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- **Bank of Japan expected to resume its hiking cycle for the first time since January** ([link](#))
- **European banks expected to face a higher bar for strong performance in 2026** ([link](#))
- **Inflation in Argentina accelerated for the third consecutive month** ([link](#))
- **Mexico is set to impose tariffs of up to 50% on Chinese imports** ([link](#))

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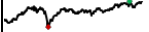
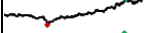







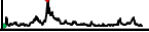
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Global equities push to fresh record highs

Several equity indices have reached fresh record highs as investors continue to digest the US Federal Reserve's rate cut, even as concerns around technology stocks weigh on sentiment. European equity bourses reached new record highs this morning, while the MSCI All Country World Index also set a fresh peak, following the S&P 500's recovery from a weak open yesterday to close at an all-time high. However, this morning US equity futures are again being weighed down by declines in technology shares. On the data front, UK monthly GDP disappointed, while inflation in Argentina surprised to the upside. Looking ahead, markets face a busy final stretch to the year next week, with key US labor market and inflation releases alongside several major central bank decisions, including from the ECB, the BoE and the BoJ.

Key Global Financial Indicators

Last updated: 12/12/25 8:00 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6901	0.2	1	1	14	17
Eurostoxx 50		5773	0.3	1	0	16	18
Nikkei 225		50837	1.4	1	1	29	27
MSCI EM		55	-0.5	1	-1	25	31
Yields and Spreads			bps				
US 10y Yield		4.18	2.4	5	11	-15	-39
Germany 10y Yield		2.86	1.8	6	22	66	49
EMBIG Sovereign Spread		259	-4	-1	-7	-62	-65
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.4	-0.1	0	0	6	8
Dollar index, (+) = \$ appreciation		98.5	0.2	0	-1	-8	-9
Brent Crude Oil (\$/barrel)		61.3	0.0	-4	-2	-17	-18
VIX Index (% change in pp)		15.2	0.3	0	-2	1	-2

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

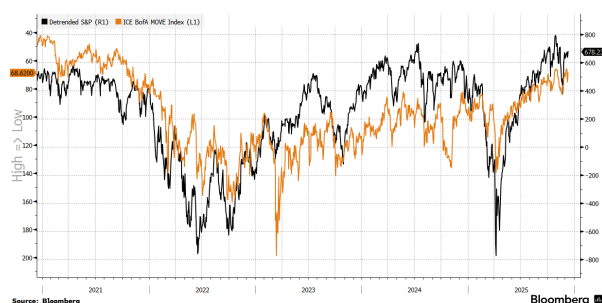
Mature Markets

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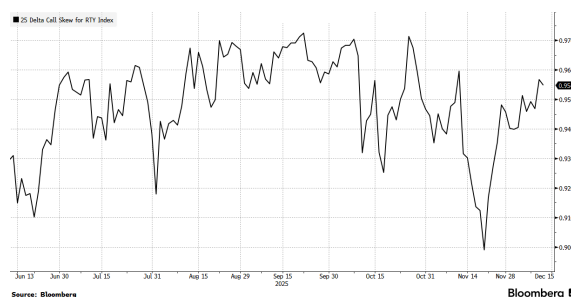
United States

Scrutiny of AI-exposed stocks is rising. After Wednesday's FOMC, the S&P 500 reached a record high of 6,901 on Thursday (+0.2%), underscoring that central-bank policy remains a key driver, with rate volatility closely linked to equity performance (left panel). However, Oracle's softer earnings reignited concerns around cloud and AI spending, introducing renewed volatility in parts of the technology sector. Analysts noted that the reaction reflects growing investor focus on whether heavy AI-related capital spending can translate into sustainable profitability, particularly as cloud margins lag and free cash flow remains under pressure. While Oracle's sell-off was widely viewed as largely idiosyncratic, it spilled over into a handful of AI-linked names. A Bloomberg Magnificent 7 index closed marginally lower (-0.2%), suggesting investors are increasingly differentiating within the AI trade rather than pricing a broad technology sell-off. Elsewhere, the Russell 2000 surged 1.2%, while call skew on the iShares Russell 2000 ETF (IWM) turned moderately bullish (right panel).

