GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, OCTOBER 19, 2026
LEAD EDITOR: ESTI KEMP

- **Demand for portfolio hedging might be on the rise** (link)
- **Current US curve flattening returns cycle to historical norms** (link)
- **French assets underperform and euro weakens following violent weekend protests** (link)
- **Asian emerging market equities declined last week led by technology shares** (link)
- **EM fund inflows accelerate as stronger equity demand offsets bond fund weakness** (link)

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A Rebound on Shaky Ground

US equity futures point to a rebound, but investor sentiment remains fragile amid AI financing concerns and political uncertainty in Europe. Technology stocks led gains in US equity futures this morning ahead of a busy earnings week. This follows a sharp selloff in chipmakers last week amid growing concerns over the sustainability of AI investment and its financing, which have also weighed on credit markets. In Europe, French bonds and equities underperformed following violent weekend protests with the 10-year French-German sovereign spread widening by 6 bps to 144 bps. The euro also weakened. Elsewhere, Indonesian equities extended Friday's sharp decline after MSCI warned of a potential downgrade from emerging to standalone market status. In contrast, Egyptian equities gained following Moody's sovereign rating upgrade. With the Fed entering its blackout period ahead of next week's policy meeting, corporate earnings will take center stage, with Meta, SpaceX, Netflix, and Tesla scheduled to report this week. Friday's flash PMIs across major economies will provide a further gauge of economic activity. Globally, several central banks are scheduled to announce policy decisions, including Hungary, Indonesia, South Korea, the Philippines, and Türkiye.

Key Global Financial Indicators

Last updated: 10/19/26 8:05 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		7659	-1.1	-2	0	15	12
Eurostoxx 50		6128	-1.2	-1	-2	9	6
Nikkei 225		64917	-0.6	-6	0	32	29
MSCI EM		63	-1.7	-6	-6	16	15
Yields and Spreads				bps			
US 10y Yield		5.09	2.1	-14	10	108	93
Germany 10y Yield		3.44	1.7	-3	-8	86	59
EMBIG Sovereign Spread		194	2	6	22	-27	-4
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		45.7	0.1	0	-1	0	-2
Dollar index, (+) = $ appreciation		101.8	0.0	-1	2	3	4
Brent Crude Oil ($/barrel)		108.4	-1.3	2	4	77	78
VIX Index (%, change in pp)		18.8	-1.2	4	4	-2	4

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: 10/19/26 8:06 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		108	-1.3	2	4	77	78
WTI Crude Oil ($/barrel)		101	-0.3	8	1	76	76
Natural Gas (Netherlands TTF)		88	1	1	11	178	222
Breakeven Inflation		%			bps		
USD: 2Y		2.6	-0.7	7	17	-12	33
USD: 5Y		2.5	0.1	2	3	1	18
USD: 5Y5Y		2.4	-2	-2	-2	-4	-5
EUR: 2Y		3.0	4.3	12	18	134	133
EUR: 5Y		2.5	1	3	6	68	67
EUR: 5Y5Y		2.1	1	-1	-4	8	6

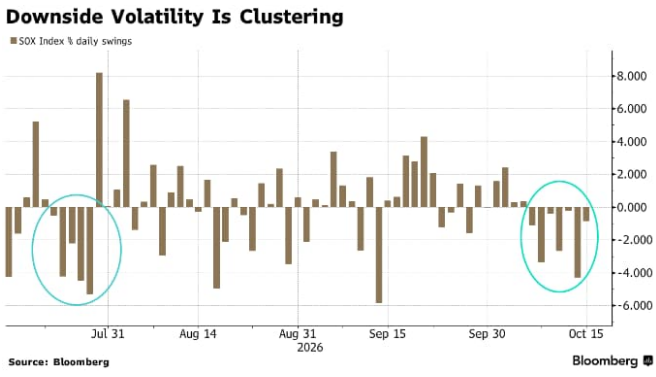
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

