GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, AUGUST 26, 2026
LEAD EDITOR: FABIO CORTES

- **Treasury yields rise after a slightly higher than expected US PCE** (link)
- **Hardware and semiconductor credit spreads widen** (link)
- **Euro area government bonds steady despite lower oil prices as ECB warns on inflation risks** (link)
- **Won stable and bond yields decline ahead of Bank of Korea's rate decision** (link)
- **Reports on tax clawbacks suggest China's fiscal outlook remains a key focus** (link)
- **Mexico's sovereign dollar bonds underperform similarly rated peers** (link)
- **Paraguay's central bank holds its policy rate at 5.50%, as expected** (link)
- **Special Feature: G7 Sovereign Bond Market Functioning and Auction Dynamics (attached)**

Mature Markets | Emerging Markets | Market Tables

Markets Cautious Ahead of Nvidia's Earnings Release

Global equities trod water as investors awaited Nvidia's latest earnings report. The tech giant, with market value over $5 tn, is set to report after market close, with analysts focusing on its outlook on customer demand and wave of financing deals. Euro area and Japanese equities rose modestly, while Nasdaq futures underperformed after Intuit led software makers lower in early trading after a disappointing earnings forecast. Oil extended its decline, posting a third consecutive day of losses, and falling to about 9% for the week, as diplomatic efforts to normalize flows through the Strait of Hormuz gained further traction. US Treasury yields rose 2–3 bps immediately after the release of a slightly higher than expected PCE release this morning. Across the pond, euro area sovereign bond yields were little changed in earlier trading, shrugging off the decline in oil prices. ECB Executive Boad member Schnabel said today that the ECB must increase rates further as inflation is likely to remain above 2% for an extended period, warning that waiting for wage pressures would leave the ECB behind the curve. Elsewhere, Paraguay's central bank unanimously held its policy rate at 5.50% yesterday, as expected, while the Korean won was stable and bond yields declined this morning ahead of Bank of Korea's rate decision tomorrow.

Key Global Financial Indicators

Last updated: 8/26/26 8:29 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7677	0.3	0	4	19	12
Eurostoxx 50		6485	0.4	1	3	20	12
Nikkei 225		66262	0.6	1	2	56	32
MSCI EM		67	1.7	3	6	34	23
Yields and Spreads					bps		
US 10y Yield		4.63	-0.2	-2	-5	37	46
Germany 10y Yield		3.20	0.2	-6	3	48	35
EMBIG Sovereign Spread		244	3	1	1	-47	-9
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.8	0.0	0	1	2	1
Dollar index, (+) = $ appreciation		99.0	0.0	0	-2	1	1
Brent Crude Oil ($/barrel)		86.4	-2.5	-6	-11	28	42
VIX Index (%, change in pp)		15.7	0.2	1	-3	1	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: 8/26/26 8:29 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		86	-2.5	-6	-11	28	42
WTI Crude Oil ($/barrel)		80	-2.4	-6	-10	27	40
Natural Gas (Netherlands TTF)		64	-1	-3	0	89	135
Breakeven Inflation		%	bps				
USD: 2Y		2.4	1.3	9	16	-66	10
USD: 5Y		2.5	0.2	2	12	-26	13
USD: 5Y5Y		2.4	0	-1	5	-7	-2
EUR: 2Y		2.4	-2.3	-5	11	55	75
EUR: 5Y		2.2	-1	-3	6	33	43
EUR: 5Y5Y		2.1	0	1	0	3	7

