



- Investors pare back bets on Fed easing following cancelled October jobs report ([link](#))
- Markets eye 2026 voter rotation as regional Fed presidents bring more hawkish tone ([link](#))
- Sub-IG ratings improve but covenant risk premium leaves leveraged loan coupons high ([link](#))
- Euro bank spreads backed by strong capital, but further compression looks limited ([link](#))
- JGB yields bear steepen as markets expect boosted spending to fund economic plan ([link](#))
- Hopes of political shift lift Venezuela's defaulted 2027 bond above 30 cents ([link](#))

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JGBs and Gilts Weaken into Budgets as Yen and Sterling React to Different Drivers

Investor sentiment is settling into a cautious rhythm for the final weeks of the year. Nvidia's strong earnings yesterday helped ease jitters around tech valuations, lifting equities in Asia and bolstering the case that the AI cycle may still have legs. Beyond the headlines, the mood is turning more sober. The cancellation of October's US jobs report and the delay of the November print until after the Fed's December meeting are anchoring expectations for a rate hold, while incoming regional Fed voters signal a more hawkish posture in 2026. Bond investors are turning to fiscal risks. Longer-dated JGB and Gilt yields bear steepened, reflecting unease ahead of Japan's budget update tomorrow and the UK's on November 26. With both a BoJ hike and Fed cut seen as unlikely in December, the wide rate gap looks entrenched, while investors anticipate a higher bar for currency intervention by the Ministry of Finance. The UK faces a different challenge: sterling volatility has picked up as traders question how much room remains for fiscal easing without complicating the BoE's path, where overnight forwards still firmly price a cut next month. In Africa, South Africa and Egypt's central banks are expected to cut rates today.

Key Global Financial Indicators

Last updated: 11/20/25 8:54 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6642	0.4	-3	-1	12	13
Eurostoxx 50		5605	1.1	-2	-1	18	14
Nikkei 225		49824	2.6	-3	1	31	25
MSCI EM		54	-0.4	-3	-2	24	29
Yields and Spreads			bps				
US 10y Yield		4.13	-1.0	1	15	-28	-44
Germany 10y Yield		2.73	2.3	5	16	38	37
EMBIG Sovereign Spread		266	-3	-2	-22	-68	-59
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.2	0.1	0	0	5	8
Dollar index, (+) = \$ appreciation		100.1	-0.1	1	2	-6	-8
Brent Crude Oil (\$/barrel)		64.0	0.7	2	5	-12	-14
VIX Index (% change in pp)		20.0	-3.6	0	2	3	3

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

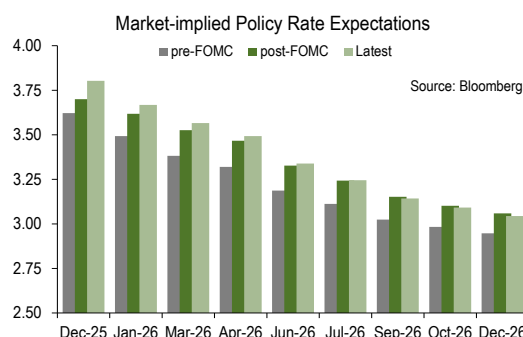
Mature Markets

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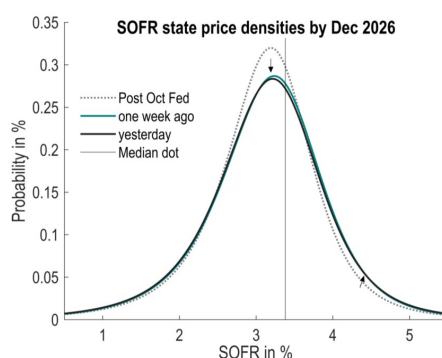
United States

This morning, nonfarm payrolls rose 119K in September, well above expectation (51K), though the prior reading was revised down from 22K to a net loss of 4K. The unemployment rate edged up to 4.4% from 4.3%. Wage growth softened, with average hourly earnings rising by 0.2% m/m after an upwardly revised 0.4% m/m. Jobless claims held steady at 220K for the week ending Nov 15 with continuing claims at 1974K. The 2-year Treasury yield dropped (-5bps) to 3.57%, reflecting the uptick in the unemployment rate. Stock futures are holding near session highs.

