- **AI trade is likely maturing, but market cap concentration remains at record highs** (link)
- **US money markets face renewed month-end tensions** (link)
- **Yen strengthened and JGBs slumped after Governor Ueda signaled December rate hike** (link)
- **Euro-area banks remained buyers of European government bonds in Q3** (link)
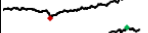- **EM fund inflows accelerated in the final week of November** (link)

Mature Markets | Emerging Markets | Market Tables

Markets start December on weaker tone

Global markets opened December on a soft footing amid hawkish signals from Japan and renewed risk-off moves in crypto. The yen strenghtened and Japanese yields rose sharply as markets scaled up expectations for a BOJ rate increase in December following comments from BOJ Governor Ueda. US and European sovereign bond yields also increased with market participants pointing to spillovers from d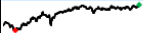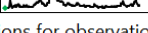evelopments in Japan. Bitcoin fell around 6% in early morning trade, while European equities opened lower and US equity futures also traded in the red. In China the yuan gave back early gains after reported state-bank dollar buying, while in India the rupee weakened to a fresh record low despite strong domestic data. Elsewhere developments around Ukraine peace discussions kept geopolitical risks in focus.

Key Global Financial Indicators

Last updated: 12/1/25 8:10 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities				%			%
S&P 500		6849	0.5	5	0	14	16
Eurostoxx 50		5630	-0.7	2	-1	17	15
Nikkei 225		49303	-1.9	1	-6	28	24
MSCI EM		54	0.1	2	-2	26	30
Yields and Spreads				bps			
US 10y Yield		4.04	3.1	2	-3	-12	-53
Germany 10y Yield		2.73	4.4	4	10	65	37
EMBIG Sovereign Spread		270	-4	-4	-1	-65	-55
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.4	0.1	1	1	6	8
Dollar index, (+) = $ appreciation		99.0	-0.4	-1	-1	-6	-9
Brent Crude Oil ($/barrel)		63.0	1.0	-1	-3	-14	-16
VIX Index (%, change in pp)		18.2	1.9	-5	1	5	1

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

In the week ahead investors will focus on US data ahead of the December FOMC meeting. November ISM Manufacturing and Services surveys, along with the University of Michigan Consumer Sentiment update, will offer timely insights into economic conditions, while September industrial production and PCE inflation data will help fill gaps in the activity and inflation picture. Globally, PMI readings for the EU, major European economies, the UK, and China will shed light on manufacturing momentum heading into 2026. Third-quarter GDP releases are due from the EU, Australia, and Brazil, while inflation prints will come from the EU, Colombia, Peru, and South Korea. Central banks in India and Poland are expected to cut rates by 25 basis points.

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United States

Analysts note that the AI trade is likely maturing, but market cap concentration remains at record highs. US equity markets ended November broadly flat despite a late rally, as sentiment shifted around several factors. Confidence in a December Fed rate cut faded early in the month, fueling an equity sell-off, before rebounding on softer labor data and dovish Fed signals. A strong earnings season delivered few surprises but reinforced the focus on AI, with returns concentrated in infrastructure rather than application

Exhibit 18: Concentration of S&P 500 market cap and earnings in the 10 largest index constituents

Earnings reflect consensus forward 12-month estimates.
Source: Compustat, IBES, FactSet, Goldman Sachs Global Investment Research

or productivity layers. Another wave of hyperscaler capex growth, increasingly debt-funded, and rising concentration in the AI trade have fueled debate over diversification and correction risks. Against this backdrop, Goldman Sachs analysts point out that most of the Magnificent 7 companies are struggling to keep up with the broader S&P 500 this year even as the top 10 constituents now account for 41% of index market cap, the highest level in at least four decades. Overall, analysts note that although the AI trade is showing some signs of maturing, market cap concentration is broadening out and remains elevated.

