GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, OCTOBER 14, 2025
LEAD EDITOR: TIMOTHY CHU

- **Chinese equities declined for a third consecutive day as trade tensions intensify** (link)
- **Political jitters drive stronger yen, lower stocks and steeper yield curve** (link)
- **Gold decoupling could be a sign of AE-wide fiscal concerns** (link)
- **Options imply a volatile earnings season** (link)
- **Bunds outperform amid haven demand** (link)
- **Brazil's real tumbles as much as 2.7% against the dollar on Friday** (link)
- **Special Feature: EM and Frontier Markets Issuance September 2025**

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Markets retreat on renewed US-China trade tension fears.

Global equities declined and U.S. futures pointed to as much as a 1% lower open as markets reacted to renewed U.S.-China trade tensions. Sentiment shifted after reports that Chinese authorities sanctioned American units of South Korean shipping giant Hanwha Ocean Co. This also followed an FT interview with U.S. Treasury Secretary Bessent, which some perceived as hawkish and highlighted the persistence of disputes, including over rare earths. The past several days of trading have seen increasing trade-driven volatility, with a tariff-triggered selloff on Friday and a partial recovery on Monday after conciliatory U.S. statements over the weekend. This morning, positioning remains cautious, with safe-haven demand for advanced economy sovereign bonds and a stronger dollar. Beyond U.S.-China tensions, political headlines are still in focus; Japanese equities were lower overnight as LDP leader Takaichi faces challenges, while in France, attention remains on the budget as reappointed Prime Minister Lecornu addresses parliament today, with French-German bund spreads remaining steady. In the U.S., the lack of data due to the extended government shutdown means investors are hyper-focused on earnings, with banks kicking off the season. Traders will also continue to assess the sustainability of the AI-driven rally, with some contacts noting increasingly stretched valuations, though a still supportive background amid expected rate cuts.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
10/14/25 8:12 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6655	1.6	-1	1	14	13
Eurostoxx 50		5518	-0.9	-2	2	9	13
Nikkei 225		46847	-2.6	-2	5	17	17
MSCI EM		53	2.9	-2	2	16	28
Yields and Spreads					bps		
US 10y Yield		4.02	-1.2	-10	-4	-8	-55
Germany 10y Yield		2.60	-3.7	-11	-12	32	23
EMBIG Sovereign Spread		292	12	12	-3	-61	-33
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.6	-0.3	-1	-1	0	7
Dollar index, (+) = $ appreciation		99.4	0.2	1	2	-4	-8
Brent Crude Oil ($/barrel)		62.2	-1.8	-5	-7	-20	-17
VIX Index (%, change in pp)		21.5	2.5	4	7	2	4

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

Mature Markets

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In the week ahead, the IMF-World Bank annual meetings will see the release of the World Economic Outlook and the Global Financial Stability Report publications today. Corporate earnings are starting in earnest in the US, with GSIB banks expected to report earnings throughout the week; JPMorgan, Goldman Sachs, Citi, and Wells Fargo kicked off ahead of the US market's Tuesday open (mostly beating expectations). The week will also see some key CPI prints (Eurozone, France, Italy, Spain) along with an abundance of G7 central banker speeches. Economic data releases in the US continue to be largely absent amid the continued government shutdown. So far, there is little indication of a possible reopening, though murmurs of resolving the shutdown fight continue in the background.

United States

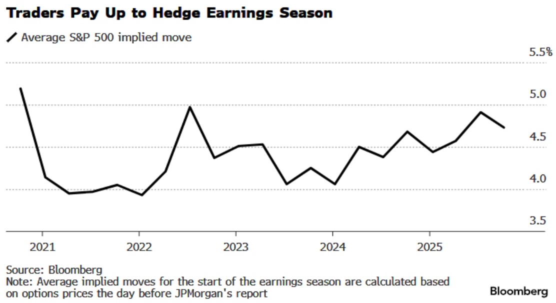
On Monday, US equity markets rallied (S&P500: +1.6%), recovering more than half their losses on Friday, amid a relatively quiet session with low volumes during the Columbus Day holiday and bond market closure. AI-driven optimism on new deal headlines, including between OpenAI and Broadcom, supplemented positive sentiment after softer weekend statements from US officials along with assurances that the much anticipated APEC meeting between presidents Trump and Xi were still on.