Rates volatility and equity performance

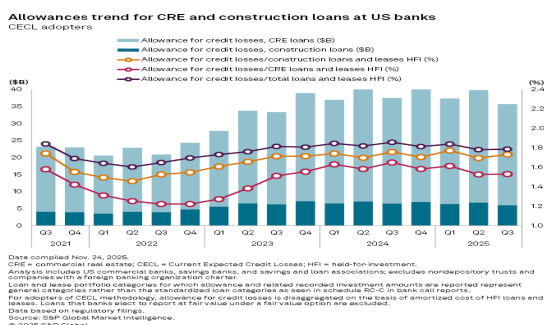


Russell 2000 Call Skew

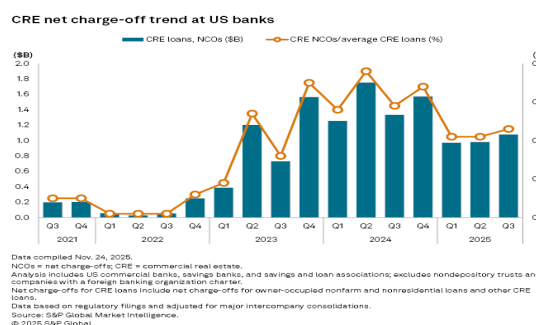


Credit loss allowances for commercial real estate loans hold steady. CRE credit loss allowances were unchanged in Q3 as US banks navigate stabilizing conditions and consider portfolio growth. The industry's aggregate CRE reserve ratio was flat sequentially at 1.53% (left panel, purple line), according to research by S&P Global Market Intelligence. The ratio had already declined in Q2 alongside the first sequential drop in delinquency rates since 2022, and Q3 marked a third consecutive year-over-year decrease. This follows sharp reserve builds in 2023 amid rising delinquencies driven by rate hikes and stress in the office sector. Analysts expect the CRE market to have reached a trough in 2025, with recovery accelerating in 2026 as lower rates, higher transaction volumes, and improved price discovery support activity. That said, elevated operating expenses and muted income growth could temper the pace of recovery. Net charge-offs rose modestly to 23 bps but remain well below their 2023–24 peaks (right panel).

