GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, DECEMBER 8, 2025
LEAD EDITOR: SANJAY HAZARIKA

- **Yield curve in US extends steepening trend** (link)
- **Some investors remain very bullish on US equities** (link)
- **Chinese equities rally on strong trade data** (link)
- **Japan posts first fiscal contraction in six quarters** (link)
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Fed Week begins with markets in cautious mood

Equity markets in Europe were mostly lower and US equity index futures were flat as market participants began the week with a cautious stance ahead of this week's FOMC meeting. However, stocks in China were stronger on stronger than expected trade data and Japan was also up as the first fiscal contraction in six quarters boosted expectations of expansionary fiscal policy. The consensus forecast appears to be that the Fed will deliver a 25 bps cut with hawkish rhetoric, similar to what occurred at the October FOMC meeting. In anicipation, Treasury yields have risen slightly over the past few days, with the benchmark 10-year yield up 5 bps this month. The ECB is expected to stay on hold next week, but the BOE is expected to cut by 25 bps and the BOJ is expected to deliver a 25 bps hike.

Key Global Financial Indicators

Last updated: 12/8/25 7:59 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6870	0.2	0	2	13	17
Eurostoxx 50		5723	0.0	1	3	15	17
Nikkei 225		50582	0.2	3	1	29	27
MSCI EM		55	0.8	1	0	25	31
Yields and Spreads					bps		
US 10y Yield		4.15	1.2	6	5	-1	-42
Germany 10y Yield		2.84	3.8	9	17	73	47
EMBIG Sovereign Spread		257	-3	-12	-7	-75	-67
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.4	0.0	0	1	6	8
Dollar index, (+) = $ appreciation		99.0	0.0	0	-1	-7	-9
Brent Crude Oil ($/barrel)		63.0	-1.2	0	-1	-11	-16
VIX Index (%, change in pp)		16.3	0.9	-1	-3	4	-1

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

This week's market activity is likely to be dominated by Wednesday's FOMC statement and press conference. The market has almost fully priced in a 25 bps rate cut, but market participants are more focused on the potential comments of Fed Chair Powell at the press conference. October's meeting was viewed as a hawkish cut due to the tone of the response to questions from the press. Meanwhile, the US authorities will continue to release various economic reports delayed by the government shutdown. The euro area will publish data on CPI in several countries, including Germany, as well as reports on industrial production. Both China and India will publish reports on inflation. It will be a very busy week for central banks, with meetings scheduled in Australia, Brazil, Canada, Switzerland, and Türkiye, among others.

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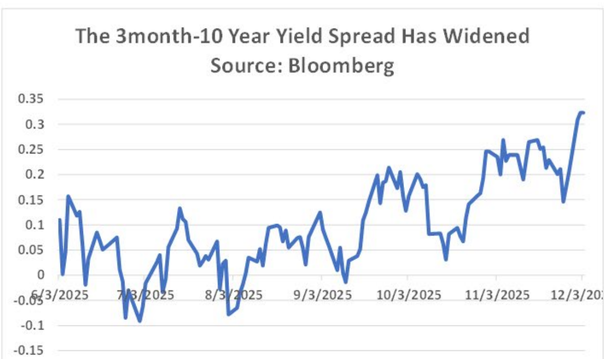
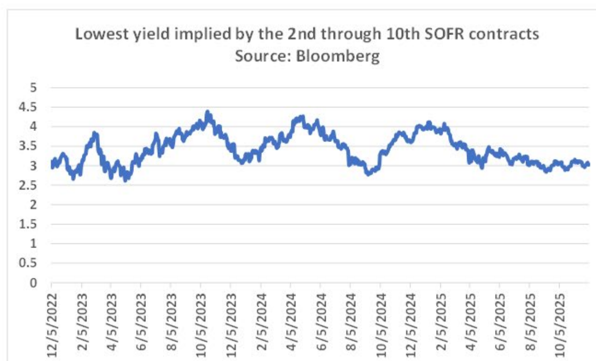
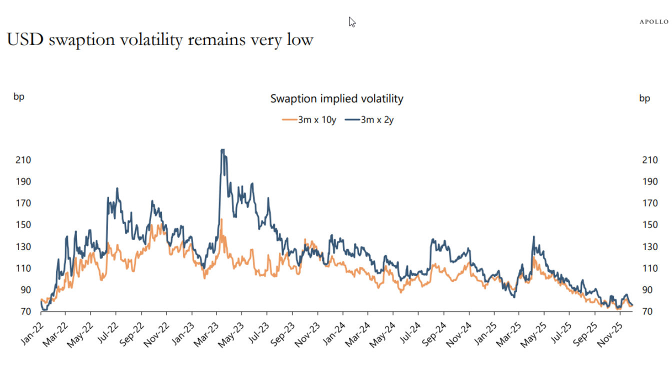
United States

