



- Carry flows lift dollar, but momentum hinges on volatility and Fed stance ([link](#))
- Reserve demand may sit near the upper end of the ECB's estimated range ([link](#))
- Yen trends toward weakest in three months as Katayama reiterates FX warnings ([link](#))
- Colombian peso rallies to 2022 highs after hotter-than-expected inflation print ([link](#))
- China's Q3 monetary policy report signaled patience and potential delay in stimulus ([link](#))
- Indian 10-year bond yields continue to fall on suspected central bank purchases ([link](#))

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Inflation eases in Brazil and Zambia while caution prevails in Colombia

Markets opened on a cautious but firmer footing as soft US labor data reinforced rate cut bets. A weaker-than-expected ADP print underscored ongoing softness in private employment, fueling dovish repricing ahead of a potential government reopening vote. In Japan, the yen neared a nine-month low as Finance Minister Katayama reiterated warnings on "one-sided, rapid" currency moves, while avoiding a sharper language that markets associate with imminent intervention. In emerging markets, Argentina's Economy Minister Caputo pushed back on claims that the peso is overvalued and defended the FX band system, citing the need for a more stable macro backdrop before floating the peso. In Russia, the Finance Ministry will offer its first yuan-denominated sovereign bonds in December, with maturities of three to seven years. Zambia's central bank cut rates for the first time since 2020 as inflation eased, lifting the kwacha. In Brazil, local markets rallied on less hawkish central bank meeting minutes and softer October CPI. By contrast, in Colombia, upside inflation surprises sparked anticipation that the central bank will remain cautious, driving the peso to a three-year high.

Key Global Financial Indicators

Last updated: 11/12/25 8:27 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6847	0.2	1	4	14	16
Eurostoxx 50		5801	1.3	2	5	22	18
Nikkei 225		51063	0.4	2	6	32	28
MSCI EM		56	0.1	2	7	28	33
Yields and Spreads			bps				
US 10y Yield		4.08	-3.7	-8	5	-35	-49
Germany 10y Yield		2.66	0.6	-1	2	30	30
EMBIG Sovereign Spread		267	-4	3	-25	-58	-58
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.2	0.1	1	1	4	8
Dollar index, (+) = \$ appreciation		99.6	0.2	-1	1	-6	-8
Brent Crude Oil (\$/barrel)		64.3	-1.3	1	3	-11	-14
VIX Index (% change in pp)		17.1	-0.2	-1	-5	2	0

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

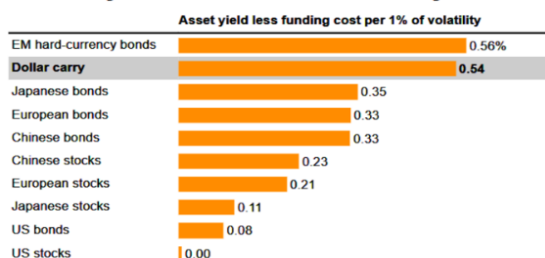
Mature Markets

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United States

The US dollar has rebounded 3% from its September trough, helped by inflows tied to carry trades. This appreciation reflects the Greenback's appeal as a high-yielding currency. Investors borrow in low-rate currencies like the yen and buy higher-yielding ones like the dollar to capture the rate gap. These flows often lift the dollar and risk assets. In the US, where equity valuations appear stretched and risk premiums negative (right chart), that could prove supportive of a year-end rally. But the support is fragile. If dollar volatility rises or the Fed cuts rates faster than expected, these flows could prove fleeting.

Dollar Carry Outshines Other Assets on Risk Adjusted Basis



Source: Bloomberg

Note: For the left chart, earnings yields are used as a proxy for equity returns; the gap between borrowing rates in yen, Swiss franc and similar-maturity investment yields in dollars are used to estimate the carry; bond indices that capture a range of maturities for yields on government debt are used. Implied volatility is used for all countries except China and EM debt, where realized volatility is used. For the chart on the right, US equity risk premium is the difference between S&P500 earnings yield and the 10-year treasury yield.

US Equity Risk Premiums Are in Negative Territory



Since peaking in early October, bitcoin has underperformed other risk assets. It fell -12% after reaching an all-time high of \$125,260.81 on October 6. The current price of \$104,497.13 remains below its 200-day moving average (see chart), while open interest has declined, according to media reports. Spot bitcoin ETFs have posted their largest net outflows since launching in January 2024, as fading momentum triggered broad profit-taking across major cryptocurrencies. Some market contacts view this as a sign that speculative demand for risk assets may be waning.

