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- Japanese long-term bond yields fall on news of potential Takaichi coalition ([link](#))
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## Market sentiment stays upbeat on earnings expectations

Global equities gained today, with Asian equities outperforming on optimism about chip-related stocks after TSMC hiked its revenue-growth target and raised its forecast for capital spending. This added to the ongoing optimism on corporate earnings. Among S&P 500 companies that reported earnings through yesterday, 78% have beaten estimates, according to Bloomberg Intelligence estimates. Overall, the S&P 500 is expected to post 8% growth in earnings for Q3, setting 9 consecutive quarters of growth. In Europe, market sentiment was helped by news French premier Lecornu survived two no-confidence votes while analysts are pondering the effect of less ambitious fiscal consolidation. French equities outperformed euro-area peers while the OAT-bund spread held firm, after falling yesterday. Elsewhere, advanced sovereign bond yields were little changed, the dollar was weaker and gold continued its ascent.

Key Global Financial Indicators

Last updated: 10/16/25 8:07 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6671	0.4	-1	1	14	13
Eurostoxx 50		5633	0.5	0	5	15	15
Nikkei 225		48278	1.3	1	8	24	21
MSCI EM		54	1.6	-1	2	18	29
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.02	-1.0	-12	-1	1	-55
Germany 10y Yield		2.58	0.5	-13	-12	39	21
EMBIG Sovereign Spread		288	-8	6	-2	-63	-37
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.9	-0.1	0	-1	2	7
Dollar index, (+) = \$ appreciation		98.6	-0.2	-1	2	-5	-9
Brent Crude Oil (\$/barrel)		62.3	0.7	-4	-9	-16	-16
VIX Index (% change in pp)		20.0	-0.7	4	4	0	3

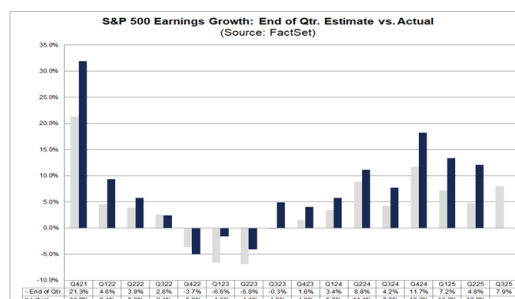
Colors denote **tightening**/**easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

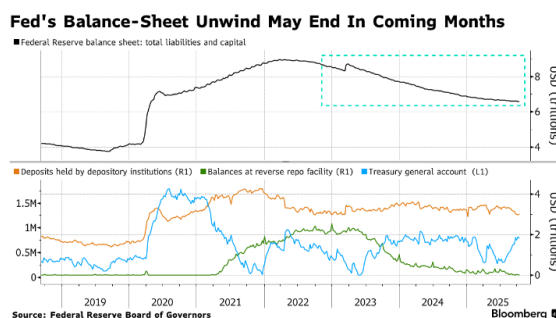
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### United States

**Analysts expect the strength of US corporate earnings to continue.** According to FactSet, the S&P 500 is expected to post 8% growth in earnings for the third quarter, setting 9 consecutive quarters of growth. However, their analysts argue that results usually beat expectations, suggesting that they might top as much as 13%, posting solid double-digit growth. Bloomberg data shows that while earnings are back to pre-April 2<sup>nd</sup> levels, they are still below expectations at the start of the year. However, with valuations close to the top of the range of their historical average at 25x forward P/E ratio (vs. a 5-year average of 21x), any sign of weakness in earnings could lead to sharp re-pricing and a volatile earnings season.



**Analysts are moving forward the end of quantitative tightening** A Bloomberg report highlighted that TD, Barclays, and Goldman Sachs are moving forward their estimate for the end of quantitative tightening by the Fed to as early as the end of this year. They join other big Wall Street banks like Bank of America, Citi and Wells Fargo. This responds to Chair Powell's remarks that the balance sheet run-off will stop somewhat above what policymakers consider to be "ample". Interestingly, the report also mentioned that some of the debate has now shifted to speculation on when the Fed will return to actively buying Treasuries, with some analysts noting it could be as early as next year if we see some pressure over the year-end.