The US yield curve has steepened in recent weeks, with the yield spread between three-month T-Bills and 10-year Treasuries rising to the highest level since January. The more actively traded two-year/ten-year yield spread has risen more modestly to its highest level since September. Some analysts think this is due to uncertainty about future Fed policy and how responsive the FOMC may be to upticks in inflation. They point out that inflation has remained about 100 bps above the Fed's 2% target for a considerable period of time. Others are less concerned, pointing out that the market's estimate of the terminal Fed Funds rate has been steady for a considerable period of time.

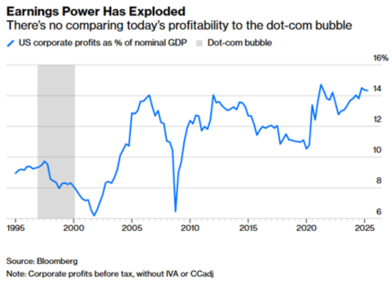


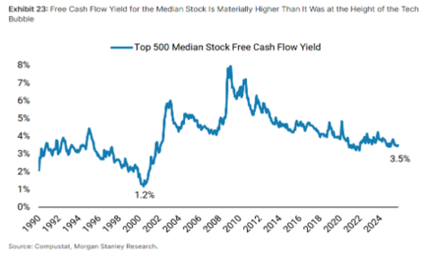


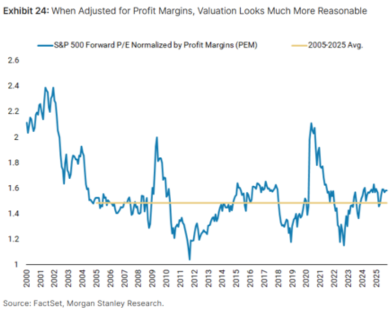
In addition, three-month maturity swaption volatility has stayed very low at both the short and long ends of the yield curve, indicating that market participants do not expect large moves in interest rates over the next three months. The MOVE index of interest rate volatility has fallen to its lowest level since early 2022.



Bullish investors believe that the valuations of US stocks are not as stretched as they were during the dotcom bubble, despite measures such as the Shiller CAPE index showing very expensive valuations. They argue that the leading companies today are very different in kind from their predecessors from 25 years ago. They are much more productive than those earlier companies, with much more productive and efficient technology. As a result, they generate more cash and profit than at any other period in history. Bloomberg points out that corporate profits account for 14% of GDP today, compared to less than 10% in 1999. Analysts at Morgan Stanley calculate that their large cash flows give the companies in the S&P 500 index three times the earnings yield in terms of free cash flow than the index in 2000. They also note that valuations are not as inflated when they are adjusted for profit margins.



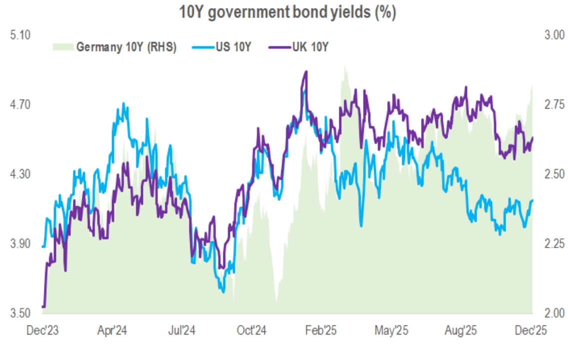




Euro Area

European equities were trading cautiously ahead of this week's FOMC meeting. The Stoxx 600 was relatively unchanged in early morning trade, while regional bourses were mixed. Germany's DAX was outperforming (+0.3%) after German industrial production data for October surprised on the upside to print at 1.8%m/m, against expectations of 0.3% and 1.1% prior.