Gold decoupling could be a sign of AE-wide fiscal concerns. JPMorgan analysts highlight that gold has decoupled from the dollar (weakening), bitcoin and advanced economies (AEs) term premia (5s/30s). They suggest that gold's new highs could be a sign of dysfunction in major AEs and not just a US-centric phenomenon as fiscal/political uncertainty in Japan, France, and the UK have led FX investors to increasingly question whether being bearish on the US dollar is still the best way to express their concerns. For example, they highlight how there has been a reversal in the rise of the long end of the US yield curve vis-à-vis the rest of AEs in recent months. Year to date, the US dollar has lost 8.5% with respect to peers (DXY index) while Gold has gained 56%.

Figure 2: What is driving gold? It has decoupled from the dollar, yield curves and bitcoin

Source: J.P. Morgan

Options imply a volatile earnings season. Investors are expecting a rocky third quarter earnings season as options on S&P 500 index members imply an average 4.7% move following corporate releases according to Bloomberg. That is close to the levels seen last quarter, which was the highest since 2022. From a sector perspective, Consumer Discretionary and Information Technology stand out as where traders are expecting the largest fluctuations. High valuations mean that expectations for forward earnings are extremely high, and the lack of macro-data in the US could help amplify stock-specific news and lead to sharp re-pricing of certain companies or even drive quick shifts in market sentiment.

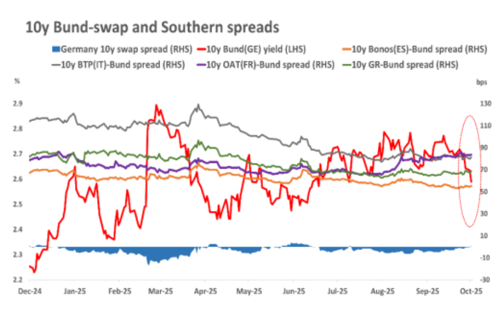


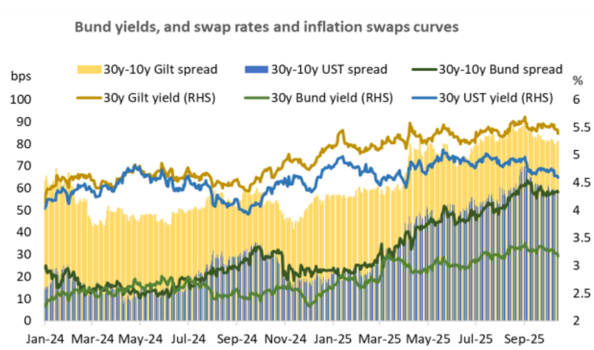
Europe

European equities erased yesterday's gains returning to edge lower this morning over US-China trade dispute concerns. The Stoxx 600 index was down by -0.6%, with the industrial (-1.6%), consumer discretionary goods (-1.1%) and energy (-1%) sectors losing the most, and European bourses broadly in the red with Germany (DAX -1%) and Italy (FTSE MIB -1%) underperforming. Today's results of the October ZEW survey showed the investor expectations index declining in the Eurozone to 22.7pts (26.1pts prior) and rising by less than expected in Germany to 39.3pts (41.1pts est.). **The euro was a tad weaker (-0.1%) this morning against a globally stronger dollar, trading at $1.1554/€.** ING sees uncertainty on political developments in France continuing to weigh on the euro, with the second mandate for PM Lecornu coming to a crucial junction when he will announce his budget proposal early this week, determining his chances of surviving a no-confidence vote expected for Thursday. According to ING, another government collapse will likely make the euro miss out on any benefits from further escalation in the US-China trade spat and, should the tariff story de-escalate, the EUR/USD would likely head below 1.15.

Analysts at Deutsche Bank maintain a constructive medium-term view on European equities looking into 2026, forecasting 14% growth of the STOXX 600 index at year-end 2026 (the Stoxx 600: 10.8% YTD) led by financials (+33%), industrials and health care (each +13%), with the auto sector rebounding after a nearly 60% drop in 2025. Deutsche bank notes that valuations remain attractive, especially for small and mid-caps, which trade at around 14% discount to their 10-year average price-to-book value, and with MDAX earnings forecasted to rise by 22% in 2026 due to fiscal stimulus in Germany, easing trade uncertainty, and a recovery in manufacturing.

