GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, DECEMBER 4, 2025
LEAD EDITOR: PATRICK SCHNEIDER

- **Private credit returns may moderate as spreads widen and the asset class evolves** (link)
- **Some analysts believe AI bubble risks remain contained despite ongoing concerns** (link)
- **Japanese yen strengthened on reports that a Bank of Japan rate hike is likely** (link)
- **Argentina may return to international bond markets next year** (link)
- **Italian sovereign bond spreads have tightened to the lowest levels since 2010** (link)
- **Special Feature: EM Local Currency Bond Monitor (attached)**

Mature Markets | Emerging Markets | Market Tables

Markets continue to drift higher amid questions about the US labor market.

Most global equities have continued to climb, with US labor market concerns, the upcoming Fed and Bank of Japan meetings, and AI investment top of mind. Following yesterday's weak ADP payrolls data, US initial jobless claims came in well below expectations at 191k (vs 220k expected). Markets are pricing in a near certainty of a Fed rate cut next week, though 2y Treasury yields ticked higher following the release. President Trump will reportedly announce his pick for Federal Reserve Chair in early 2026, with Kevin Hassett still seen as the favorite by betting markets despite renewed speculation in recent days. The Japanese yen has gained over 1% in the last week amid growing market confidence that the the Bank of Japan will hike at its December meeting, supported by commentary from government officials. Meanwhile, the Indian rupee rebounded slightly after setting a record low yesterday, but media reports highlighted that the central bank would likely tolerate additional weakness and only intervene to curb excessive volatility or speculative positioning.

Key Global Financial Indicators

Last updated: 12/4/25 8:40 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6850	0.3	1	1	13	16
Eurostoxx 50		5724	0.5	1	1	16	17
Nikkei 225		51028	2.3	2	2	30	28
MSCI EM		54	0.1	1	-1	25	30
Yields and Spreads					bps		
US 10y Yield		4.10	3.3	10	1	-8	-47
Germany 10y Yield		2.77	2.2	9	12	71	40
EMBIG Sovereign Spread		263	-2	-11	-1	-69	-62
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.5	0.2	0	2	7	9
Dollar index, (+) = $ appreciation		99.0	0.1	-1	-1	-7	-9
Brent Crude Oil ($/barrel)		63.0	0.6	0	-2	-13	-16
VIX Index (%, change in pp)		16.1	0.0	-1	-3	3	-1

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

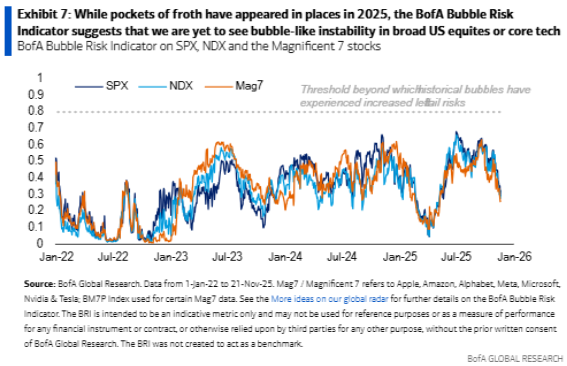
Mature Markets

back to top

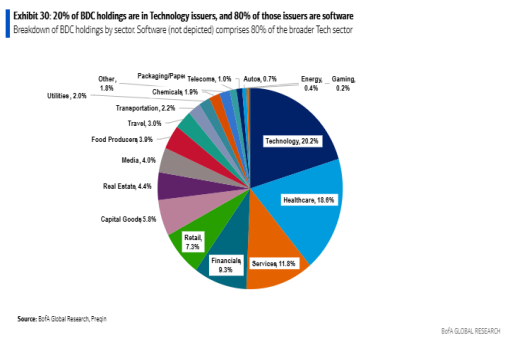
United States

Jobless claims came in below expectations, with initial claims at 191k (vs 220k expected) and continuing claims at 1.939 mn (vs 1.963 mn). Claims were at their lowest level since October 2022, though some analysts raised questions about seasonal adjustment around the holiday week. Treasury yields edged higher while equity futures appeared little changed. Challenger job cuts were also below expectations but rose 23.5% y/y.