Bitcoin Caught Between Pivots

Soft floor at 100k and confluence of resistance above weighs on Bitcoin



Source: Bloomberg

Bloomberg

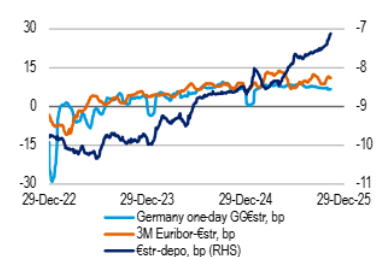
Euro area

This morning, stock markets have extended yesterday's gains. This morning, equities were extending gains (+0.6%) driven by strong corporate earnings with the banking sector index outperforming (+1.1%). The euro fractionally depreciated to \$1.1570/€. European benchmark yields slightly inched up with 10y Bunds yielding 2.67%. 10y sovereign spreads slightly tightened to 75bp for OAT-Bunds and 74bp for BTP-Bunds.

Reserve demand may sit near the upper end of the ECB's estimated range. While European repo rates have not spiked to the extent they did in the US, BofA analysts see widening in front-end euro spreads as consistent with changes in cash-collateral balances. They argue that the current reserve distribution has

cushioned markets from the impact of ECB quantitative tightening (left chart) but growing competition could limit further distribution. Commerzbank analysts note that banks have partially offset falling reserves by increasing their holdings of euro area government bonds (middle and right charts). But BofA sees this trend as unsustainable, as banks still need to hold a portion of their high-quality liquid assets in reserves for operational and regulatory reasons. BofA estimates that banks require around €1.8 tn in excess reserves—at the upper end of the ECB’s €600 bn to €2.2 tn range—partly to maintain higher Liquidity Coverage Ratios for precautionary purposes. For the ECB’s shift to a demand-driven system to succeed, BofA expects front-end spreads to widen further in order to draw banks into using its open market operations while stressing the need to reduce the stigma around their use.

Exhibit 3: Mild widening in front-end spreads since ECB began QT
Rolling 1M average of Germany GC-Estr, 3M Euribor-Estr, and Estr-depo, bp

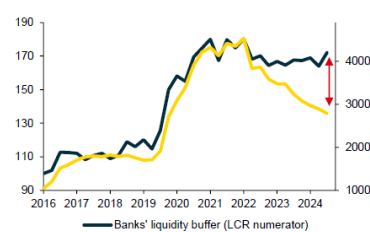


Source: BofA Global Research, Bloomberg, CME Group

BoFA GLOBAL RESEARCH

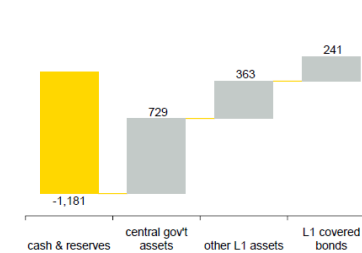
Banks maintain liquidity buffer as excess liquidity falls, replacing cash with bonds

Banks' liquidity buffer (Index, 2016 = 100) and excess liquidity at the ECB (in €tn)



Source: EBA, Bloomberg, Commerzbank Research

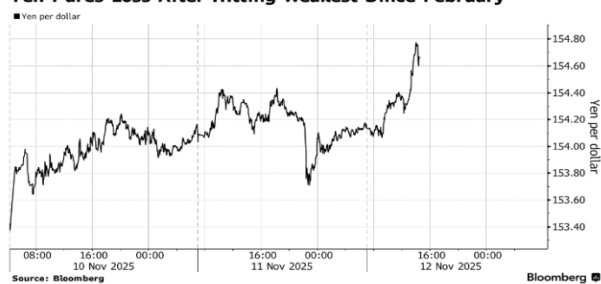
Change in LCR assets (after weighting), Q2-22 – Q1-25



Japan

The yen neared a nine-month low as Finance Minister Katayama repeated warnings of “one-sided, rapid” moves while stopping short of stronger language. Her remarks echoed past concerns about yen weakness and urgency but stopped short of terms like “disorderly” or “decisive action”, which in the past have signaled imminent intervention, according to Exante Data. The yen fell as low as ¥154.89/\$, but analysts see intervention unlikely unless USD/JPY breaks into the ¥157–160 range. Next steps would likely involve rate checks or coordination signals. Trend-following funds remain neutral, while yen short positions are now the largest in a year, reflecting the currency’s role as a carry trade funding leg. This week’s yen decline reflects stronger demand for carry trades, expectations of a US government reopening, and lingering policy uncertainty in Japan. PM Takaichi is expected to delay fiscal targets in a new plan due Nov 21, while pushing for wage-driven inflation. She has yet to meet BoJ Governor Ueda, adding to uncertainty around policy coordination. Longer-term JGB yields continued to rise, with 30-year yields up (+2 bps) to 3.18% on fiscal concerns, while short-term yields held steady as global rates eased.