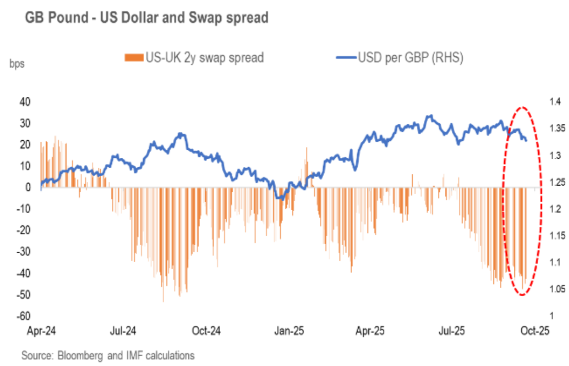
European government bonds (EGB) gained today, with the Bunds outperforming other EGBs amid stronger demand for safe havens. Bund yields declined with the curve marginally flattening, as the 2y yield was 3bps lower at 1.91% while the 10y and 30y yields were 4bps lower at 2.59% and 3.17%. Italian BTPs slightly underperformed OATs, with the 10y BTP-Bund spread 1bp higher at 84bps. The French OAT-Bund spread was nearly unchanged at 84bps, after Italy auctioned €8.5bn of 3y, 7y and 15y BTPs. Citi notes that political uncertainty in France remains a key driver of volatility in OAT–Bund spreads, which have fluctuated between 75–85bps, and could trigger additional safe-haven Bund flows, compressing yields.

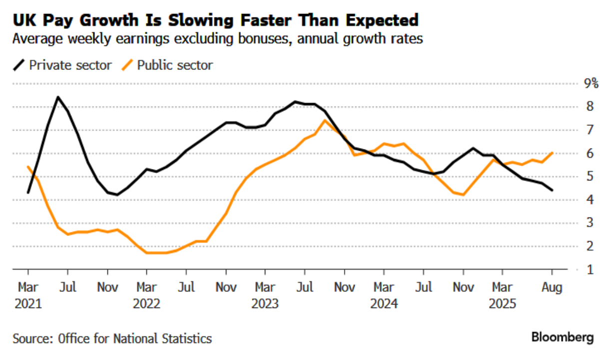




United Kingdom

The pound sterling fell 0.4% to $1.3276/£, its lowest level since August, after UK jobs data missed expectations. Unemployment in the three months to August rose to 4.8%, slightly above the expected 4.7%, while private sector wage growth slowed to 4.4% year-on-year from 4.7%, also below forecasts. In response, money markets marginally increased their expectations for Bank of England (BoE) rate cuts, pricing in 10bps of easing by year-end and 45bps by September 2026. UK government bonds rallied, with gilt yields dropping around 6bps across the curve (2y: 3.88%, 10y: 4.59%, 30y: 5.40%) ahead of an expected syndication of £8–10bn in 15-year gilts. Analysts at Jefferies see the data strengthening the dovish camp at the BoE, believing markets may underestimate the likelihood and depth of further rate cuts. ING forecasts a rate cut in February and three more in 2026, while Bloomberg strategists expect the BoE to remain cautious, easing again only in spring 2026 and reaching a terminal rate of 3.5% by summer.





Japan

Japanese yen and shorter-dated government bonds advance as escalating political uncertainty drives risk-off sentiment. The yen strengthened by as much as 0.4% intraday before settling (+0.1%) at $/152.07 during Asian hours as the best performer among G10 currencies. The strengthening also came after finance minister Kato said the government would closely examine any excessive or disorderly moves in the foreign exchange market. Benchmark JGB yields were mixed, with shorter-end yields declining (2y: -3bp to 0.88%, 10y: -3bp to 1.65%) on lower rate hike odds, but long-end yields rising (30y: +3bp to 3.21%) amid concerns over greater government spending. Following the shock collapse of the ruling collation last Friday, main opposition parties are meeting Tuesday to consider the possibility of uniting against LDP leader Sanae Takachi. The possibility of a change of administration is feeding into worries over the economic outlook. Equities fell the most (Nikkei 225: -2.6%) since April 11, with banks and tech companies leading the declines.

