



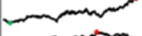
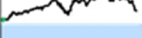
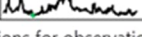
- Mortgage rates at 7.3% squeeze housing affordability ahead of the US midterms [\(link\)](#)
- French sovereign spreads widen on the budget proposal, then ease after auctions [\(link\)](#)
- Japanese bonds find support in auction demand despite longer-term supply risks [\(link\)](#)
- EM dollar bonds retreat toward six-month lows as rising Treasury yields weigh [\(link\)](#)
- Mexican peso loses 5.9% in September as a narrower rate gap erodes carry appeal [\(link\)](#)
- Gabon prepares its first public dollar bond sale since 2021 amid fiscal concerns [\(link\)](#)

[Mature Markets](#) | [Emerging Markets](#) | [Market Tables](#)

The Plot Steepens

Long-term US yields rose despite softer inflation, keeping pressure on housing and emerging market dollar debt. Initial relief from the PCE report faded as growth and spending reinforced concerns that demand could sustain inflation. The US Treasury curve has steepened toward a 40 bps gap between two- and ten-year yields. Mortgage rates at 7.3% are squeezing homebuyers 33 days before the US midterms, while duration hedging could reinforce the bond selloff. Brent rebounded today toward \$100/bbl after a dip near \$97, and European equities weakened as French spreads widened on the budget proposal. Swiss inflation rose but remained below euro area readings. Japanese auction demand partly offset supply concerns as the Tankan survey tempered rate-hike expectations. Higher US yields also weighed on EM dollar bonds and the Mexican peso's carry appeal, even as Gabon and Kenya prepared external borrowing. US manufacturing data and tomorrow's payrolls will test the resilient-growth narrative.

Key Global Financial Indicators

Last updated: 10/1/26 9:31 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		7652	-0.3	-1	0	14	12
Eurostoxx 50		6232	-0.6	-1	-2	12	8
Nikkei 225		68957	3.3	5	7	53	37
MSCI EM		67	0.0	-1	0	24	22
Yields and Spreads			bps				
US 10y Yield		5.31	2.8	11	51	121	115
Germany 10y Yield		3.56	-2.3	-4	22	85	71
EMBIG Sovereign Spread		187	2	16	-12	-29	-11
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.5	-0.4	-1	-2	-1	-2
Dollar index, (+) = \$ appreciation		101.8	0.3	1	2	4	4
Brent Crude Oil (\$/barrel)		99.9	1.9	-6	6	53	64
VIX Index (% change in pp)		16.4	0.1	1	0	0	1

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

Key Global Inflation and Energy Indicators

Last updated: 10/1/26 8:44 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Oil and Gas			%				%
Brent Crude Oil (\$/barrel)		100	2.1	-6	6	53	64
WTI Crude Oil (\$/barrel)		92	1.4	-3	2	48	60
Natural Gas (Netherlands TTF)		73	1	2	2	134	167
Breakeven Inflation			bps				
USD: 2Y		2.5	0.1	3	-1	-36	23
USD: 5Y		2.5	0.4	2	-3	-12	16
USD: 5Y5Y		2.5	-1	3	2	1	0
EUR: 2Y		2.8	-13.9	-18	2	105	110
EUR: 5Y		2.4	-6	-9	0	56	59
EUR: 5Y5Y		2.1	1	-1	-2	5	7

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

Mature Markets

[back to top](#)

United States

This morning, initial jobless claims point to continued resilience in the labor market. The release printed at 197k (exp. 200k from revised 198k), the lowest level since July. The market reaction was muted.

US equities fell as the Treasury selloff resumed after the initial relief from softer inflation. The S&P 500 declined (-0.3%) on Wednesday, with losses across sectors, while 10-year Treasury yields rose (+6 bps) and the dollar strengthened (+0.1%) against major currencies. August core PCE inflation was softer than expected, but an upward revision to 2026Q2 GDP to 2.2% annualized and strong real spending kept attention on resilient demand.

