GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, OCTOBER 17, 2025

LEAD EDITOR: FABIO CORTES

- **US regional bank stocks slide on concerns about loan fraud and CRE exposures** (link)
- **European equities fall on spillovers from the US regional banks selloff** (link)
- **Japanese yen strengthens as investors await political developments** (link)
- **Analysts debate about Brent's $60/barrel floor** (link)
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Markets turn south on US regional bank concerns

Global equities fell led by a sell-off in the banking sector as investors worried about the health of US regional banks. Shares of major US banks slid over 1.5% in premarket trading, after the KBW regional banking index fell 6.3% yesterday following news that Western Alliance and Zions Bancorporation disclosed significant credit losses tied to alleged loan fraud by borrowers. The stress was reflected in an increasing take-up at the Fed's standing repo facility while US high yield credit spreads widened yesterday. The VIX index jumped to levels not seen since April and gold continued its ascent on the increasing risk aversion. The selling spread to European and Asian stock markets. The 10-year US Treasury yield dropped to 3.93% in early morning trade, its lowest level YTD, on safe haven flows but reversed course later this morning. On the currency front, the dollar continued to weaken while the yen strengthened past the $/150 level as investors await political developments. Analysts believe that the "Takaichi trade"—buying Japanese equities while selling the yen and bonds—has lost some momentum as markets wait for clarity on fiscal policy.

Key Global Financial Indicators

Last updated: 10/17/25 8:13 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6629	-0.6	-2	0	13	13
Eurostoxx 50		5603	-0.9	1	4	13	14
Nikkei 225		47582	-1.4	-2	6	22	19
MSCI EM		54	0.7	0	2	19	30
Yields and Spreads					bps		
US 10y Yield		3.99	1.9	-4	-9	-10	-58
Germany 10y Yield		2.57	0.4	-7	-10	37	21
EMBIG Sovereign Spread		289	1	9	2	-61	-36
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.9	-0.2	0	0	2	7
Dollar index, (+) = $ appreciation		98.4	0.0	-1	2	-5	-9
Brent Crude Oil ($/barrel)		61.0	-0.1	-3	-10	-18	-18
VIX Index (%, change in pp)		24.7	-0.6	3	9	6	7

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

Mature Markets

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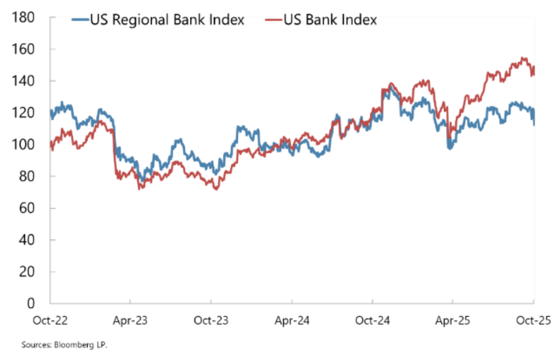
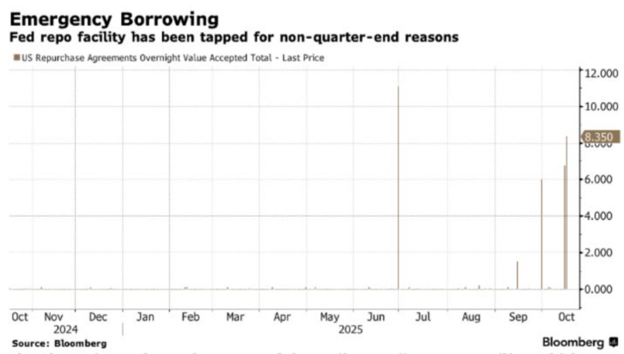
United States

Investor concerns over credit quality in the US regional banking sector intensified after Western Alliance (WAL) and Zions Bancorporation (ZION) disclosed significant credit losses tied to alleged loan fraud involving Cantor Group, a Delaware-based entity operating through Funds II, IV, and V. The US regional bank index fell 6%. Echoing previous market reactions, investors turned their attention to traded regional banks with significant CRE exposure. WAL shares dropped 11%, ZION's declined 13%, and other U.S. regional shares dropped by as much as 9%. WAL reported $100 mn in losses and filed a suit against Cantor Group (Fund V), citing misrepresented collateral and contractual violations, while also facing exposure to $715 mn in receivables from bankrupt auto-parts supplier First Brands via a Jefferies-managed fund. ZION disclosed $60 mn in losses linked to similar borrower activity, though unnamed. Both banks showed elevated concentrations to CRE.

