GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, NOVEMBER 14, 2025

LEAD EDITOR: TIMOTHY CHU

- **Valuations in US equities are even richer when adjusted for accounting true costs** (link)
- **Chinese stocks decline after weak economic data** (link)
- **UK gilt yields rise sharply, and the pound weakens on budget headlines** (link)
- **Japanese equities and yen underperform on AI and corporate governance reform risks** (link)
- **Germany projected to meaningfully increase net new borrowing for 2026** (link)

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AI jitters and hawkish Fed lead markets lower.

Markets fell broadly as concerns about stretched AI valuations and a more hawkish Fed hit risk sentiment. After a period of relative calm due, partially due to the absence of official US economic data, this week has been volatile. The S&P 500, which had initially risen on reopening optimism, declined sharply by 1.7% yesterday, led by tech and cyclical sectors amid worries over AI overbuilding. European and Asian markets also declined overnight, with weak Chinese data and risks to Japanese corporate governance reforms in focus. US equity futures pointed to another lower open today (Nasdaq: -1.5%). With the US government reopening, backlogged data such as the September jobs report next week may provide some direction, though October prints may be partial (NFP) or omitted (CPI). Investors are hoping that positive US earnings, including Nvidia next week, will offset the latest risk-off mood. In the meantime, the Fed's December rate decision is now seen as a coin flip, as hawkish regional Fed presidents expressed concerns over inflation and amid the cloudy data outlook. In the UK, the pound traded lower, and yields rose after Chancellor Reeves abandoned plans to raise taxes. Oil prices meanwhile rebounded, with Brent trading above $64 and WTI above $60 per barrel, after the IEA warned that US sanctions on Russian companies could threaten Russia's oil production.

Key Global Financial Indicators

Last updated: 11/14/25 8:09 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6737	-1.7	0	1	13	15
Eurostoxx 50		5651	-1.6	2	2	17	15
Nikkei 225		50377	-1.8	0	6	30	26
MSCI EM		55	-1.2	0	4	28	31
Yields and Spreads			bps				
US 10y Yield		4.07	-4.6	-2	4	-36	-50
Germany 10y Yield		2.69	0.2	2	8	35	32
EMBIG Sovereign Spread		265	-3	-5	-27	-58	-60
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.2	-0.1	1	1	5	8
Dollar index, (+) = $ appreciation		99.0	-0.1	-1	0	-7	-9
Brent Crude Oil ($/barrel)		63.7	1.1	0	2	-12	-15
VIX Index (%, change in pp)		22.3	2.3	3	1	8	5

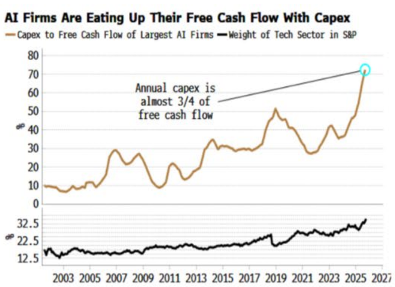
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Mature Markets back to top

United States

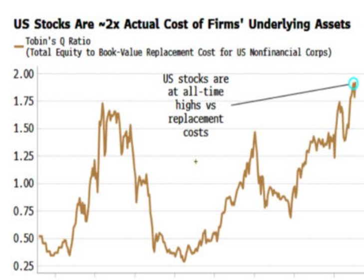
US markets came under pressure yesterday as hopes of Fed rate cuts in December deteriorated on the back of cloudy (and potentially omitted) data and hawkish Fed comments. Markets now believe December is a coin flip, with fed funds futures implied probability at 50%, down from around 70% in late October. US equities corrected across the board, though the selloff in tech was more pronounced, with the Nasdaq index shedding another 2.3%. Concerns around lofty tech stock valuations continued to prevail in yesterday's trading, while profit-taking might have contributed to the larger correction seen in mega-tech stocks, with the Bloomberg's Mag7 index falling 2.7%. The US Treasury yield curve steepened with yields on longer tenors rising by up to 5bps, as traders repriced the path of Fed policy. Yesterday's auction of 30yr notes of $25bn saw a weaker bid-cover ratio compared to recent months and trailed by 1bp. Amid sharp decline in valuations, volatility spiked, with the VIX rising past 20 and the MOVE hovering near a 1-month high. Among risk assets, Bitcoin saw the most notable move, falling below $100,000 (-3.5%), while gold prices also edged lower (-0.5%).