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

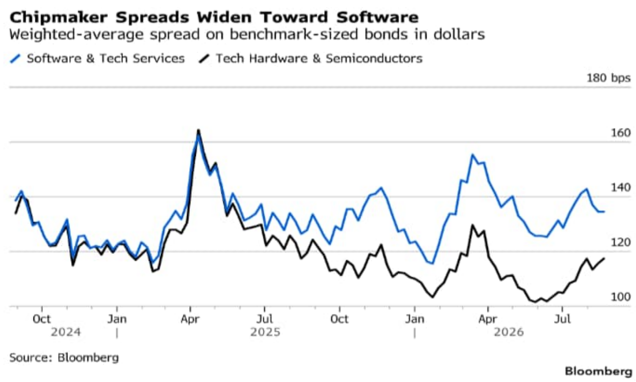
Mature Markets

back to top

United States

This morning**, Treasury yields rose 2–3 bps immediately after the release of a slightly higher than expected PCE release.** The US PCE price index print for the month of July came in slightly hotter at +0.2% m/m (+3/7% y/y) compared to expectations of +0.1% m/m and +3.6% y/y. Core PCE was in line with expectations at +0.2% m/m (+3.3% y/y).

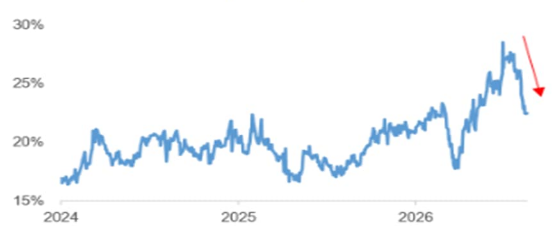
Hardware and semiconductors spreads have widened during the summer. Software and hardware bonds used to trade in tandem but concerns about the impact of AI on software led to a gap appearing around May of 2025. However, uncertainty around increased spending from tech hardware and semiconductors has led to their credit spreads widening in recent weeks, narrowing the gap with their software counterparts. Bloomberg analysts reported that the spread widening is touching most AI-related bonds and in some cases even contradicts strong companies' financials which are seeing strong free cash flow generation from AI.



Single stock volatility has fallen in the US. Single stock implied volatility (measured by index dispersion) has contracted more than index-wide volatility since its recent peak on July 21. JP Morgan analysts attributed the decline to volatility compression in semiconductors and hyperscalers post solid Q2 earnings announcements.

Figure 3: Dispersion peaked on Jul 21 and subsequently unwound its YTD increase

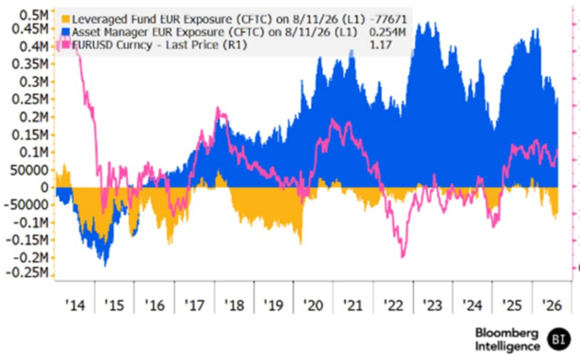
SPX T50 minus index 3M implied vol spread

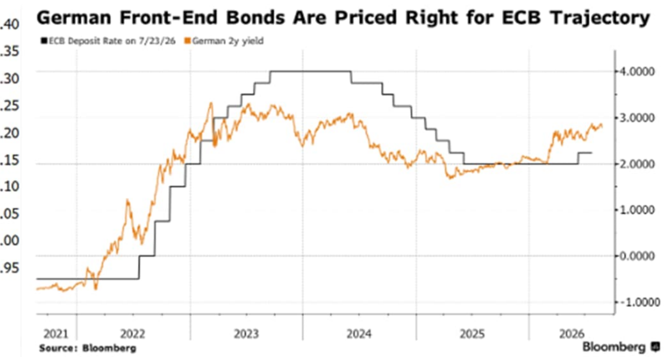


Source: J.P. Morgan Equity Derivatives Strategy, Bloomberg Finance L.P.

Euro Area

European equities rose modestly this morning, supported by the decline in oil prices. All major regional bourses were in the green, with France outperforming (CAC 40 index +0.5%). **The euro was a touch weaker** (-0.1%). Analysts at Bloomberg remained bullish on the euro, seeing EUR/USD at $1.20 as increasingly possible in Q4 since the euro is supported by clear policy guidance from a relatively hawkish ECB, and the euro area has absorbed the energy shock better than expected. Bloomberg noted that positioning is not stretched, leaving room for investors to rebuild euro longs, while options markets continue to show an upside skew.

