



- Global equity market sentiment is very bullish ([link](#))
- US Fed expected to announce reserve management purchases to boost liquidity ([link](#))
- Five-year JGB yield at highest since 2008 ([link](#))
- Heavy AI-related corporate bond issuance to widen credit spreads in 2026 ([link](#))
- Stocks in China lose ground ([link](#))
- Bund yields expected to rise in 2026 as issuance increases ([link](#))

[Mature Markets](#)


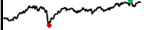
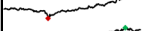







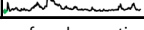
| [Emerging Markets](#)

| [Market Tables](#)

## Global markets remain cautious ahead of Fed meeting

**Most equity markets were down this morning and US equity index futures were flat ahead of tomorrow's Fed meeting.** Government bond yields in the euro area were lower, while US Treasury yields were little changed in early trading. The currency market is holding steady and commodity prices displayed a slight upward bias. Volatility remains low, but investors are in a cautious mood as the benchmark US 10-year Treasury yield has risen by 15 bps this month to its highest level since September. Higher interest rates in advanced economies have been flagged as the most prominent risk to markets in a number of investor surveys. Stocks in China underperformed as market participants were disappointed by the lack of specific stimulus proposals emerging from yesterday's Politburo meeting. Mexico is preparing to impose tariffs on Chinese imports to ease trade tensions with the US. Markets in Brazil were unsettled by political developments related to the choice of a Presidential candidate to run against the incumbent next year, although the stock market did well yesterday.

Key Global Financial Indicators

Last updated: 12/9/25 7:58 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6847	-0.3	0	2	13	16
Eurostoxx 50		5713	-0.2	0	3	15	17
Nikkei 225		50655	0.1	3	-1	29	27
MSCI EM		55	-0.2	1	0	22	31
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.16	-0.2	8	7	-4	-41
Germany 10y Yield		2.85	-1.2	10	18	73	48
EMBIG Sovereign Spread		260	2	-6	-11	-71	-65
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.3	-0.1	0	1	5	8
Dollar index, (+) = \$ appreciation		99.1	0.0	0	0	-7	-9
Brent Crude Oil (\$/barrel)		62.7	0.3	0	-2	-13	-16
VIX Index (% change in pp)		16.9	0.2	0	-2	3	0

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

## Mature Markets

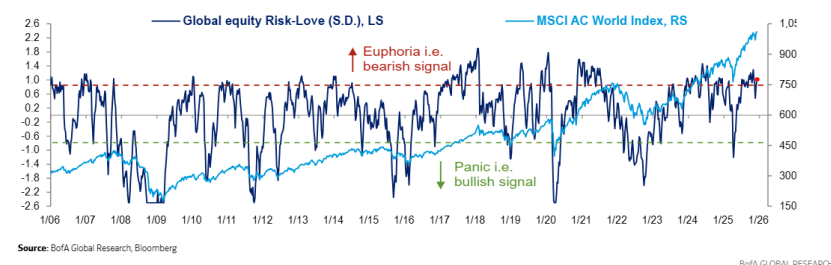
[back to top](#)

### Global Equity Markets

**Global equity market sentiment is very bullish.** Bank of America's proprietary sentiment measure is at the 85<sup>th</sup> percentile of its history since 1987. Strong corporate earnings, expectations of Fed rate cuts and hopes for a stronger global economy in 2026 are among the reasons behind the optimism in the equity market. However, valuations are very expensive and markets are vulnerable to a reversal if circumstances turn adverse. The biggest risk identified in multiple surveys of investors is a resurgence of inflation that forces the Fed and other central banks to end their rate cutting cycles and pivot to rate hikes. This would cause a surge in interest rates that would likely trigger a major selloff in risk assets such as equities and corporate bonds. An unexpected rise in oil prices could also have a similar effect on central bank policy. Market participants are also wary about Japan, where JGB yields are at multi-decade highs and where further increases could result in spillovers to other government bond markets.