Investors pared back bets on Fed easing expectations following the cancelled October job report. BLS said it would cancel the October job report, which will be rolled into a report to be published after the December Fed meeting. The announcement prompted investors to scale back easing expectations with overnight forwards now implies only pricing 35% odds of a cut at the next meeting with anticipation for the first full cut now having been pushed into March next year (see chart). Treasury yields added 1–2 bps across the curve and the dollar strengthened against most major currencies (DXY: +0.6%).



The October Fed minutes showed a divided committee, with few surprises. Many leaned against a December cut, and several flagged concerns over stretched asset prices, especially in AI-linked tech, raising the risk of a sharp correction. Almost all backed the pause in QT. Since then, Fed rhetoric has turned more hawkish. Firmer incoming data and cautious tones from incoming regional presidents, including Logan (Dallas) and Hammack (Cleveland), have weighed against expectations for easing. Both will become voting members next year, while Boston and Chicago presidents rotate out. Market pricing has shifted in step: SOFR options now place the odds of end-2026 rates above the Fed's median dot at nearly 40%, up from 35% post the October meeting.



Source: Bloomberg L.P., IMF staff analysis.
Note: State price densities are derived from SOFR options following Hagan et al. (2002) and Brodier and Loeblinger (2017). The resulting state price densities are fitted using a flexible generalized gamma distribution to capture higher-moment dynamics as in Anton, Gotsch, Liang, Nank and Yu (2022).

Sub-investment grade credit rating quality is improving, but not all risk premiums are falling. While ratings upgrades are helping high yield spreads tighten, leveraged loan coupons remain elevated. Most new loans come with looser protections for lenders—GARP estimates over 80% of leveraged loans are now covenant-lite, a sharp rise from pre-GFC levels—adding uncertainty which has become priced as a covenant risk premium. According to Goldman Sachs, the weighted-average rating has improved toward B+, up from closer to B at the start of the year (left chart). Unlike 2020, when fallen angels from investment grade lifted index quality, they account for less than 10% of this year's changes. The improvement is coming from the lower tail, with CCC- and lower-rated credits nearly halving to 2.7%. This quality shift has supported spreads, with Bloomberg's high yield index near 330bps, around the fifth percentile of its range since 2010. In contrast, the recovery in leveraged loans has been more uneven. Fed easing is reducing funding

pressures, but most of that financial condition easing appears to have benefited BB and B obligors. Coupons on CCC loans still hover near 80% of their peak (right chart), showing that the most stressed borrowers continue to face high financing costs even as broader credit conditions improve.

Exhibit 1: There has been a rapid improvement in the quality of the HY index this year

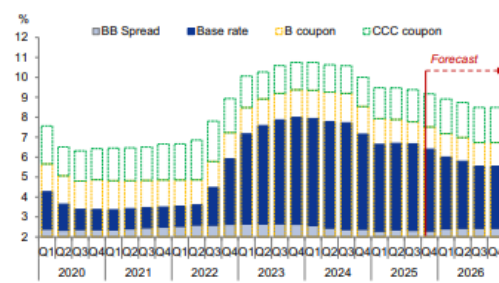
Weighted-average rating factor of the USD HY bond and leveraged loan markets



Source: iBoxx, PitchBook LCD, Goldman Sachs Global Investment Research

Exhibit 3: The higher spread component for CCC borrowers means base rate relief will be less impactful