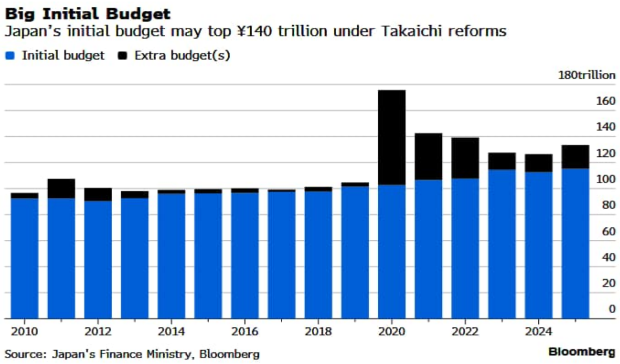


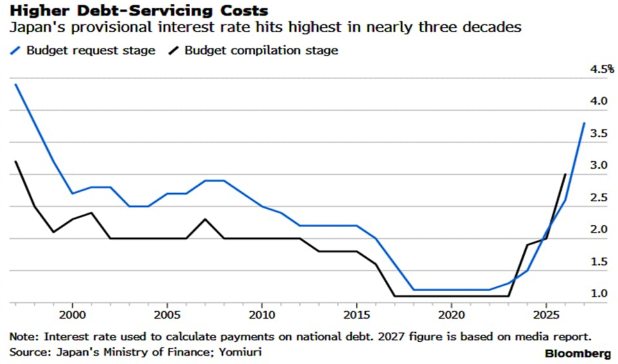


Euro area government bond yields were little changed this morning despite lower oil prices and warnings about inflation risks. ECB Executive Boad member **Schnabel**, who is known to lean to the hawkish side, said today that the ECB must increase rates further as inflation is likely to remain above 2% for an extended period, while euro-area growth is proving stronger than expected. Schnabel sees resilient demand, fiscal support, defense spending and AI-related investment increasing the risk of second-round inflation effects, especially as energy and gas prices stay elevated, **warning that waiting for wage pressures would leave the ECB behind the curve**. European natural gas prices (Dutch benchmark one-month future) gained today (+0.9%) to hover at €64.51/MWh (+6.2% higher on the month). **Morgan Stanley** expects headline inflation to climb to 3.3% in August next week, higher than the 2.9% consensus for the euro area. Analysts at **ING** agreed on a September hike but noted that the deposit rate at 2.5% would be already around the upper bound of the ECB's neutral range so that further tightening would move policy into restrictive territory, raising the bar for additional hikes. Money markets were little changed today, continuing to fully price-in a hike next month and a second hike only by March 2027.

Japan

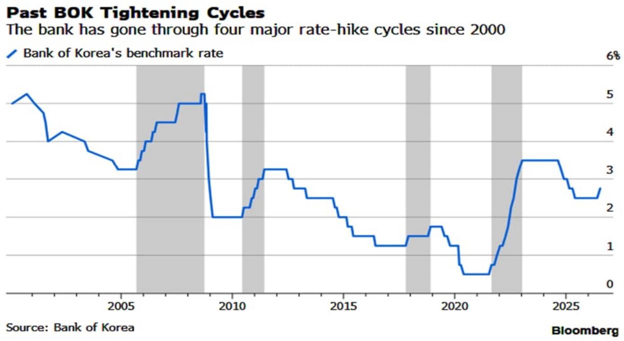
The yen held near 159/$ while markets remained focused on the interplay between monetary policy normalization and fiscal sustainability. The yen strengthened slightly (+0.1%), while benchmark bond yields were little changed despite speculation that Bank of Japan Deputy Governor Himino could signal a faster pace of rate hikes later this week. Market attention also centered on latest reports that Japan's debt-servicing costs could rise 17% to a record JPY36.6 tn in fiscal year 2027 based on an assumed interest rate of 3.8%, up from 3.0% in the 2026 budget. The higher provisional interest rate reflects the recent rises in long-term JGB yields, spurred by concerns over fiscal soundness surrounding the Takaichi cabinet's expansionary fiscal stance, inflation, and expectations of additional rate hikes by the Bank of Japan. The total includes JPY 16.6 tn for interest payments and JPY20 tn for debt redemptions.