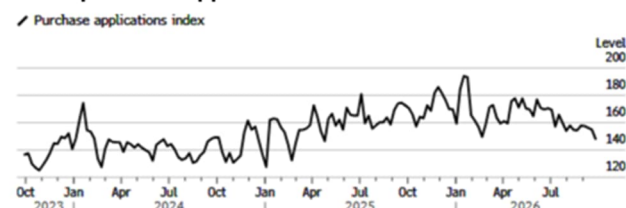
Higher mortgage rates are squeezing housing affordability ahead of the US midterms. 30-year mortgage rates reached 7.3%, approaching their late-2023 highs (left chart), while home-purchase applications fell to a more-than-one-year low (right chart). Higher Treasury yields and wider agency mortgage-backed securities spreads are raising financing costs with 33 days remaining until the November 3 elections. Unlike March's broader repricing, the latest episode has been more concentrated in rates and mortgages, with corporate spreads comparatively resilient. There is also a potential feedback to Treasury yields: higher mortgage rates reduce refinancing and prepayments, extending the time investors hold the cash flows and increasing their interest-rate exposure. This negative convexity can prompt hedging sales of Treasuries or futures, or paying fixed in swaps, reinforcing the selloff. That channel complemented the Treasury-futures duration and margin risks covered in [yesterday's GMM](#). Barclays estimates \$40–50 bn of 10-year-equivalent hedging needs per further 25 bps rise in rates for investors classified as active hedgers, judging that swap-paying flows have likely supported swap spreads. While their size and timing remain hard to observe, prior duration extension already reduced negative convexity and further hedging needs.

Mortgage rates approach a three-year high



Source: Mortgage Bankers Association via Bloomberg. Note: 30-year contract mortgage rate, %.

Home-purchase applications weaken



Source: Mortgage Bankers Association via Bloomberg. Note: Purchase applications index.

The Fed's stress-test changes aim to stabilize capital requirements but have drawn warnings about bank resilience. Stress capital buffers will use the average of the two most recent annual tests rather than primarily the latest result. The framework also increases model disclosure and requires public input on material model changes and proposed scenarios. The Fed estimates that the changes will reduce year-to-year volatility in capital requirements by about 50% without materially changing aggregate requirements. Governor Michael Barr, the sole dissenter, warned that greater disclosure could make tests easier to optimize against and that a slower model-change process could hinder responses to emerging risks.

Europe

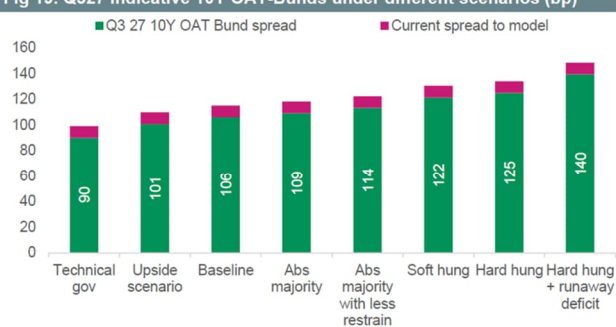
European equities weakened as sovereign spreads widened and oil recovered from an earlier dip.

The STOXX Europe 600 fell (-1.0%) this morning, with financials underperforming and IT holding up better. Bund yields edged lower while French and Italian yields rose marginally. Brent rebounded toward \$100/bbl after an earlier fall near \$97, but European gas prices increased (+1.7%), extending Wednesday's gain (+3.6%) after Germany instructed SEFE to buy and store gas. September manufacturing PMIs slightly exceeded expectations in several euro area economies and remained above 50. Separately, a preliminary EU agreement would halve risk-weight floors on senior tranches of certain securitizations to 5%, potentially easing banks' funding and credit-risk transfer; further institutional negotiations are required.

French sovereign spreads widened on the budget proposal before partly retracing after auctions.