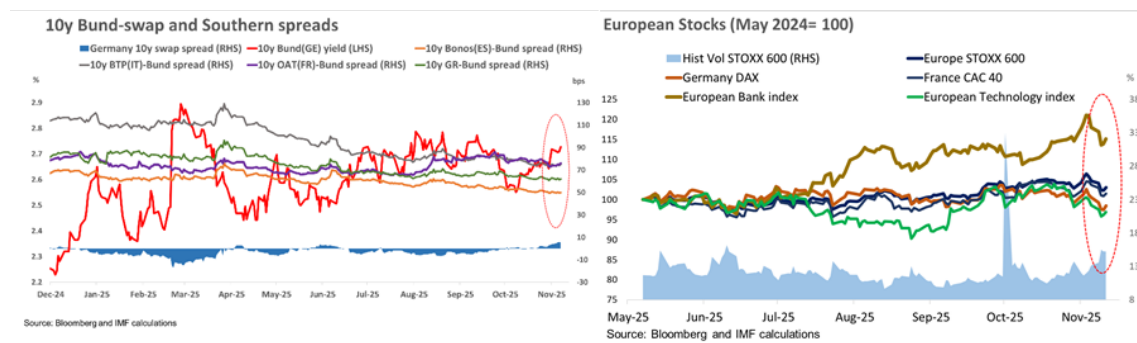
Running coupon for leveraged loans for CCC and B, including base rate and BB spread



Source: Bloomberg, Goldman Sachs Global Investment Research

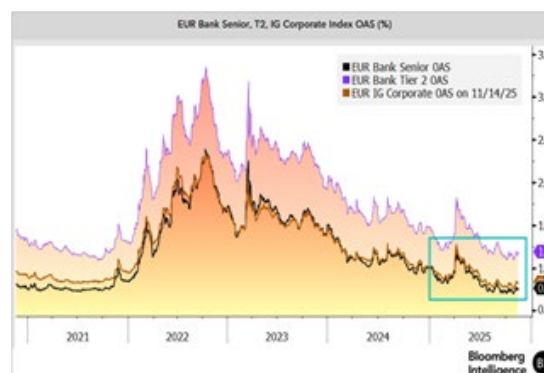
Euro area

European stocks and bond yields edged higher, with industrials and tech leading equity gains. The Stoxx 600 rose (+0.6%), while the euro slipped (-0.2%) to \$1.1516/€. German yields moved up with 10y Bunds rising (+2bps) to 2.72%. Sovereign spreads between 10y OATs and Bunds, and between BTPs and Bunds, both widened by (+1bps) to 76bps and 75bps, respectively.



Bank credit spreads reflect strong capital buffers confirmed by ECB, but tight valuations leave little room for upside.

European bank bonds have rallied alongside equities, supported by the ECB's latest review showing capital and liquidity remain solid across the sector. According to the 2025 supervisory assessment published two days ago, CET1 ratios stood at 16.1% and LCRs at 158% in Q2, while NPL ratios remained low at 1.9%. With credit fundamentals strong and issuance down, AT1 spreads have tightened sharply, pushing yields to 5.2%—now in line with dividend yields. The AT1–Tier 2 spread has compressed to 180bps, far below the five-year average of 330bps. Senior bank bonds now trade inside IG corporates, with spreads near 80bps over swaps. Analysts caution, however, that further gains may depend on carry as valuations look stretched and risks build from rising exposures to sovereign and private credit.



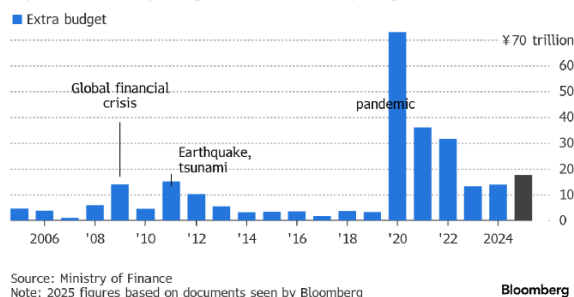
Japan

The yen fell to its weakest level in 10 months, raising the risk of intervention. It touched ¥157.31/\$ today, down from ¥144/\$ at end-June. Chief Cabinet Secretary Kihara warned on intervention, but traders see pressure persisting as policy divergence remains in play. Overnight forwards price only a 20% chance of a BoJ hike in December, while expectations for a Fed cut have faded as outlined above.