Allowances trend for CRE and constructions loans at US banks



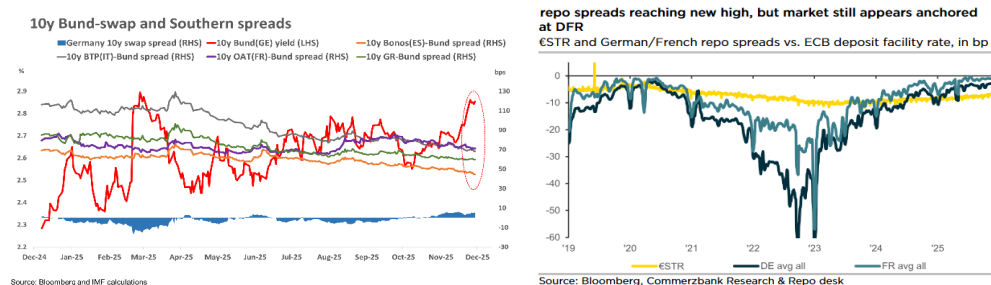
CRE net charge-off at US banks



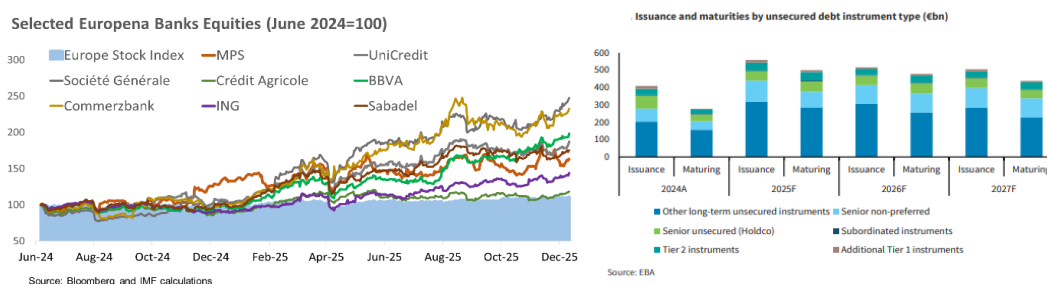
Euro Area

European equities were poised to end the week higher with the Stoxx 600 index up 0.5% this morning (+0.8% since last Friday), with all European bourses advancing. **The euro was marginally weaker** (-0.1%) against the dollar this morning, to trade at \$1.1726/€. Analysts at ING note that the front of the euro interest rate curve has moved sharply higher this week (by about +10bps in the 2-year tenor), diverging from US rate moves and supporting tighter euro-dollar spreads. The analysts expect the euro to remain range-bound between \$1.17–\$1.175 into year-end. **European government bond yields edged modestly higher**, with the curve bear-steepening slightly. The two-year Bund yield was little changed at 2.16%, while the five-year and 10-year yields rose 1 bp to 2.47% and 2.85%, respectively; the 30-year yield increased 2 bps to 3.47%.

The rise of Bund and BTP repo rates above the ECB's deposit facility rate (DFR) is seen to reflect uneven liquidity distribution rather than a structural shortage, according to Commerzbank analysts. While the number of trades clearing above the DFR has risen to record levels amid month- and year-end pressures, average repo rates remain anchored near the DFR and excess liquidity is still ample. The analysts argue the situation warrants monitoring, but see little need for additional ECB liquidity support as cross-border market functioning remains intact.



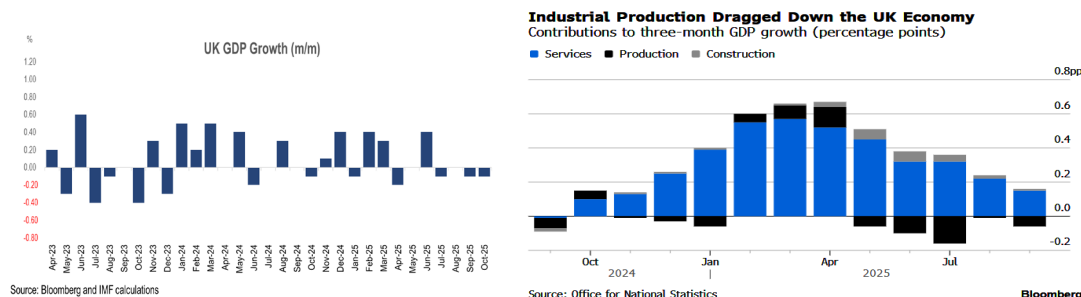
Analysts argue that European banks could face a higher bar for strong performance in 2026. This morning European banking shares rose 0.8%, taking year-to-date gains to 62%, compared with 15% for the Stoxx 600. BNP Paribas analysts argue that banks enter 2026 with strong fundamentals but warned that tighter valuations, narrower spreads, and elevated investor expectations may limit further outperformance. Barclays analysts noted that senior bank credit spreads no longer offer a premium over the broader investment-grade universe, while spreads versus covered bonds are also highly compressed. The analysts estimate gross bank supply at €388 bn in 2026 (-5% y/y) against redemptions of around €255 bn, with issuance of senior non-preferred debt up 8% y/y and senior preferred issuance down 10% y/y, reflecting subdued loan growth and sticky deposits.