**Exhibit 5: Global Equity Risk-Love in borderline Euphoria**

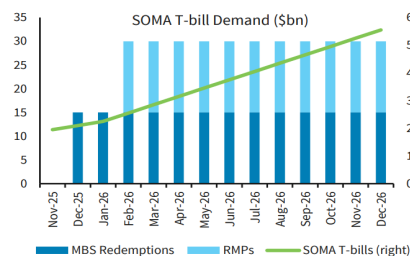
Global Risk-Love is at the 85<sup>th</sup> percentile of its history since 1987



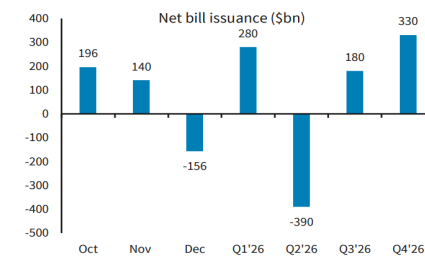
### United States

**With quantitative tightening having officially ended on December 1, several Fed officials have indicated that the central bank might begin reserve management purchases (RMPs) next year to promote liquidity in money markets.** The Fed is already posed to reinvest prepayments from mortgage-backed securities (MBS) into T-Bills, which Barclays projects at \$15 bn per month. Further Fed purchases could significantly reduce the net supply of T-Bills to investors, which might be reassuring to market participants who were worried about absorbing the increased supply of T-Bills that is expected to fund the deficit. Barclays predicts that the Fed will make the RMP announcement at the January FOMC meeting and begin purchases of \$15 bn in T-Bills in February, bringing their total monthly purchases of T-bills to \$30 bn. The objective is to ensure that money market rates such as the Secured Overnight Funding Rate (SOFR) and the Triparty General Collateral Rate (TGCR) remain close to the Fed's interest rate on reserve balances (IORB). In recent weeks, SOFR and TGCR have traded above IORB, creating liquidity strains.

**FIGURE 3. Fed will become a substantial buyer of T-bills in 2026...**



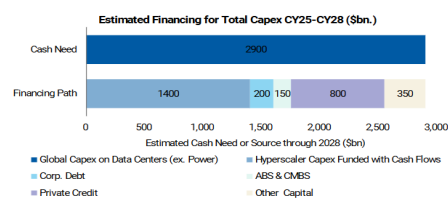
**FIGURE 4. ...reducing net supply to investors**



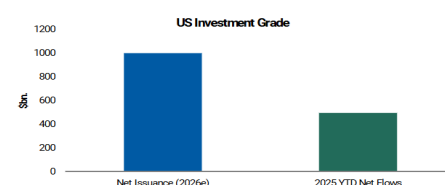
**Heavy corporate bond issuance to finance AI-related expenditures are expected to cause credit**

**spreads to widen in 2026.** Morgan Stanley estimates that the great majority of these expenditures lie in the future, and that heavy spending will continue through 2028, with spending of almost \$3 tn over fiscal years 2025–28. There will also be a large supply of asset backed securities (ABS) linked to data centers. Unlike in previous years, the share of investment funded by the hyperscalers' own profits is likely to shrink significantly. The analysts forecast that net US investment grade (IG) issuance will double in 2026, leading to upward pressure on credit spreads and investors demand higher returns to absorb the supply. Others agree and go further to predict that funding costs for non-AI related sectors will also go up, acting as a drag on corporate profitability for many companies. Meanwhile, the big question facing market participants is whether these enormous investments will bear fruit. Failure to meet profit targets or a decision to pull back on AI-investments could prove to be highly disruptive to the corporate bond market.

**Exhibit 4:** Our estimated breakdown of data center financing needs (ex power)



**Exhibit 5:** Even if we assume flows to fixed income to stay as strong as this year, they still pale in comparison to expected issuance in 2026

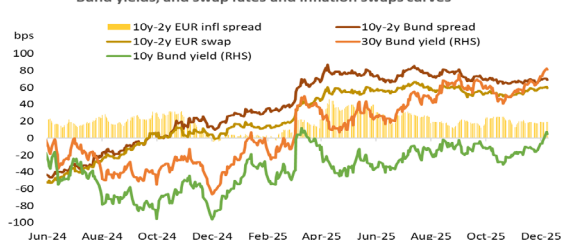


## Euro Area

**European equities traded sideways this morning**, in absence of major catalysts to give the market a new direction ahead of the Fed meeting tomorrow. The Stoxx 600 index was little changed, with the defense sector outperforming (1.6%) on news that Germany will approve procurement contracts worth a record €52bn next week. Regional bourses were mixed, with Germany (DAX +0.4%) and Italy (FTSE MIB +0.4%) outperforming, while French stocks traded in the red (CAC 40 -0.4%). **The euro was steady against the dollar**, trading at around \$1.1642/€. Analysts at ING see the euro broadly firm ahead of tomorrow's Fed decision, although subject to vulnerabilities from the possible resurgence of political tensions in France in case of failure to pass a social security budget in the French parliament today.