Emerging Markets back to top

EMEA equities and currencies were mixed, amid overall weaker sentiment. In CEE, equities traded mostly in the green, but lost -0.7% in Poland, while currencies advanced marginally against the euro. In Türkiye, the lira weakened (-0.2%) against the dollar, trading at TRY41.82/$, with equities up by 0.3%. The South African rand inched down (-0.1%) against the dollar, to return to trade at ZAR17.23/$. South African equities were also down by 0.3% this morning, where yesterday's data showed manufacturing production softer than expected in August at -1.5%y/y (vs. est. -0.4%). **Asian currencies mostly weakened** (EM Asia: -0.2%) on mounting US-China tensions, with Korean won (0.5%) underperforming Asian peers as China imposed curbs on one of the country's biggest shipbuilders. Asian equities broadly declined (-1.2%), led by major composite indices in Indonesia (-2.0%), Hong Kong SAR (-1.7%) and Thailand (-1.4%). **Latin American assets slumped last Friday.** Stocks declined in Mexico (-0.4%), Brazil (-0.7%), Chile (-1.6%), Colombia (-1.0%), and Peru (-2.4%). Currencies depreciated in Mexico (-1.0%), Brazil (-2.7%), Chile (-1.0%), and Colombia (-1.0%) against the US dollar.

EM Bond and Equity Flows

Emerging Markets bond funds inflows decreased last week (+$894mn, from +$1.4bn), mainly driven by decreased non-ETFs inflows (+$13mn, from +$906mn). Meanwhile, bond ETFs inflow increased (+$881mn, from +$498mn). Hard currency fund inflows fell (+$374mn, from +$826mn), and local currency fund inflows slightly decreased (+$521mn, from +$578mn). EM equity funds inflows marginally increased (+$511mn, from +$487mn). Equity ETFs inflows decrease (+$1.0bn, from +$1.7bn). Non-ETFs outflows decreased (-$506mn, from -$1.2bn). Across regional equity funds, there were inflows in Asia ex-Japan (+$514mn) and Latam (+$152mn), while outflows in EMEA (-$6mn). The year-to-date flows currently stand at +$13.8bn and +$8.0bn for bonds and equities, respectively.

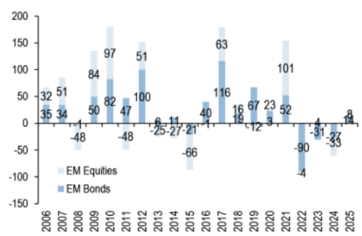
Figure 1: Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		1.4	21.8
	EM Bonds		0.9	13.8
	Hard Ccy		0.4	4.4
	Local Ccy^		0.5	9.5
	o.w. EM ex-China		0.5	7.8
	o.w. China		0.0	-1.8
	EM Equities		0.5	8.0
	US HG		6.9	177.7
	US HY		1.8	26.7
	Global Equities		16.2	40.1
	EM Bond and Equity ETFs		1.9	58.8
	EM Bond ETFs		0.9	3.2
	EM Equity ETFs		1.0	55.6
	Non-resident EM flows*		3.0	-10.3

Figure 2: EM bond and equity fund flows

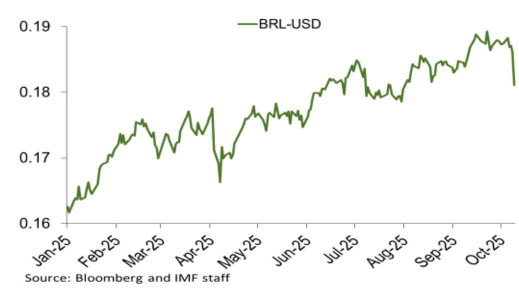
USD billion



*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

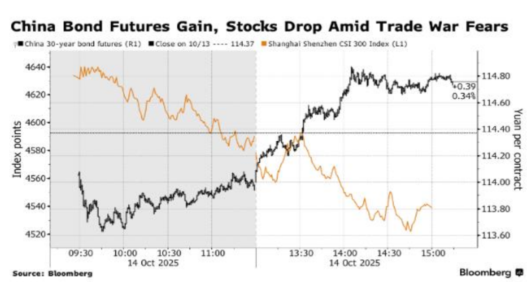
Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Brazil



Brazil's real tumbled as much as 2.7% against the dollar on Friday, marking its worst performance among emerging market currencies. Investors were increasingly worried about Brazil's deteriorating fiscal outlook and grew cautious ahead of the government's expected announcement of housing market support measures, which may further pressure Brazil's fiscal position. The selloff deepened after U.S. President Donald Trump announced plans to impose an additional 100% tariff on China, compounding pressure on the already weakened real and making Friday its steepest decline since April. Meanwhile, Brazilian sovereign bonds' five-year credit default swaps jumped fifteen basis points to 158 basis points on Friday, the biggest movement since March.