United Kingdom

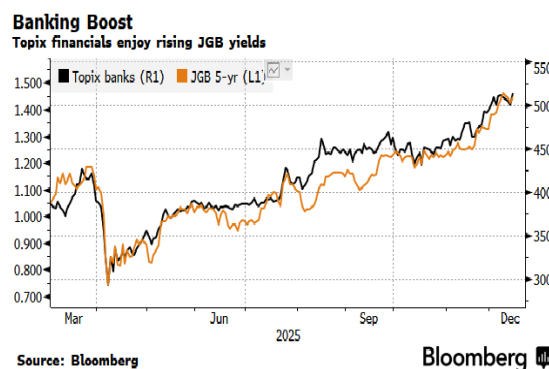
UK monthly GDP surprises on the downside in October. Data released this morning showed GDP contracting by 0.1% m/m in October, marking the second consecutive monthly decline (vs. expectations of

+0.1%). Deutsche Bank analysts highlight that the services sector fell 0.3% m/m and construction output dropped 0.6% m/m, warning that activity could weaken further in November and December amid soft hiring and rising unemployment ahead of the November budget. Bloomberg analysts expect continued weakness to reinforce the case for easing by the Bank of England, with a rate cut already anticipated at the upcoming December 18 policy meeting, which would take Bank Rate to 3.75%. Money markets scaled up BoE rate cut expectations marginally, adding 3 bps to cumulative easing through November 2026, now priced at 61 bps.



Japan

The Bank of Japan is expected to resume its hiking cycle for the first time since January. All 50 economists surveyed by Bloomberg expect the central bank to raise its benchmark rate by 25 bps to 0.75% next Friday. Overnight indexed swaps are now pricing in a 91% probability of a December rate hike, slightly higher than last week. Markets were also focused on the Ministry of Finance's meeting with primary dealers today, where dealers reiterated the proposal for more issuance of two-, five- and 10-year government bonds for next fiscal year. The JGB yield curve flattened: shorter-term yields rose (2-year +1 bps to 1.06%; 5-year +2 bps to 1.43%), while longer-term yields fell (30-year -3 bps to 3.35%). The 10-year JGB yield rose 3 bps to 1.95%, leaving it up 1 bp on the week and marking an eighth consecutive weekly increase from mid-October's 1.62%. The Yen weakened (-0.2%) to 155.89/\$ and equities rallied (Nikkei 225: +1.4%), led by banking shares amid rate hike expectations and rising front-end yields.



Emerging Markets

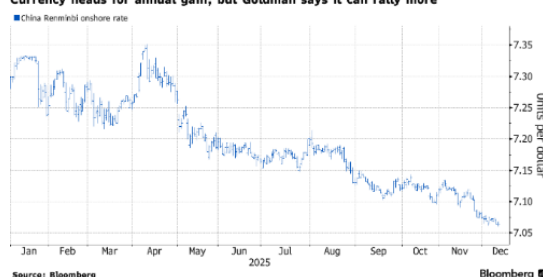
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EMEA equities mostly gained this morning, amid revived risk sentiment globally, while currencies were mixed. In CEE, equities advanced across the region, while currencies were little changed against the euro save for the Hungarian forint, that extended yesterday's losses (-0.2%), to trade at HUF383.66/ €, on news of political tensions in the country. **EM Asian equities broadly rallied as sentiment was lifted by the Fed's third consecutive rate cut** (EM Asia: +1.3%). Vietnam (VN Index: -3.1%) was an outlier, as strained interbank liquidity led to concerns over rising interest rates and their impact on lending. Asian currencies were mixed (EM Asia: flat), with the Thai baht (+0.5%) and the Malaysian ringgit (+0.4%) strengthening, while the Korean won (-0.3%) weakened. **In Latin America, stock markets were mixed**, with Argentina's falling and Mexico's rising. Meanwhile, major currencies in the region strengthened against the US dollar. Separately, **Peru's central bank maintained its benchmark interest rate at 4.25% for the third consecutive month.** The country recorded the lowest annual inflation rate among Latin America's largest economies, with headline inflation at 1.37% in November, within the central bank's 1–3% target range.