US money markets faced renewed month-end tensions. Month-end volatility drove US funding rates higher: SOFR climbing to 4.05% ahead of the Thanksgiving break, above the Federal Reserve's policy target range, while overnight General Collateral (GC) repo traded near 4.20% early on Friday. Pressures were amplified by heavy Treasury settlements, with coupon payments resulting in over $130 bn in net cash needs between Friday and Monday, as banks curtailed repo activity for month-end regulatory reporting. Usage of the Federal Reserve's standing

Repo spreads and SRF take-up point to renewed funding pressures
SOFR rate - IORB rate (orange shaded area) and SRF take-up (blue line)

Source: Bloomberg

repo facility spiked to $24.4bn, its highest level since November 6, while reserve balances fell to $2.9 tn, which according to market analysts would suggest a system with an "ample" rather than "abundant" liquidity regime. Looking ahead to 2026, JPMorgan analysts expect a more volatile and less forgiving funding environment, where reserve levels, issuance flows, and Fed balance sheet policy weigh as heavily as traditional rate decisions.
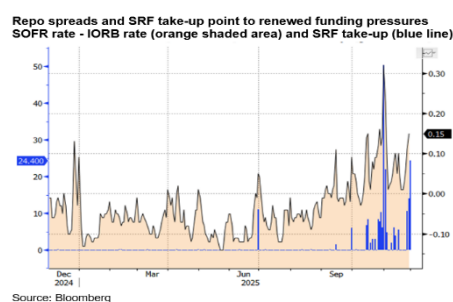
Europe

European equities were trading lower as markets started the new month in a risk-off mood. The Stoxx 600 fell 0.3% in early morning trading, led by declines in the industrials (-1.2%) and real estate sectors (-1.0%). Regional stock markets were also lower, with Germany's DAX underperforming (-1.2%). Elsewhere, the euro was firmer against the dollar at 1.1627. European government bond (EGB) yields were higher across the board, with market participants pointing to spillovers from developments in Japan. The

10-year German bund yield was +4bps higher at 2.73% in early morning trade with intra-EMU government bond spreads widened by around 1bps taking the 10-year OAT-Bund spread to 73bps and the 10-year BTP-Bund spread to 72bps.

**Euro-area banks remained buyers of European government bonds in Q3.** According to Barclays analysts, using ECB data, euro-area domiciled banks added around €55bn to their existing stock of holdings of EGBs in Q3. So far this year, euro-area banks' total net purchases amount to around €325bn, making them the largest buyers of EGBs, with appetite particularly strong for German bunds, French OATs and Belgian Government Bonds, including from non-domestic banks. In contrast euro area banks pared back

Figure 1. Net aggregate flows in EGBs in recent quarters
Change in EGBs holdings by investor type/domicile in €bn

Legend: Eurosystem, Banks, Investment funds, Insurance companies, Pension funds, Households and NFCs, Own holdings, Rest of the world, Net demand = supply

Source: ECB, Haver Analytics, Barclays Research

their holdings of Italian BTPs and Spanish Government Bonds in Q3, following two quarters of net buying. The analysis also highlights that net purchases of EGBs from investors outside of the euro area slowed to around €76bn in Q3, from a downwardly revised €102bn in Q2. Euro-area pension funds were small net sellers, with the largest reductions in OAT holdings. Barclays suggested this may reflect positioning adjustments by Dutch pension funds or a rotation from OATs into bunds.
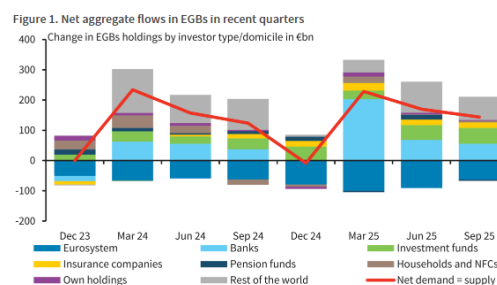
United Kingdom

Budget reinforces BoE December rate cut expectations. Analysts at Barclays described last Wednesday's Budget as one that delivered "more backloaded fiscal consolidation" relative to their expectations and noted that the "significant event risk of the Budget" has passed, with the measures unlikely to have a material inflationary impact. Against this backdrop, the analysts see the Budget as reinforcing their

BoE easing expectations (bp)
1-Dec-25, 26-Nov-25, 25-Nov-25
Dec-25
Through Nov 2026