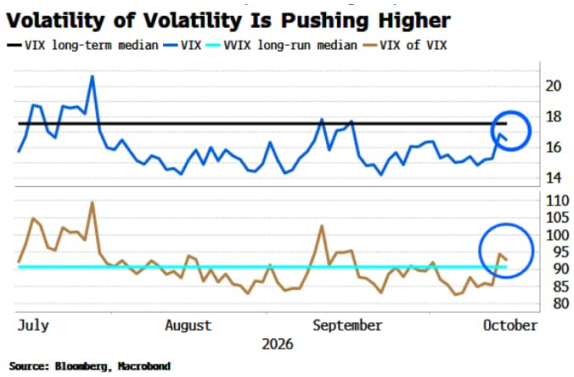
Mature Markets

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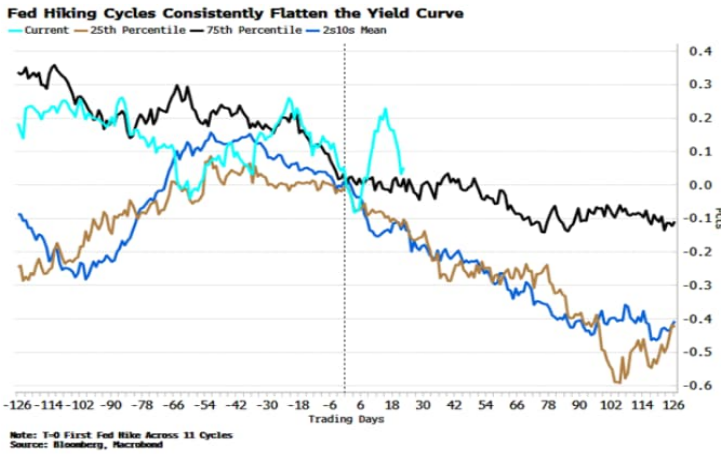
United States

Demand for portfolio hedging might be on the rise. Downside volatility in the Philadelphia Semiconductor Index has increased, with the index recording its highest downside volatility metric this month for the past year. Bloomberg analysts suggest that traders are taking money off the table more frequently. Meanwhile, the VIX rose by 5.2 points to 20 last week, while the VVIX (the volatility of the VIX) jumped on Friday after hovering near a two-year low. BofA reports that customer positioning in VIX call options has risen sharply, approaching levels last seen in summer 2024. These developments might suggest that investors are becoming more cautious and seeking greater protection against a potential rise in equity market volatility.



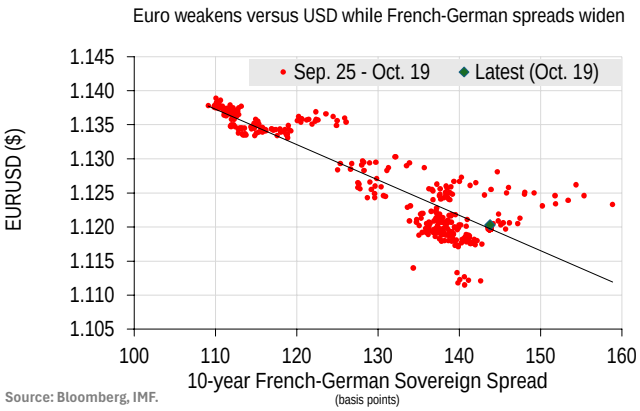


US yield curve flattening brings the current cycle closer to historical norms. Historically, US monetary tightening cycles have led to yield curve flattening as the short end of the curve responds more directly to the policy rate, while the long end of the curve prices in slower growth, lower inflation and an eventual return to neutral. Until last week, this cycle had been an anomaly, with long-term yields rising more than short-term yields. However, Bloomberg analysts note that the recent adjustment through bull flattening (long-term yields falling more than short-term yields) remains unusual.