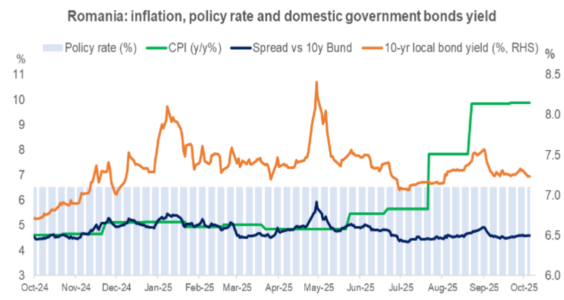
China



Chinese government bonds flip-flopped to daily gain after shipping curbs ignited trade concerns. 10y and 30y benchmark yields went to as high as 1.85% and 2.29% before closing lower respectively (10y -1bp to 1.83%; 30y -1bp to 2.26%). Today, China sanctioned five US units of Hanwha Ocean Co., a South Korean shipping giant, and threatened further retaliatory measures on the shipping industry. Both onshore (CSI300: -1.2%) and offshore (Hang Seng: -1.7%) equities more-than-reversed respective morning gains, with tech stocks among top losers. The Hang Seng Tech Index declined 3.6%, the biggest daily drop since April and now 11% down from Oct 2. Both onshore CNY (-0.2%) and offshore CNH (-0.1%) weakened beyond $/7.14 level, despite yuan being fixed only slightly weaker at 7.1021, one day after being fixed at 7.1007, the strongest level since last November. Overnight repo rate is little changed at 1.31% while the 7-day rate fell 2bps to 1.43%.

Romania

The leu remained stable near RON 5.09/€, following Romania's September inflation at 9.9% y/y, just below expectations. Government bond yields declined (2y: 6.95%, 10y: 7.21%) as a higher VAT was implemented to address a high public deficit (estimated at 8.4% of GDP), though this may have fed through to inflation. Fitch Ratings recently warned that slow fiscal consolidation is pushing Romania's borrowing costs above peers, and the country retains the lowest investment-grade rating with a negative outlook from all major agencies. The central bank held its policy rate at 6.5%, seeing recent inflation as likely temporary. Analysts, including at Goldman, expect rates to remain steady until at least mid-2026, with any cuts dependent on inflation and public deficit trends. ING expects the first 100bps rate cut in May 2026 with further cuts depending on domestic demand as it anticipates the NBR will prioritize risks to growth over inflation, while Credit Agricole also sees possible cuts afterwards.



Source: Bloomberg and IMF calculations

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

Global Financial Indicators

	Level		Change				
10/14/25 8:12 AM	**Last 12m**	**Latest**	**1 Day**	**7 Days**	**30 Days**	**12 M**	**YTD**
Equities					%		%
United States		6,618	1.6	-1.4	0.5	12.9	13
Europe		5,518	-0.9	-1.7	2.4	9.5	13
Japan		46,847	-2.6	-2.3	4.6	17.4	17
China		4,539	-1.2	-1.8	0.1	17.7	15
Asia Ex Japan		92	3.0	-2.0	1.6	15.9	27
Emerging Markets		53	2.9	-1.9	2.3	15.8	28
Interest Rates					basis points		
US 10y Yield		4.0	-1	-10	-4	-8	-55
Germany 10y Yield		2.6	-4	-11	-12	32	23
Japan 10y Yield		1.7	-3	-3	6	70	55
UK 10y Yield		4.6	-8	-14	-9	34	1
Credit Spreads					basis points		
US Investment Grade		121	0	7	2	0	1
US High Yield		370	1	40	34	28	42
Exchange Rates					%		
USD/Majors		99.4	0.2	0.9	1.9	-3.7	-8
EUR/USD		1.16	-0.1	-0.9	-1.7	5.9	12
USD/JPY		152.1	-0.1	0.1	3.2	1.5	-3
EM/USD		45.6	-0.3	-0.7	-0.6	0.2	7
Commodities					%		
Brent Crude Oil ($/barrel)		62.2	-1.8	-5.0	-6.6	-16.6	-13
Industrials Metals (index)		149.1	-2.1	-2.0	2.5	-1.5	6
Agriculture (index)		53.5	0.1	-1.3	-4.1	-5.2	-6
Gold ($/ounce)		4129.6	0.5	3.6	12.2	55.9	57
Bitcoin ($/coin)		111402.7	-3.8	-8.1	-3.8	69.0	19
Implied Volatility					%		
VIX Index (%, change in pp)		21.5	2.5	4.3	6.8	1.8	4.2
Global FX Volatility		7.5	0.0	0.4	0.0	-1.0	-1.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		69	1	1	2	-24	-17
Italy		81	1	-2	0	-46	-35
France		83	0	-3	4	7	0
Spain		55	0	0	-2	-19	-14