Source: Bloomberg and IMF calculations

expectation of a 25 bps rate cut at the BoE's December 18 meeting, which would take Bank Rate to 3.75%. Money markets have scaled up expectations of a BoE December rate cut slightly following last week's Budget, to price in around 23 bps of easing last Wednesday, up from 22 bps prior to the event. Barclays analysts expect a further 25 bps rate cut in March to take the policy rate to 3.50%, their estimate of the neutral rate. Separately, data released this morning showed that the final November manufacturing PMI index was unchanged at 50.2, in line with the earlier flash estimate. Gilt yields were around 3–6 bps higher across the curve in early morning trade, underperforming European peers with the 10-year gilt yield at 4.48% (+4bps) while pound sterling was trading slightly weaker (-0.1%) against the dollar at 1.3227.
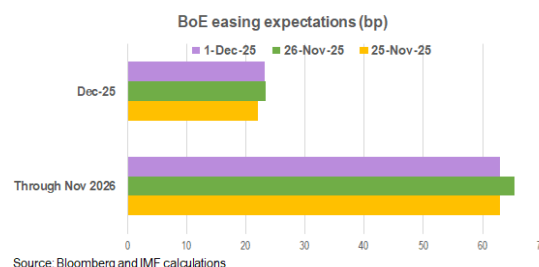
Japan

**Governor Ueda today said the Bank of Japan will weigh the pros and cons of a policy rate increase, while emphasizing communication with the government has been smooth.** Analysts interpreted the remarks as an indication that prime minister Takaichi would not object a December rate hike. Traders have scaled up bets for a December rate hike, with markets now pricing an 81% probability of a December hike, up from 58% last Friday. The Japansese Yen strengthened (+0.6%) to 155.26/$ today, while JGB yields rose sharply across the curve (2-year +4bps to 1.02%; 10-year +6bps to 1.87%; 30-year +4bps to 3.38%). Bank shares, including Mitsubishi UFJ, rallied on the hawkish stance, though the overall equity market declined (Nikkei 225: -1.9%) as the yen appreciated. Meanwhile, Finance Minister Katayama on Sunday reiterated that recent yen volatility is not driven by fundamentals and avoided commenting on specific levels, as the Ministry of Finance disclosed last Friday its revised plan for increased issuances in 2-year and 5-year notes along with bills to fund Takaichi's stimulus package. Strategists noted that upcoming 10- and 30-year auctions will test investor demand amid higher absolute yields, which could help support the sales.

2-Year JGB Yield Hits 1% for First Time Since 2008

Financing Extra Budgets
Japan plans to rely on more bonds to finance economic package

Source: Finance Ministry
Note: Years are fiscal. 2020 and 2022 have multiple extra budgets.
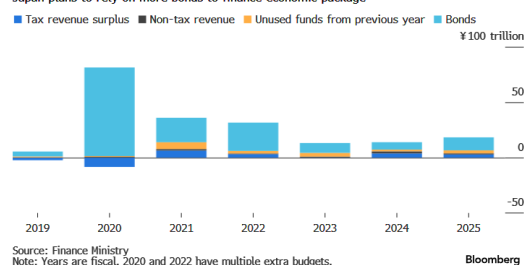
Emerging Markets   back to top

EMEA equities and currencies traded mixed amid uncertainty surrounding Ukraine's peace discussions. In CEE, equities gained in Hungary (+0.6%) following an upside surprise in the November manufacturing PMI and after Moody's left Hungary's rating unchanged last Friday, while stocks slipped in Czechia (-0.1%) and Poland (-0.2%). In Türkiye, the lira was little changed at TRY42.47 per dollar (-17.6% YTD), while equities rose 1.4% after data showed the economy expanded less than expected in Q3 (3.7% y/y vs 4.2% expected), which analysts said may reinforce prospects for further easing. Elsewhere, according to Bloomberg Senegal's 2033 dollar bond fell by 1.6 cents to 61.5 cents on the dollar after the government flagged increasing liquidity needs last Friday.

In Asia, currencies were mostly little changed while equities were mixed. The Thai baht was an expection (+0.6%). The Bank of Thailand announced today proposals to ease pressure on Thai baht, including to raise the limit on foreign income kept offshore and tighten oversight of gold-related FX transactions. Asian equities were mixed (EM Asia: flat), with gains led by Thailand (SET Index: +1.6%) and Malaysia (Kuala Lumpur Composite: +1.3%).

Latin American markets posted broad gains, with most currencies appreciating against the US dollar and equities rallying in tandem with the global risk-on sentiment. The Brazilian real (+0.4%) and Mexican peso (+0.3%) led the advance, while the Colombian peso (-0.3%) bucked trend. Equities in Mexico (+1.4%) and Colombia (+1.1%) outperformed regional peers. On the monetary policy front, **Guatemala cut its leading interest rate by 25 bps to 3.75%** on Wednesday, while the **Dominican Republic kept its overnight rate unchanged at 5.25%** on Friday.