**European government bonds (EGBs) rebounded slightly**, with yields lower and the curve fractionally bull flattening. The 2y Bund yield was little changed (-1bp) at 2.14%, after yesterday's comments from ECB Executive Board member Schnabel reinforced the view that ECB's easing cycle has ended, with reduced expectations for rate cuts early next year as traders moved to price-in roughly a 10% chance of a 25bps rate hike at the October 2026 ECB meeting (2bps of cumulative rate hikes by October 2026, against -7bps cumulative easing priced-in a week ago). The 10y Bund yield moved -2bps lower to 2.83% this morning, still the highest level since March. **Crédit Agricole** sees long-end Bunds continuing to cheapen as net issuance rises in 2026 with supply skewed to longer maturities; analysts expect the ECB's balance sheet normalization to increase the free float of all EGBs, steepen the GC repo curve, and support higher forward bond yields. **Today's data showed German exports stagnating in October**, rising only by 0.1% m/m (vs. est. 0.2%, from prior 1.4%).

**Bund yields, and swap rates and inflation swaps curves**



**Exports to the US and China weak, but exports to the Eurozone countries still rising**



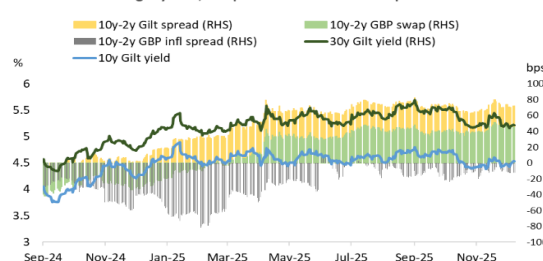
## United Kingdom

**UK gilt yields remained elevated.** Deutsche Bank sees gilt yields remaining sensitive to weak growth momentum, with the GDP expected to rise only by 0.1% q/q in 4Q 2025, reinforcing the case for the Bank of England (BoE) to lower rates; analysts note that retail sales fell by -1% m/m in October when services output is expected to be flat and industrial production to rebound only partially (+1% m/m, after -2% in September) in Friday's statistical release. Deutsche Bank expects budget uncertainty to weigh on labor-market conditions and investment, keeping 2026 GDP growth near 1.2%. **UBS** expects the BoE to cut (-25bps) in December and two more times in early 2026, taking the Bank Rate to a terminal value of 3.25%, while money markets price-in 56bps of easing (to an implied policy rate of 3.40%) by November.

GB Pound - US Dollar and Swap spread



UK gilt yields, swap rates and inflation swaps curves



## Japan

**The five-year JGB auction drew weak demand, with the bid-to-cover ratio slipping to 3.17 from 3.33 in the previous auction and well below the 12-month average of 3.64.** The 5y yield held near 1.45%, the highest since 2008. Other signs of weak investor appetite included a wider tail at 0.04 vs 0.03 previously, and a cut-off price of 99.80 vs 99.81 in a Bloomberg survey. Analysts think the poor result reflects expectations for yields to grind higher. SMBC Nikko Securities noted the outcome was “slightly weak but anticipated,” citing caution ahead of the BOJ meeting and January’s planned increase in auction size. Finance Minister Katayama pledged close communication with markets as 10-year yields hover near 2% (10y: 1.96%), the highest since 2007. BOJ Governor Ueda acknowledged the recent rise in long-term yields as “somewhat fast” but reiterated that rates should remain market-driven, with flexibility to boost bond buying in exceptional cases. Meanwhile, IPO proceeds have reached ¥1.2tn (\$7.7bn) this year, the highest in seven years, according to Bloomberg data. Today, the equity market edged up (Nikkei 225: +0.14%), while the yen was steady (-0.1%) against the dollar after overnight weakness following a 7.5 magnitude earthquake that struck off the northeast coast of Japan.