China

China's Central Economic Work Conference signaled a cautious but steady policy stance for 2026. According to an official readout released Thursday, policymakers pledged “flexible and efficient” use of interest-rate and reserve-requirement cuts to ensure ample liquidity, while committing to maintain a “necessary” level of budget deficit and government spending next year. Acknowledging mounting growth headwinds, officials vowed to arrest the slump in investment, stabilize the housing market, and address declining birth rates. They also pledged to tackle local-government fiscal strains and advance the resolution of debt risks in an “active but orderly” manner. Consumer-subsidy policies will be “optimized,” suggesting limited scope for expansion, while authorities reiterated that the exchange rate will be kept generally stable at an adaptive and balanced level. Both onshore CNY and offshore CNH were little changed today despite a stronger fixing at 7.0638. Property stocks rose early (China Vanke +5.7% in Hong Kong; Sunac China +5.3%) before reversing gains by the close. Government bond yields moved higher (10-year +3 bps to 1.84%; 30-year +3.5 bps to 2.24%), snapping a three-day rally.

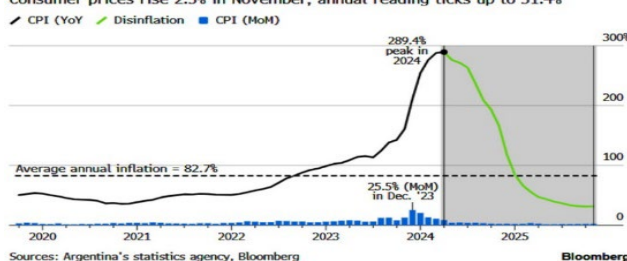
China Yuan Has Appreciation Momentum
Currency heads for annual gain, but Goldman says it can rally more



Argentina

Inflation in Argentina accelerated for a third consecutive month, underscoring persistent price pressures in the economy. Consumer prices rose 2.5% m/m in November, up from 2.3% in October and above the median estimates of economists. Annual inflation climbed slightly to 31.4%, compared with 31.3% the previous month. While the monthly increase was modest, analysts warned that further disinflation could become more challenging in 2026, particularly if the government continues to rely heavily on exchange-rate stability as its primary nominal anchor. The Argentine peso remained broadly stable. Looking ahead, the latest central bank survey of economists projects year-end inflation of around 30.4%.

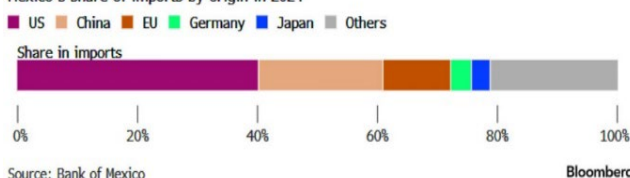
Inflation Accelerates More Than Expected in Argentina
Consumer prices rise 2.5% in November, annual reading ticks up to 31.4%



Mexico

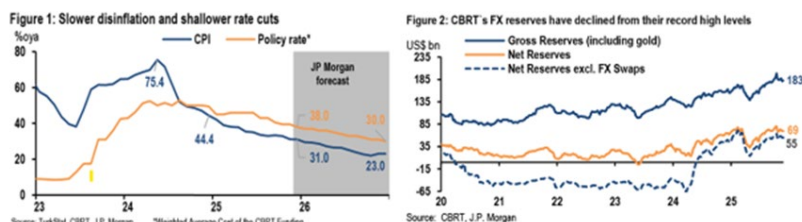
Mexican lawmakers have given final approval to a set of new tariffs on imports from Asia, broadly aligning with US efforts to tighten trade barriers against China. The Senate voted on Wednesday to pass the bill, which introduces duties of between 5% and 50% on more than 1,400 products originating from Asian countries without a trade agreement with Mexico. The measures cover a wide range of goods—including clothing, metals, and auto parts—with Chinese goods expected to be most affected. Under the legislation, Chinese vehicles will face the steepest tariffs, set at 50%. Mexico's finance ministry projects that these levies will generate close to 52 billion pesos (approximately \$2.8 billion) in additional revenue next year. Authorities argue that the move will promote industry, encourage local production, and lessen dependence on Asian imports. The new tariffs are set to take effect next year.