EM Fund Flows

EM fund inflows accelerated in the final week of November, rising to +$5.6bn from +$3.1bn the previous week, supported by both bond and equity funds. Bond fund inflows (+$1.3bn) nearly doubled, driven by both hard currency (+$761mn from +$513mn) and local currency (+$581mn from +$162mn) funds. Hard currency fund inflows were led by broad EM funds (+$798mn), partially offset by Asia ex-Japan fund outflows (-$38mn). Local currency fund inflows were supported by

Figure 1: Weekly cross-asset flows
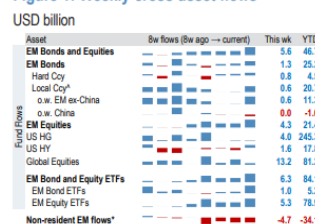
Figure 2: EM bond and equity fund flows
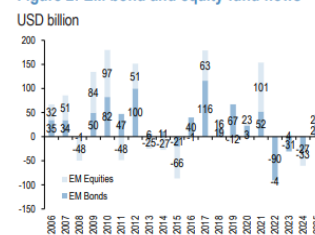
*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

EM ex-China funds (+$627mn), while China-focused funds saw modest outflows (-$45mn). ETF inflows surged (+$1bn from +$236mn), whereas non-ETF inflows eased (+$328mn from +$439mn). Equity fund inflows strengthened significantly (+$4.3bn from +$2.4bn), with Asia ex-Japan (+$1.5bn) and Latam (+$163mn) funds posting inflows, while EMEA funds (-$69mn) had slight outflows.

China

Yuan trimmed early gains Monday after state banks stepped in to buy dollars. Both onshore CNY and offshore CNH strengthened slightly, after the PBOC set the daily fixing at 7.0759 today, the strongest level since October 2024. Traders noted heavy dollar selling earlier in the session, reflecting a shift in sentiment among some investors who expect further appreciation toward the 7.0 level amid subdued volatility and expectations of US rate cuts into 2026. However, Bloomberg reported that a few major Chinese banks bid for dollars around 7.074–7.075 in the onshore market in the early session, limiting yuan gains, citing traders who asked not to be identified. The yuan optimism contrasts with persistent signs of economic softness—both the NBS and RatingDog manufacturing PMIs were below 50 in November, indicating slower manufacturing activity. The official services PMI also slipped below 50 for the first time in nearly three years, driven by weakness in real estate and residential services sectors. Goldman Sachs analysts note that the input price index of both manufacturing PMIs stayed above 50, suggesting that the government's latest "anti-involution" efforts targeting overcapacity are affecting parts of the economy. Meanwhile, the output prices sub-index fell further and remained below 50, signaling narrower profit margins amid sluggish end-demand.

Onshore Yuan Traded at Stronger Levels Than Fixing
- Onshore yuan spot
- PBOC yuan fixing
Source: Bloomberg

RatingDog China manufacturing PMI:
- Input prices
- Output prices
Source: S&P Global
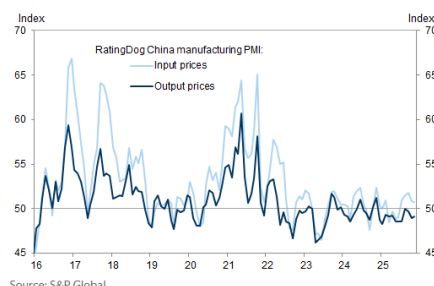
India

Indian rupee weakens to another record low, prompting another round of intervention from the Reserve Bank of India (RBI). The currency depreciated (-0.1%) to 89.56/$ today, after the RBI reportedly intervened sporadically to support the currency around the 89.70 level. The rupee has remained under pressure in recent weeks amid uncertainty surrounding a potential trade agreement with the United States. The depreciation comes despite official data Friday showed India's economy expanded at the fastest pace (+8.2%) in six quarters in the three months ended September. The positive data may have dampened hopes for deeper rate cuts despite October's record-low inflation of 0.25%. Economists at Barclays and Goldman Sachs now expect the RBI to hold its benchmark rate at 5.5% during its December 5 meeting, and have revised their growth forecasts higher, to as much as 7.5%. Bond traders, however, are positioning for liquidity support, with expectations of INR 2–3 tn in debt purchases next quarter to offset cash strains and help cap yields. The 10-year yields rose by +4bps today to 6.53% and is up roughly 30 bps since May.