5-Year JGB Yield Has Climbed to Highest Since 2008



## Emerging Markets

[back to top](#)

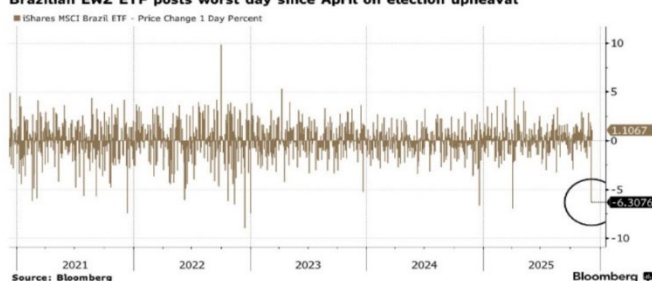
**EMEA equities and currencies were trading mixed ahead of tomorrow's FOMC meeting.** Equities were mostly higher in CEE, with Czechia (+1.1%) outperforming, led by the insurance sector, while CEE currencies were mostly firmer against the euro. Kenya is expected to cut by 25 bps to 9% later today. **EM Asian equities broadly declined (EM Asia: -1%) as investors stayed cautious ahead of the Fed's policy decision.** EM Asian currencies were mostly range-bound, except the Philippine peso (-0.4%) on concerns over slowing government spending and a more dovish central bank stance. Korea's National Pension Service was reportedly selling dollars in what appears to be tactical FX hedging to counter recent won weakness. **In Latin America, Brazil and Mexico saw equity gains, while their currencies held**

**steady.** Many Latin American markets were closed for a holiday.

## Brazil

The Brazilian real faces heightened vulnerability to political turbulence following former president Jair Bolsonaro's decision to promote his son as the 2026 presidential candidate. This decision injected uncertainty into an already sensitive pre-electoral environment. The market reaction was swift and broad-based. On Friday, the currency posted its sharpest drop in months. Although the real pared back some of those losses on Monday, it remains exposed to escalating risks from the political side. This selloff underscored a rapid reassessment of Brazil's status as one of emerging markets' top performers. Heading into 2026, Brazilian assets face a challenging backdrop in which domestic politics may dominate market pricing and keep volatility elevated.

**Brazil Suffers as Bolsonaro Taps Son**  
Brazilian EWZ ETF posts worst day since April on election upheaval



## China

Chinese stocks declined both onshore (CSI300: -0.51%) and offshore (HSCEI: -1.62%) as investors were disappointed by the lack of strong stimulus signals from Monday's Politburo meeting and turned cautious ahead of the Fed's policy decision. The readout fell short of expectations for concrete measures to support the slowing economy, dampening sentiment after recent gains. Everbright Securities International called the absence of forceful stimulus announcements is "somewhat disappointing," noting limited upside for equities into year-end without near-term catalysts. Goldman Sachs echoed concerns, highlighting no direct reference to consumption and the property sector, signaling a low probability of strong property stimulus. Analysts expect continued pressure on housing demand, particularly in Tier 1 cities, amid weak buyer sentiment. Property shares led declines (MSMPI: -3.5%), while tech stocks also slipped (HSTECH: -1.9%) on valuation concerns and lack of fresh drivers. Investors now await the annual Central Economic Work Conference later this month for clearer policy direction. In other news, the yuan was little changed against the dollar after the PBOC set the daily fixing at 7.0773 per dollar, marginally weaker than estimates (7.0764).

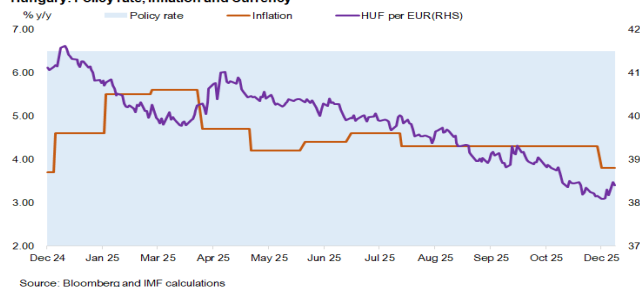
**Chinese Stocks in HK Lose Steam Amid Lack of Policy Boost**



## Hungary

The stronger forint pushed inflation lower into the central bank tolerance band. Headline inflation printed at 3.8%/y/y in November, below expectations of 3.9% and down from 4.3% in the prior month. Governor Varga said that the forint's appreciation, which is up around 7% against the euro YTD, has helped to bring the inflation rate back to within the central bank's 1ppt tolerance band around the 3% target rate. Despite the improvement in inflation, money markets have priced out any rate cuts before April's parliamentary elections as pre-election spending as well as the government's agreement to raise minimum wages by 11% next year are expected to push inflation higher. According to the central bank's estimates, the effect of the