Yen Pares Loss After Hitting Weakest Since February



Source: Bloomberg

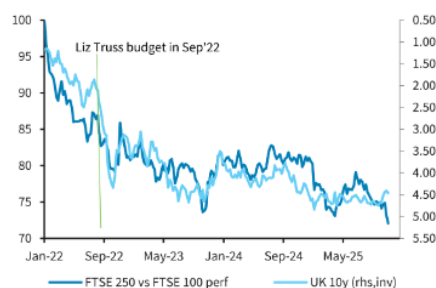
Bloomberg

United Kingdom

This morning, the FTSE 100 opened lower, underperforming European peers. Year-to-date, the index is up +21%, while still lagging Euro Area and US markets when measured in local currency. Interest rates rose (+3-4 bps) across the curve, with the 30y Gilts yielding 5.21%, paring some of yesterday’s gains. Sterling weakened (-0.3%) to \$1.3164/£.

The UK budget may offer near-term support for equities, but structural headwinds remain. Barclays analysts argue that if the Chancellor delivers a budget that balances fiscal consolidation with GDP growth and mild disinflation, it could lower the cost of capital and support UK equity markets. Rate-sensitive sectors such as housebuilders, utilities, and real estate could benefit if bond yields fall. Further support could come from monetary policy: if the Bank of England resumes easing after the budget, a weaker pound would likely lift the FTSE 100, which is rich in foreign earnings. Still, structural issues weigh on sentiment. UK equities account for only about 3% of global market capitalization. Barclays sees a need for policies that promote domestic investment in listed firms, alongside broader supply-side reform.

Figure 2. FTSE250 and gilts have been embedding a high risk premium since the Truss budget in 2022



Source: Bloomberg, Barclays Research

Emerging Markets

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This morning, EMEA equities traded mostly higher with currencies little changed. In CEE, equity markets gained across the board, led by Hungary (+1.2%). Currencies were stable against the euro, except for the Hungarian forint, which slipped (-0.2%) to HUF385.69/€. Romania's leu was steady at RON5.08/€, ahead of today's central bank decision, where consensus expectations are for a rate hold at 6.50%. In South Africa, the rand firmed (+0.2%) to ZAR17.13/\$, with local equities up (+0.5%). Turkish assets also advanced, with the lira holding firm at TRY42.24/\$ and stocks gaining (+1%).

Asian currencies edged lower, while equities gained ground. On aggregate, EM Asia FX fractionally depreciated to the dollar (-0.1%), led by the Philippine peso (-0.4%) and Thai baht (-0.3%). Equities advanced (EM Asia: +0.5%) as sentiment further improved on the likely ending of the US government shutdown and rising odds of Fed rate cuts.

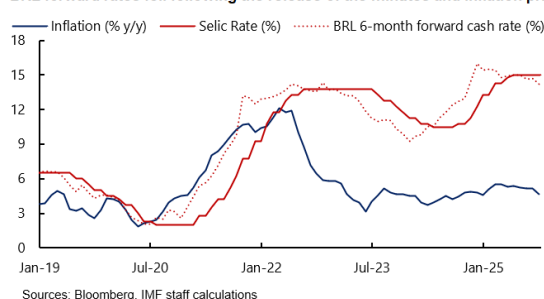
Latin American currencies and equities advanced on Tuesday. The Argentine and Mexican pesos led the gains (+0.53% and +0.37%, respectively) while the Colombian peso appreciated (+0.48%) to COP3,736.47/\$—its strongest since April 2022—after October inflation surprised to the upside (see Colombia paragraph below). Equities gained with the MSCI Latin America index reaching its highest level since April 2022. Regional stock markets in Mexico and Brazil closed at record highs (MEXBOL: +1.95%, IBOVESPA: +1.6%).