The 10-year OAT–Bund spread rose (+6 bps) to 133 bps this morning, then narrowed to 128 bps after auctions of 2036, 2037, 2038, and 2048 debt. Bloomberg reported weaker demand indicators, including a fall in the 10-year bid-to-cover ratio to 2.0 from 2.28, but said markets had already anticipated a poor outcome. Analysts disagree over whether a budget agreement could reverse the widening or whether political concessions would dilute fiscal consolidation. Crédit Agricole's illustrative 2027Q3 scenarios range from 90 bps under a technocratic government to 140 bps under parliamentary deadlock and a worsening deficit (left chart). Hedge funds have added euro downside positions, according to Bloomberg, reflecting French fiscal and political risks alongside expectations of further US rate hikes. The euro weakened (-0.4%) against the dollar this morning (right chart).

Fig 19. Q327 indicative 10Y OAT-Bunds under different scenarios (bp)



Source: Crédit Agricole CIB

Euro Drops Below \$1.13 as France Risks Grow

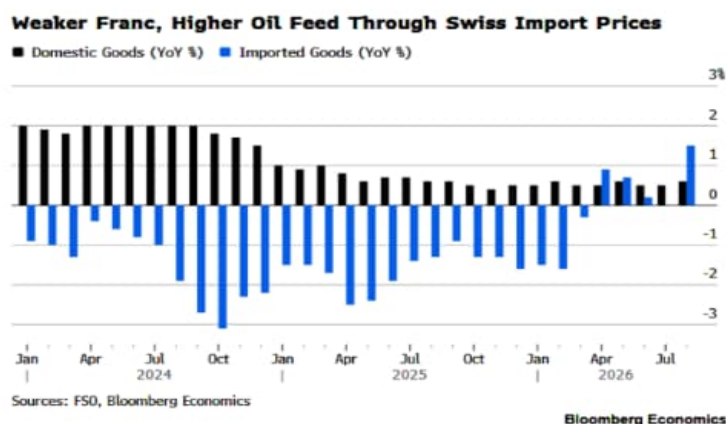


Source: Bloomberg

Bloomberg

Switzerland

Swiss inflation reached a two-year high but remained below recent euro area readings. Headline inflation rose to 1.0% y/y in September from 0.8%, while core inflation edged up to 0.5% from 0.4%, both matching forecasts. The franc strengthened against all G10 currencies, gaining as much as 0.5% against the euro, and pricing for possible SNB hikes increased marginally. The contrast with the four largest euro area economies was pronounced: their flash September inflation readings had all reached at least 3% y/y and exceeded expectations earlier this week.

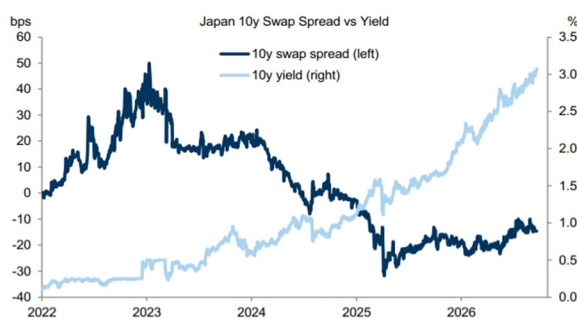


Japan

Japan's Tankan survey tempered expectations of an imminent BoJ rate increase. Readings for large firms were slightly below expectations and their outlooks softened, leaving markets pricing less than a 20% chance of an October hike.

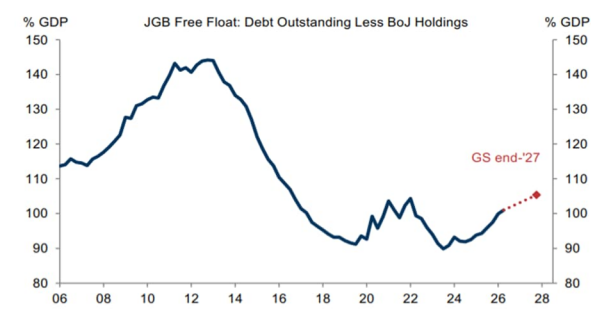
Auction demand has supported Japanese bonds despite supply concerns and rising yields. A solid two-year auction attracted above-average demand at elevated yields. Ten-year JGB yields subsequently rose (+6 bps) to 3.13% in the 7:53 a.m. market snapshot. JGB yields have recently risen less than swap rates, widening swap spreads (left chart), whereas heavier bond supply would usually push bond yields up relative to swaps and narrow those spreads. Goldman Sachs attributes Japan's resilience to a shift toward shorter-maturity issuance, expectations of stronger domestic demand, and solid buying by life insurers. Further issuance and BoJ quantitative tightening are still expected to increase the stock of JGBs held outside the central bank and narrow spreads over time (right chart).