Artificial intelligence (AI) companies in US could be more overvalued by a larger degree. AI firms are undertaking massive capital expenditures (capex) to ramp up processing power, on the assumption of exceptional growth. As a result, valuations remain vulnerable to corrections if these extraordinary expectations fail to materialize. Moreover, the scale of these capex investments has begun reshaping the balance sheets of previously cash-rich companies; capex of these firms has reached over 70% of cash flows, eroding cash buffers and increasing leverage (left chart). Additionally, industry-specific concerns—such as underreporting depreciation of processing hardware and rising replacement costs amid inflation—could significantly impact earnings. In recent months, experts have questioned the extended useful life of processing hardware reported by tech firms, which understates depreciation and inflates earnings. Since 2020, the average useful life reported by major tech companies has risen from 3.6 years to 5.7 years (middle chart). In contrast, experts argue the realistic lifespan is much shorter (1–2 years) also due to rapid technological advancements making equipment obsolete sooner. Further, hardware replacement costs could exceed depreciation in times of rising inflation. Based on Tobin's Q ratio, which adjusts P/B ratio for replacement cost, US valuations are at historical highs (right chart).



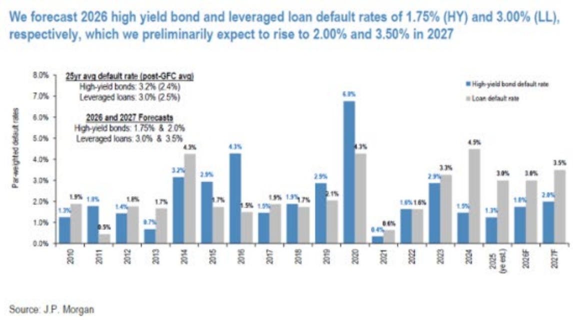
Network/Compute Depreciation Useful Life (Years)

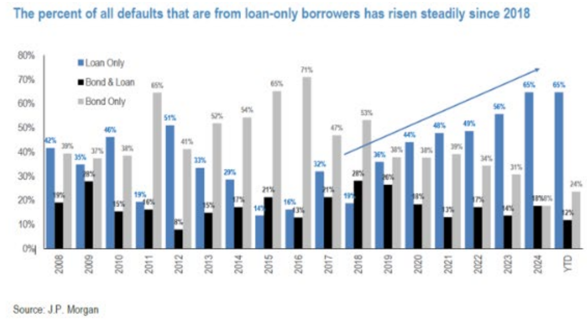
Company	2020	2021	2022	2023	2024	2025
META	3	4	4½	4½	4½	5½
GOOG	3	4	4	6	6	6
ORCL	5	5	5	5	6	6
MSFT	3	4	6	6	6	6
AMZN	4	4	5	5	6	5



Sources: Bloomberg, Michael Burry via X.com and SEC company filings.

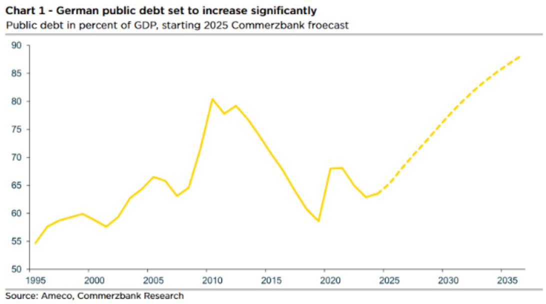
Defaults in US leveraged credit have improved in 2025, but loans face some headwinds going forward. During the year, default rates in both HY bonds and leveraged loans declined; however, defaults in the leveraged loan (LL) segment remained well above the post-GFC average for the third consecutive year at 3.33%. According to JPMorgan, leveraged loans may continue to experience relatively higher default rates amid elevated policy rates and generally weaker fundamentals among loan issuers. Additionally, the composition of the LL segment is skewed toward loans-only issuers, which have shown a higher propensity to return with default or distress transactions. Collectively, these factors are expected to keep default rates in the LL segment above the post-GFC average.