South Korea

The Korean won was little changed while government bond yields declined ahead of Thursday's closely watched Bank of Korea policy meeting. Today, the Korean won was steady at 1384/$ after a recent strong rally, while government bond yields fell (3-year -2 bps to 3.81%; 10-year -4 bps to 4.29%; 30-year -4 bps to 4.59%). Investors remain divided over whether the Bank of Korea will deliver a second consecurtive 25 bps rate hike, although strong AI-driven seniconductor exports, robust income growth and persistent underlying inflation have strengthened the case for further tightening. According to BNP Paribas, bond sentiment has also been supported by expectations that repatriated semiconductor-sector earnings will continue to bolster liquidity and demand for fixed-income assets. Equities advanced today (KOSPI: +1.0%), led by gains in nuclear related shares on optimism over potential cooperation between Korean firms and Westinghouse, even after the government denied a local media report that the US government proposed Korea to invest in the nuclear power company.



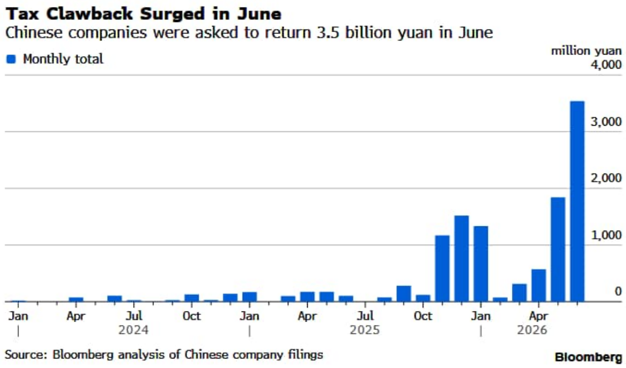
Emerging Markets

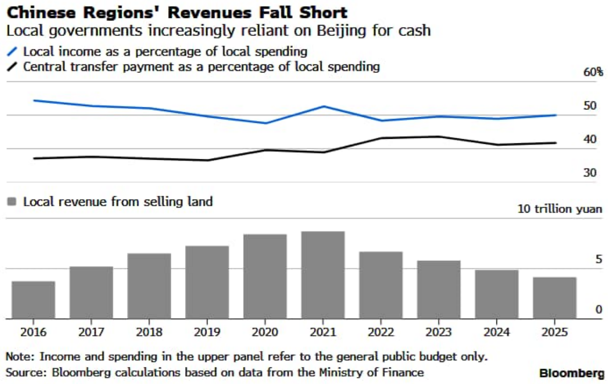
back to top

In **Asia**, currencies were mixed. The Malaysian ringgit outperformed (+0.4%), reaching its strongest level since June 4. Asian equities advanced for a second consecutive day, led by Taiwan POC (TAIEX: 1.5%), as chipmakers advanced ahead of Nvidia's quarterly earnings report. In **EMEA**, equities continued to underperform in Romania (-0.6%) while adding +0.8% in Poland and +1% in Kazakhstan. Stocks sold also in Hungary this morning (-0.5%) partly paring earlier gains this week. CEE currencies were little changed to the euro. In **South Africa**, yesterday's weekly government bond auction drew the strongest demand since June, with a bid-to-cover ratio of 5.8 times the 2.6 bn rand offered. The 10-year yield has declined by 18 bps since last Friday to 8.55%. In Türkiye, the lira continued to trade rangebound while equities rose (+1.4%) this morning. Elsewhere, **Saudi** Real Estate Refinance Company launched a $2.75 bn dual-tranche international Sukuk issuance, backed by Saudi Arabia's Public Investment Fund. This is reportedly the largest international dollar-denominated GCC Sukuk of 2026, with orders exceeding $18.7 bn (bid to cover of 6.8).