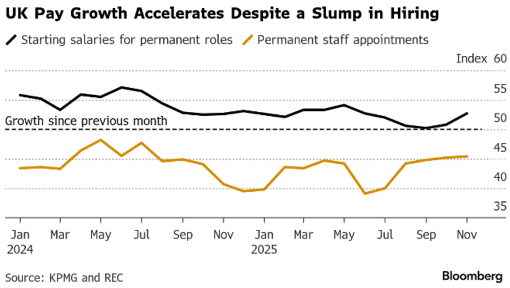
Hawkish ECB commentary drove bund yields higher. Comments this morning from ECB Executive Board Member Schnabel suggesting that the growth outlook for the eurozone could be revised upwards at the December 18th policy meeting and that she is "comfortable" with markets pricing the next ECB move as a rate hike, sent German bund yields higher across the curve. Two-year bund yields were 2bp higher at 2.12% in early morning trade with the 10Y bund yield 4bp higher at 2.84%. YTD, 10Y bund yields are around 47bp higher, underperforming 10Y UK gilts and 10Y US Treasuries which are around 5bp and 42bp lower YTD. Money markets scaled up expectations of a hike in the policy rate, pricing in +8bp by October 2026, up from around 3bp of rate hikes priced last Monday. According to Schnabel, growth could surprise on the upside from household consumption, private sector investment and government spending on infrastructure and defense. The hawkish leaning commentary also saw the euro advance against the dollar (+0.1%) to trade at 1.1649. Meanwhile, European government bond spreads continued to trade in relatively narrow ranges with the 10Y BTP-Bund spread at 70bp and the 10Y OAT-Bund spread at 73bp.



Source: Bloomberg and IMF calculations

United Kingdom

UK pay growth data surprised to the upside. The latest REC/KPMG survey showed that starting pay for permanent staff rose at the fastest pace in five months in November. Bloomberg analysts note that today's pay growth data follows last week's Decision Maker Panel (DMP) survey which also pointed to more sticky wage inflation despite a deterioration in employment. However, money markets still expect the BoE to deliver a rate cut at next week's MPC meeting, assigning a 90% probability to a 25bp rate cut. That said, Bloomberg analysts note that today's data may result in external MPC members Catherine Mann and Megan Greene continuing to prefer to keep rates on hold as they have previously cited survey measures on pay growth as reasons for not easing policy rates further. UK gilt yields were trading higher across all tenors, in line with global peers, with the 10Y gilt 4bp higher at 4.52%. Meanwhile, sterling was relatively steady against the dollar at 1.3323.



Japan

The economy contracted at an annualized -2.3% q/q in Q3, deeper than the initial -1.8% estimate and marking the first decline in six quarters. This weakness supports Prime Minister Takaichi's push for a record stimulus package, though Nomura expects growth to rebound next quarter, limiting justification for prolonged fiscal spending as the output gap nears zero. Despite the slump, the Bank of Japan is still expected to raise rates at its Dec. 18–19 meeting, though FX traders anticipate a pause afterward. Labor ministry data showed cash earnings rose +2.6% y/y in October, up from 2.1% in September and stronger than the consensus (2.2%), signaling wage pressures from minimum-wage hikes. Base salaries for full-time workers in the same-sample gauge—the BOJ's preferred measure—slowed to 2.2% from 2.3%. Goldman Sachs warns that one rate hike won't reverse yen weakness, projecting further tactical underperformance if risk sentiment holds, though long-term appreciation remains likely as rate differentials compress further. Today, the stock market gained (Nikkei 225: +0.18%), and the yen was little changed (-0.1%) against the dollar after the Finance Minister Katayama pledged to curb excessive FX volatility.