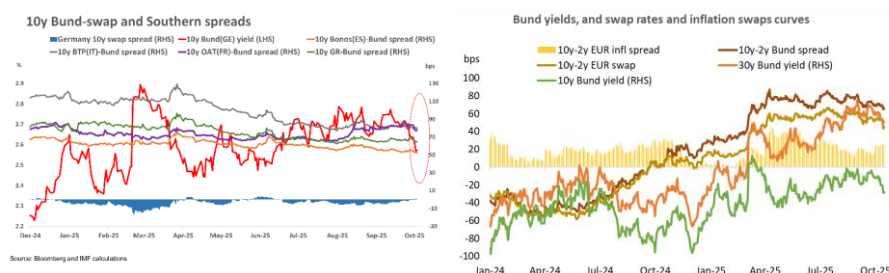
### Euro area

**European equities gained modestly this morning.** Most European bourses traded moderately higher, with **France continuing to outperform today** (CAC 40 index +0.4%) while Spanish stocks slid (IBEX 35 index -0.2%). The euro was little changed against the dollar this morning, trading at \$1.1660/€. Analysts at Bloomberg noted that, while France's political turmoil is not a turning point for the euro in the midterm, it has still become an obstacle for the currency, but the receding risk of a government collapse could support the euro in regaining the \$1.17/€ level.

**ECB Governing Council member Wunsch confirmed today that chances of another rate cut have been fading,** even though inflation risks point slightly downward. **However, money markets have added on the week 6 bps to the total 17 bps of easing that is priced-in by the July 2026 ECB meeting.**

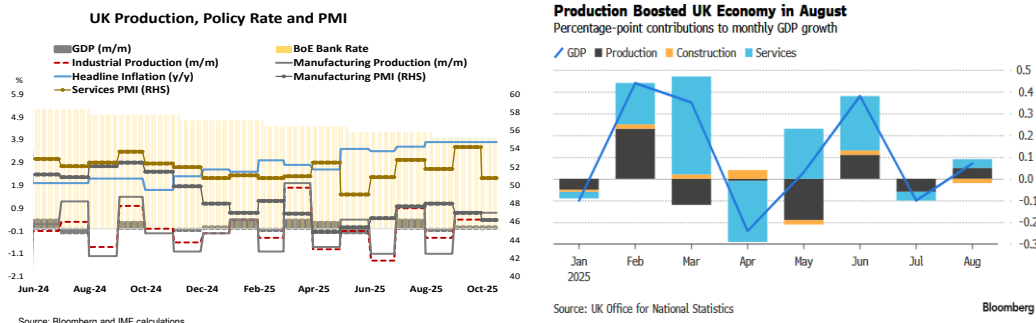
Bloomberg now expects inflation to be around 1.6 -1.7% by mid-2026, far enough below target to restart rate-cuts.

**European government bonds (EGB) were little changed today while the 10-year French OAT yield held firm, after falling by -5 bps to 3.34% yesterday, on improved prospects of political stability** as French premier Lecornu survived two no-confidence votes thanks to external support from the Socialist party. **The French-German spread narrowed to 77 bps**, remaining at that level today. **HSBC** estimates that the suspension of the pension reform, proposed by PM Lecornu as key political compromise, will cost €400 mn in 2026, €1.8 bn in 2027 and up to €13 bn by 2035 if made permanent, potentially increasing issuance as annual funding needs rise to around €250–300 bn over 2025–27. **JP Morgan** notes that the 2026 budget targets a 4.7% deficit after 0.8% fiscal tightening, but parliamentary negotiations could push it closer to 5%. The government's softer stance helped secure political support but at a slower pace of adjustment that risks keeping borrowing costs and spread volatility high. **Goldman Sachs** expects gross funding need near €300 bn annually, pushing the term premium higher and maintaining the OAT-bund spread elevated, with ECB's balance-sheet reduction pace seen as a major factor for spread dynamics. The 10-year **BTP-bund spread** narrowed marginally to 79 bps today, while the spread of 10-year **Spanish bonos vs the bund** fell by another basis point to **52 bps**, after Spain sold €2 bn of 10-year bonds in an auction closing with a bid-to-cover of 1.7 at a yield of 3.08%, as opposed to a yield of 3.23% in a similar auction of the same bond on September 18.