Brazil

Local markets rallied as central bank minutes appeared less hawkish than expected, while inflation continued to ease. Minutes from the latest policy meeting showed greater confidence that current rate levels are sufficient to bring inflation back to the 3% target. Policymakers acknowledged persistent services inflation and elevated expectations but appeared encouraged by recent disinflation trends, according to analysts at Goldman Sachs. October CPI data came in below expectations at 4.68% y/y (exp. 4.74%, prior 5.17%), marking the slowest pace since September 2023. Following the release, Goldman Sachs noted

that the central bank sees signs its policy is working, while Bloomberg analysts flagged rising odds of rate cuts next year. Local yields fell, and equities rallied in anticipation of potential easing ahead (see chart).

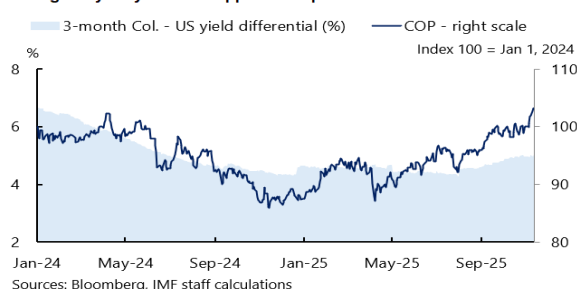
BRL forward rates fell following the release of the minutes and inflation print



Colombia

The Colombian peso hit its strongest level since April 2022 after October inflation surprised to the upside. The currency rose to 3,732/\$ and closed at 3,736/\$ following a hotter October CPI data release. Headline inflation came in at 5.51% y/y (exp. 5.47%, prior 5.18%), while core inflation printed at 5.25% (exp. 5.11%, prior 4.94%). This reinforced expectations that the central bank will maintain a cautious stance. According to analysts at XP Investments, risks may now tilt toward potential rate hikes, while Bloomberg analysts note that continued caution amid persistent inflation could help the peso retain its appeal as a high-carry currency.

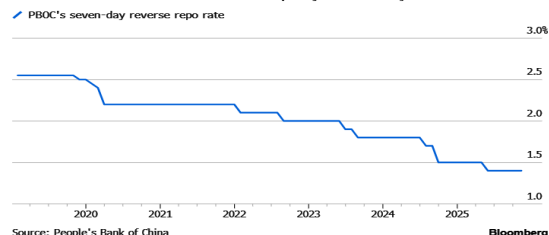
Rising carry may further support COP performance



China

The PBoC downplayed weak loan growth in its Q3 report, framing it as part of China's shift from property-led expansion to higher-quality growth. In its quarterly monetary policy report, the central bank pledged to keep financing conditions "*relatively loose*" and guide banks to support credit, noting slower aggregate financing is consistent with nominal growth. The PBoC also signaled patience, emphasizing "*cross-cyclical*" policy tools aimed at longer-term stability. In response, a number of market contacts including Goldman Sachs pushed back expectations for further cuts in the policy rate or reserve requirement ratio to early 2026. On the day, currency markets were steady—onshore CNY and offshore CNH hovered near 7.12/\$, while the PBOC set the fix slightly stronger at 7.0833/\$. Overnight repo fell (-9 bps) to 1.42%; the 7-day repo dropped (-2 bps) to 1.49%.

PBOC's Rate Cut Pause Could Last Longer
More economists see central bank to cut policy rate in early 2026



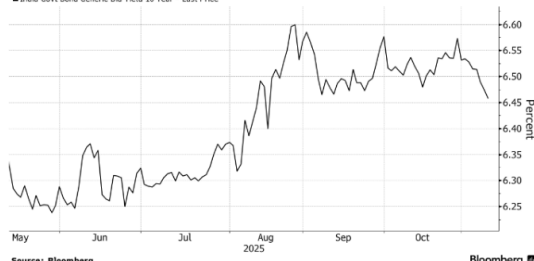
India

Market contacts suspect the RBI is drawing a ceiling on bond yields and a floor under the rupee.

The 10-year yield fell for a third straight session, down (-6 bps) since last Friday to 6.45% today. Fueling speculation of bond buying, the “others” category—which includes the RBI—showed INR62.6 bn (\$706 mn) in purchases on Tuesday, following nearly \$2 bn bought in recent days. This comes alongside about \$20 bn in FX sales over the past two months aimed at supporting the rupee. The RBI’s actions are seen as an effort to stabilize financial conditions ahead of key macro events. CPI inflation data due Wednesday is expected to ease further, and some analysts believe the central bank is managing volatility while awaiting a broader policy anchor, possibly tied to a pending trade pact.