Figure 1. U.S. Bank Indexes

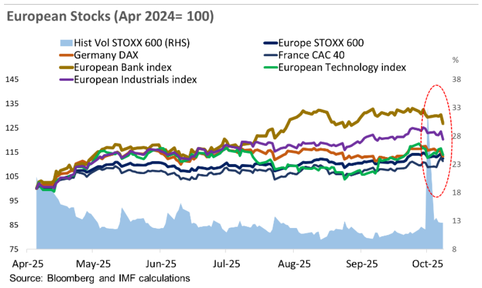


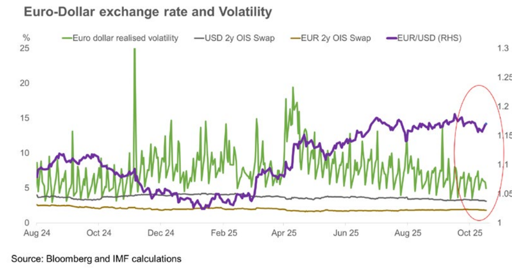
The Fed's repo facility was tapped this week. The Fed's Standing Repo Facility has been tapped by banks in the last few days. Bloomberg analysts highlighted that while the amounts remain relatively small, this could be another sign that bank liquidity is dwindling. Powell's recent remarks that quantitative tightening in the US might be closer to the end than what policymakers and market analysts believe is another data point in the same direction.



Euro area

European equities plunged this morning driven by the selloff of US regional banks shares. The Stoxx 600 index was down by -1.6%, **dragged especially by the banking sector (-2.6%),** where Santander (-4.1%) and Deutsche Bank (-5%) underperformed, and with all sectors in the red. All European bourses fell, with Germany (DAX -2.1%) and Italy (FTSE MIB -2.2%) losing the most. **The euro was flat,** continuing to trade at around $1.169/€. **Analysts at ING** see the euro benefiting from the US equites selloff, with an advance of the euro towards $1.18/€ possible in the coming days as the upcoming meeting between US and Russia could attract support to the European currency on speculation of a truce in Ukraine**.**

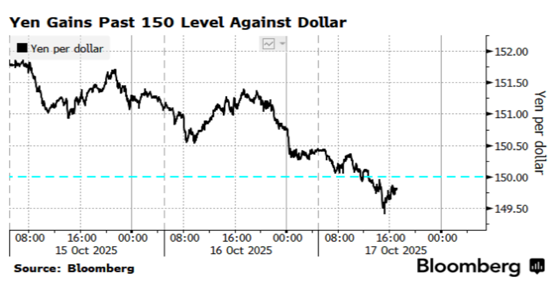




ECB President Lagarde reiterated yesterday that policy rates in the euro area are at appropriate levels to deal with possible future shocks as risks to inflation and economic growth have become more balanced, **Analysts at Deutsche Bank** see the ECB turning less dovish, with policy described as “in a good place” despite expected inflation undershooting in early 2026 and downside risks over the next 6-9 months surging from possible trade-related disinflation, tighter financial conditions, lower oil prices (currently 7% below September levels in euro terms) and a stronger euro.

Bunds outperformed this morning amid demand for safe havens. Bund yields declined by about 2 bps across the curve. **JP Morgan** noted the German government **(Draft Budgetary Plan for 2026)** projects deficits of 3.25% in 2025, 4.75% in 2026, 4.25% in 2027 and 3.75% in 2028, pushing debt towards 77% of GDP by 2028, but it continues to expect actual deficits only closer to 3% in 2025 and just above 4% in 2026. This suggests volatility around issuance expectations but limited sustained upward pressure on yields if deficits are smaller than expected. **Citi** expects 10-year bund yields to stabilize near 2.6% by year-end and 2.5% in Q1 2026, with technical factors suggesting a mild downward trend amid stable macro conditions. **Goldman Sachs** sees the 2026 German deficit at 4.75% of GDP, higher than prior estimates due to updated growth assumptions, implying more supply and upward pressure on bund yields. **HSBC** expects that bunds will retain their safe haven status, but elevated issuance could keep their pricing sensitive to both Germany’s fiscal path and political shocks elsewhere in the euro area.