## United Kingdom

**The pound edged higher (+0.2%) this morning, trading at \$1.3430/£, after data showed the UK economy performing somewhat better than expected in August.** In the three months to August, GDP grew by +0.3% compared to same data in July, from prior +0.2% and in line with expectations, while industrial and manufacturing production surprised to the upside, printing respectively at +0.4% m/m (vs. est. +0.2%) from prior -0.4% m/m, and at +0.7% m/m (vs. est. +0.2%) from prior -1.1% m/m. Gilt yields inched down on the front-end this morning (2-year yield -2 bps at 3.87%) after declining yesterday (-5 bps) especially on longer tenors, with 30-year and 10-year yields little changed today at 5.33% and 4.53%. Money markets have marginally scaled-up bets of future rate cuts from the Bank of England (BoE), adding -2 bps to -28 bps of easing priced-in by March 2026, after Governor Bailey voiced concerns on a weaker UK jobs market shown in Tuesday's data. **ING** expects UK GDP to grow by +0.2% in Q3 and +1.5% in 2025, with weaker productivity and higher gilt yields adding £25 bn to the deficit, requiring tax increases and restrained spending after the Autumn Budget. **JP Morgan** noted that UK GDP grew at +0.8% y/y (as of end August), well below the BoE's +1.6% estimate, with labor market slack and slowing wage growth pointing to reduced demand pressures. **Goldman Sachs** continues to see weaker momentum despite today's data, limiting fiscal flexibility, and expects the BoE to begin rate cuts in early 2026.



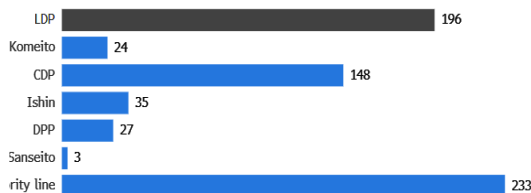
## Japan

**Longer-term government bond yields fell after ruling Liberal Democratic Party (LDP) leader Takaichi agreed on policy talks with the Japan Innovation Party (Ishin).** Analysts consider Ishin as an advocate for a smaller government, which could somewhat curb fiscal expansion. The JGB yield curve flattened today, particularly at the long-end (2-year +2 bps to 0.91%; 10-year +1 bps to 1.65%; 30-year -4 bps to 3.12%). An alliance between LDP and Ishin would likely secure the premiership for Takaichi, but a stall in talks could still open the possibility of the opposition rallying around a unified candidate to oppose her. The yen strengthened by as much as +0.4% intraday but closed the Asian session weaker (-0.1%) at \$/¥151.29. The early yen strength may have been supported by FM Kato's comment that the authorities will need to watch excessive, disorderly forex moves. Earlier, US Treasury Secretary Bessent said the yen will settle at an appropriate level if the Bank of Japan continues to conduct the right monetary policy.