JGB yields climbed as markets anticipate a larger fiscal package. PM Takaichi is set to present a new economic plan tomorrow, estimated at ¥21.3tn, about 27% larger than the previous administration's ¥13.9 tn package. The plan includes tax cuts and spending from special accounts, according to Bloomberg. The 10y JGB yield rose (+6bps) to 1.825%, the highest since 2008. Investors have pulled back: net purchases of 10y JGBs by banks, insurers, and overseas accounts have dropped to their lowest since October 2023, per JSDA data. Open interest in 10y futures jumped to a one-year high, pointing to short positioning ahead of expected supply increases.

On the Rise

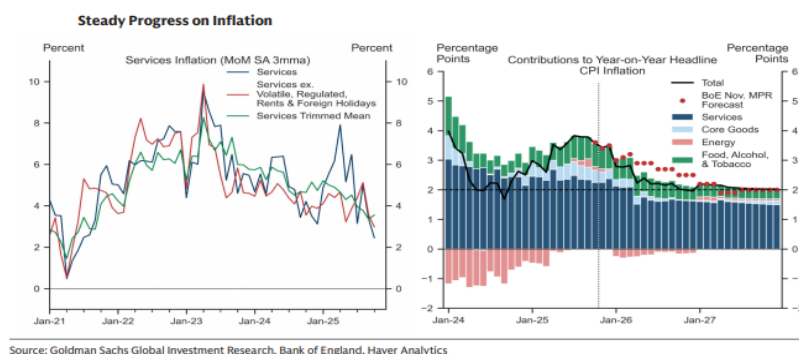
Japan has boosted spending to fund its economic packages



United Kingdom

The pound and gilts were steady ahead of the 26 November Budget. Sterling traded near \$1.3064/£, little changed on the day. Gilt yields remained stable, with the 2y tenor at 3.79% and the 10y tenor at 4.60% after a bear steepening yesterday as yields in the 30y tenor jumped (+7bps) to 5.45%. Bloomberg analysts expect a pickup in near-term pound volatility, with option markets skewed bearish due to fiscal uncertainty. Traders remain wary that under-delivery on tightening in next week's Budget could constrain the Bank of England's ability to ease policy.

Markets expect BoE easing to begin in December, with soft data reinforcing the case. Goldman Sachs forecasts a rate cut at the 18 December meeting and sees the Bank Rate falling to 3% by mid-2026. Their projection reflects slowing pay growth and a weakening labor market, with unemployment at 5% in September and projected to reach 5.3% by mid-2026. HSBC analysts note mixed macro signals, including weak 3Q GDP growth (+0.1% q/q) and soft investment. Gilt yields have traded in a 4.8–5.2% range ahead of the Budget. Overnight forwards price in a 92% chance of a cut next month and a further 25bps of easing by mid-2026.



Emerging Markets

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This morning, EMEA currencies slipped while equities gained. In CEE, stocks traded higher, though Romania lagged (-0.6%). Regional currencies weakened against the euro. The Turkish lira held near 42.37/\$, little changed on the day. The South African Reserve Bank is expected to cut rates by 25bp to 6.75% later today, with the rand trading softer at 17.20/\$. The Central Bank of Egypt is also seen cutting by 100bp to 20.0% later today.