Emerging Markets

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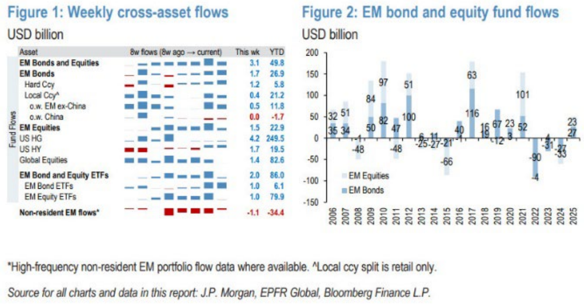
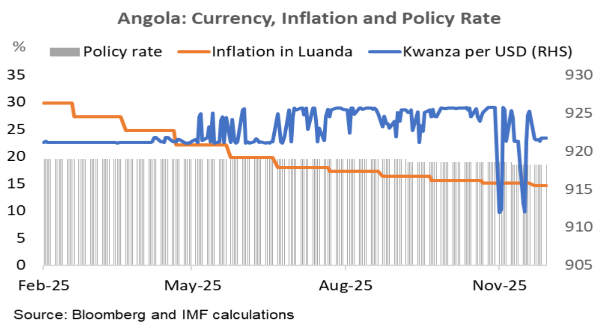
EMEA equities and currencies were mostly weaker this morning, amid persistent uncertainties on Ukraine's peace talks. In CEE, equities edged lower across the region save for Romania (+0.2%), with Hungary underperforming (-0.5%), while currencies were also mostly weaker against the euro, with the Hungarian forint declining the most (-0.5%) to trade at HUF382.94/€. The rand lost ground (-0.2%) against the dollar, to trade at ZAR16.97/$, with equities down by -0.8% this morning in South Africa. Elsewhere, Benin's eurobonds dropped on domestic political developments, with the yield on USD 2038 bonds jumping to 7.88% (+26bps) this morning according to Bloomberg. **EM Asian stock markets mostly gained (EM Asia: +0.6%) as traders priced in a widely expected Fed rate cut this week.** EM Asian currencies were mixed against the dollar, with the Indonesian rupiah depreciating (-0.3%) while the Korean won strengthened (+0.3%). Local media reported that the Indonesian government plans to require natural resource exporters to keep 100% of their FX earnings in state-owned banks for at least one year and cap rupiah conversions at 50% starting Jan. 1. Exporters may also invest retained earnings in FX-denominated government securities with tax incentives under the new rules. **In Latin America, major stock markets were mostly in negative territory on Friday except for Chile, where the stock market was up slightly.** Currency movements were mixed.

EM Fund Flows



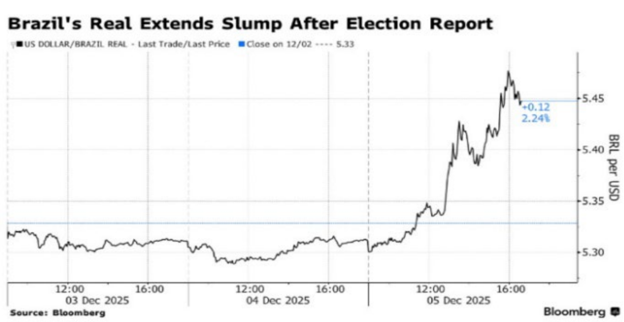
The EM bond fund inflows keep gathering momentum. Weekly EM bond flows were +$1.7bn (from +$1.3bn), while equity flows were +$1.5bn (from +$4.3bn) for the week ending on December 5. Within bond funds, hard currency fund inflows increased to +$1.2bn this week (from +$761mn), while local currency fund inflows declined to +$440mn (from +$581mn). ETF inflows declined slightly to +$958mn (from +$1.0bn) and non-ETF inflows increased to +$714mn (from +$328mn). Within equity funds, ETFs saw decreased inflows (+$995mn, from +$5.3bn), while non-ETFs had increased inflows (+$473mn, from -$1.1bn). Among regional funds, Asia ex-Japan saw increased outflows of -$1.2bn (from +$1.5bn); EMEA had inflows (+$82mn) and Latam also had inflows (+$80mn). Finally, among non-resident portfolio flows, EM local bonds saw net inflows, led by Hungary (+$585mn). EM equities saw net outflows, led by India (-$1.5bn).

Angola



The kwanza was little changed against the dollar, trading at around AOA921.69/$, after today's data showed **inflation slightly softening in Angola in November**, with the CPI printing at 16.56%y/y (from prior 17.43%). and at 14.62%y/y (from prior 15.13%) in the capital Luanda. The central bank (CBA) cut its policy rate by 50bps to 18.50% in November following an equal cut in September, and analysts at **JP Morgan believe the CBA will continue easing policy** with additional 200bps rate cuts in 2026, at a pace of 50bps at each of its first four MPC meetings next year. The CBA projects headline inflation to continue its decline to 17% by year-end and 13.5% in 2026, while JP Morgan sees inflation declining to 16% already by year-end 2025 with a more measured drop towards 15% by end 2026. The yield on Angola's USD 2035 eurobond dropped from 10.68% at the beginning of November to 9.87% today.