### Race to Become Japan's Leader

If Ishin joins a coalition with the LDP Takaichi will likely become PM

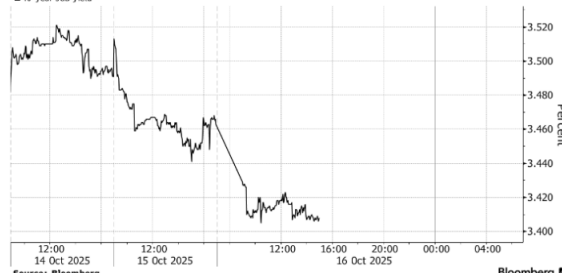
■ Number of seats in lower house



Source: Japan's House of Representatives

### Super-Long Bond Yields Fall on Coalition Talks

■ 40-year JGB yield



## Emerging Markets

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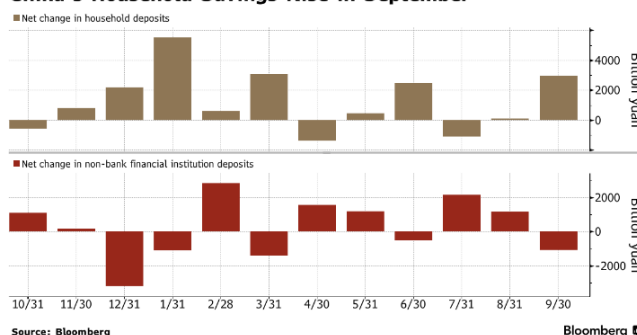
In **Asia**, equities outperformed on optimism about chip-related stocks after positive TSMC earnings. Most Asian currencies strengthened. In **EMEA**, equities mostly traded higher while currencies were trading mixed. On the data front, the September PPI index declined by more than expected in **Czechia** (-1.0%/y/y vs -0.7% expected). Equities in Czechia were around 0.3% lower after the release although pared losses in later trade. In **Latam**, asset prices edged higher on Wednesday. Stocks gained in Mexico (+1.4%), Chile (+1.1%) and Brazil (+0.7%). Currencies appreciated in Colombia (+0.8%), Peru (+0.6%) and Brazil (+0.5%). Separately, according to Bloomberg, **Mongolia's** long-term foreign debt rating was upgraded to B1 from B2 by Moody's with the rating agency citing more stable economic growth for the upgrade.

## China

**Chinese households increased their cash savings in September, which could suggest a growing reluctance to invest in domestic equities.** According to the People's Bank of China, household deposits rose by CNY 2.96 tn (\$415.5 bn), the largest monthly increase since March. The renewed build-up of savings could weaken a key source of support for the stock market, at a time when US-China trade tensions

are showing no signs of easing. In another sign of lower demand for stocks, deposits at non-bank financial institutions—commonly used for margin trading—dropped for the first time in three months in September. Some analysts attributed the slowdown in non-bank financial deposits to higher holdings in a transitory phase as savers seek better returns elsewhere. Additionally, a government proposal to revise mutual fund fee structures may have discouraged some investors from entering the market. Today, both onshore (CSI300: +0.3%) and offshore (Hang Seng: -0.1%) equities underperformed regional peers, amidst concerns over deteriorating US-China trade tensions. Both onshore CNY and offshore CNH were little changed today, despite a stronger yuan fixing at \$/7.0968.

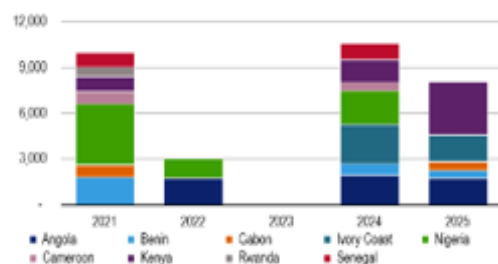
### China's Household Savings Rise in September



## Sub-Saharan Africa

**Some analysts expect that eurobond issuance in Sub-Saharan Africa could match levels seen in 2024.** Despite a challenging external backdrop, analysts at Bank of America (BofA) estimate that eurobond issuance and placements from Sub-Saharan Africa (SSA) (excluding South Africa) could reach \$10.4 bn by the end of this year, in line with the \$10.6 bn issued last year. BofA noted that in Q1 of this year, high yield issuers in SSA were quick to tap markets to secure financing ahead of expected US tariffs, with a lack of issuance seen from the region in the period from April to end September. In Q4, the analysts noted that eurobond issuance from SSA has picked up led by B- issuers such as Angola and Kenya. According to BofA, Nigeria is expected to issue around \$2.3 bn in Q4 2025 and the analysts expect further issuance from SSA sovereigns into H1 2026 if expected rate cuts from the Fed materialize and geopolitical tensions ease. The analysts also noted that while private placements had been a preferred instrument for some high yield SSA sovereigns in 2024, the use of this had tapered off in H2 2025. Finally, the analysts expect some inaugural issuances from the Democratic Republic of Congo (DRC) and Guinea Conakry in 2026, after the latter received its inaugural B+ rating by S&P last month.