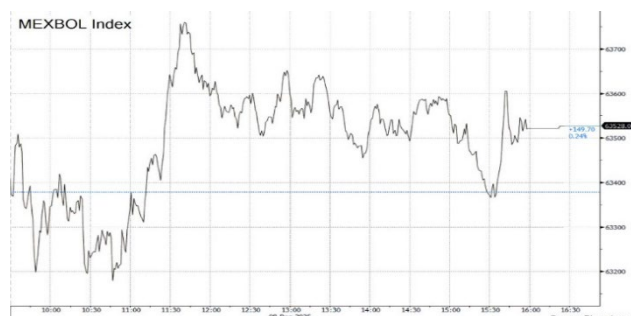
**Hungary: Policy rate, Inflation and Currency**



measures could raise headline inflation by 1.5ppts. This morning, the forint was trading firmer against the euro (+0.2%) at 384.05/€, while Hungarian government bond yields were lower, reversing yesterday's losses after Fitch cut the country's outlook to negative on Friday, citing a worsening fiscal position.

## Mexico


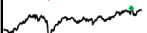










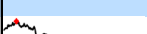
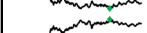

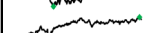
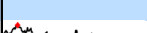

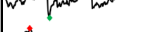
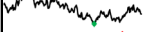
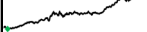

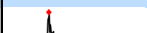

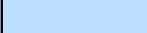


**Mexico's congress gears up for a vote this week on President Claudia Sheinbaum's proposed tariffs targeting Chinese imports, a strategic maneuver to ease trade tensions with the US.** The legislation imposes levies of up to 50% on a broad range of goods, from clothing and footwear to steel, aluminum, and auto parts, aiming to shield domestic industries while signaling alignment with the US. The Finance Ministry projects that this will generate an additional 51.9 bn pesos (\$2.8 bn) in import revenues for 2026, marking an 8.3% revenue boost compared to the 2024 level. Businesses view tariffs as a bargaining chip, heightening expectations that Washington could ease its own duties on Mexican steel and aluminum, potentially unlocking exports and easing supply chain strains. The stock market rose by 0.24% on Monday.



*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), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

**Disclaimer:** *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*

## Global Financial Indicators

12/9/25 8:03 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,847	-0.3	0.5	1.7	13.1	16
Europe		5,713	-0.2	0.5	2.6	14.6	17
Japan		50,655	0.1	2.7	-0.5	28.7	27
China		4,598	-0.5	1.0	-2.1	15.1	17
Asia Ex Japan		93	-0.2	0.6	-0.2	21.1	29
Emerging Markets		55	-0.2	0.6	0.1	22.1	31
<b>Interest Rates</b>			basis points				
US 10y Yield		4.2	0	8	7	-4	-41
Germany 10y Yield		2.9	-1	10	18	73	48
Japan 10y Yield		2.0	-1	10	28	91	86
UK 10y Yield		4.5	-1	5	5	25	-5
<b>Credit Spreads</b>			basis points				
US Investment Grade		112	0	-3	-6	-6	-8
US High Yield		341	3	-7	-11	32	13
<b>Exchange Rates</b>			%				
USD/Majors		99.1	0.0	-0.2	-0.5	-6.6	-9
EUR/USD		1.16	0.0	0.1	0.7	10.3	12
USD/JPY		156.4	0.3	0.3	1.4	3.4	-1
EM/USD		46.3	-0.1	-0.3	0.6	5.3	8
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		62.7	0.3	0.3	-1.2	-10.6	-12
Industrials Metals (index)		155.3	-0.8	1.0	2.4	6.0	11
Agriculture (index)		55.3	-0.1	-2.0	-1.1	-3.9	-3
Gold (\$/ounce)		4204.8	0.3	0.0	2.2	58.1	60
Bitcoin (\$/coin)		90606.6	-0.8	-1.7	-13.3	-6.5	-3
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		16.9	0.2	0.3	-2.2	2.7	-0.5
Global FX Volatility		6.7	0.0	-0.1	-0.2	-1.9	-2.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		62	2	1	-2	-16	-23
Italy		71	1	-1	-6	-37	-45
France		72	0	-2	-8	-3	-11
Spain		47	0	0	-5	-17	-22