China Is Mexico's Second-Biggest Supplier
Mexico's share of imports by origin in 2024



Türkiye

The Central Bank of Türkiye accelerated the pace of easing at its December meeting. The CBRT delivered a larger-than-expected 150 bps rate cut, taking the policy rate to 38%. The accompanying statement cited weaker underlying inflation dynamics in October and November and suggested that domestic demand is likely to remain disinflationary despite stronger Q3 growth. JP Morgan analysts cautioned that rising inflation expectations and pricing behavior remain risks, noting that 12-month-ahead inflation expectations increased to 23.5% in November from 22.3% in September. The analysts expect the CBRT to slow the pace of easing to 100 bps per meeting in early 2026 as FX reserves decline, forecasting the policy rate to end 2026 at 30%, with year-end inflation around 23% y/y.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (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), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia 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), Javier Chang (Senior Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

12/12/25 8:01 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,887	0.2	0.2	0.5	13.8	17
Europe		5,772	0.3	0.8	-0.3	16.2	18
Japan		50,837	1.4	0.7	0.9	28.8	27
China		4,581	0.6	-0.1	-1.0	16.5	16
Asia Ex Japan		93	-0.7	0.9	-2.0	23.7	29
Emerging Markets		55	-0.5	1.0	-1.3	24.8	31
Interest Rates			basis points				
US 10y Yield		4.2	2	5	11	-15	-39
Germany 10y Yield		2.9	2	6	22	66	49
Japan 10y Yield		2.0	2	1	26	90	85
UK 10y Yield		4.5	2	3	10	14	-7
Credit Spreads			basis points				
US Investment Grade		111	0	-3	-7	-5	-9
US High Yield		340	-1	-3	-5	34	11
Exchange Rates			%				
USD/Majors		98.5	0.2	-0.5	-1.0	-7.9	-9
EUR/USD		1.17	-0.1	0.7	1.1	12.0	13
USD/JPY		156.0	0.3	0.5	0.8	2.2	-1
EM/USD		46.4	-0.1	0.0	0.3	6.0	8
Commodities			%				
Brent Crude Oil (\$/barrel)		61.3	0.0	-3.9	-1.9	-13.5	-14
Industrials Metals (index)		156.3	-0.8	-0.4	1.4	7.2	11
Agriculture (index)		55.2	-0.4	-1.0	-2.5	-3.5	-3
Gold (\$/ounce)		4326.3	1.1	3.1	3.1	61.4	65
Bitcoin (\$/coin)		92386.5	-0.5	2.4	-9.3	-7.4	-1
Implied Volatility			%				
VIX Index (% change in pp)		15.2	0.4	-0.2	-2.3	1.3	-2.2
Global FX Volatility		6.8	0.0	0.2	-0.1	-1.7	-2.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		60	0	1	-1	-23	-25
Italy		69	0	0	-4	-46	-47
France		72	0	-1	-2	-7	-11
Spain		45	0	-2	-5	-23	-25