China

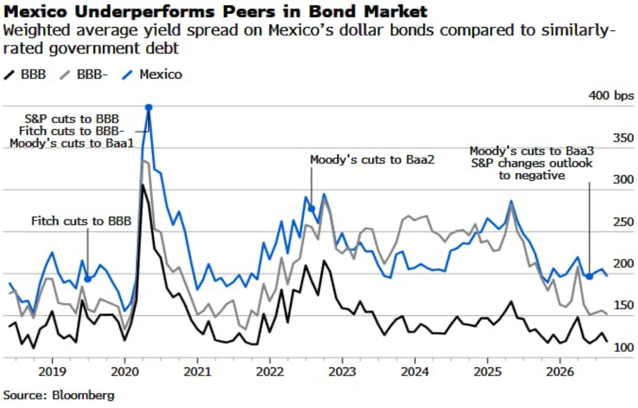
China's fiscal outlook remained a key focus as reports of widespread tax clawbacks underscored mounting revenue pressures on local governments. Bloomberg reported today that more than 100 listed companies in China were subject to tax clawbacks and charged for delayed tax payments totaling CNY7.7 bn in the first six months of 2026. The developments may suggest Beijing is increasingly relying on tighter tax enforcement and greater central-government support while shifting away from the broad tax incentives that previously underpinned local investment growth. Against this backdrop, authorities had reiterated plans for a more proactive and targeted fiscal policy focused on consumption, industrial upgrading and risk mitigation. The upcoming CNY800 bn policy-bank financing program reinforces this direction, although its impact on 2026 growth is expected to be limited, with larger benefits likely to materialize next year. Today, both onshore CNY and offshore CNH remained little changed, with the yuan fixed stronger at 6.7829/$. Liquidity conditions remained accommodative (overnight repo -3 bps to 1.41%; 7-day -2.5 bps to 1.43%), while government bond yields rose modestly (10-year +1.5 bps to 1.70%; 30-year +0.5 bps to 2.17%).





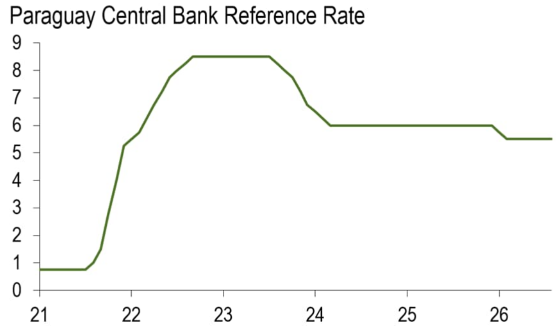
Mexico

Mexico's sovereign dollar bonds have underperformed similarly rated peers, offering higher yields higher than the debt of several high yield rated sovereigns in the region. Credit pressures have increased, with Moody's downgrading Mexico to one notch above high yield in May and S&P assigning a negative outlook. The deterioration largely reflects continued government support for Pemex, which has shifted financial risks from the state-owned oil company into the sovereign balance sheet. According to Bloomberg, more than $130 bn in government assistance has helped reduce Pemex's debt and near-term default risk but has contributed to a widening of the fiscal deficit.



Paraguay

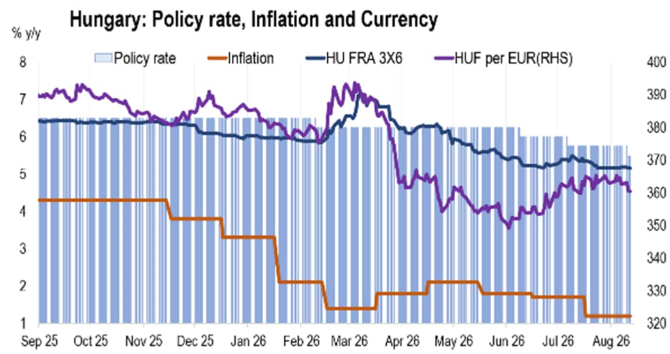
Paraguay's central bank unanimously held its policy rate at 5.50%, as expected. Its last move was a 25 bps rate cut in February 2026. Economic activity has been robust and consistent with the bank's 4.5% growth forecast for 2026. The policy rate is expected to remain unchanged through end-2026. Although inflation is expected to remain below the central bank's 3.5% target by year-end, higher oil prices and tighter global financial conditions pose external risks. The central bank will continue monitoring domestic and international developments and will take measures as needed to ensure inflation remains at the target.