Analysis suggests AI bubble risks remain contained despite ongoing concerns. Bank of America (BofA) analysts believe that while an AI-driven bubble may build over time, current indicators suggest froth is concentrated at the fringes of the investment theme, such as in US nuclear and quantum computing stocks, while core US tech valuations remain far from extremes. The analysts highlighted a lack of aggregate leverage, the monetary easing cycle, and underweight postioning. While they do see the AI investment cycle as vulnerable to power constraints, further reliance on credit, and lofty valuations, they believe the winners and losers may not emerge until 2027. On the downside, tightening financial conditions and inflation could accelerate the timeline.



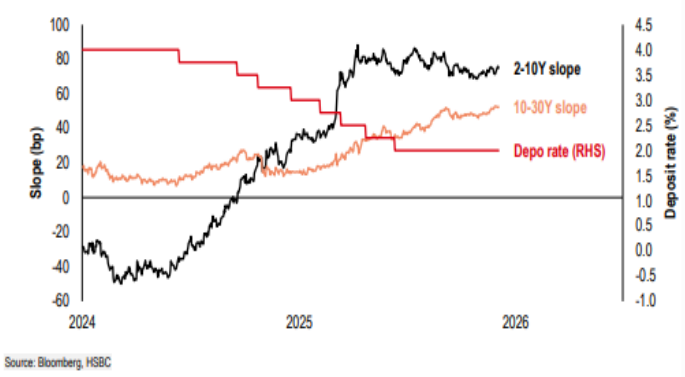
Analysts expect private credit returns to moderate as spreads normalize and the asset class evolves. Bank of America analysts believe private credit returns could decline to about 5.4% in 2026 from roughly 9% this year, driven by lower carry amid Fed rate cuts and widening spreads. Spreads have been near record tight levels, reflecting peak optimism and strong liquidity conditions. Structural shifts, such as growth in secondary markets and retail participation could improve liquidity but introduce operational and regulatory challenges, which could reduce private credit's appeal as a diversification tool. Moreover, while macro conditions may appear appealing to raise new capital, investors may prefer allocating capital to private equity instead, given its stronger expected returns. While defaults should ease to around 4.4%, they will likely remain above public credit, eroding private credit's historical yield advantage as returns converge with high yield and broadly syndicated loans. Further risks include AI-driven stress among software issuers and tightening credit conditions.



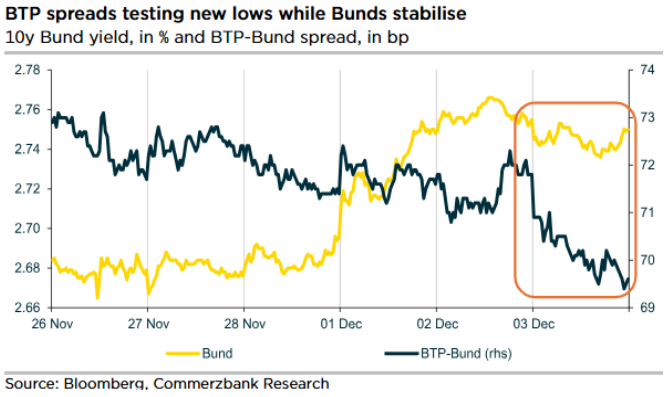
Europe

European equities were trading higher ahead of US data releases. The Stoxx 600 was up 0.4% this morning, led by industrials and autos. Regional bourses were also mostly higher, with the German DAX outperforming (+0.8%) after Bank of America upgraded its view on automotive companies. The euro was little changed today.

Analysts expect European yields curves to continue steepening. HSBC analysts cited factors including elevated supply, an increase in the weighted average maturity in German debt, and Dutch pension fund reform as drivers for further curve steepening. The analysts forecast gross issuance of around €1.45 tn, which is around €100 bn higher than issuance this year, partially driven by increased defense spending. Alongside the passive run-off of the ECB's APP and PEPP portfolios, most Dutch pension funds will transition to a defined contribution system that may result in a shift away from longer maturity government bonds in favor of shorter maturities and equities. While the shift in asset allocation will be gradual, it could lead to 'structurally steeper long end eurozone bond and swap curves' as well as further spread compression as funds will look to invest in higher yielding and/or less liquid assets. This morning, most European government bond yields were trading slightly higher across the curve.



