



- Global investors expect trends of 2025 to continue into 2026 ([link](#))
- US mortgage rates are still elevated despite Fed rate cuts ([link](#))
- Rising commodity prices raise hopes for continued growth in 2026 ([link](#))
- Two-year JGB yield at highest since 2007 ([link](#))
- Stocks in China extend losses due to factory price pressures ([link](#))
- Argentine provinces compete for data centers ([link](#))

[Mature Markets](#)


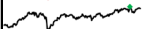







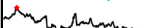

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Global markets remain cautious on Fed day

Most equity markets were down and US equity index futures were lower as Fed day finally arrives. Stocks in Hong Kong SAR were outliers as technology companies led gains. Government bond yields were higher in Europe and the US, with the 10-year US Treasury yield hitting 4.20% for the first time since early September. Expectations that central banks are near the end of their rate cutting cycles has driven a Bloomberg index of government bond yields to a 16-year high. The Fed Funds futures markets is setting the odds of a rate cut at today's FOMC meeting at 97%, and market participants are more focused on the updated dot plot to be released with the Fed statement and Fed Chair Powell's comments at today's press conference. The consensus appears to expect a hawkish tone in order to maintain maximum flexibility for Fed policy making in the new year.

Key Global Financial Indicators

Last updated: 12/10/25 8:00 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6841	-0.1	0	0	13	16
Eurostoxx 50		5708	-0.2	0	1	15	17
Nikkei 225		50603	-0.1	1	0	29	27
MSCI EM		55	-0.2	0	-2	24	30
Yields and Spreads			bps				
US 10y Yield		4.20	1.0	13	8	-3	-37
Germany 10y Yield		2.87	1.8	12	20	75	50
EMBIG Sovereign Spread		261	2	-3	-10	-64	-63
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.3	-0.1	0	0	5	8
Dollar index, (+) = \$ appreciation		99.1	-0.1	0	0	-7	-9
Brent Crude Oil (\$/barrel)		62.3	0.5	-1	-3	-14	-17
VIX Index (% change in pp)		17.5	0.5	1	0	3	0

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

Mature Markets

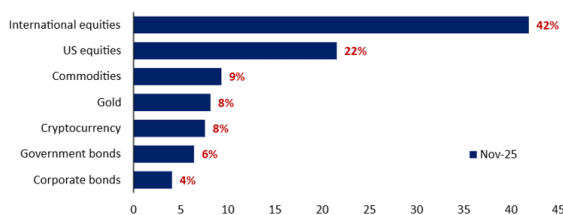
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United States

The latest survey of global investors by Bank of America finds that investors expect the market trends of 2025 to continue into 2026. As a result, they expect US stocks to underperform international stocks again in 2026 as they have done this year. However, optimism is high, with the Bank's proprietary index of investor sentiment at its highest level in nine months, with many equity markets around the world at or close to all-time highs despite a few brief pullbacks in October and November. In the US, the equal weight S&P 500 and the Russell 2000 small cap indexes are near record highs, indicating that the US rally is very broad based and is not being dominated by a few high flying technology stocks. The survey also found that portfolio managers' cash levels are very low, with most capital being deployed into the market. In addition, 90% of those surveyed expect either a soft landing (57%) or no landing (33%).

Chart 1: International equities predicted to be best performing asset class in '26

Which of the following do you expect to be the best performing asset class in 2026?



Source: BofA Global Fund Manager Survey

Chart 2: BofA Global FMS investor sentiment at 9-month high

Percentile rank of FMS growth expectations, cash level, and equity allocation

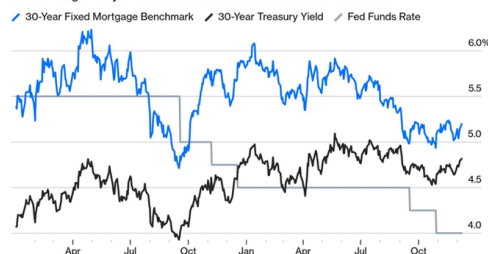


Source: BofA Global Fund Manager Survey

Despite the administration's focus on making US housing more affordable, mortgage rates have started to rise again. Several officials have called for faster Fed rate cuts to help bring down housing costs. However, multiple rate cuts have not led to lower mortgage rates, and the 10-year Treasury yield that is a major determinant of mortgage rates is now higher than where it was before the rate cut cycle began. Long-term interest rates remain elevated and are being driven by worries about inflation and fiscal sustainability, and more rate cuts are unlikely to have an impact as the Fed has much less control over the long end of the yield curve compared to the short end. Other countries such as Japan, Germany and China have seen even bigger increases in long term rates than the US, where the 10-year Treasury has traded within a relatively narrow range over the past several months.