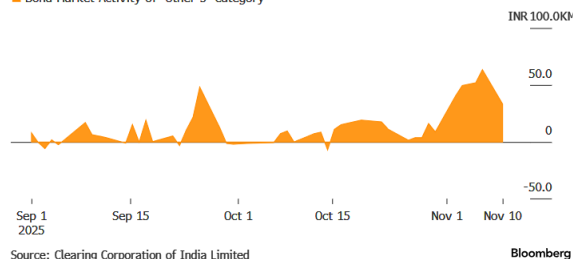
Indian Bond Yields Fall On Suspected RBI Purchases

■ India Govt Bond Generic Bid Yield 10 Year - Last Price



Bond Buying By 'Other's' Group Hints at RBI Hand

■ Bond Market Activity of 'Other's' Category

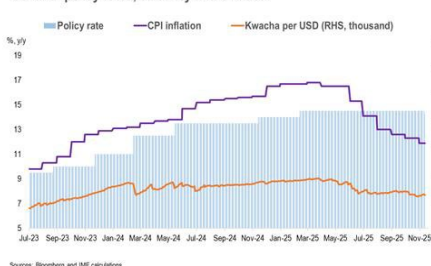


Zambia

The kwacha rallied after the central bank cut rates for the first time since 2020, citing a sharp drop in inflation. The Bank of Zambia lowered its benchmark rate by 25 bps to 14.25%, pointing to a faster disinflation path.

October CPI, released two weeks ago, slowed to its lowest in over two years helped by sustained currency strength that curbed import costs. In its policy statement, the central bank noted that inflation had declined further in Q3 and is expected to average 7.6% in 2026, converging toward the lower bound of its 6–8% target range. Separately, FX reserves rose to \$5.2 bn at end-September—equivalent to 5.2 months of import coverage—up from \$4.7 bn in the previous quarter, supported by stronger copper prices. The kwacha appreciated (+0.7%) on the day to 22,562 per dollar, extending its year-to-date gain to 19%. Zambia’s 2033 USD Eurobond prices edged up (+0.2%) to 95.84 cents (6.82% yield), continuing its recovery after rebounding above 95 cents in September from a low of 78.5 cents in April.

Zambia: policy rates, currency and inflation



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 L. 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.

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Global Financial Indicators













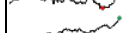

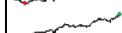







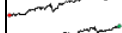

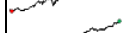










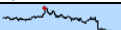
11/12/25 8:27 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,870	0.2	1.1	4.8	14.8	17
Europe		5,801	1.3	2.3	4.9	22.3	18
Japan		51,063	0.4	1.7	6.2	31.9	28
China		4,646	-0.1	0.4	1.1	13.0	18
Asia Ex Japan		95	0.0	1.3	6.7	27.8	32
Emerging Markets		56	0.1	1.7	7.0	27.8	33
Interest Rates			basis points				
US 10y Yield		4.1	-4	-8	5	-35	-49
Germany 10y Yield		2.7	1	-1	2	30	30
Japan 10y Yield		1.7	0	3	0	67	59
UK 10y Yield		4.4	3	-5	-26	-8	-15
Credit Spreads			basis points				
US Investment Grade		116	-1	0	-5	0	-4
US High Yield		345	1	1	-24	41	17
Exchange Rates			%				
USD/Majors		99.6	0.2	-0.6	0.6	-6.0	-8
EUR/USD		1.16	-0.1	0.7	0.0	8.9	12
USD/JPY		154.9	0.5	0.5	1.7	0.2	-1
EM/USD		46.2	0.1	1.0	1.3	4.5	8
Commodities			%				
Brent Crude Oil (\$/barrel)		64.3	-1.3	1.2	3.2	-8.4	-10
Industrials Metals (index)		153.9	0.4	1.4	3.1	7.2	10
Agriculture (index)		56.3	-0.7	-1.1	5.6	0.2	-1
Gold (\$/ounce)		4126.4	0.0	3.7	0.4	58.8	57
Bitcoin (\$/coin)		104787.8	2.1	0.9	-8.9	18.6	12
Implied Volatility			%				
VIX Index (% change in pp)		17.1	-0.2	-0.9	-4.5	2.4	-0.2
Global FX Volatility		6.9	0.0	-0.1	-0.5	-1.7	-2.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		62	-1	-1	-10	-27	-24
Italy		73	-1	-2	-8	-54	-42
France		74	-2	-4	-9	-3	-9
Spain		50	-1	-1	-5	-25	-19