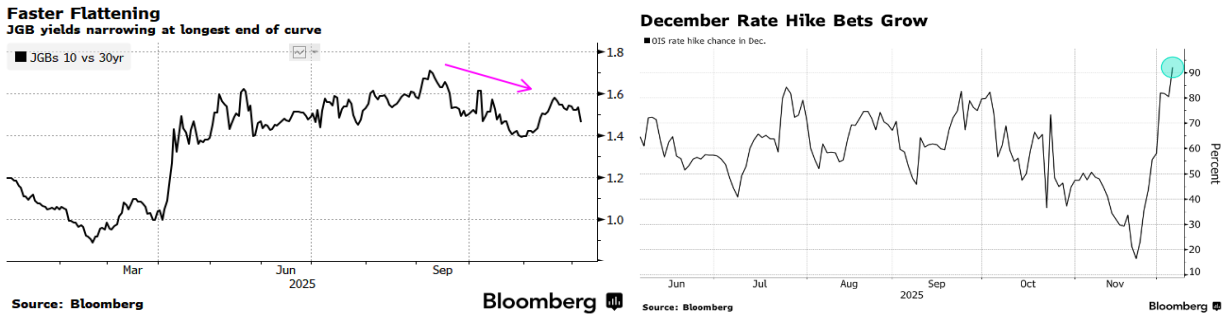
Italian BTP-Bund spread has tightened to the lowest level since 2010 at below 70 bps. Commerzbank analysts noted that some of the recent spread tightening may be attributable to a €7 bn buyback operation, even though the buybacks were limited to 2026 maturities. The analysts expect the 10y BTP-Bund spread to trade between 60–90 bps through 2026, supported by positive risk sentiment. Commerzbank also noted that almost the entire Italian BTP curve is trading below French OATs, a trend they expect to persist citing diverging fiscal and political risks between the two countries. That said, the analysts expect the OAT-BTP spread to remain relatively contained in a 5–10 bp range given Italy's debt/GDP ratio and growth dynamics.



Japan

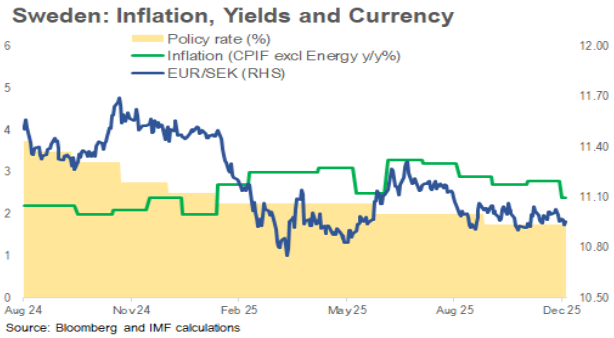
Japanese yen rallied after reports that the Bank of Japan will likely raise rates on December 19th. According to Reuters, the administration is prepared to tolerate a forthcoming policy decision to raise interest rates from 0.5% to 0.75%. Overnight index swaps now price an 87% probability of a December rate hike, up from 80% yesterday. The yen strengthened to JPY154.80/USD, up 0.3% for the day and 0.5% stronger than prior to the Reuters report. Short- and medium-term yields rose 1–4 bps, but longer-term bonds were supported by a strong 30y JGB auction (30yr -3 bps), where the bid-to-cover ratio jumped to

4.04, the highest since 2019. Nomura was reportedly one of the biggest buyers, which some interpreted as a signal that long-end yields are reaching attractive levels. Bloomberg analysts highlighted the flattening of the yield curve, with additional issuance likely to shift away from the very long end. Equities broadly advanced today (Nikkei 225: +2.3%).



Sweden

Swedish krona weakened after November flash inflation data surprised to the downside. The flash release showed core inflation slowed to 2.4% y/y, below consensus expectations of 2.6% and down from last month's 2.8% reading. Meanwhile headline inflation printed at 2.3% y/y, down from 3.1% in October and below consensus expectations of 2.5%. JP Morgan analysts noted that the downside surprise in today's inflation data may be attributable to some temporary factors, including the timing of Black Friday discounts. Analysts expect core inflation to decelerate further in 2026 due to a VAT cut on food prices alongside the impact of a stronger Swedish krona, which has advanced around 4.6% against the euro YTD. Following this morning's inflation data, the Swedish krona was trading weaker (-0.1%) against the euro at 10.96/€.