Exhibit 1: JGB swap spreads have widened across the curve since May alongside higher yields



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

Exhibit 2: Spreads have widened despite rising debt outstanding this year



Source: Haver Analytics, Goldman Sachs Global Investment Research

Emerging Markets

[back to top](#)

This morning, in CEEMEA markets, regional equities and currencies weakened, with Romania and Türkiye bucking the equity decline. Major CEE stock markets fell (around -1%), while Romanian equities rose (+2.2%) on reports of a possible resolution to the political deadlock. CEE currencies weakened against the euro, led by the forint (-0.4%, to HUF367.80/€). The rand depreciated (-1.0%) against the dollar and South African stocks fell (-0.5%); Turkish equities recovered (+1.2%) after losses linked to investment-fund turmoil, while Gulf stocks remained lower, led by Saudi Arabia (-0.8%) and Qatar (-0.7%).

Korean shares advanced while other major Asian markets fell and regional currencies weakened.

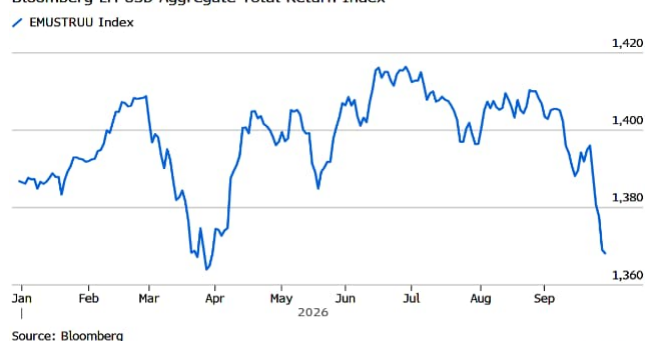
Korean equities rose (+1.9%) as chip stocks benefited from stronger semiconductor exports and Micron earnings, according to Yonhap. Indonesian and Malaysian equities fell (-1.0% and -1.3%, respectively). India's Sensex declined (-0.8% at the close), with Reuters citing foreign selling, high oil prices, and rising global yields. The won weakened (-0.5%) against the dollar despite the equity gain, while the rupiah and rupee also declined. Mainland Chinese markets were closed for the National Day holiday.

Yesterday, Brazilian assets gained while Mexican and Chilean equities fell. Brazilian stocks rose (+1.4%) on Wednesday, contrasting with declines in Mexico (-1.4%) and Chile (-0.8%); Colombia's market was little changed. The Colombian peso strengthened (+0.7%) and the real appreciated (+0.6%), while the Mexican and Chilean pesos weakened slightly. The Mexican peso's September losses stood out as a narrower interest-rate gap with the US reduced its appeal to carry investors.

Dollar Bonds

Higher Treasury yields have pushed EM dollar bonds toward six-month lows. The Bloomberg EM USD Total Return Index had lost (-2.8%) in September through Tuesday, heading for its weakest month since around the start of the Iran war. Higher US yields, compressed sovereign spreads, and a stronger dollar weighed on returns. Wednesday's initial rally after the softer US PCE release reversed, with longer-dated debt from Panama, Paraguay, and Colombia declining even as EM equity and currency indexes each gained (+0.2%). The episode illustrates how Treasury duration can dominate dollar bond returns even when sovereign spreads offer little sign of broader credit deterioration.