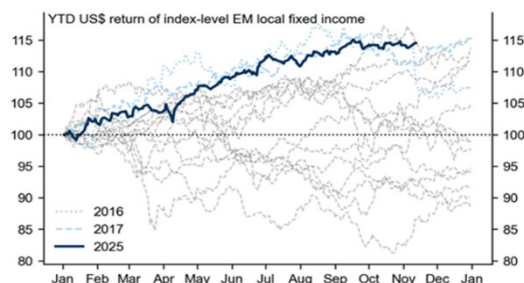
Asian equities posted broad gains as Nvidia's earnings boosted risk appetite, though Chinese markets lagged on renewed caution. Mainland bourses slipped modestly, diverging from the regional rally. Asian currencies were little changed against the dollar. The yen underperformed, down (-0.2%) on the day, as policy divergence between the BoJ and the Fed continues to weigh on the currency.

Latin American markets moved in different directions yesterday. Stocks rose in Chile (+0.7%) and Peru (+1.7%) but fell in Brazil (-0.7%) and Colombia (-0.5%). The Colombian peso appreciated (+0.3%) against the dollar to 3,713.67/\$.

EM Local Debt

Goldman Sachs sees emerging market local currency debt holding up well in 2026 after a strong run this year. The rally has been driven by a weaker dollar, lower commodity prices, falling global rates, and easier financial conditions. Several local stories also boosted returns. Looking ahead, Goldman expects further disinflation, lower oil, and continued Fed easing to support the asset class—but warns that matching this year's performance will be tough. They see Hungary as a standout, with rate cuts likely next year as the forint continues to appreciate.

2025 is On Track For One of the Strongest Year-to-Date Performances in Recent History
EM local currency bond index total return year-to-date performance (BBG 10% cap)



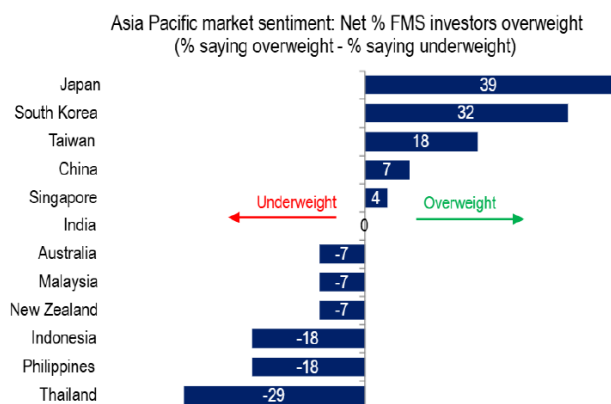
Source: Goldman Sachs Global Investment Research, Bloomberg

China

Chinese stocks pared back gains after the Shanghai index hit a 10-year high last week. Chinese equities slipped as investors reassessed the outlook after a strong run (CSI 300: -0.5%, Shanghai composite: -0.4%, Hang seng: flat). A Bank of America survey among 95 Asia-based fund managers showed that the net percentage of surveyed investors being overweight in China dropped to 7% in November, down from 16% in October, well below readings for other markets in the region, including 39% for Japan, 32% for South Korea and 18% for Taiwan. Analysts attributed the pullback to softer data and rotation into bonds, with the 10y CGB yield hovering near a two-month low at 1.81%.

Exhibit 19: Japan remains the most favorite market by a distance, followed by Korea and China, with ASEAN at the bottom of the pack. India stays neutral.

Asia Pacific market sentiment: Net % FMS investors overweight



Source: BofA Asia Fund Manager Survey

Beijing is weighing new support measures for the housing market. According to Bloomberg, proposals under discussion include mortgage subsidies for first-time buyers, higher income tax rebates, and lower transaction costs. Timing and details remain unclear, with the report highlighting ongoing efforts to stabilize the sector.