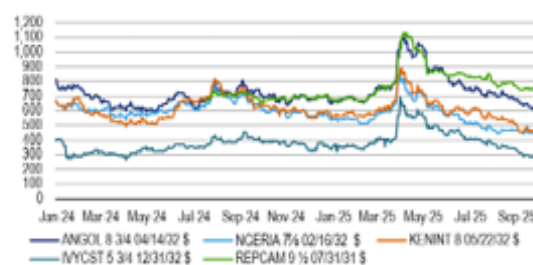
**Exhibit 1: Issuances/Placements reached US\$8.1bn YTD and could match 2024 if Nigeria issues**  
Eurobonds gross issuances and placements excluding South Africa (2021-2025, US\$m)



Note: Calculations exclude Ghana and Zambia restructured bonds in 2024 and Gabon 8 US Bond Swap for comparability

Source: Bloomberg, BofA Global Research

**Exhibit 2: After peaking in April 2025, spreads are on a downward trend across SSA**  
Angola, Nigeria, Kenya, Ivory Coast 7-year bond z-spreads (Jan 2024-Sep 2025, bps)



Source: Bloomberg

DATA GLOBAL RESEARCH

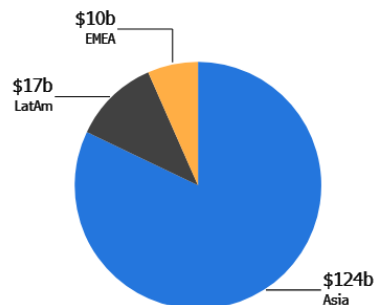


## EM private credit

**Asset managers are looking to launch new private credit funds focused on emerging markets.** Firms such as Ninety One and Gramercy Funds are planning or expanding funds totaling over \$2 bn. Although emerging markets currently account for less than 10% of the \$1.7 tn global private credit industry, interest is growing as yields and deal flow rise, particularly in Brazil, Turkey, India, and Southeast Asia. Given the strong performance of EM stocks and bonds YTD, investors see the sector as a less crowded trade offering attractive risk-adjusted returns underpinned by real economic growth potential.

### Funds Raised Over the Last Decade

EM private sector fundraising lags developed markets



Source: Gemcorp Capital

Bloomberg

*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), Johannes S. Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Jeremie Benzaken (Administrative Coordinator) and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators

10/16/25 8:07 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,691	0.4	-0.7	1.3	14.5	14
Europe		5,633	0.5	0.1	4.8	14.7	15
Japan		48,278	1.3	1.1	7.8	24.1	21
China		4,618	0.3	-1.9	1.5	21.9	17
Asia Ex Japan		92	1.7	-1.3	0.9	18.5	28
Emerging Markets		54	1.6	-1.2	1.5	18.2	29
<b>Interest Rates</b>			basis points				
US 10y Yield		4.0	-1	-12	-1	1	-55
Germany 10y Yield		2.6	1	-13	-12	39	21
Japan 10y Yield		1.7	1	-3	6	71	56
UK 10y Yield		4.5	-2	-22	-11	46	-4
<b>Credit Spreads</b>			basis points				
US Investment Grade		115	0	0	-2	-4	-4
US High Yield		346	-1	4	9	7	17
<b>Exchange Rates</b>			%				
USD/Majors		98.6	-0.2	-0.9	2.0	-4.8	-9
EUR/USD		1.17	0.1	0.8	-1.8	7.3	13
USD/JPY		151.3	0.2	-1.2	3.3	1.1	-4
EM/USD		45.9	-0.1	-0.2	-0.6	1.6	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		62.3	0.7	-4.4	-8.3	-12.9	-13
Industrials Metals (index)		149.2	-0.4	-2.5	1.9	-0.6	6
Agriculture (index)		54.0	0.3	-0.1	-4.1	-3.3	-5
Gold (\$/ounce)		4241.9	0.8	6.7	15.0	58.6	62
Bitcoin (\$/coin)		111876.7	0.6	1.3	-4.3	65.4	19
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		20.0	-0.7	3.5	3.6	0.4	2.6
Global FX Volatility		7.5	0.0	0.2	-0.2	-1.1	-1.7
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		64	-1	-2	-1	-24	-21
Italy		79	-2	-2	0	-44	-37
France		76	-1	-6	-3	2	-6
Spain		52	-2	-3	-4	-20	-18