Emerging Markets

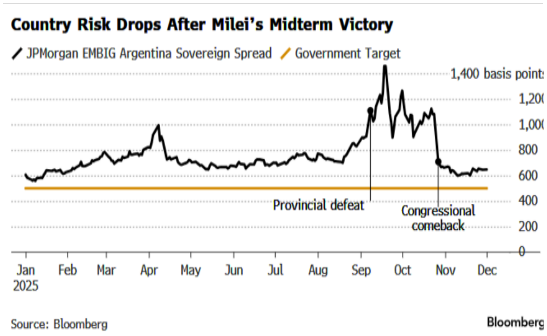
back to top

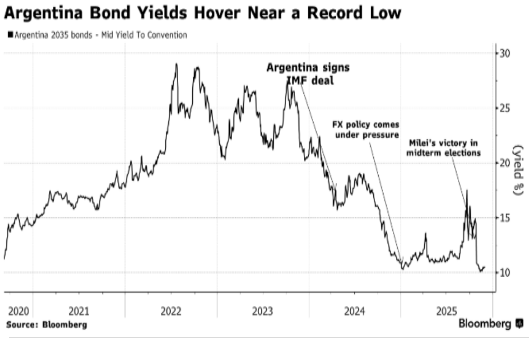
In EMEA, financial markets were mixed with only modest price moves, and CEE equities mostly gained. In Eastern Europe, most regional currencies softened against the euro. Elsewhere, the rand gained 0.3% on the dollar, to trade at ZAR16.99/$, with equities down 0.3%. The Turkish lira was stable while local equities fell 0.6%. **In Asia, regional currencies generally weakened, led by the Thai baht (-0.3%) and Korean won (-0.3%).** Asian equities were modestly higher (EM Asia: +0.2%), led by a rebound in Hong Kong SAR (Hang Seng: +0.7%). **In Latin America, most currencies strengthened on Wednesday, while equities were mixed.** The Colombian peso (+1.3%) outperformed. Equities gained in Argentina (+2.9%), Brazil (+0.4%), and Chile (+0.3%), but declined in Colombia (-0.5%), and Mexico (-0.4%).

Argentina

Argentina is eyeing a return to international bond markets next year. Media reports suggest

Argentinean officials are in discussions with banks and market participants about a financing plan involving new sovereign bond issuance and potentially other debt management operations. The reports also suggested officials are hoping sovereign spreads can compress another 100–150 bps before issuing fresh debt, with a large upcoming dollar payment due in January. Sovereign bonds rallied following US financial support and President's Milei's favorable election result in October. Spreads are now trading near 650 bps after widening to around 1400 bps as recently as September, with the yield on the 2035 USD bonds near record lows.



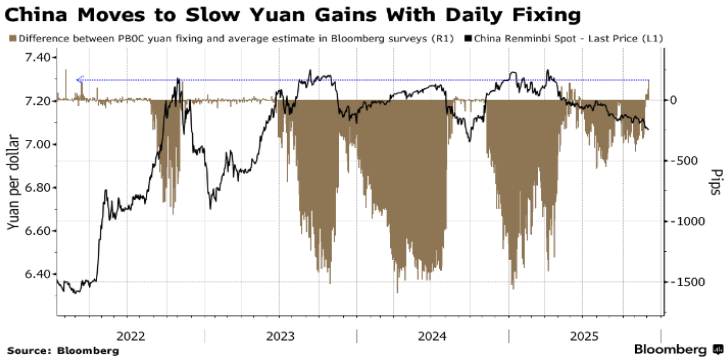


Brazil

Analysts believe Brazil may be the primary beneficiary from any data center boom in Latin America. Industry analysts characterize Brazil as the best positioned country in Latin America to capitalize on the data center boom, given its numerous sources of renewable energy, interconnected national grid, and the most high-speed fiber optic cables. According to Data Center Map, a website tracking the industry, Brazil already leads the region in both existing and announced data centers, with more than Chile, Mexico, and Colombia combined. TikTok has reportedly committed 200 bn reals ($37.7b n) to build a large-scale data center complex in Brazil. The project will be near the port of Pecém and will involve Omnia, a data center developer, and Casa dos Ventos, one of Brazil's top renewable energy providers.