Venezuela

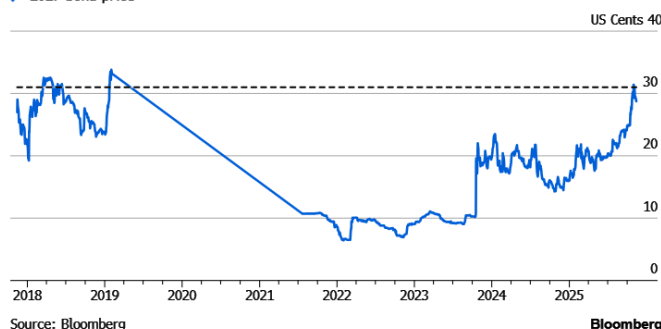
Venezuela's defaulted debt is rallying on hopes that regime change could unlock recovery gains.

Investors are buying into the country's 2027 bond, anticipating that renewed US pressure might raise the odds of political transition. The trade hinges on a shift in power that could restart the oil-based economy and open the door to restructuring \$60 bn in debt. With bonds now above 30 cents on the dollar and recovery estimates rising, markets are betting that even a deep haircut could deliver upside—though risks remain if Maduro holds on. Some managers see recovery values of 50 cents or more, leaving room for further gains, while others remain cautious given the regime's resilience.

Venezuelan Bonds Jump on Regime Change Wager

Prices have taken off amid the US pressure campaign






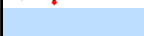



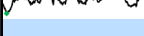


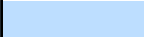




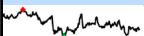


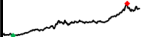

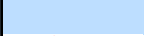


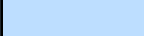

2027 bond price



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Global Financial Indicators

11/20/25 8:54 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,725	0.4	-0.2	-0.1	13.7	14
Europe		5,605	1.1	-2.4	-1.3	18.5	14
Japan		49,824	2.6	-2.8	1.0	31.0	25
China		4,565	-0.5	-2.9	-0.9	14.4	16
Asia Ex Japan		92	-0.4	-3.3	-2.5	23.6	27
Emerging Markets		54	-0.4	-3.1	-1.9	24.2	29
Interest Rates			basis points				
US 10y Yield		4.1	-1	1	15	-28	-44
Germany 10y Yield		2.7	2	5	16	38	37
Japan 10y Yield		1.8	5	13	15	75	72
UK 10y Yield		4.6	-1	16	9	13	3
Credit Spreads			basis points				
US Investment Grade		118	-2	1	2	-1	-2
US High Yield		354	-7	1	3	43	26
Exchange Rates			%				
USD/Majors		100.1	-0.1	1.0	1.6	-6.1	-8
EUR/USD		1.15	-0.1	-0.9	-1.0	9.3	11
USD/JPY		157.7	0.3	2.0	4.6	1.4	0
EM/USD		46.2	0.1	-0.2	0.3	4.5	8
Commodities			%				
Brent Crude Oil (\$/barrel)		64.0	0.7	1.5	5.1	-9.6	-11
Industrials Metals (index)		151.1	0.5	-1.8	0.2	4.0	8
Agriculture (index)		56.6	0.4	-0.5	3.3	-0.1	-1
Gold (\$/ounce)		4081.0	0.1	-2.2	-6.3	54.0	55
Bitcoin (\$/coin)		91798.3	1.4	-3.6	-17.4	-2.8	-2
Implied Volatility			%				
VIX Index (% change in pp)		20.0	-3.6	0.0	1.8	2.9	2.7
Global FX Volatility		7.2	0.0	0.2	0.0	-1.4	-2.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		62	1	1	-2	-23	-23
Italy		75	1	2	-4	-48	-40
France		76	1	4	-2	1	-7
Spain		50	0	0	-3	-21	-19