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

## Emerging Market Financial Indicators

Last updated: 10/16/2025 8:06 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		7.13	0.0	0.1	-0.2	-0.1	2.4		1.9	0	-1	2	-16	21
Indonesia		16581	0.0	-0.1	-0.9	-6.5	-2.7		6.0	-4	-13	-26	-68	-105
India		88	0.3	1.1	0.3	-4.4	-2.5		6.8	6	4	-6	-25	-54
Philippines		58	-0.1	0.2	-2.1	-0.6	-0.3		4.7	0	-4	-1	-7	-14
Thailand		33	0.1	0.8	-2.6	2.1	5.6		1.6	1	7	4	-94	-69
Malaysia		4.23	0.1	-0.3	-0.6	1.6	5.7		3.5	1	-4	4	-33	-36
Argentina		1362	-0.4	5.0	7.7	-28.1	-24.3		52.7	83	-645	182	1214	2353
Brazil		5.45	0.2	-1.4	-2.7	4.0	13.4		13.9	-7	-9	15	109	-207
Chile		959	0.2	-0.8	-1.2	-2.2	3.9		5.4	0	-2	-1	13	-29
Colombia		3895	0.8	0.0	0.3	9.0	13.1		11.5	-1	10	11	112	-36
Mexico		18.42	0.2	-0.2	-0.7	7.9	13.0		8.6	-5	-16	-14	-118	-174
Peru		3.4	0.6	1.2	2.6	10.6	10.4		6.2	-1	0	-3	-20	-46
Uruguay		40	0.2	-0.1	0.2	3.9	9.1		7.8	4	-6	-15	-183	-182
Hungary		334	0.3	1.2	-1.8	10.4	18.8		6.5	1	-4	-16	28	8
Poland		3.65	0.1	0.9	-1.8	8.5	13.2		4.8	-1	-8	-8	-38	-77
Romania		4.4	0.0	0.9	-2.3	4.9	10.0		7.2	-8	-16	-18	59	-11
Russia		79.4	-1.5	2.2	4.8	22.8	43.0							
South Africa		17.3	0.3	-0.5	0.2	1.8	8.9		9.5	-7	0	-16	-105	-99
Türkiye		41.85	0.0	-0.3	-1.5	-18.3	-15.5		32.9	-1	37	68	276	316
US (DXY; 5y UST)		99	-0.2	-0.9	2.0	-4.8	-9.1		3.61	-1	-13	3	-23	-77

	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		4,618	0.3	-1.9	1.5	21.9	17.4		94	2	-18	-20	-2
Indonesia		8,125	0.9	-1.5	1.2	5.0	14.8		98	9	6	5	7
India		83,468	1.0	1.6	0.9	3.0	6.8		91	3	-1	-1	5
Philippines		6,094	0.0	0.6	-1.9	-17.7	-6.7		78	10	6	-1	-1
Thailand		1,291	0.4	-1.0	-1.2	-13.6	-7.8						
Malaysia		1,612	0.0	-1.1	0.0	-1.8	-1.8		63	6	-2	-9	-7
Argentina		1,912,739	1.5	6.6	7.0	7.7	-24.5		1010	-66	-227	-38	373
Brazil		142,604	0.7	0.3	-1.0	8.2	18.6		201	7	4	-8	-46
Chile		9,113	1.1	3.3	0.5	39.3	35.8		102	5	-2	-11	-11
Colombia		1,891	0.0	0.9	2.9	41.4	37.1		273	18	26	-35	-53
Mexico		61,638	1.4	1.2	-0.7	17.4	24.5		219	11	1	-80	-93
Peru		2,369	0.3	-0.1	6.6	23.3	39.8		102	7	4	-38	-39
Hungary		102,983	0.2	1.6	3.1	37.0	29.8		135	3	-3	-12	-20
Poland		108,344	-0.4	0.3	2.3	29.4	36.1		94	4	-6	-15	-18
Romania		21,742	0.4	0.6	5.1	24.3	30.0		206	0	4	18	-30
South Africa		112,307	0.6	1.9	7.1	30.0	33.5		259	4	-5	-12	-34
Türkiye		10,459	-0.1	-2.5	-6.5	16.8	6.4		273	12	1	1	14
EM total		54	0.7	-1.2	1.5	18.2	28.7		294	4	-67	-88	-70

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

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