EM Dollar Bonds Hit Lowest Since March as US Yields Rise
Bloomberg EM USD Aggregate Total Return Index

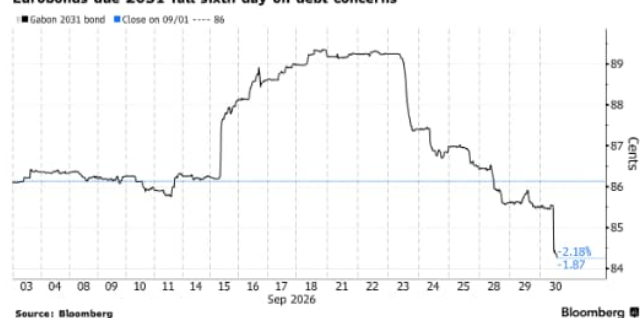


Gabon

Gabon is preparing its first public dollar bond sale since 2021 as investors reassess its fiscal position. The planned \$580 mn eight-year issue follows a \$920 mn private placement in July and comes as the government seeks a new IMF program, according to Bloomberg. Outstanding Eurobond yields rose to 12.8% after the announcement.

A public audit released on September 13 lowered the government-debt estimate by 16% to CFA9.5 tn (\$16.4 bn), but the draft 2027 budget's CFA1.1 tn (\$1.9 bn) external borrowing plan renewed concerns about fiscal space. Moody's changed the outlook on its Caa2 rating to negative in June; Fitch had downgraded Gabon to CCC- in December 2025.

Gabon Bonds Come Under Pressure in Last Week
Eurobonds due 2031 fall sixth day on debt concerns

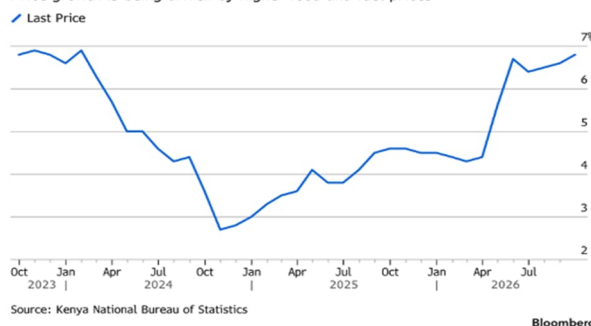


Kenya

Kenya plans \$5.4 bn of external borrowing as higher inflation complicates further easing.

The debt-management office will appoint arrangers next week for instruments including a \$1 bn Eurobond or syndicated loan under a debt-for-food swap, a \$500 mn Samurai bond, a \$500 mn sukuk, a \$500 mn sustainability-linked loan, and a \$300 mn Panda bond. These named transactions form part of the wider program. September inflation rose to 6.8% y/y from 6.6%, while core inflation increased to 4.0% from 3.4%. Goldman Sachs expects the central bank to hold its policy rate at 8.75% through end-2026 and resume cuts in 2027Q1. The shilling traded near KES129.73/\$, down (-0.6%) YTD.

Kenyan Inflation at Near 3-Year High
Price growth is being driven by higher food and fuel prices



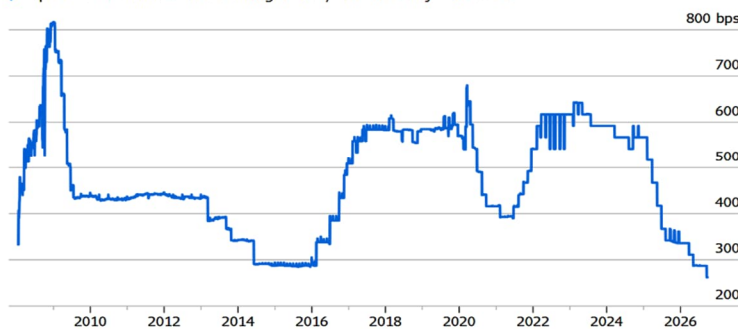
Bloomberg

Mexico

The Mexican peso lost 5.9% in September as its interest-rate advantage narrowed. Carry investors exited positions after the currency reached a two-year high earlier in the month. The Mexico–US policy-rate differential fell to its lowest level since at least 2008 and had halved over the past year, with Banxico holding its policy rate on September 24 while US yields rose. Several banks lowered their year-end peso forecasts to MXN18.00–18.24/\$ from MXN17.25–17.80/\$. The peso weakened further (-0.9%) to MXN18.23/\$ in the 7:53 a.m. snapshot. The depreciation highlights the currency's sensitivity to US rates as the cushion from carry diminishes.