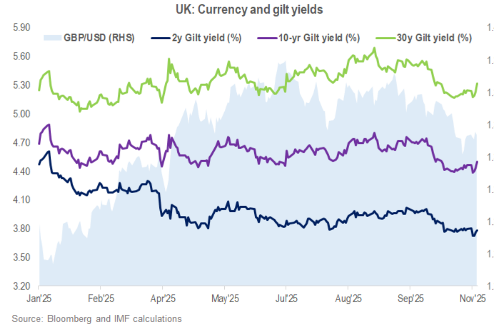
Europe

European equities were trading sharply lower reflecting a more risk-off tone. The Stoxx 600 was sharply lower in early morning trading (-1.2%) with all sectors in the red, led by declines in the tech sector (-2.8%) following a disappointing earnings report from a major chip-equipment maker as well as broader concerns about tech sector valuations. The Stoxx banking sector index (-2.1%) and regional bourses were also trading in negative territory while the euro was weaker against the dollar at 1.1612.



Germany is expected to meaningfully increase net new borrowing for 2026. According to Bloomberg, Germany's federal government borrowing is likely to be €8bn more than originally planned at €98bn following discussions in the lower house of parliament. Including funds for defense and infrastructure which are outside the core budget, borrowing is projected to reach €180bn in 2026. Analysts at Commerzbank note that government borrowing across Eurozone countries is expected to increase sharply in the coming years to fund defense spending as well as costs associated with aging populations, with fiscal consolidation measures facing resistance from politicians and voters. The analysts note that while joint EU issuance may help reduce financing costs, particularly for lower-rated countries, it may crowd out private sector investment, leading to weaker growth outcomes. European government bond yields were trading higher across the curve led by the long end with the 30yr bund (+3bp) at 3.31% and the 10yr bund yield (+2bp) to 2.71%. Reflecting the wider risk-off tone, the 10yr OAT-Bund spread and the 10yr BTP-Bund spread were both around 2bps at 75bps respectively.

United Kingdom



UK gilt yields rose sharply, and the pound sterling weakened on domestic headlines. In early morning trading, UK gilt yields were sharply higher across the curve with the 30yr gilt yield up 12bps to trade at 5.34% and the 10yr gilt yield around 7bps higher at 4.50%. Reports suggesting that the Chancellor may drop plans to increase income tax at this month's budget appeared to raise concerns over the UK's finances, sending gilt yields higher with UK equities and the pound lower. According to Bloomberg, improved UK forecasts were cited as a primary reason that the Chancellor is considering dropping the hike in income tax; headlines suggest that tax increases on higher income households would be introduced instead. Despite the reports, analysts at Deutsche Bank believe that the Chancellor's budget will still deliver around £20bn of fiscal consolidation, with wider wealth taxes as a likely offset to the abandoned increase in income tax. Gilts had outperformed recently on expectations that tax rises in the budget would deliver necessary fiscal tightening without stoking inflation, thereby allowing the Bank of England to ease policy in December. Through the morning, UK gilts pared initial losses, with yields still trading 2-9bp higher across the curve while money markets pared back expectations of a December rate cut to around 80% from around 86% on Wednesday.

Japan

The stock market fell (Nikkei 225: -1.8%) on concerns about high AI valuations and Prime Minister Takaichi's proposed corporate governance reforms. T&D strategists note that AI-related stocks face correction as investors question the necessity of large capex plans. Still, Bloomberg estimates over 75% of MSCI Japan Information Technology Index constituents beat analyst earnings forecasts, though the chip sector shows divergence; AI-driven demand supported profits while auto-related suppliers struggled. In a parliament speech, PM Takaichi blamed companies for prioritizing shareholders by hoarding capital over wage growth and proposed revising the corporate governance code to encourage resource redistribution to employees. Finance Ministry data showed corporate retained earnings at ¥630 trn ($4.1 trn) as of June—exceeding Japan's nominal GDP for the year-end March. Pictet warns such governance reform could deter foreign investors favoring shareholder primacy. Meanwhile, markets anticipate negative GDP data next week, potentially giving Takaichi grounds for fiscal expansion, which may in turn keep upward pressure on JGB yields (10y: +1.7bps to 1.71%; 30y: +2.9bps to 3.21%). Today, the yen ended little changed (-0.06%) against the dollar after initially strengthening, having touched its weakest level since February this week.