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 11/12/2025 8:28 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		7.12	0.0	0.1	0.2	1.7	2.6		1.9	0	1	-6	-17	16
Indonesia		16703	-0.1	0.0	-0.9	-5.5	-3.6		6.0	1	0	-1	-72	-99
India		89	-0.1	0.0	0.0	-4.8	-3.4		6.9	-2	9	12	-33	-44
Philippines		59	-0.4	-0.6	-1.6	-0.6	-2.3		4.6	0	-2	-10	-37	-24
Thailand		33	-0.3	0.1	0.7	7.1	4.9		1.9	3	4	27	-58	-42
Malaysia		4.13	0.1	1.4	2.3	7.4	8.2		3.5	-2	-2	1	-38	-33
Argentina		1412	0.1	2.7	-4.4	-29.3	-27.0		30.6	53	-10	-2268	-62	147
Brazil		5.28	-0.1	1.5	3.6	9.1	17.0		13.5	-12	-24	-44	43	-242
Chile		935	0.0	1.0	2.6	5.4	6.4		5.3	-3	-7	-9	-11	-37
Colombia		3729	0.2	2.8	5.2	19.4	18.2		11.7	6	12	25	114	-9
Mexico		18.29	0.1	1.7	1.0	12.6	13.9		8.9	3	14	24	-117	-143
Peru		3.4	0.0	0.6	1.8	12.3	11.1		6.0	-2	-2	-19	-66	-59
Uruguay		40	0.0	0.1	0.9	7.2	10.6		7.8	0	-3	3	-164	-185
Hungary		333	-0.1	1.1	1.7	16.2	19.4		6.6	7	2	9	-3	18
Poland		3.65	0.0	1.4	0.8	12.1	13.1		4.8	0	3	-9	-56	-82
Romania		4.4	-0.1	0.7	0.1	6.6	9.3		6.8	0	-4	-48	9	-43
Russia		81.2	-0.3	0.2	-0.4	21.2	39.8							
South Africa		17.1	0.6	2.1	1.5	6.1	10.4		9.2	4	-7	-29	-137	-128
Türkiye		42.24	-0.1	-0.3	-1.0	-18.7	-16.3		32.8	26	56	45	213	311
US (DXY; 5y UST)		100	0.2	-0.6	0.6	-6.0	-8.2		3.68	-4	-9	5	-64	-71

	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	
								basis points					
China		4,646	-0.1	0.4	1.1	13.0	18.1		90	-1	-2	-11	-6
Indonesia		8,389	0.3	0.8	2.0	14.8	18.5		87	3	-9	0	-4
India		84,467	0.7	1.2	2.6	8.7	8.1		89	0	-2	8	3
Philippines		5,714	1.5	-1.8	-5.6	-14.9	-12.5		73	5	-4	-1	-6
Thailand		1,285	-1.2	-0.8	-0.2	-11.5	-8.2						
Malaysia		1,632	-0.2	0.6	1.0	1.2	-0.7		59	0	1	0	-11
Argentina		2,958,511	0.2	-4.0	53.7	47.0	16.8		607	-70	-331	-244	-30
Brazil		158,006	1.6	3.1	12.3	23.7	31.4		197	2	-25	-7	-50
Chile		9,777	0.5	3.7	12.7	50.2	45.7		100	4	-6	-13	-13
Colombia		2,082	0.5	2.3	11.3	54.7	50.9		245	-9	-26	-72	-81
Mexico		64,321	1.9	3.1	6.2	25.9	29.9		215	5	-10	-75	-97
Peru		2,348	-0.9	3.2	1.1	27.9	38.5		101	1	-6	-36	-40
Hungary		108,710	1.4	1.1	6.6	41.2	37.0		131	6	-7	-17	-24
Poland		113,661	0.9	2.1	5.3	40.2	42.8		88	2	-8	-23	-24
Romania		23,266	0.7	2.5	7.6	31.6	39.1		192	2	-18	-7	-43
South Africa		112,259	1.0	3.2	2.0	33.3	33.5		240	11	-24	-27	-53
Türkiye		10,623	0.4	-3.2	-0.9	15.1	8.1		255	2	-19	5	-4
EM total		56	0.5	1.7	7.0	27.8	32.9		281	5	-22	-85	-84

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

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