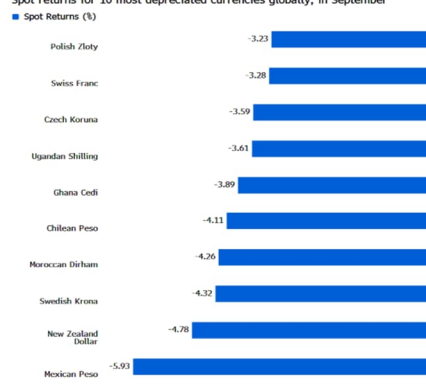
Spread Between Fed, Banxico Rates at Multi-Year Low

Spread between Banxico overnight rate, effective key rate in US



Bloomberg

Mexican Peso Is Worst Performing Currency in the World
Spot returns for 10 most depreciated currencies globally, in September

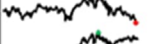
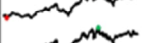
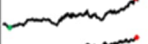


Bloomberg

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Global Financial Indicators

Last updated: 10/1/26 9:33 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,680	-0.3	-0.3	0.6	14.4	12
Europe		6,233	-0.6	-0.6	-2.1	11.7	8
Japan		68,957	3.3	5.3	7.2	53.5	37
China		4,358	0.3	-4.1	-4.4	-6.1	-6
Asia Ex Japan		116	0.0	-0.7	0.1	26.3	25
Emerging Markets		67	0.0	-0.7	0.0	24.1	22
Interest Rates			basis points				
US 10y Yield		5.3	3	10	50	120	113
Germany 10y Yield		3.6	-3	-4	22	85	71
Japan 10y Yield		3.1	6	5	12	147	106
UK 10y Yield		5.4	0	4	20	73	95
Credit Spreads			basis points				
US Investment Grade		119	1	5	4	0	7
US High Yield		348	3	32	46	11	8
Exchange Rates			%				
USD/Majors		101.8	0.4	0.5	2.1	4.2	4
EUR/USD		1.13	-0.4	-0.8	-2.6	-3.8	-4
USD/JPY		157.9	0.3	-0.6	-1.4	7.4	1
EM/USD		45.5	-0.4	-0.6	-1.7	-1.1	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		99.9	1.9	-0.3	9.1	54.9	66
Industrials Metals (index)		174.7	-1.2	-3.9	-2.8	18.1	7
Agriculture (index)		61.1	-0.2	-2.7	-7.5	13.4	14
Gold (\$/ounce)		4171.7	0.3	-2.4	-3.6	7.9	-3
Bitcoin (\$/coin)		83681.8	0.1	-0.4	8.1	-28.8	-5
Implied Volatility			%				
VIX Index (% change in pp)		16.5	0.1	0.8	0.1	0.2	1.5
Global FX Volatility		7.1	0.0	0.1	0.7	-0.2	0.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		94	5	12	26	28	36
Italy		107	5	13	25	26	38
France		131	4	21	44	49	60
Spain		57	3	9	12	3	14