Is It up to the Fed to Rescue the Housing Market?

Critical long-term yields have climbed as the Fed slashed fed funds

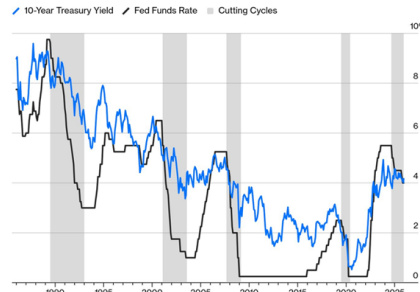


Source: Bloomberg

Bloomberg Opinion

Treasury Traders Aren't Listening to the Fed

15 months into the cutting cycle, 10-year yields are higher than they started



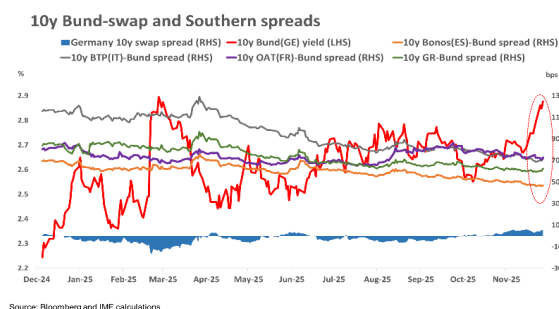
Source: Bloomberg

Bloomberg Opinion

Euro Area

European equities ticked lower this morning, ahead of the Fed meeting later today. The Stoxx 600 index was down by -0.1%, with nearly all sectors flat or trading in the red save for banks (0.2%). Most European bourses lost ground, with Germany (DAX -0.4%) and Italy (FTSE MIB -0.4%) underperforming to pare yesterday's gains. The euro continued to hold steady against the dollar, at around \$1.1633/€.

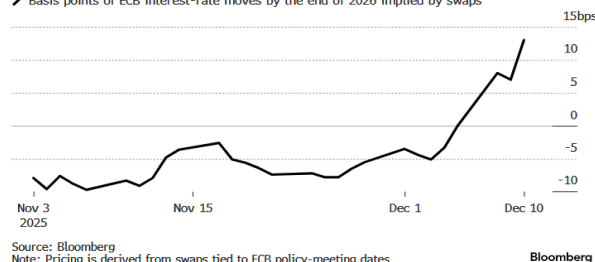
Money markets priced-out any chance of a rate cut in 2026 today, instead ramping up bets on tightening, as they now price-in a 25bps hike with 28% likelihood by October 2026 (+7bps of implied rate hike, against -3bps priced-in yesterday and -7bps of easing priced-in a week ago). **European government bonds (EGBs) declined in early morning trading**, with yields edging higher, led by the front end of the curve, as the 2y and 5y Bund yields were up 2bps at 2.17% and 2.48%, and the 10y yield reached 2.86%. Other EGBs continued to underperform Bunds, with the 10y French OAT yield up by 4bps to reach its highest since March (3.59%). **ING** notes that France's approval yesterday of an expansionary social-security budget, raising the deficit to €19.4bn in 2026 and worsening the broader fiscal outlook, implies continued upward pressure on OAT yields amid persisting risks of no agreement on the state budget and potential reliance on an extension of the 2025 budget, with deficits likely to remain above 5% of GDP in 2026.