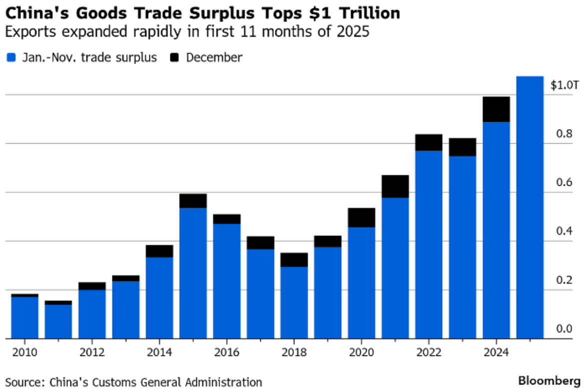
Brazil



Brazilian assets sold off sharply on Friday, with stocks suffering their steepest losses since 2021 and the real tumbling around 2.5%. The turbulence was sparked by the former president's endorsement of one of his sons as a candidate in next October's presidential election, a move that rattled investors and dimmed hopes for a more market friendly administration. The initial reaction saw widespread risk aversion across local assets as traders reassessed the political outlook ahead of a potentially volatile campaign season. Although the real later pared some losses to close down 2.5%, the broad selloff underscored deep-seated concerns about Brazil's uncertain electoral landscape heading into 2026, with asset prices increasingly reflecting the heightened political risk premium.

China

The stock market advanced (CSI 300: +0.81%) on stronger-than-expected exports and positive policy signals. According to the General Administration of Customs, November exports rose +5.9% y/y, reversing October's -1.1% drop and beating forecasts (+4.0%), while imports grew +1.9% y/y. The trade surplus for the first 11 months exceeded a record $1tn, reinforcing confidence in achieving the 5% GDP growth target. Separately, the National Financial Regulatory Administration announced reduction in equity risk factors for insurance companies to strengthen their long-term investment capacity. For CSI 300 stocks held over three years, the risk factor was cut to 0.27 from 3; STAR Market stocks held over two years dropped to 0.36 from 0.4. JPMorgan estimates these changes could unlock about ¥168bn ($24bn) for equities under a blue-sky scenario, with solvency ratios for major insurers rising by 10% (life) and 9% (non-life). Insurance shares rallied on expectations of lower capital charges and improved solvency. Sentiment was further lifted after the official Xinhua News Agency reported the Politburo will maintain proactive fiscal and moderately loose monetary policies in 2026, raising expectations for continued stimulus. Today, the yuan was steady against the dollar.



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Global Financial Indicators

	Level		Change				
12/8/25 8:01 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,870	0.2	0.3	2.1	12.8	17
Europe		5,723	0.0	1.0	2.8	15.0	17
Japan		50,582	0.2	2.6	0.6	29.2	27
China		4,622	0.8	1.0	-1.2	16.5	17
Asia Ex Japan		93	1.0	0.7	-0.1	24.2	29
Emerging Markets		55	0.8	0.8	0.3	24.8	31
Interest Rates					basis points		
US 10y Yield		4.1	1	6	5	-1	-42
Germany 10y Yield		2.8	4	9	17	73	47
Japan 10y Yield		2.0	3	10	30	92	88
UK 10y Yield		4.5	3	2	4	23	-6
Credit Spreads					basis points		
US Investment Grade		112	-1	-4	-7	-7	-8
US High Yield		337	-1	-11	-15	28	9
Exchange Rates					%		
USD/Majors		99.0	0.0	-0.5	-0.6	-6.7	-9
EUR/USD		1.17	0.1	0.4	0.8	10.4	13
USD/JPY		155.6	0.2	0.1	0.9	2.9	-1
EM/USD		46.4	0.0	0.1	0.9	5.7	8
Commodities					%		
Brent Crude Oil ($/barrel)		63.0	-1.2	-0.3	-0.6	-9.0	-12
Industrials Metals (index)		157.0	0.1	1.1	3.6	7.9	12
Agriculture (index)		55.7	-0.1	-1.1	-0.3	-3.1	-2
Gold ($/ounce)		4213.6	0.4	-0.4	2.4	58.4	61
Bitcoin ($/coin)		91779.7	1.7	-2.1	-10.2	-8.3	-2
Implied Volatility					%		
VIX Index (%, change in pp)		16.3	0.9	-1.0	-2.8	3.5	-1.1
Global FX Volatility		6.8	0.1	0.0	-0.1	-1.8	-2.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		61	1	-1	-4	-19	-25
Italy		69	1	-3	-7	-39	-46
France		72	0	-1	-8	-5	-11
Spain		46	0	-1	-6	-19	-23