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

Emerging Market Financial Indicators

12/12/2025 8:03 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		7.05	0.0	0.2	0.8	3.0	3.5		1.9	-1	-3	5	8	20	
Indonesia		16640	0.2	0.0	0.4	-4.3	-3.2		6.1	-1	0	7	-87	-92	
India		90	-0.1	-0.5	-2.0	-6.1	-5.3		7.3	-5	14	36	23	-9	
Philippines		59	-0.1	-0.3	0.2	-1.4	-2.1		4.7	2	3	4	-16	-20	
Thailand		32	0.5	1.4	2.9	7.1	7.9		1.8	0	3	-11	-54	-54	
Malaysia		4.10	0.3	0.3	0.9	8.3	9.2		3.5	0	7	#VALUE!	-26	-27	
Argentina		1436	0.0	-0.2	-1.9	-29.1	-28.2		31.6	98	-49	94	238	241	
Brazil		5.40	0.1	0.9	-2.0	11.0	14.3		13.6	-9	49	5	-74	-237	
Chile		916	-0.1	0.9	1.6	6.9	8.7		5.3	-2	-1	-6	-6	-43	
Colombia		3795	0.2	1.2	-2.3	14.5	16.1		12.5	-3	39	77	149	68	
Mexico		18.04	0.0	0.7	1.4	12.1	15.4		9.0	0	26	10	-100	-133	
Peru		3.4	0.1	-0.2	-0.1	10.6	11.0		5.8	-1	-2	-22	-73	-81	
Uruguay		39	0.1	-0.2	1.5	13.5	12.2		7.7	1	-7	-11	-187	-196	
Hungary		327	-0.4	-0.1	1.3	19.4	21.4		6.7	4	8	8	59	27	
Poland		3.60	-0.1	0.9	1.4	13.4	14.7		4.7	0	9	-8	-67	-90	
Romania		4.3	-0.1	0.8	1.0	9.4	10.7		6.8	-3	-6	-6	-23	-49	
Russia		79.5	0.3	-3.8	2.2	32.1	42.7								
South Africa		16.9	0.1	0.4	1.3	5.6	11.8		8.8	-6	12	-36	-151	-164	
Türkiye		42.70	-0.2	-0.3	-1.3	-18.3	-17.2		31.0	-6	17	-185	20	126	
US (DXY; 5y UST)		99	0.2	-0.5	-1.0	-7.9	-9.2		3.75	1	3	7	-44	-64	

	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		4,581	0.6	-0.1	-1.0	16.5	16.4		75	-2	-15	-24	-21		
Indonesia		8,660	0.5	0.3	3.5	18.2	22.3		88	-1	1	-4	-3		
India		85,268	0.5	-0.5	0.8	3.8	9.1		90	-2	1	5	4		
Philippines		6,037	0.8	2.5	8.1	-8.8	-7.5		76	0	3	-4	-3		
Thailand		1,254	0.0	-1.6	-1.2	-12.4	-10.4								
Malaysia		1,638	0.8	1.3	0.7	1.8	-0.3		58	-4	-1	-13	-12		
Argentina		2,980,581	-1.1	-3.7	-0.1	29.4	17.6		641	-2	34	-86	4		
Brazil		159,189	0.1	1.2	1.0	26.3	32.3		205	6	8	-15	-42		
Chile		10,376	1.9	1.9	4.9	53.0	54.6		92	-2	-8	-20	-21		
Colombia		2,114	-0.3	-0.1	1.6	52.6	53.3		281	8	36	-32	-45		
Mexico		64,712	2.1	1.6	3.8	25.4	30.7		220	4	5	-80	-92		
Peru		2,591	2.1	8.8	9.2	40.5	52.8		99	3	-2	-33	-42		
Hungary		109,619	0.4	0.6	1.4	36.1	38.2		146	6	15	2	-9		
Poland		113,967	0.5	3.6	1.1	39.5	43.2		88	-2	0	-18	-24		
Romania		23,957	0.0	1.8	2.9	37.8	43.3		190	3	-2	-20	-46		
South Africa		113,829	1.5	1.2	0.8	30.9	35.4		223	1	-17	-53	-70		
Türkiye		11,273	0.3	2.4	5.9	12.1	14.7		243	1	-12	-10	-16		
EM total		55	0.7	1.0	-1.3	24.8	31.2		273	1	-8	-83	-91		

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

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