Japan



The yen strengthened past the $/150 level on concerns over US regional banks and as investors await political developments. The yen appreciated (+0.4%), reaching $/149.79 during Asian trading hours. JGB yields dropped modestly (2-year -1 bps to 0.91%; 10-year -3 bps to 1.62%; 30-year flat at 3.12%). Analysts believe that the “Takaichi trade”—buying Japanese equities while selling the yen and bonds—has lost momentum as markets wait for clarity on fiscal policy. On the political front, Hirofumi Yoshimura, the co-leader of the Japan Innovation Party (Ishin) said today that the likelihood of the ruling Liberal Democratic Party forming a new coalition with Ishin is 50–50. Among the key disparities between the parties are a temporary reduction of the sales tax on food, stricter rules on political funding, and a reduction in the number of parliamentary lawmakers. Political instability had also dampened rate hike expectations by the BOJ. Today, Governor Ueda kept the door open for a near-term rate hike by indicating that BOJ will continue normalizing policy if confidence in achieving its economic outlook strengthens. Ueda’s comments were the first since Takaichi’s surprise election victory, and the last scheduled speech before the next BOJ policy meeting on Oct 29–30. Some market participants see the lack of clear signals from Ueda as implying there is no strong intention to reverse market expectations.

Commodities

Analysts debate about Brent's $60/barrel floor. Brent fell below $61/barrel today, approaching the $60/barrel level that marks what some in the oil market consider a solid floor. According to Bloomberg analysts, this usually triggers a response from OPEC+ through intervention, and a quick rebound usually follows. However, strong production (running about 2 mn barrels a day above demand) and changes in strategy by the largest players to protect market share over price could see prices fall below the floor for the first time since 2021. On a positive note, this could be a tailwind for inflation, helping central banks meet their targets earlier.

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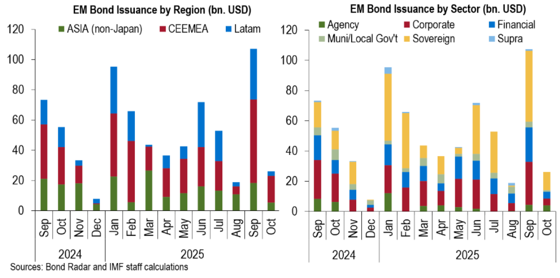
In **Asia**, equities sharply declined, with Indonesia (Jakarta Composite: -2.6%), Hong Kong SAR (Hang Seng: -2.5%) and China (CSI300: -2.3%) underperforming. Asian currencies mostly weakened. In **EMEA,** equities were lower this morning on the increased risk aversion. CEE currencies were weaker to the euro as a global risk off mood outweighed any positive impact from the planned US-Russia summit on ending the conflict between Russia and Ukraine. Reflecting the wider risk off tone, the South African rand was trading notably weaker (-0.6%). Separately, according to Bloomberg, Mongolia's dollar bonds declined on news that Mongolia's parliament voted to oust prime minister Gombojav. The country's 5-year dollar bond prices declined in early morning trade. Elsewhere, Bloomberg reports that the Central Bank of Nigeria and the Bank of Angola have agreed to cooperate on supervising lenders, linking payment systems as well as cooperating on cybersecurity and anti-money laundering supervision. In **Latam,** asset prices continued their ascent yesterday**.** Stocks gained in Mexico (+1.5%) and Colombia (+0.4%). Currencies appreciated in Chile (+0.5%), Colombia (+1.2%), and Peru (+0.5%).