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

Emerging Market Financial Indicators

12/8/2025 8:02 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	0.0	0.1	0.7	2.7	3.3		1.9	-1	4	8	2	23
Indonesia		16695	-0.3	-0.2	-0.2	-5.0	-3.4		6.1	0	-8	6	-84	-92
India		90	-0.1	-0.6	-1.5	-5.9	-5.0		7.2	10	17	34	17	-12
Philippines		59	0.0	-0.7	0.0	-1.6	-1.6		4.6	0	0	2	-32	-23
Thailand		32	0.2	0.4	1.5	6.1	7.9		1.8	0	-4	-7	-57	-57
Malaysia		4.11	0.0	0.5	1.1	7.6	8.7		3.5	1	2	#VALUE!	-30	-33
Argentina		1434	0.8	1.1	1.2	-29.4	-28.1		30.3	-175	-127	-171	23	115
Brazil		5.42	0.6	-1.2	-2.2	12.3	13.9		13.6	55	43	-9	-67	-231
Chile		923	0.0	0.7	1.7	5.0	7.9		5.2	-2	-1	-13	-5	-43
Colombia		3842	-1.1	-2.3	-0.2	14.9	14.7		12.1	-4	-35	40	125	25
Mexico		18.19	-0.1	0.6	1.1	11.3	14.5		8.8	4	1	-1	-120	-155
Peru		3.4	-0.1	-0.1	0.2	10.8	11.7		5.8	-5	-11	-23	-72	-82
Uruguay		39	-0.1	0.4	1.6	11.5	11.5		7.7	-2	-5	-8	-183	-190
Hungary		329	-0.5	-0.2	0.9	18.7	20.8		6.6	1	-4	3	37	19
Poland		3.63	0.0	0.4	0.9	11.2	13.8		4.6	1	4	-13	-76	-97
Romania		4.4	0.1	0.3	0.7	7.9	10.0		6.8	-1	-1	2	-37	-43
Russia		76.7	-0.2	1.3	6.1	30.4	48.1							
South Africa		17.0	-0.2	0.7	1.1	4.7	11.0		8.7	0	-18	-51	-165	-177
Türkiye		42.57	0.0	-0.4	-0.8	-18.2	-16.9		30.8	-3	-54	-160	53	106
US (DXY; 5y UST)		99	0.0	-0.5	-0.7	-6.7	-8.8		3.73	2	6	5	-31	-65

	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		4,622	0.8	1.0	-1.2	16.5	17.5		77	-2	-12	-22	-19
Indonesia		8,711	0.9	1.9	3.8	17.1	23.0		87	-9	4	-14	-4
India		85,103	-0.7	-0.6	2.3	4.4	8.9		90	-4	0	4	4
Philippines		5,949	0.0	-1.2	3.3	-10.9	-8.9		75	-7	4	-13	-4
Thailand		1,261	-1.0	0.4	-3.2	-12.9	-9.9						
Malaysia		1,613	-0.2	-0.7	-0.4	0.1	-1.8		60	-3	0	-8	-10
Argentina		3,046,355	-1.6	0.7	6.3	36.7	20.2		636	-19	4	-145	-1
Brazil		157,369	-4.3	-0.8	2.1	25.0	30.8		203	-4	9	-21	-44
Chile		10,223	0.4	0.9	6.4	52.3	52.3		91	-10	-5	-29	-22
Colombia		2,113	-0.2	1.9	1.5	53.2	53.1		270	-9	20	-56	-56
Mexico		63,378	-0.5	-0.3	0.0	23.4	28.0		217	-8	4	-89	-95
Peru		2,464	-0.5	4.7	4.0	35.2	45.4		95	-8	-6	-46	-46
Hungary		108,262	-0.6	-1.9	0.9	36.7	36.5		135	-13	10	-27	-20
Poland		110,266	0.3	-1.5	-0.6	33.1	38.6		86	-9	2	-30	-26
Romania		23,569	0.1	3.2	3.1	41.6	41.0		184	-13	-5	-42	-51
South Africa		111,244	-1.1	-0.6	2.2	28.0	32.3		216	-16	-18	-71	-77
Türkiye		11,238	2.1	1.1	2.9	11.5	14.3		239	-16	-11	-22	-20
EM total		55	0.1	0.8	0.3	24.8	30.9		271	-9	-6	-97	-93

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

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