Euro Area

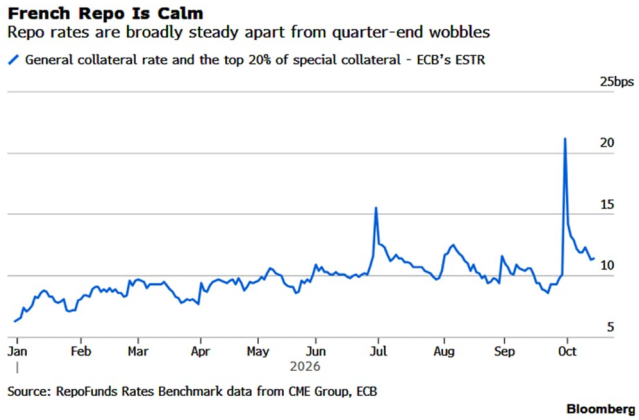
French assets underperformed this morning following violent weekend protests, amid fiscal and election uncertainty. The French-German 10-yr sovereign spread widened by 6 bps to 144 bps, while the CAC 40 fell 1.3%, compared with a 1% decline in the EURO STOXX 50. Italian and Greek 10-yr sovereign spreads over German Bunds widened by around 4 bps. The euro weakened 0.4% against the US dollar. The unrest adds to pressure on the government as lawmakers debate a 2027 budget proposing roughly €43 bn in deficit-reduction measures. President Macron also rejected Interior Minister Laurent Nuñez's offer to resign after the minister acknowledged shortcomings in the police response to the weekend violence. A Commerzbank strategist cited by Bloomberg said the unrest underscored the government's delicate balancing act between addressing public concerns and reassuring financial markets.

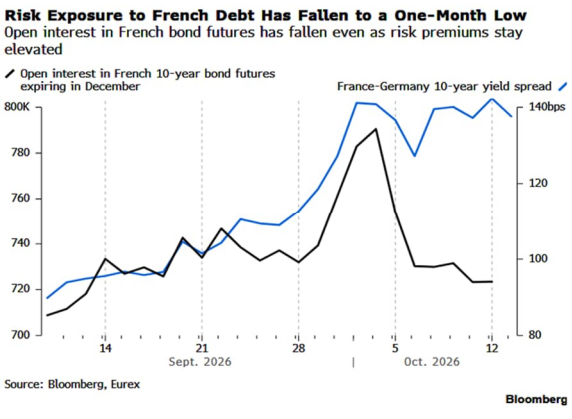


In the meantime, European natural gas prices continue to rise, with the front-month futures contract trading just below €90/MWh (+2%). Last week's European Council summit also deferred difficult decisions on the EU budget and carbon pricing. At the weekend's International Monetary and Financial Committee (IMFC) meeting in Bangkok, ECB President Lagarde said that "the energy shock is too large to look through but a measured response remains appropriate to keep inflation in check." This morning, the market-implied probability of a December ECB hike fell to 94%, from more than fully priced last Friday.

France

French repo funding has remained broadly stable despite the sovereign bond selloff, suggesting limited spillovers into short-term financing so far. Bloomberg reports that French repo rates relative to €STR have settled at around 12 bps following a brief spike, only slightly above their three-month average. Barclays interprets this stability as evidence that the selloff does not reflect a broader dash for cash, while JPMorgan Asset Management attributes the spread widening to the unwinding of concentrated leveraged trades. Further sovereign rating downgrades that push French bonds below collateral eligibility thresholds could shrink the pool of lenders willing to accept them, potentially increasing financing costs and feeding pressure back into the sovereign market. However, such risks are considered very unlikely in the immediate term.





Emerging Markets

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EMEA equities edged lower on renewed geopolitical concerns, while currencies were mixed. In CEE, equities traded in the red, except in Romania (+0.3%), while currencies were little changed against the euro. The Hungarian forint continued to appreciate (+0.1%) to HUF363.04/€, ahead of Prime Minister Magyar's 2027 budget presentation today. In Türkiye, equities fell 0.9%, while the lira weakened slightly against the dollar to TRY49.55/$. In South Africa, equities declined 0.9%, but the rand appreciated 0.1% against the dollar to ZAR16.46/$. According to Bloomberg, foreign investors bought ZAR5.32 bn of South African bonds last week, taking October-to-date inflows to ZAR19.26 bn. Equities also declined across the Gulf amid concerns over risks to the Strait of Hormuz, with Qatar (-1.1%) and Saudi Arabia (-0.6%) underperforming. Meanwhile, Cameroon Eurobonds weakened after Fitch downgraded the sovereign's long-term foreign-currency rating to B- from B. The 2033 dollar bond fell 2.7% since Thursday to 92.09 cents on the dollar, its lowest level on record, according to Bloomberg.