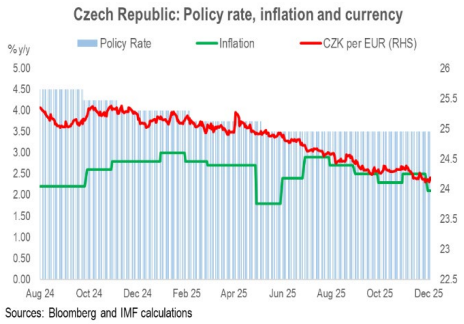
China

Chinese yuan weakened after the People's Bank of China sets its daily reference rate much weaker than expected. Both the onshore CNY (-0.1%) and offshore CNH (-0.1%) depreciated today. The fixing was at 7.0733, 164 pips weaker than consensus, which is the largest gap since February 2022. Analysts believe the PBOC is leaning against the recent appreciation of the yuan to support exports. 10y and 30y government yields rose 2 bps to 1.85% and 2.26%, respectively. Long-end yields are still generally trading lower than they were for most of 2024 but have been rising in recent months. Analysts noted that the steepening bias is consistent with potential PBOC rate cuts on the short-end and continued bond-equity rotation on the long-end. They also highlighted the upcoming Central Economic Work Conference later this month, where authorities are likely to outline policy goals and growth strategies.

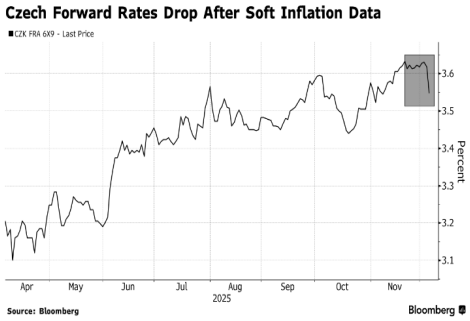


Czechia

The koruna edged lower (-0.3%, +5.1% YTD against the euro) after the November inflation print came in below expectations at 2.1% y/y (vs. 2.5% expected, 2.5% prior). Domestic stocks also rose 0.4% to extend a YTD gain of 42%. Government bond yields declined, with the 2y yield down 3 bps and the 5y yield down 4 bps. Bloomberg analysts highlighted that forward rates declined, with the 6x9 month FRA down from 3.62% to 3.55%, as investors pared bets on a possible rate hike next year. JP Morgan analysts expect falling inflation and steady policy rates to support the koruna through next year. They also noted that regulated energy price cuts contributed materially to disinflation, but stronger services inflation at 4.6% y/y signals underlying stickiness of core inflation.



Sources: Bloomberg and IMF calculations



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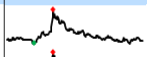
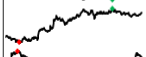
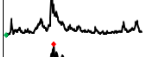
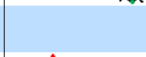
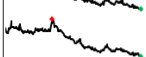
Global Financial Indicators