Traders See Greater Than 50% Chance of an ECB Hike in 2026

Swaps imply 13 basis points of rate hikes by December next year

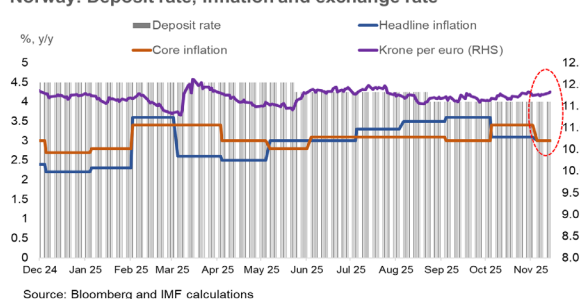
✓ Basis points of ECB interest-rate moves by the end of 2026 implied by swaps



Norway

The krone was little changed against the dollar and a touch weaker (-0.1%) against the euro this morning, trading at NOK10.15/\$ (+10.8% YTD) and NOK11.82/€, after today's data showed **inflation slowing in November**, with the CPI printing at 3% y/y (vs. est. 2.7%, from prior 3.1%) and core inflation cooling a tad more than expected at 3% y/y (vs. est. 3.1% y/y) from 3.4% in October. **Bloomberg** sees today's data broadly in line with the scenario of a slow easing pace by the Norges Bank over the next three years, after the central bank cut its policy rate twice in 2025 (June and September) to 4%. **JP Morgan expects no more easing before 2027**, noting that underlying inflation remains too high despite today's slight downside surprise, with JP Morgan's "super core" measure of wages and services price-sensitive inflation at 4.7% y/y, and with the upside surprise in headline CPI (0.5% above Norges Bank's projection) further reducing scope for rate cuts. Money markets marginally scaled down bets of further easing in 2026, pricing-in 10bps of rate cuts by May from -12bps priced-in yesterday, while Norway's government bond yields edged higher (by about 4bps) across tenors (2y and 5y yields at 4.03%, 10y at 4.22%), in line with global peers.

Norway: Deposit rate, inflation and exchange rate



Norwegian core inflation momentum

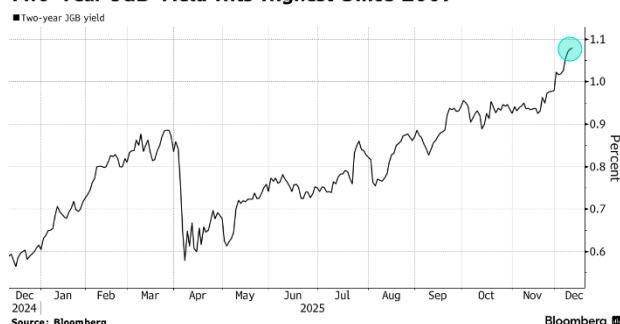


Japan

Short-term JGB yields edged higher (2y: +1bp to 1.075%) as investors reportedly sold bonds. Bloomberg reported heavy selling of short-dated JGBs (1~3yr) during the BOJ's latest purchase operation, with offering nearly four times the ¥300bn(\$1.9bn) the central bank sought, even as 2y yields hover at their

highest since 2007. Selling in longer maturities (5~10yr and 25yr~) was modest, suggesting curve-flattening pressure may persist. Zenkyoren, one of Japan's largest sovereign bond investors, sees limited room for further yield increases, noting fiscal concerns tied to government spending plans have been largely priced in. They expect 30y yields to peak near 3.5% (vs. 3.39% currently) and 10y yields to hover around 2% (vs. 1.95% currently). Separately, the Japan Foreign Trade Council expects a ¥1.9tn (\$12.1bn) trade surplus next fiscal year—the first surplus in over half a decade—driven by lower energy import costs and firm external demand for AI and data center-related goods.

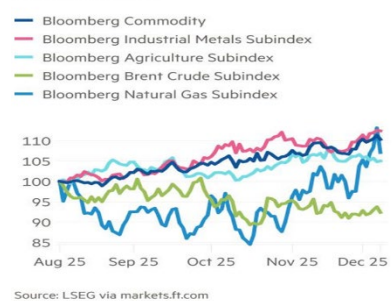
Two-Year JGB Yield Hits Highest Since 2007



Commodity Markets

The Bloomberg Commodity Index is at its highest level since 2023, raising hopes among some analysts that the global economy will do well in 2026. The rally has been broad based, with only the oil market in negative territory. In particular, the strength in copper and natural gas may augur well for the year ahead as these are key industrial inputs. These factors could combine with other positive developments to build an optimistic case for next year, such as low corporate default rates in the US and Europe for both investment grade and high yield bonds, the strong employment report in Canada, improvements in German industrial production and a revival of business confidence in Japan. In equity markets, momentum has shifted away from the big technology companies and towards small cap stocks and economically sensitive sectors such as transportation. However, other analysts are skeptical about this thesis, holding that the copper rally is being caused by short-term supply constraints rather than stronger structural demand, while some contend that rising natural gas prices are being driven by high demand for liquified natural gas (LNG) exports.