EM Bond Issuance

EM bond markets issued $19 bn of new bonds last week, 39% lower than the week before. Issuance was split between $7.6 bn in corporate/financial bonds, $5.3 bn in sovereign bonds, and $3.7bn in agency bonds. Indonesia, Angola and Development Bank of Kazakhstan were the top issuers. All new issuance was in fixed-rate bonds with maturity varying from 3 to 30 years. 94% of the issuance was in hard currency bonds. The weighted average yield was 5.6%. YTD, total issuance stands at $561 bn.

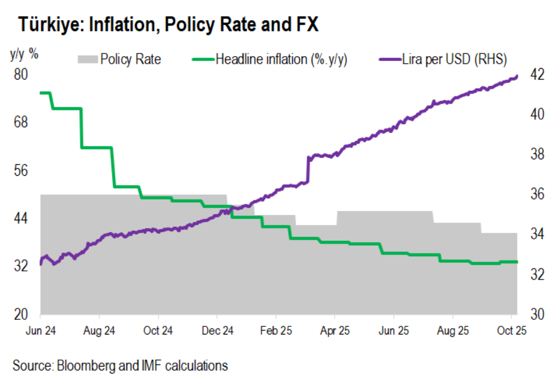


China

Rising risk aversion and ample liquidity drove 10-year government yields down 2 bps to 1.82%, the lowest level since Sep 22. This renewed appetite for CGBs comes as ample funding conditions had sent the seven-day repo rate to as low as 1.39% this month, unseen since January 2023. DBS analysts commented that the CGB yield curve may flatten further next week as scheduled issuances of 6-month bills and 3-year notes combined would exceed those of 10-year bonds, suggesting greater supply pressure at the short end of the curve. Both onshore (CSI300: -2.3%) and offshore (Hang Seng: -2.5%) declined, along with other Asian peers as market sentiment soured on US credit quality. Tech stocks Alibaba (-4.2%) and Xiaomi (-3.6%) were among the biggest drags today. Meanwhile, both onshore CNY and offshore CNH were steady despite another stronger fixing, with concerns over trade tensions weighing on market sentiment. The People's Bank of China fixed the yuan at 7.0949 on Friday, versus 7.0968 yesterday.

Türkiye

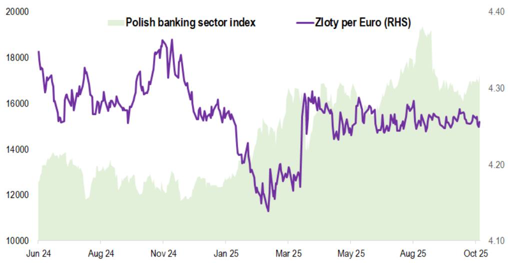
Inflation expectations rose in Türkiye. Data released today showed that inflation expectations for the year ahead rose to 23.26% y/y in October, up from 22.25% last month according to a survey of market participants from the Central Bank of Türkiye (TCMB). The survey also showed that inflation expectations for the next 24 months also rose to 17.36% from 16.78% in September. Market participants responding to the survey also estimated that year-end inflation will rise to 31.77%, up from 29.86% in September. At a presentation in Washington DC yesterday, Governor Karahan reiterated that "the tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand and exchange rate and expectation channels." This morning, the Turkish lira was trading around 0.2% weaker at 41.95/$ with the currency around 16% weaker YTD while Turkish equities were about 3% lower reflecting the broader risk off sentiment.



Poland

Polish bank stocks fell as parliament approved raising corporate income tax for banks. According to Bloomberg data, the Polish banking sector index was around 2% lower this morning after the Polish Parliament approved a bill which proposes raising the corporate income tax rate on banks to raise an additional 11.3 bn zloty over the next two years. When the bill was first proposed in August, the Polish banking sector index fell by almost 7% on the month, although remains around 37% higher YTD. The bill will now head to the Senate before being signed by the President. According to the bill, the government is looking to hike the corporate income tax rate for banks to 30% next year from the current rate of 19%. Bloomberg analysts noted that Polish banks trade at around a 12% discount to the wider European banking sector on a 24-month forward P/E ratio which they argue reflects regulatory concerns as well as geopolitical tensions. The analysts highlighted that strong Q3 results from the Polish banking sector could serve as a driver to narrow this discount.