Source: Bloomberg and IMF staff

Hungary

The forint held onto yesterday's appreciation to the euro (up by +0.5% since Monday). Government bonds were steady after advancing yesterday (10-year yield -5 bps lower to 5.43%) when the **central bank (NBH) cut its policy rate by 25 bps to 5.50% in line with expectations**. **Goldman Sachs** foresees further easing after inflation printed at 1.2% y/y in July, undershooting NBH's June forecast, expecting cuts from September onward. **JP Morgan** also expects a September cut and then a slower easing quarterly pace ending at 4.75% in Q1 2027, noting that fiscal consolidation and NBH's inflation-target review on the back of Hungary's euro accession plans will be key market catalysts in the medium term. **Citigroup**, cited by Bloomberg, agrees on another cut in September and sees the policy rate at 5% by end-2026. **UBS** expects instead only one more cut in Q4, as the outlook remains highly sensitive to oil, drought-related food inflation and the fiscal path (the government recently cut the 2026 deficit target to 7.5% from prior 8.3%).



Source: Bloomberg and IMF calculations

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), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), 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: 8/26/26 8:28 AM	Level Last 12m	Latest	Change 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,675	0.3	-0.4	3.5	18.7	12
Europe		6,485	0.4	0.6	3.2	20.5	12
Japan		66,262	0.6	1.4	2.0	55.8	32
China		4,591	0.9	0.0	-2.4	4.7	-1
Asia Ex Japan		117	2.1	2.8	6.2	34.6	25
Emerging Markets		67	1.7	2.9	6.2	33.9	23
Interest Rates					basis points		
US 10y Yield		4.6	0	-2	-5	37	46
Germany 10y Yield		3.2	0	-6	3	48	35
Japan 10y Yield		2.9	0	0	9	127	84
UK 10y Yield		5.0	-1	-6	-5	24	50
Credit Spreads					basis points		
US Investment Grade		116	0	-2	-5	-9	3
US High Yield		315	-1	-3	-10	-21	-26
Exchange Rates					%		
USD/Majors		99.0	0.0	0.1	-2.5	0.7	1
EUR/USD		1.17	0.0	-0.1	2.7	0.2	-1
USD/JPY		159.0	-0.1	0.5	-2.9	7.9	1
EM/USD		46.8	0.0	0.4	1.0	2.3	1
Commodities					%		
Brent Crude Oil ($/barrel)		86.4	-2.5	-5.8	-5.8	31.8	44
Industrials Metals (index)		182.1	0.1	2.4	4.0	28.2	11
Agriculture (index)		62.8	0.6	1.1	4.3	13.1	17
Gold ($/ounce)		4629.0	-0.6	2.5	13.6	36.4	7
Bitcoin ($/coin)		78588.7	0.5	1.4	21.7	-29.4	-10
Implied Volatility					%		
VIX Index (%, change in pp)		15.7	0.2	0.8	-2.9	1.1	0.7
Global FX Volatility		6.5	0.0	0.0	0.2	-1.2	-0.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		67	0	-1	-5	-1	8
Italy		81	1	1	-2	-3	11
France		85	0	0	5	8	14
Spain		45	0	1	-1	-15	1