Everything but oil
Indices rebased



Emerging Markets

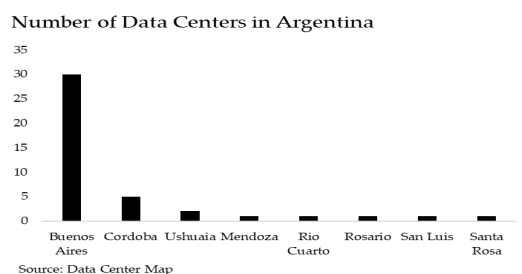
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EMEA equities and currencies were trading mixed ahead of today's FOMC meeting. Equities were mixed in CEE, with Hungary (-0.4%) underperforming led by declines in the financial sector (-0.7%), while CEE currencies were relatively rangebound against the euro. **EM Asian currencies were mostly steady against the dollar ahead of the Fed meeting.** EM Asian equities were mixed, with Hong Kong SAR (HSI: +0.42%) and Indonesia (JCI: +0.51%) advancing, while India (SENSEX: -0.36%) and Philippines (PSEi: -0.28%) declined. **Latin American markets were mixed.** Currencies were weaker, while stocks in Mexico gained but equities in Brazil and Argentina declined.

Argentina

Argentine provinces are competing to attract investment in data center infrastructure as global tech interest in the country intensifies. In October, OpenAI and Sur Energy signed a memorandum of understanding to advance a project worth up to \$25 billion to develop an artificial intelligence data center

in Argentina. While the exact location has not been disclosed, several provinces are competing to host the facility, offering incentives such as free trade zone and tax benefits. Several provinces view this as an opportunity to establish themselves as technology and innovation hubs, capitalizing on growing demand for AI infrastructure. Historically, Buenos Aires and the Autonomous City of Buenos Aires have been the preferred destinations to set up data centers. However, their limited power availability, constrained by high industrial consumption, has given alternative locations with strong energy capacity and favorable regulatory conditions a competitive edge.



China

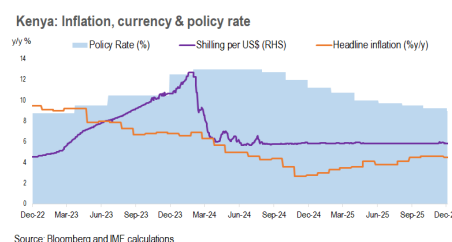
Chinese stocks extended losses (CSI300: -0.14%) as weaker-than-expected November PPI (-2.2% y/y) reinforced concerns over factory price pressures. ANZ said the deeper contraction of PPI underscores that deflation remains a key policy challenge for 2026. CPI rose +0.7% y/y in November, matching forecasts, driven by a +15% surge in fresh vegetables, while core CPI held at +1.2% y/y, according to the National Bureau of Statistics. Saxo Markets noted the CPI improvement is too mild to shift the growth or earnings outlook, and ING expects the PBOC to deliver 20bps of rate cuts in 2026, double this year's easing, as food-driven inflation won't constrain policy. Separately, Vanke Co. held an online meeting with bondholders on a ¥2bn (\$283mn) onshore bond due Dec. 15, proposing a 12-month extension without upfront payments and two alternatives with interest payments and credit enhancements. Approval from holders of at least 90% is required by Friday. Failure to pay principal or interest triggers a five-day grace period before default. Vanke faces ¥13.4bn (\$1.9bn) in bond maturities through mid-2026 and holds total interest-bearing liabilities of about \$51bn, according to Bloomberg. Today, the yuan was steady against the dollar after the PBOC set the RMB fixing (7.0753/\$) closer to estimates (7.0752/\$).