Rupee Plunges in Monday Trading to New Record
- Indian Rupee Spot - Last Price
- Close on 11/28 ---- 89.4563
Source: Bloomberg
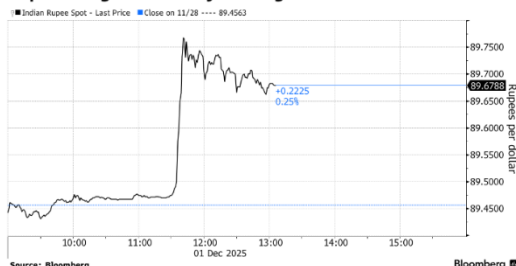
RBI Seen Returning to Bond Purchases as Cash to Tighten
- BI Banking System Liquidity
Source: Bloomberg

Hungary

The forint appreciated to its strongest level since January 2024, while equities also traded higher (+0.6%) after Hungary's November manufacturing PMI surprised to the upside. The PMI printed at 53.4 (vs 50.4 expected) from 51.2 in October, reinforcing its position in expansionary territory. Following the data release the Hungarian forint continued to appreciate (+0.2%) against the euro to HUF380.98/€, now roughly 8% stronger YTD. Deutsche Bank analysts expect the forint to stabilize near current levels heading into 2026, supported by high real rates (policy rate at 6.5% vs inflation at 4.3%). The analysts see political risks tied to the 2Q 2026 elections as a potential headwind, but maintains a constructive view on Hungarian government bonds, forecasting the 5-year yield to decline to 6.10% (from 6.40%) in 2026 and the 10-year yield to fall to 6.50% (from 6.94%). Hungary is scheduled for another rating review on Friday by Fitch, after Moody's reaffirmed its rating and negative outlook last week. ING analysts expect Fitch to shift the outlook to negative.

CEE 4 - Manufacturing PMIs

Source: Bloomberg and IMF calculations

Hungary: Policy rate, Inflation and Currency

Source: Bloomberg and IMF calculations

Global Financial Indicators

12/1/25 8:06 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,813	0.9	3.2	-0.4	12.9	16
Europe		5,628	-0.7	1.8	-0.6	17.1	15
Japan		49,303	-1.9	1.4	-5.9	28.0	24
China		4,576	1.1	2.9	-1.4	15.9	16
Asia Ex Japan		93	0.3	2.3	-2.2	24.9	28
Emerging Markets		54	0.4	2.3	-1.8	25.6	30
Interest Rates			basis points				
US 10y Yield		4.0	2	1	-4	-13	-53
Germany 10y Yield		2.7	4	4	10	64	36
Japan 10y Yield		1.9	6	10	20	83	77
UK 10y Yield		4.5	3	-7	6	22	-10
Credit Spreads			basis points				
US Investment Grade		116	1	-3	1	-1	-4
US High Yield		351	3	-8	13	40	23
Exchange Rates			%				
USD/Majors		99.1	-0.4	-1.1	-0.7	-6.3	-9
EUR/USD		1.17	0.5	1.1	1.1	11.0	13
USD/JPY		154.7	-0.9	-1.4	0.3	3.4	-2
EM/USD		46.4	0.1	1.1	1.1	6.1	8
Commodities			%				
Brent Crude Oil ($/barrel)		62.9	0.9	0.4	-2.0	-9.6	-12
Industrials Metals (index)		155.5	1.0	3.9	1.1	7.1	11
Agriculture (index)		56.3	-0.7	0.9	0.7	-0.5	-1
Gold ($/ounce)		4255.1	0.4	2.9	6.3	61.2	62
Bitcoin ($/coin)		85866.1	-5.8	-4.8	-22.2	-12.2	-8
Implied Volatility			%				
VIX Index (%, change in pp)		18.3	1.9	-5.2	0.8	4.8	0.9
Global FX Volatility		7.0	0.1	-0.2	0.2	-1.8	-2.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		61	1	0	-1	-21	-24
Italy		72	1	-3	-3	-47	-43
France		73	1	-3	-6	-8	-10
Spain		48	0	-2	-3	-23	-22