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

Emerging Market Financial Indicators

Last updated: 11/20/2025 8:54 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		7.11	0.0	-0.2	0.1	1.9	2.6		1.9	1	1	-2	-17	16
Indonesia		16732	-0.2	0.0	-0.9	-5.2	-3.8		6.0	-1	-2	10	-85	-102
India		89	-0.1	0.0	-0.9	-4.8	-3.5		7.0	0	8	20	-25	-35
Philippines		59	-0.2	-0.1	-1.5	-0.2	-2.0		4.7	0	3	-9	-29	-21
Thailand		32	-0.1	-0.5	0.8	7.0	5.1		1.8	0	-8	9	-69	-53
Malaysia		4.16	-0.2	-0.7	1.7	7.5	7.6		3.5	5		1	-35	-34
Argentina		1411	-0.3	-0.2	4.7	-28.9	-26.9		32.3	69	158	-1964	388	313
Brazil		5.33	-0.2	-0.8	0.8	8.2	15.8		13.5	0	6	-36	28	-239
Chile		929	0.3	0.0	2.4	4.8	7.1		5.2	1	-10	-20	-29	-49
Colombia		3725	-0.3	0.6	4.3	18.2	18.3		12.2	10	37	72	152	36
Mexico		18.32	0.1	0.0	0.4	10.7	13.7		8.8	1	-4	18	-107	-153
Peru		3.4	-0.2	-0.3	-0.2	12.3	10.7		6.0	-2	-5	-8	-73	-62
Uruguay		40	0.0	-0.1	0.0	6.9	10.5		7.8	-1	3	8	-162	-183
Hungary		331	-0.1	-0.3	0.8	17.3	20.0		6.7	-2	4	21	33	29
Poland		3.67	-0.1	-0.9	-0.8	12.1	12.6		4.8	3	2	-4	-53	-81
Romania		4.4	-0.1	-1.0	-1.0	6.9	8.8		6.9	2	2	-27	-1	-40
Russia		80.1	0.6	0.7	1.1	25.5	41.8							
South Africa		17.2	0.1	-0.8	0.3	5.4	9.6		9.0	1	-4	-41	-147	-145
Türkiye		42.37	-0.1	-0.2	-1.4	-18.7	-16.6		32.4	-32	-48	-52	134	267
US (DXY; 5y UST)		100	-0.1	1.0	1.6	-6.1	-7.7		3.69	-2	-2	12	-59	-69

	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		4,565	-0.5	-2.9	-0.9	14.4	16.0		96	3	2	-4	0
Indonesia		8,420	0.2	0.6	2.2	17.9	18.9		88	-1	-10	-5	-3
India		85,633	0.5	1.4	1.4	11.0	9.6		90	-1	-4	10	4
Philippines		5,931	2.0	3.6	-2.7	-13.6	-9.2		76	3	-1	-6	-3
Thailand		1,282	0.8	-0.4	-0.7	-11.0	-8.5						
Malaysia		1,620	-0.2	-0.8	0.2	2.0	-1.4		62	2	5	-3	-8
Argentina		2,924,911	1.9	1.4	47.8	36.3	15.4		611	-3	-483	-139	-26
Brazil		155,381	-0.7	-1.4	7.8	22.4	29.2		203	2	1	-10	-44
Chile		9,943	0.7	2.4	8.6	51.2	48.2		96	-5	-7	-18	-17
Colombia		2,062	-0.5	-0.9	8.6	48.7	49.4		242	2	-26	-78	-84
Mexico		62,081	0.2	-3.5	0.7	23.7	25.4		221	3	-1	-80	-91
Peru		2,278	1.8	-4.0	-3.1	22.5	34.4		95	-7	-7	-42	-46
Hungary		107,697	0.5	-0.5	3.8	36.2	35.8		138	-7	2	-15	-17
Poland		110,245	0.0	-2.0	0.6	41.5	38.5		86	-4	-9	-26	-26
Romania		23,142	-0.3	-1.1	6.1	34.6	38.4		193	-3	-14	-18	-42
South Africa		111,786	-0.2	-2.0	0.4	31.1	32.9		229	-4	-29	-54	-64
Türkiye		10,944	0.4	3.0	4.4	21.2	11.3		251	-7	-26	-3	-8
EM total		54	1.2	-3.1	-1.9	24.2	28.8		278	-4	-13	-93	-86

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

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