Poland: Polish banking sector index & currency



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), 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

10/17/25 8:17 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,618	-0.6	1.0	0.3	13.3	13
Europe		5,606	-0.8	1.4	4.4	13.3	15
Japan		47,582	-1.4	-2.1	5.6	22.1	19
China		4,514	-2.3	-2.2	0.3	15.0	15
Asia Ex Japan		93	0.6	0.3	1.1	19.5	29
Emerging Markets		54	0.7	0.5	1.7	19.2	30
Interest Rates					basis points		
US 10y Yield		4.0	2	-4	-10	-10	-58
Germany 10y Yield		2.6	0	-7	-10	37	21
Japan 10y Yield		1.6	-3	-6	3	66	53
UK 10y Yield		4.5	3	-14	-9	45	-3
Credit Spreads					basis points		
US Investment Grade		118	-1	-3	2	-2	-2
US High Yield		358	0	-11	26	21	30
Exchange Rates					%		
USD/Majors		98.4	0.0	-0.6	1.6	-5.2	-9
EUR/USD		1.17	-0.1	0.5	-1.2	7.8	13
USD/JPY		150.5	0.0	-0.5	2.4	0.2	-4
EM/USD		45.9	-0.2	-0.1	-0.5	1.6	7
Commodities					%		
Brent Crude Oil ($/barrel)		61.0	0.0	-2.7	-9.5	-15.1	-15
Industrials Metals (index)		149.6	-0.6	0.3	3.3	0.7	7
Agriculture (index)		54.2	0.3	1.7	-1.8	-3.2	-5
Gold ($/ounce)		4311.8	-0.3	7.3	17.8	60.1	64
Bitcoin ($/coin)		105723.9	-2.0	-8.1	-8.6	58.0	13
Implied Volatility					%		
VIX Index (%, change in pp)		24.6	-0.7	2.9	8.8	5.5	7.2
Global FX Volatility		7.3	0.0	-0.1	-0.3	-1.3	-1.9
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		65	1	-7	0	-21	-20
Italy		80	1	-2	1	-41	-36
France		78	1	-6	-3	4	-5
Spain		53	1	-2	-3	-18	-16

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

Emerging Market Financial Indicators

Last updated: 10/17/2025 8:07 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		7.13	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 %)					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		4,514	-2.3	-2.2	0.3	15.0	14.7		97	7	-15	-17	1
Indonesia		7,916	-2.6	-4.1	-1.7	2.0	11.8		102	14	9	11	11
India		83,952	0.6	1.8	1.6	3.4	7.4		94	6	3	1	8
Philippines		6,090	-0.1	0.9	-2.8	-17.9	-6.7		82	15	10	5	3
Thailand		1,275	-1.3	-3.0	-1.4	-14.4	-9.0						
Malaysia		1,607	-0.3	-0.9	0.6	-2.3	-2.1		63	6	1	-8	-7
Argentina		1,929,505	0.9	6.0	8.2	7.1	-23.8		1035	127	-137	-22	398
Brazil		142,200	-0.3	0.3	-2.3	8.7	18.2		202	1	9	-8	-45
Chile		9,112	0.0	5.0	1.2	38.7	35.8		105	7	2	-6	-8
Colombia		1,899	0.4	0.5	3.5	41.0	37.6		272	12	20	-33	-54
Mexico		62,545	1.5	2.8	1.5	19.2	26.3		223	12	5	-77	-89
Peru		2,372	0.1	-0.7	5.9	23.7	39.9		104	6	6	-34	-37
Hungary		102,482	-0.6	0.5	3.2	38.3	29.2		140	9	2	-7	-15
Poland		107,321	-0.8	-0.6	1.6	31.1	34.9		98	7	7	-10	-14
Romania		21,764	0.1	0.6	4.3	24.8	30.2		209	6	9	23	-26
South Africa		111,481	-1.4	1.3	5.8	28.8	32.6		254	4	-5	-16	-39
Türkiye		10,187	-1.8	-5.0	-8.8	13.2	3.6		279	17	9	7	20
EM total		54	-1.2	0.5	1.7	19.2	29.6		294	2	-62	-87	-70

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

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