MSCI Japan Beat vs Miss Analyst Estimates

Sector	Reported	Beat	Hit	Miss
Technology	98.4%	77.3%	9.1%	13.6%
Comm. Serv.	100.0	100.0	0	0
Consumer Disc.	96.5	60.9	4.3	34.8
Consumer Stap.	85.4	36.4	9.1	54.5
Energy	52.3	0	0	100.0
Financials	17.9	62.5	12.5	25.0
Health Care	100.0	38.5	15.4	46.2
Industrials	95.8	59.5	7.1	33.3
Materials	85.5	62.5	12.5	25.0
Real Estate	74.9	40.0	0	60.0
Utilities	100.0	75.0	0	25.0

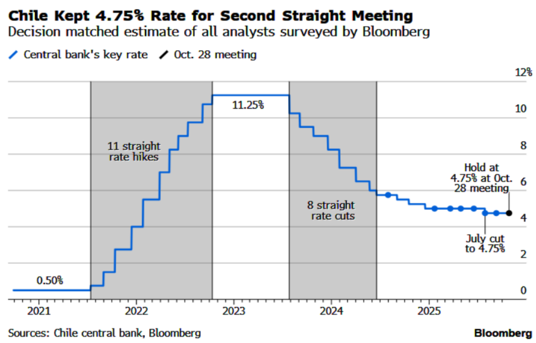
Source: Bloomberg
Note: Data is as of Nov. 12
Bloomberg

Emerging Markets back to top

EMEA equities and currencies edged lower this morning, on broader risk-off sentiment. In CEE, **equities were down across the region** save for Romania, where stocks continued to advance (1%) after today's data showed economic growth surprising to the upside in 3Q, while currencies were little changed against the euro. The rand reversed yesterday's gains (-0.6%) against the dollar, with equities also retracing (-1.9%); S&P's scheduled review of South Africa's sovereign credit rating is expected later today. The lira was marginally weaker (-0.1%) on the greenback, with Turkish stocks down by - 0.9%. **EM Asian equity markets broadly declined (EM Asia: -2.6%) as global investors reportedly accelerated selling in AI-related stocks**, led by the Korean KOSPI (-3.8%). EM Asian currencies were mixed, with the Indian rupee weakening slightly (-0.1%) despite the RBI reportedly intervening to defend the rupee, which is near a record low. The Korean won rebounded (+0.5%) against the dollar after authorities pledged stronger currency measures, including coordination with the National Pension Service (NPS). **LATAM markets traded mostly weaker on a hawkish Fed**. In FX markets, the Colombian Peso depreciated (-1%) but remains on track for two consecutive weeks of gains. Local equities broadly declined (-0.7%), led by the Argentina's MERVAL index (-3.4%) and local bond yields ended the trading session mostly higher, led by the 10-year Colombia yield **(**+12bps**)**.

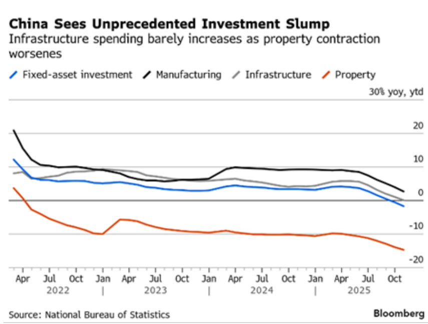
Chile

Chilean central bank minutes show some openness to rate cut despite unanimous hold. Minutes from the Chilean central bank's October policy meeting revealed that one board member noted a rate cut could have been discussed due to a reduction in inflation risks. Another member noted that, if incoming data remains consistent with the central bank's forecasts, the policy rate should continue converging lower toward the upper half of the estimated neutral range of 3.5% to 4.5%. Despite these views, the committee unanimously voted to hold the policy rate, emphasizing the need for additional data before advancing toward the neutral range. Bloomberg analysts also noted that the cautious stance also likely reflects that current inflation is still above the 3% target, although the central bank's monthly survey of economists expect 2026 year-end inflation to ease to 3.0%. Survey respondents are also expecting a policy rate cut to 4.5% at the December meeting.



China

The stock market declined (CSI300: -1.6%) after weak economic data. Fixed-asset investment dropped by1.7% in the first 10 months, a record decline, according to the National Bureau of Statistics data. Industrial production growth slowed to +4.9% y/y in October, the smallest gain this year and below expectations (+5.5%). ANZ notes that government efforts to curb overcapacity have weighed on investment, with infrastructure spending barely rising, manufacturing outlays slowing, and property investment sliding further. Retail sales grew at just +2.9% y/y, marking a fifth straight slowdown, while the urban unemployment rate eased to 5.1%. Despite August housing stimulus, new-home prices in 70 cities fell -0.45% m/m, the steepest drop this year, and resale prices declined by 0.66% m/m, the fastest slide in 13 months. Citi analysts warn that the impact of property policies is fading and see no housing sector recovery within a year. Despite signals of broad economic softening, market participants expect no major stimulus, citing holiday distortions and front-loading, with average output growth in Sep–Oct still above August and solid GDP through Q3. Today, the yuan held steady on strong RMB fixing (7.0825 per dollar vs 7.0865 previously), and contacts expect the PBOC to maintain yuan stability next year, supporting cross-border trade settlement in yuan and long-term push to internationalize the currency.

