)]

Series 7: `FCIL2@SURVEYS`

FCIL2@SURVEYS [FCI-G: One-Year Lookback: 10-Year Treasury Yield(%)]

Series 8: `FCIL1@SURVEYS`

FCIL1@SURVEYS [FCI-G: One-Year Lookback: Federal Funds Rate(%)]

Chart 5: Japan's portfolio debt market flows

Series 1: `movt(F158OBN@INTWKLY,4)`

F158OBN@INTWKLY [Japan: Residents' Net Purch/Sales of For LT Debt Securities(100 Mil.Yen)]

Series 2: `FH158TB@USINT`

FH158TB@USINT [Japan: Holdings of US Treasury Securities (EOP, Bil.\$)]

Chart 6: Per Capita Primary Energy Consumption in China, Bangladesh, Indonesia and India

Series 1: `OJCNBA@ENERGY`



OJCNBA@ENERGY [China: Per Capita Primary Energy Consumption (KWh/Person)]

Series 2: OJBDBA@ENERGY

OJBDBA@ENERGY [Bangladesh: Per Capita Primary Energy Consumption (KWh/Person)]

Series 3: OJIDBA@ENERGY

OJIDBA@ENERGY [Indonesia: Per Capita Primary Energy Consumption (KWh/Person)]

Series 4: OJINBA@ENERGY

OJINBA@ENERGY [India: Per Capita Primary Energy Consumption (KWh/Person)]

## Get in touch

Email [sales@haver.com](mailto:sales@haver.com) and someone from our team will connect with you to discuss your data needs.