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

Emerging Market Financial Indicators

10/1/2026 8:54 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		6.71	0.0	0.1	0.2	6.2	4.2		1.7	2	1	-2	-17	-19
Korea*		1363	-0.5	0.4	0.7	2.9	5.6		4.5	-7	-1	5	163	117
Indonesia		17950	-0.4	-0.3	-1.2	-7.5	-7.0		7.1	-7	9	14	86	105
India		96	-0.5	-0.4	-1.4	-7.9	-6.7		8.4	2	-16	44	152	128
Philippines		63	-0.2	-0.1	-0.6	-7.4	-6.3		6.1	0	1	11	131	141
Thailand		34	-0.4	-0.7	-1.3	-4.0	-6.5		2.4	-4	8	19	86	67
Malaysia		4.09	-0.2	0.0	-1.1	3.0	-0.6		4.0	1	9	13	57	53
Argentina		1520	0.2	-0.3	-0.7	-9.2	-4.5		0.0	0	0	0	-5557	-3237
Brazil		5.17	0.6	-0.1	0.2	2.8	5.8		14.0	0	-2	-44	21	42
Chile		974	-0.1	-1.2	-4.1	-1.2	-7.6		6.1	4	24	46	65	79
Colombia		3309	0.8	-1.0	-2.6	18.5	14.2		13.0	5	18	38	159	13
Mexico		18.23	-0.9	-2.8	-6.8	0.8	-1.2		9.5	0	23	37	76	53
Peru		3.4	0.2	-1.2	-1.8	1.2	-2.0		6.7	-2	9	35	63	89
Uruguay		40	-0.1	-0.4	-0.1	-1.1	-3.3		7.8	1	18	21	-19	28
Hungary		326	-0.8	-1.3	-2.4	1.8	0.4		5.8	-7	3	28	-79	-75
Poland		3.87	-0.6	-0.6	-3.5	-6.2	-7.4		5.8	-8	10	49	93	126
Romania		4.7	-0.5	-0.8	-3.0	-7.3	-7.3		7.3	-12	19	55	5	65
Russia		83.5	-0.1	1.8	3.9	-1.9	-5.7							
South Africa		16.6	-0.9	-0.8	-2.5	3.9	-0.1		9.1	-5	7	17	-51	47
Türkiye		49.04	0.0	-0.3	-1.5	-15.3	-12.4		34.7	-19	30	68	298	512
US (DXY; 5y UST)		102	0.3	0.5	2.1	4.2	3.5		5.09	1	3	54	142	137

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)			YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		4,358	0.0	-4.1	-4.4	-6.1	-5.9		1	2	-1	-12	-6	
Korea*		6,971	1.9	-0.7	2.0	101.7	65.4		24	0	2	-1	2	
Indonesia		6,010	-1.0	-4.6	-8.9	-25.3	-30.5		95	9	0	11	20	
India		71,910	-1.0	-2.3	-6.5	-11.2	-15.6		88	5	4	12	12	
Philippines		5,629	-0.9	-1.8	-7.6	-6.6	-7.0		82	9	5	22	20	
Thailand		1,564	0.3	-2.4	-1.6	22.7	24.2							
Malaysia		1,630	-1.3	-2.5	-4.1	0.6	-3.0		56	5	0	-3	-1	
Argentina		2,819,323	1.3	-5.1	-7.5	59.8	-7.6		606	28	99	-666	40	
Brazil		186,340		0.3	3.7	28.1	15.6		171	13	-5	-18	-28	
Chile		5,508		-2.9	-3.9	18.4	1.6		96	12	8	-2	6	
Colombia		2,549		-2.3	3.2	36.8	23.3		226	22	24	-41	-52	
Mexico		64,214	-1.4	-0.1	-0.5	3.7	-0.1		213	19	15	-1	-6	
Peru		3,530	-1.2	0.0	2.1	50.2	36.6		113	11	7	-7	-16	
Hungary		143,971	-0.8	-5.0	-3.1	45.2	29.7		103	11	9	-24	-29	
Poland		155,781	-1.0	-1.1	2.7	45.4	32.9		98	12	7	6	10	
Romania		31,800	2.3	1.5	-6.7	48.7	30.1		188	22	14	-16	18	
South Africa		108,660	0.1	-2.6	-6.2	0.0	-6.2		205	16	21	-51	-10	
Türkiye		12,199	2.1	-5.3	-14.3	8.7	8.3		246	12	15	-6	27	
EM total		67	0.2	-1.4	0.0	24.1	22.1		187	16	-12	-29	-11	

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

*Not an EM Under IMF Classification.

[back to top](#)