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

Emerging Market Financial Indicators

8/26/2026 8:27 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		6.72	0.0	0.1	0.6	6.4	4.0		1.7	0	1	-4	-9	-19
Korea*		1383	0.0	0.4	5.9	0.7	4.4		4.5	-3	-9	-6	172	119
Indonesia		17725	0.0	0.6	1.6	-8.0	-5.9		7.0	0	-13	-35	68	94
India		95	0.3	0.3	0.5	-8.2	-5.8		7.8	1	1	-6	89	68
Philippines		62	0.1	0.3	0.1	-7.4	-4.4		5.9	0	-6	-19	118	124
Thailand		33	-0.1	0.5	2.7	-0.9	-3.8		2.2	0	0	-1	80	47
Malaysia		4.03	0.4	0.8	1.5	4.8	0.8		3.8	2	6	13	44	32
Argentina		1511	-0.1	-1.1	-0.9	-10.2	-4.0		0.0	0	0	0	-4803	-3237
Brazil		5.15	0.0	0.6	-0.6	5.6	6.8		14.3	-8	-29	-33	44	75
Chile		914	-0.1	1.5	2.9	5.6	-1.5		5.6	-2	1	1	21	32
Colombia		3090	-1.0	0.4	3.6	30.3	22.2		12.2	4	9	-16	67	-65
Mexico		16.93	0.1	0.1	3.1	10.3	6.4		9.1	-3	-2	-13	7	7
Peru		3.3	0.1	0.6	1.8	5.7	0.6		6.2	0	7	20	-5	46
Uruguay		40	0.1	0.4	0.1	-0.5	-2.6		7.6	0	1	17	-30	4
Hungary		308	0.3	1.1	2.7	10.4	6.2		5.4	-5	-1	-18	-127	-112
Poland		3.68	0.2	0.4	3.2	-0.6	-2.5		5.2	-6	-7	3	39	67
Romania		4.5	0.0	-0.2	2.2	-3.6	-3.8		6.7	-1	-2	4	-65	4
Russia		84.2	-0.2	0.5	-7.4	-4.3	-6.4							
South Africa		15.9	0.1	1.2	5.4	10.9	4.1		8.8	-10	-6	-24	-109	24
Türkiye		48.12	0.0	-0.4	-1.6	-14.7	-10.7		34.0	-10	-83	-184	234	443
US (DXY; 5y UST)		99	0.0	0.1	-2.5	0.7	0.6		4.34	0	-1	-9	59	61

	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		4,591	0.9	0.0	-2.4	4.7	-0.8		93	-1	7	-15	18
Korea*		6,808	1.0	5.2	0.8	113.6	61.6		22	-1	-1	2	0
Indonesia		6,406	-1.5	-0.7	3.6	-19.3	-25.9		113	1	-2	34	27
India		77,473	-1.5	0.7	0.8	-4.1	-9.1		98	2	5	12	8
Philippines		6,137	-0.9	-2.0	-2.8	-2.2	1.4		98	1	-2	32	23
Thailand		1,602	0.4	-0.5	-1.4	28.4	27.2						
Malaysia		1,749	0.7	0.9	2.1	10.1	4.1		61	2	4	0	2
Argentina		3,009,029	0.5	4.1	-8.4	48.0	-1.4		522	0	78	-316	-47
Brazil		174,577	1.6	5.0	0.3	26.7	8.3		189	1	5	-14	-14
Chile		11,451	-0.8	2.4	4.6	29.7	9.2		97	4	5	-5	6
Colombia		2,508	-0.1	2.2	10.3	35.2	21.3		200	-3	1	-86	-77
Mexico		66,293	0.8	3.7	-0.1	14.0	3.1		200	4	-4	-39	-17
Peru		3,645	1.7	9.4	8.6	74.6	41.1		95	6	7	-8	-14
Hungary		150,637	-0.6	0.4	5.0	43.3	35.7		112	2	0	-22	-27
Poland		153,819	1.0	0.9	7.1	41.7	31.2		98	5	9	2	7
Romania		35,949	-0.4	-1.5	0.0	74.3	47.1		183	6	-2	-23	7
South Africa		117,080	0.2	0.9	7.0	14.3	1.1		206	4	-6	-80	-12
Türkiye		14,696	1.5	1.6	5.4	27.5	30.5		254	4	-13	-17	20
EM total		67	0.5	2.9	6.2	33.9	22.9		276	0	5	-71	5

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