Emerging Asian equities and currencies were mixed, with Indonesian stocks extending their sharp selloff. The Jakarta Composite fell 3.6%, while Indian equities declined 1.2% and Malaysian stocks lost 0.7%. In contrast, Chinese equities edged up 0.1% after Q3 GDP growth accelerated to 4.5% y/y from 4.3%, slightly above expectations of 4.4%. Hong Kong's equity market was closed for a public holiday.

Latin American assets were mixed on Friday as easing concerns over additional Fed tightening supported broader risk sentiment. The Brazilian real (+0.7%) outperformed regional peers, rebounding after an election-driven selloff earlier in the week. The Peruvian sol (-0.5%), Chilean peso (-0.4%), and Mexican peso (-0.4%) weakened against the dollar, with the latter on track for a sixth consecutive weekly loss, while the Colombian peso was little changed. Equities were also mixed, with Mexico (+1.9%) and Brazil (+0.5%) outperforming, while Colombia (-0.6%), Peru (-0.3%), and Argentina (-0.3%) posted modest declines.

EM Fund Flows

EM fund inflows accelerated as stronger equity demand offset bond fund weakness. Combined inflows reached $2.0bn, up from $1.0bn the previous week. Bond funds recorded outflows of $718mn, reversing inflows of $930mn the previous week. Withdrawals were concentrated in hard-currency funds, while local-currency flows were broadly flat. Within hard-currency funds, broad EM funds accounted for most outflows (-$685mn), followed by Asia ex-Japan funds (-$33mn). Within local-currency funds, $178mn in withdrawals from China-focused funds were offset by inflows into EM ex-China funds. Turning to equities, inflows rose sharply to $2.8bn from $107mn the previous week, driven by stronger ETF inflows (+$4.1bn), while non-ETF funds continued to record outflows (-$1.3bn). Regionally, equity inflows were led by Latin America (+$1.7bn), followed by Asia ex-Japan (+$551mn) and EMEA (+$114mn).

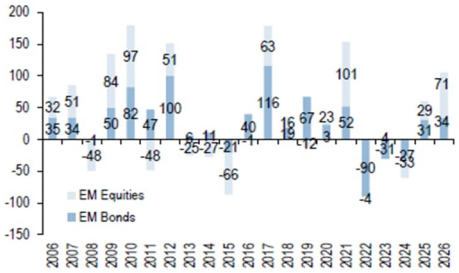
Figure 1: Weekly cross-asset flows

USD billion

	Asset	8w flows (8w ago → current)	This wk	YTD
Fund Flows	**EM Bonds and Equities**		2.0	105.4
	EM Bonds		-0.7	33.9
	Hard Ccy		-0.7	13.7
	Local Ccy^		0.0	20.3
	o.w. EM ex-China		0.2	18.9
	o.w. China		-0.2	-1.0
	EM Equities		2.8	71.5
	US HG		-0.4	275.2
	US HY		-1.3	1.9
	Global Equities		43.9	414.3
	EM Bond and Equity ETFs		3.2	116.2
	EM Bond ETFs		-0.9	4.5
	EM Equity ETFs		4.1	111.7
	Non-resident EM flows*		-17.6	-203.2

Figure 2: EM bond and equity fund flows

USD billion

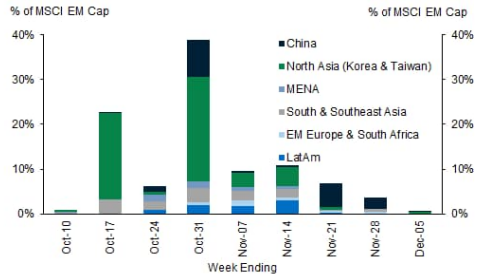


*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.
Sources for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

Asian Emerging Market Equities

Asian emerging market equities declined sharply last week (-5%), led by technology shares (-11%). Indonesian equities plunged around 12% on Friday, after MSCI announced it was considering reclassifying Indonesia from emerging to standalone market status, citing concerns over ownership transparency and suspected coordinated trading. Elsewhere in Asia, Korean equities suffered particularly sharp declines, with the KOSPI falling roughly 15%. Goldman Sachs reports that the forward price-to-earnings (P/E) ratio fell to 4.2x, its lowest level since 1999. Taiwan Province of China recorded its largest daily foreign investor outflow on October 15. The MSCI Emerging Markets Index (MXEF) trades at a forward P/E of 9.4x, 2.5 standard deviations below its 10-year average. Despite last week's sharp selloff, consensus forecasts point to exceptionally strong Q3 earnings growth for Asian emerging market equities, with EPS expected to increase 71% y/y, led by North Asia. Excluding North Asia, EPS growth is expected to be a more modest 13% y/y.