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

Emerging Market Financial Indicators

	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		4,576	1.1	2.9	-1.4	15.9	16.3		79	-21	-14	-25	-17
Indonesia		8,549	0.5	-0.3	4.7	21.3	20.7		96	0	4	-3	5
India		85,642	-0.1	0.9	2.0	6.7	9.6		94	1	6	9	8
Philippines		5,989	-0.5	-0.5	1.0	-11.2	-8.3		82	-1	5	-5	3
Thailand		1,277	1.6	1.9	-2.5	-11.2	-8.8						
Malaysia		1,625	1.3	0.4	1.0	1.8	-1.1		63	-1	2	-6	-7
Argentina		3,026,470	0.2	6.2	0.8	34.0	19.5		655	-9	-38	-106	18
Brazil		159,072	0.5	2.4	6.4	26.6	32.2		207	-1	6	-4	-40
Chile		10,083	0.5	2.9	6.9	53.3	50.3		101	2	2	-17	-12
Colombia		2,073	1.1	3.7	4.3	48.9	50.3		279	18	19	-41	-47
Mexico		63,597	1.4	2.8	1.3	27.7	28.4		225	0	10	-80	-87
Peru		2,354	1.0	5.4	-0.4	32.1	38.9		103	2	1	-39	-38
Hungary		110,458	0.9	2.6	2.9	41.7	39.2		148	2	20	-15	-7
Poland		111,814	0.0	2.5	0.3	40.9	40.5		95	3	3	-22	-17
Romania		22,843	0.0	1.0	1.4	38.9	36.6		197	-4	0	-27	-39
South Africa		111,230	0.2	1.1	1.8	31.6	32.3		232	-3	-11	-52	-61
Türkiye		11,049	1.4	1.5	0.7	14.5	12.4		255	-4	-4	-6	-4
EM total		54	-0.1	2.3	-1.8	25.6	29.9		280	-5	-1	-91	-84

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

	Exchange Rates							Local Currency Bond Yields (GBI EM)						
12/1/2025	Level		Change (in %)					Level		Change (in basis points)				
8:14 AM	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		7.07	0.0	0.5	0.7	2.9	3.2		1.9	-1	2	1	-9	19
Indonesia		16659	0.0	0.2	0.0	-4.6	-3.3		6.2	4	13	25	-75	-85
India		90	-0.1	-0.4	-0.9	-5.4	-4.4		7.1	5	8	22	3	-29
Philippines		59	0.2	0.6	0.4	0.2	-1.2		4.6	0	-1	-1	-34	-23
Thailand		32	0.6	1.5	1.5	7.8	6.6		1.8	2	0	3	-61	-53
Malaysia		4.13	0.0	0.2	1.7	7.9	8.2		3.5	0	2	-4	-35	-36
Argentina		1450	0.0	-1.7	2.1	-30.2	-28.9		31.6	-67	19	-244	270	242
Brazil		5.34	-0.2	0.8	0.3	13.5	15.6		13.2	-1	-35	-48	-71	-274
Chile		926	0.2	1.5	1.3	5.6	7.4		5.3	0	6	-9	-10	-42
Colombia		3755	0.0	1.2	2.6	18.8	17.3		12.4	-5	15	85	153	60
Mexico		18.27	0.1	1.3	1.2	11.6	14.0		8.8	3	-7	13	-120	-156
Peru		3.4	0.0	0.7	0.8	11.3	11.2		5.9	-1	-1	-15	-65	-72
Uruguay		39	0.0	1.0	1.0	9.6	11.7		7.8	-1	-4	-3	-174	-185
Hungary		327	0.7	1.6	2.9	20.8	21.6		6.7	-1	-9	15	47	24
Poland		3.63	0.6	1.3	1.7	12.4	13.8		4.6	-7	-18	-22	-69	-101
Romania		4.4	0.4	1.1	1.0	8.5	9.9		6.8	0	0	-13	-28	-43
Russia		77.8	-0.3	0.9	4.1	36.9	45.9							
South Africa		17.1	0.2	1.3	1.5	6.2	10.4		8.9	-5	-15	-39	-142	-159
Türkiye		42.46	0.1	-0.1	-0.9	-18.2	-16.7		31.3	-41	-115	-85	153	159
US (DXY; 5y UST)		99	-0.4	-1.1	-0.8	-6.3	-8.7		3.61	1	2	-8	-44	-77

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