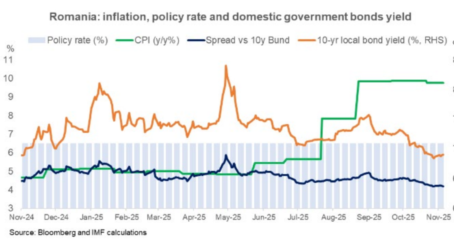


Peru

Central bank kept the policy rate at 4.25% for the second consecutive meeting, in line with expectations. The forward guidance remained broadly unchanged, with the monetary policy committee reiterating its data-dependent stance. Policymakers downplayed the recent downside inflation surprise, noting that the softness was driven by temporary factors, including food, fuel, and electricity, and reaffirmed their view that inflation will converge toward their 2% target in the coming months (from 1.4% currently), due to base effects. They also highlighted that one-year inflation expectations stood at 2.2% in October. Goldman Sachs analysts noted that its policy statement offered no shifts in forward guidance or signals of a change in the policy outlook. They added that a "closed" output gap, well-anchored inflation expectations, and an overall neutral policy stance suggest limited urgency for the central bank to either address emerging inflationary pressures or provide additional stimulus to growth.

Romania

Equities continued to advance in Romania. The Romanian index has outperformed by 41% year-to-date, bolstered by today's statistical release which showed economic growth surprising to upside in 3Q**.** GDP printed at 1.6%y/y (vs. est. 1.2%) from 0.3%y/y in 2Q. However, some analysts view growth resilience as short-lived due to ongoing fiscal consolidation measures that are expected to contain Romania's public deficit, which may exceed 8% of GDP this year. Tax increases have already added to inflation expectations, leading the central bank to keep its policy rate at 6.5%, the highest level in Europe alongside Hungary. ING analysts also remain cautious, looking towards the December GDP print before revising upward their 0.3% growth estimate for 2025. The leu was firmer against the euro overnight**,** at around RON5.08/€, with Romanian government bond yields moving notably only in the 5yr tenor.



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.

Global Financial Indicators

11/14/25 8:09 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		**%**
United States		6,679	-1.7	-0.7	0.5	12.3	14
Europe		5,651	-1.6	1.5	1.8	16.9	15
Japan		50,377	-1.8	0.2	5.9	30.4	26
China		4,628	-1.6	-1.1	2.5	16.6	18
Asia Ex Japan		94	-1.2	0.2	3.4	27.8	30
Emerging Markets		55	-1.2	0.4	3.7	27.9	31
Interest Rates					**basis points**		
US 10y Yield		4.1	-5	-2	4	-36	-50
Germany 10y Yield		2.7	0	2	8	35	32
Japan 10y Yield		1.7	1	3	6	65	61
UK 10y Yield		4.5	8	6	-7	4	-5
Credit Spreads					**basis points**		
US Investment Grade		119	1	1	3	0	-1
US High Yield		360	7	7	1	55	31
Exchange Rates					**%**		
USD/Majors		99.0	-0.1	-0.6	0.0	-7.2	-9
EUR/USD		1.16	0.1	0.7	0.4	10.6	12
USD/JPY		153.9	-0.5	0.3	1.3	-1.5	-2
EM/USD		46.2	-0.1	0.7	0.8	4.6	8
Commodities					**%**		
Brent Crude Oil ($/barrel)		63.7	1.1	0.1	2.7	-9.5	-11
Industrials Metals (index)		152.0	-1.2	0.3	1.5	7.3	8
Agriculture (index)		56.9	0.1	1.9	5.8	2.2	0
Gold ($/ounce)		4106.1	-1.6	2.6	-0.9	60.1	56
Bitcoin ($/coin)		95149.8	-3.7	-9.0	-15.8	7.9	2
Implied Volatility					**%**		
VIX Index (%, change in pp)		22.3	2.3	3.2	1.5	8.0	4.9
Global FX Volatility		7.0	0.0	0.2	-0.6	-1.5	-2.2
EA Sovereign Spreads					**10-Year spread vs. Germany (bps)**		
Greece		65	3	1	-1	-19	-21
Italy		76	3	-1	-2	-44	-40
France		75	2	-5	-4	1	-8
Spain		51	2	-1	-1	-19	-18