12/4/25 7:35 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,850	0.3	1.2	1.2	12.5	16
Europe		5,718	0.4	1.2	1.0	16.2	17
Japan		51,028	2.3	1.7	-0.9	29.9	28
China		4,547	0.3	0.7	-1.6	15.7	16
Asia Ex Japan		92	0.0	0.8	-1.4	23.6	28
Emerging Markets		54	0.1	0.9	-0.5	24.5	30
Interest Rates					basis points		
US 10y Yield		4.1	2	8	-1	-10	-49
Germany 10y Yield		2.8	1	8	11	70	39
Japan 10y Yield		1.9	5	14	27	88	84
UK 10y Yield		4.4	-2	-2	0	18	-14
Credit Spreads					basis points		
US Investment Grade		114	0	-1	-3	-2	-6
US High Yield		346	1	-6	2	38	17
Exchange Rates					%		
USD/Majors		98.8	0.0	-0.8	-1.4	-7.1	-9
EUR/USD		1.17	0.0	0.7	1.7	11.1	13
USD/JPY		154.6	-0.4	-1.1	0.6	2.7	-2
EM/USD		46.5	0.2	0.4	1.7	6.6	9
Commodities					%		
Brent Crude Oil ($/barrel)		62.9	0.4	0.1	-1.8	-10.0	-12
Industrials Metals (index)		155.3	-0.4	1.5	2.2	5.7	11
Agriculture (index)		56.0	0.1	-0.8	-0.7	0.1	-2
Gold ($/ounce)		4190.5	-0.3	0.8	6.6	58.1	60
Bitcoin ($/coin)		92929.5	-0.8	2.1	-7.3	-5.1	-1
Implied Volatility					%		
VIX Index (%, change in pp)		16.1	0.0	-1.1	-2.9	2.7	-1.2
Global FX Volatility		6.8	0.0	-0.2	-0.2	-2.1	-2.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		61	1	0	-2	-23	-25
Italy		70	0	-2	-4	-45	-45
France		74	0	1	-4	-10	-9
Spain		48	0	-1	-3	-22	-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		4,547	0.3	0.7	-1.6	15.7	15.5		78	-23	-13	-20	-18
Indonesia		8,640	0.3	1.1	4.8	17.9	22.0		94	-6	10	-4	3
India		85,265	0.2	-0.5	2.2	5.3	9.1		94	-1	5	10	8
Philippines		5,888	-0.3	-1.4	0.4	-12.5	-9.8		81	-5	13	-3	2
Thailand		1,274	-0.1	1.7	-1.9	-12.2	-9.0						
Malaysia		1,621	-0.1	0.2	-0.1	0.4	-1.3		61	-4	2	-6	-9
Argentina		3,129,449	2.9	4.8	1.6	41.2	23.5		647	-14	-30	-107	10
Brazil		161,755	0.4	2.0	7.3	28.3	34.5		200	-8	5	-27	-47
Chile		10,176	0.3	1.0	9.2	53.5	51.7		96	-7	0	-21	-17
Colombia		2,106	-0.5	2.6	4.3	52.2	52.6		271	-12	17	-52	-55
Mexico		63,597	-0.3	0.6	1.9	24.1	28.4		215	-14	5	-92	-97
Peru		2,413	1.4	3.5	6.0	33.3	42.4		97	-7	-3	-43	-44
Hungary		109,489	0.2	0.1	1.4	38.5	38.0		144	-6	19	-17	-11
Poland		110,185	0.2	-1.2	-1.1	35.0	38.5		94	-4	8	-19	-18
Romania		23,338	0.2	2.3	3.1	43.2	39.6		191	-15	2	-32	-44
South Africa		110,927	-0.4	0.3	3.3	28.5	31.9		226	-12	-3	-61	-67
Türkiye		10,962	-0.7	0.2	0.4	10.9	11.5		245	-6	-8	-14	-14
EM total		54	0.1	0.9	-0.5	24.5	29.9		275	-11	-1	-92	-89

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

12/4/2025 7:37 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		7.07	-0.1	0.1	0.8	2.7	3.2		1.9	1	2	7	-2	21
Indonesia		16650	-0.2	0.0	0.3	-4.3	-3.3		6.1	-2	2	11	-80	-90
India		90	0.2	-0.7	-1.5	-5.8	-4.9		7.2	0	22	35	14	-17
Philippines		59	-0.2	-0.4	-0.9	-1.3	-2.0		4.6	-1	0	-7	-34	-23
Thailand		32	-0.4	0.6	1.6	7.2	6.4		1.8	-4	-2	-7	-57	-56
Malaysia		4.11	0.2	0.5	2.1	8.3	8.7		3.5	0	4	-2	-30	-33
Argentina		1453	0.2	0.0	1.9	-30.4	-29.1		30.2	-1	-187	-56	73	103
Brazil		5.30	0.2	1.0	1.8	13.9	16.5		13.1	0	-8	-60	-115	-280
Chile		918	0.1	1.1	3.1	6.1	8.3		5.3	-3	-1	-13	-3	-43
Colombia		3764	1.3	-0.9	2.4	18.0	17.1		12.3	-19	-22	67	145	46
Mexico		18.27	0.1	0.4	2.3	11.1	14.0		8.7	-4	-6	-4	-123	-162
Peru		3.4	0.2	0.2	0.4	11.1	11.2		5.9	0	######	-16	-66	-74
Uruguay		39	0.2	1.4	1.6	10.4	12.3		7.8	-2	-2	-7	-179	-187
Hungary		327	-0.3	0.4	3.2	20.1	21.4		6.6	-3	-9	6	37	19
Poland		3.62	-0.1	0.6	2.4	12.4	14.0		4.6	-1	-6	-14	-64	-99
Romania		4.4	0.0	0.6	1.5	8.5	10.1		6.8	1	2	-2	-35	-43
Russia		77.1	-0.1	1.1	5.1	36.2	47.3							
South Africa		17.0	0.4	1.1	3.2	7.0	11.0		8.7	-11	-20	-55	-157	-174
Türkiye		42.44	0.0	0.0	-1.5	-18.1	-16.7		30.8	-37	-112	-134	98	108
US (DXY; 5y UST)		99	0.0	-0.8	-1.4	-7.1	-8.9		3.65	2	8	-4	-42	-73

back to top