Exhibit 1: Year-over-year CPI inflation rose in November, while PPI inflation edged down



Kenya

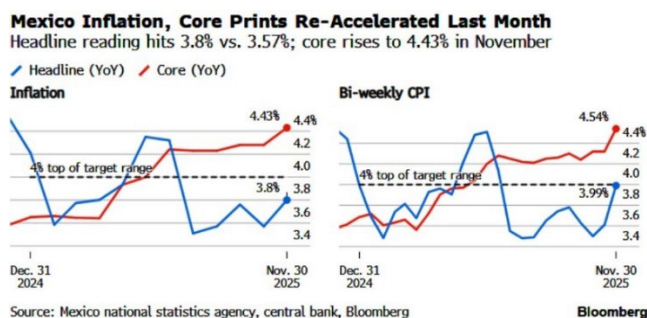
The central Bank of Kenya cut the policy rate in line with expectations. Yesterday, the Central Bank of Kenya (CBK) cut the policy rate by 25bp to 9.0%, as widely anticipated. Headline inflation has been declining and the CBK expects this trend to continue with inflation projected to remain below the 5% midpoint of the target in the near-term due to the stable exchange rate, declining food inflation, and stable energy prices. Analysts at Goldman Sachs expect that below target inflation and "still restrictive monetary conditions" should allow the CBK to continue with its cutting cycle. The analysts project a further 50bp of rate cuts taking the policy rate to a terminal rate of 8.5% by early 2026.



Mexico

Mexico's annual inflation accelerated more than expected in November, just a week before the Bank of Mexico's upcoming policy meeting. Consumer prices rose 3.8% from a year earlier, according to

Bloomberg. This figure was slightly above the 3.7% median forecast of analysts. Inflation remains within Banxico's target range of 3% plus or minus one percentage point but shows the signs of price pressures lingering at the upper band. Policymakers are widely expected to deliver a 25-basis-point rate cut on December 18, which would bring the benchmark interest rate to 7.0% by the end of the year. However, analysts noted that the unexpected pickup in inflation could prompt Banxico to take a more cautious stance and consider a longer pause in monetary easing after the December decision.



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Global Financial Indicators

12/10/25 8:00 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,841	-0.1	0.2	0.1	13.3	16
Europe		5,708	-0.2	0.2	0.8	15.3	17
Japan		50,603	-0.1	1.5	-0.5	28.5	27
China		4,592	-0.1	1.3	-1.3	15.1	17
Asia Ex Japan		93	-0.3	0.3	-2.3	23.1	29
Emerging Markets		55	-0.2	0.4	-1.8	23.8	30
Interest Rates			basis points				
US 10y Yield		4.2	1	13	8	-3	-37
Germany 10y Yield		2.9	2	12	20	75	50
Japan 10y Yield		2.0	-1	6	25	89	86
UK 10y Yield		4.5	2	8	7	20	-4
Credit Spreads			basis points				
US Investment Grade		112	0	-3	-7	-6	-8
US High Yield		339	-3	-6	-14	29	10
Exchange Rates			%				
USD/Majors		99.1	-0.1	0.3	-0.5	-6.9	-9
EUR/USD		1.16	0.1	-0.3	0.7	10.6	12
USD/JPY		156.7	-0.1	0.9	1.7	3.1	0
EM/USD		46.3	-0.1	-0.3	0.4	5.5	8
Commodities			%				
Brent Crude Oil (\$/barrel)		62.3	0.5	-0.7	-2.4	-11.2	-13
Industrials Metals (index)		155.4	0.7	-0.3	1.0	6.1	11
Agriculture (index)		55.2	-0.1	-1.4	-2.4	-4.5	-3
Gold (\$/ounce)		4196.4	-0.3	-0.2	2.0	55.8	60
Bitcoin (\$/coin)		92008.1	-0.7	3.1	-12.9	-5.1	-2
Implied Volatility			%				
VIX Index (% change in pp)		17.5	0.5	1.4	-0.1	3.3	0.1
Global FX Volatility		6.7	0.0	-0.1	-0.2	-1.9	-2.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		63	2	3	0	-17	-23
Italy		71	2	2	-3	-37	-44
France		72	2	-2	-5	-4	-11
Spain		47	1	0	-4	-18	-23