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

Emerging Market Financial Indicators

Last updated: 11/14/2025 8:09 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		7.10	0.0	0.4	0.6	1.8	2.9		1.9	1	0	-5	-16	16
Indonesia		16704	0.1	-0.1	-0.8	-5.1	-3.6		6.0	-2	-3	-3	-86	-101
India		89	-0.1	-0.1	0.1	-4.9	-3.5		7.0	4	11	20	-31	-39
Philippines		59	-0.1	0.0	-1.4	-0.5	-2.1		4.6	-1	1	-9	-31	-25
Thailand		32	-0.3	-0.2	1.2	8.3	5.2		1.9	-2	-1	23	-63	-47
Malaysia		4.13	-0.1	1.1	2.4	8.5	8.2		3.4	######	######	-1	-44	-37
Argentina		1405	0.2	1.0	-3.5	-28.9	-26.6		32.1	136	5	-1681	275	292
Brazil		5.30	0.0	0.6	3.4	9.3	16.5		13.5	2	-23	-46	25	-243
Chile		932	-0.4	1.5	3.1	4.6	6.7		5.3	-4	-11	-14	-19	-42
Colombia		3745	0.0	1.0	4.8	19.8	17.6		11.9	9	26	42	125	8
Mexico		18.37	-0.3	0.4	0.7	11.1	13.4		8.8	-2	3	17	-122	-151
Peru		3.4	-0.1	0.0	1.5	13.0	10.9		6.1	-1	2	-17	-62	-58
Uruguay		40	-0.1	0.0	0.9	7.9	10.5		7.8	1	0	3	-163	-185
Hungary		330	-0.1	0.7	2.1	16.8	20.3		6.7	0	10	17	13	26
Poland		3.63	0.1	0.9	1.0	13.0	13.7		4.7	0	-2	-9	-67	-84
Romania		4.4	0.1	0.7	0.4	8.2	10.0		6.9	2	5	-37	8	-40
Russia		81.0	-0.4	0.0	-1.2	22.2	40.2							
South Africa		17.1	-0.5	1.0	1.4	6.6	10.0		9.0	-11	-25	-56	-159	-152
Türkiye		42.33	-0.1	-0.3	-1.2	-18.9	-16.5		32.8	-2	43	32	216	313
US (DXY; 5y UST)		99	-0.1	-0.6	0.0	-7.2	-8.7		3.66	-5	-3	5	-67	-72

	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		4,628	-1.6	-1.1	2.5	16.6	17.6		92	-1	0	-8	-4
Indonesia		8,370	0.0	-0.3	5.7	16.9	18.2		83	-7	-13	6	-8
India		84,563	0.1	1.6	0.7	9.0	8.2		89	-4	-2	9	3
Philippines		5,584	-2.5	-3.0	-8.3	-16.4	-14.5		71	-4	-6	3	-8
Thailand		1,269	-1.4	-2.6	-0.4	-12.0	-9.4						
Malaysia		1,626	-0.4	0.4	1.2	2.1	-1.0		59	-1	1	-1	-11
Argentina		2,883,333	-3.4	0.7	53.0	38.1	13.8		624	-25	-314	-174	-13
Brazil		157,162	-0.3	2.0	10.9	23.0	30.7		199	-2	-23	-4	-48
Chile		9,661	-1.9	0.6	7.2	49.1	44.0		99	-2	-7	-10	-14
Colombia		2,052	-1.4	-1.4	8.5	52.2	48.7		241	-12	-30	-69	-85
Mexico		62,529	-1.0	-0.9	2.9	23.7	26.3		216	-2	-9	-70	-96
Peru		2,299	-3.1	-1.3	-2.6	25.6	35.6		100	-4	-7	-33	-41
Hungary		107,455	-0.7	0.1	4.9	38.2	35.5		139	7	1	0	-16
Poland		110,739	-1.6	-1.3	3.8	36.7	39.2		82	-7	-14	-20	-30
Romania		23,434	0.1	2.5	8.3	32.6	40.1		192	-3	-18	-1	-43
South Africa		111,396	-2.3	2.3	0.5	32.9	32.5		221	-18	-43	-51	-72
Türkiye		10,465	-1.5	-4.2	1.4	11.1	6.5		248	-9	-26	5	-11
EM total		55	-1.6	0.4	3.7	27.9	31.3		279	-4	-23	-83	-85

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

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