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

Emerging Market Financial Indicators

Last updated: 10/14/2025 8:10 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		7.14	-0.1	-0.2	-0.3	-0.7	2.2		1.9	-1	-1	2	-17	21
Indonesia		16575	-0.1	-0.2	-1.0	-6.1	-2.9		6.0	0	-12	-20	-60	-98
India		89	-0.1	0.0	-0.7	-5.3	-3.6		6.8	-3	-3	-11	-35	-59
Philippines		58	0.0	-0.2	-1.8	-1.3	-0.7		4.7	-3	-3	-4	-15	-16
Thailand		33	-0.2	-0.9	-2.8	1.7	4.0		1.6	0	10	14	-95	-70
Malaysia		4.23	-0.1	-0.4	-0.7	1.6	5.7		3.5	0	-2	5	-34	-35
Argentina		1349	5.3	6.0	8.7	-27.4	-23.6		48.9	-442	-651	-41	816	1973
Brazil		5.50	-0.6	-2.7	-3.4	1.7	12.3		14.0	2	7	20	120	-196
Chile		964	-0.5	-0.5	-1.3	-3.6	3.2		5.4	0	-3	-3	13	-28
Colombia		3924	-1.0	-1.4	0.0	7.1	12.3		11.5	0	10	19	114	-34
Mexico		18.60	-0.7	-1.1	-1.2	4.2	12.0		8.7	0	-8	-3	-106	-167
Peru		3.4	0.3	1.1	1.9	9.8	9.2		6.2	N/A	9	21	N/A	-41
Uruguay		40	0.2	-0.5	0.0	3.4	9.6		7.8	0	-19	-21	-183	-188
Hungary		340	-0.5	-0.9	-2.6	8.0	16.8		6.5	0	-6	-22	36	9
Poland		3.69	-0.2	-1.1	-2.1	6.7	11.9		4.8	-2	-11	-5	-41	-75
Romania		4.4	-0.2	-0.7	-2.3	3.5	9.0		7.2	-8	-8	-18	69	-3
Russia		79.7	1.5	2.8	3.4	20.1	42.5							
South Africa		17.5	-0.8	-1.4	-0.6	0.6	7.9		9.5	4	-9	-23	-92	-96
Türkiye		41.83	-0.1	-0.3	-1.2	-18.1	-15.5		32.5	15	7	-21	275	281
US (DXY; 5y UST)		99	0.2	0.9	1.9	-3.7	-8.3		3.61	-2	-10	-3	-30	-78

	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		4,539	-1.2	-1.8	0.1	17.7	15.4		92	0	-21	-24	-4
Indonesia		8,067	-2.0	-1.3	1.6	5.8	13.9		96	7	-2	7	5
India		82,030	-0.4	0.1	0.3	0.3	5.0		91	4	-2	-5	5
Philippines		6,076	0.4	-0.1	0.3	-18.5	-6.9		77	10	0	2	-2
Thailand		1,266	-1.6	-1.5	-2.6	-13.6	-9.6						
Malaysia		1,611	-0.2	-1.1	0.7	-1.9	-1.9		58	1	-9	-14	-12
Argentina		1,924,930	0.0	6.6	9.4	6.7	-24.0		938	-147	-93	-190	301
Brazil		141,783	0.8	-1.3	-0.3	8.2	17.9		222	30	21	12	-25
Chile		8,795	1.4	-0.4	-2.2	33.8	31.1		106	9	0	-6	-7
Colombia		1,870	-1.0	0.4	1.3	41.0	35.5		271	12	28	-40	-55
Mexico		61,045	0.8	1.1	-1.2	17.4	23.3		225	20	6	-74	-87
Peru		2,399	3.3	-0.4	9.5	22.6	41.6		107	12	4	-33	-34
Hungary		102,561	0.0	1.2	1.3	37.8	29.3		138	10	-7	-7	-17
Poland		106,104	-1.6	-1.7	-0.3	27.4	33.3		96	5	-7	-10	-16
Romania		21,672	0.1	0.7	4.0	23.2	29.6		210	10	0	22	-25
South Africa		110,566	-0.4	1.0	5.8	28.0	31.5		264	9	-16	1	-29
Türkiye		10,441	-1.1	-3.5	0.7	20.0	6.2		274	13	-15	1	15
EM total		53	-2.0	-1.9	2.3	15.8	27.8		302	15	-56	-84	-62

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

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