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

Emerging Market Financial Indicators

12/10/2025 8:02 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.06	0.0	0.0	0.8	2.6	3.3		1.9	-1	2	6	3	22
Indonesia		16688	-0.1	-0.4	-0.2	-4.9	-3.3		6.1	1	-2	9	-84	-90
India		90	-0.1	0.3	-1.4	-5.7	-4.8		7.3	5	14	43	30	-3
Philippines		59	-0.1	-0.6	-0.5	-2.1	-2.1		4.6	0	-1	3	-32	-23
Thailand		32	0.0	0.2	1.6	6.2	7.9		1.8	2	-1	-7	-53	-53
Malaysia		4.12	-0.1	0.1	1.0	7.5	8.6		3.5	2	6	#VALUE!	-24	-27
Argentina		1440	-0.1	0.9	-1.4	-29.4	-28.4		30.9	58	69	-13	106	173
Brazil		5.45	-0.2	-2.6	-2.8	11.0	13.2		13.6	3	43	-15	-124	-237
Chile		925	0.1	-0.6	1.5	5.5	7.8		5.3	1	-2	-9	-3	-42
Colombia		3861	0.1	-2.4	-2.7	13.3	14.1		12.3	21	-19	65	136	46
Mexico		18.20	0.0	0.5	1.0	10.8	14.4		9.0	14	24	14	-99	-135
Peru		3.4	0.0	0.2	0.2	10.6	11.7		5.8	0	-9	-25	-75	-83
Uruguay		39	0.1	-0.3	1.3	11.4	11.2		7.8	1	-3	-2	-177	-188
Hungary		330	0.1	-1.0	0.7	18.2	20.5		6.6	-1	-1	6	42	20
Poland		3.63	0.2	-0.2	1.0	11.5	13.8		4.6	1	4	-11	-72	-94
Romania		4.4	0.2	-0.2	0.7	8.0	9.9		6.8	0	-1	0	-11	-45
Russia		77.9	-0.7	-1.1	4.5	32.4	45.8							
South Africa		17.0	0.2	0.1	0.8	4.6	10.7		8.9	5	4	-35	-141	-159
Türkiye		42.60	0.0	-0.4	-0.9	-18.2	-17.0		30.9	0	-25	-156	61	121
US (DXY: 5y UST)		99	-0.1	0.3	-0.5	-6.8	-8.6		3.80	1	17	8	-30	-58

	Equity Markets						Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		4,592	-0.1	1.3	-1.3	15.1	16.7		74	-4	-18	-26	-22	
Indonesia		8,701	0.5	1.0	4.0	16.6	22.9		87	-7	-1	-8	-4	
India		84,391	-0.3	-0.8	0.6	3.5	8.0		91	-2	1	5	5	
Philippines		5,960	-0.3	-0.6	5.9	-10.3	-8.7		75	-6	0	-7	-4	
Thailand		1,270	0.0	-0.5	-2.4	-12.0	-9.3							
Malaysia		1,611	-0.2	-0.7	-1.5	0.5	-1.9		59	-4	-2	-15	-11	
Argentina		2,987,064	-1.9	-1.8	1.2	35.7	17.9		640	-14	-5	-95	3	
Brazil		157,981	-0.1	-2.3	1.8	23.2	31.3		208	6	5	-17	-39	
Chile		10,218	-0.4	0.7	5.8	52.0	52.3		93	-3	-9	-23	-20	
Colombia		2,124	0.5	0.4	2.5	53.4	53.9		288	15	36	-33	-38	
Mexico		63,695	0.3	-0.2	1.0	24.0	28.6		223	4	3	-80	-89	
Peru		2,497	2.0	5.9	5.4	37.0	47.3		99	2	-5	-37	-42	
Hungary		108,293	-0.3	-0.9	0.4	34.8	36.5		138	-6	5	-14	-17	
Poland		112,357	0.4	2.2	-0.3	35.5	41.2		84	-7	-4	-26	-28	
Romania		23,738	-0.4	2.0	4.2	38.2	42.0		187	-7	-9	-28	-48	
South Africa		111,040	0.3	-0.3	0.2	27.2	32.0		222	-4	-20	-54	-71	
Türkiye		11,288	0.4	2.3	4.6	11.8	14.8		241	-6	-16	-15	-18	
EM total		55	0.4	0.4	-1.8	23.8	30.4		276	1	-9	-84	-88	

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

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