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

## Emerging Market Financial Indicators

12/9/2025 8:04 AM	Exchange Rates						Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.06	0.1	0.1	0.8	2.7	3.3		1.9	1	5	7	2	23
Indonesia		16676	0.1	-0.3	-0.1	-4.9	-3.3		6.1	1	-6	8	-84	-91
India		90	0.2	0.0	-1.3	-5.7	-4.8		7.3	4	16	38	21	-8
Philippines		59	-0.4	-1.2	-0.4	-2.0	-2.1		4.6	0	0	3	-32	-23
Thailand		32	0.1	0.6	1.5	6.1	7.9		1.8	1	-4	-9	-57	-56
Malaysia		4.11	0.0	0.4	1.1	7.6	8.7		3.5	-3	-4	#VALUE!	-33	-36
Argentina		1435	-0.1	1.4	-1.1	-29.2	-28.2		30.3	0	-64	-71	80	115
Brazil		5.47	-0.7	-2.6	-3.1	11.2	12.9		13.5	-9	32	-18	-104	-240
Chile		926	-0.3	-0.4	1.3	4.6	7.6		5.2	0	-2	-10	-4	-43
Colombia		3833	0.0	-0.5	-2.0	14.1	14.9		12.1	0	-38	43	126	25
Mexico		18.27	0.0	0.1	0.6	10.8	14.0		8.9	7	5	0	-118	-148
Peru		3.4	0.1	0.3	0.2	10.6	11.8		5.8	-6	-12	-23	-73	-83
Uruguay		39	0.0	-0.1	1.4	11.2	11.3		7.8	1	-6	-3	-180	-190
Hungary		330	0.2	-0.7	0.6	18.3	20.5		6.6	2	-1	7	37	21
Poland		3.63	0.2	0.2	0.8	11.0	13.6		4.6	3	4	-11	-71	-94
Romania		4.4	0.0	0.1	0.6	7.7	9.8		6.8	-2	-2	0	-23	-45
Russia		77.0	-0.1	0.3	5.7	29.8	47.4							
South Africa		17.1	-0.1	0.3	0.6	4.2	10.4		8.8	13	-4	-40	-151	-164
Türkiye		42.58	0.0	-0.5	-0.8	-18.2	-17.0		30.9	15	-45	-156	79	120
US (DXY: 5y UST)		99	0.0	-0.3	-0.5	-6.6	-8.7		3.75	0	9	6	-33	-63

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,598	-0.5	1.0	-2.1	15.1	16.9		76	-2	-16	-24	-20
Indonesia		8,657	-0.6	0.5	3.2	16.2	22.3		87	-5	-1	-15	-4
India		84,666	-0.5	-0.6	1.4	3.9	8.4		91	-3	1	6	5
Philippines		5,977	0.5	-0.2	4.8	-11.1	-8.5		75	-4	0	-12	-4
Thailand		1,270	0.7	-0.5	-2.4	-12.0	-9.3						
Malaysia		1,614	0.1	-1.0	-0.8	0.3	-1.7		61	-2	0	-12	-9
Argentina		3,046,355	-1.6	-0.5	6.3	36.7	20.2		640	-16	-5	-132	3
Brazil		158,187	0.5	-1.8	2.7	24.4	31.5		205	2	2	-19	-42
Chile		10,157	0.4	0.1	5.7	51.3	51.4		92	-5	-10	-26	-21
Colombia		2,113	-0.2	1.5	1.5	53.2	53.1		276	-2	24	-48	-50
Mexico		63,528	0.2	0.0	0.2	21.7	28.3		219	-2	-1	-83	-93
Peru		2,449	-0.6	3.9	3.4	34.4	44.5		96	-2	-8	-42	-45
Hungary		108,529	0.6	-1.2	1.1	36.0	36.8		138	-6	5	-21	-17
Poland		110,776	0.6	0.1	-0.2	33.6	39.2		86	-5	-2	-28	-26
Romania		23,701	0.1	3.0	3.7	39.3	41.7		186	-8	-9	-37	-49
South Africa		110,149	-0.6	-0.6	1.2	25.7	31.0		218	-9	-24	-62	-75
Türkiye		11,223	0.3	0.9	2.7	9.4	14.2		243	-4	-14	-16	-16
EM total		55	-0.4	0.6	0.1	22.1	30.6		274	-2	-11	-91	-90

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

[back to top](#)