Exhibit 8: Bulk of EM market cap is scheduled to report 3Q earnings over the next few weeks



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

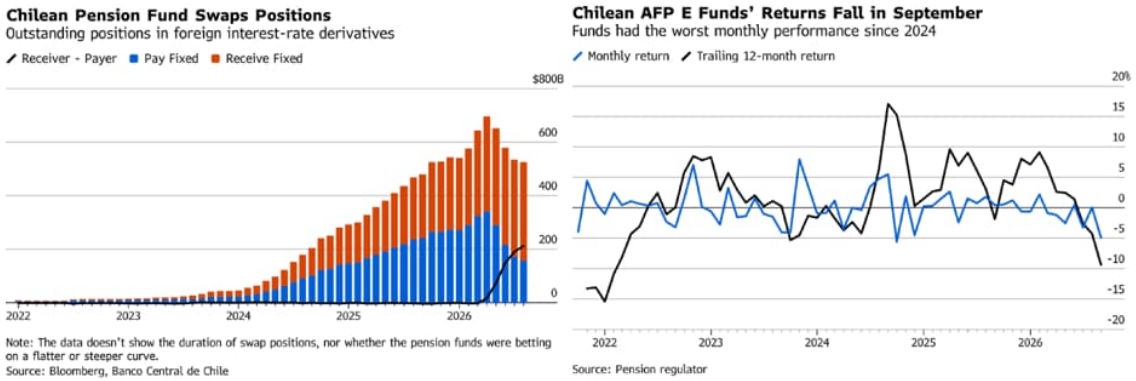
Exhibit 9: ...with the last week of October being the busiest earnings week



Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

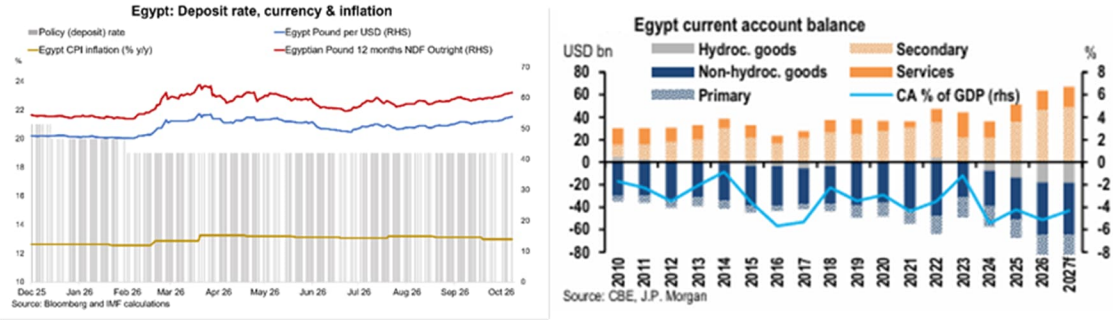
Chile

Chilean pension funds unwind US rate positions following Treasury selloff. Chilean pension funds (AFPs) have been reducing large foreign interest-rate derivative positions after a sharp rise in US Treasury yields turned a previously profitable strategy into a significant source of losses. Foreign swap positions expanded rapidly between 2024 and early 2026 before beginning to decline following the introduction of new regulatory limits in April. Bloomberg reports that the market value of AFP foreign interest-rate derivative positions swung from a $1.4 bn gain a year ago to a $7.7 bn loss by September. The losses have been most visible in the funds' lowest-risk E Funds, which posted their worst monthly performance since 2024. According to Bloomberg reporting, JPMorgan and Citi estimate that AFPs have roughly halved their US interest-rate swap risk exposure since May, as measured by sensitivity to interest-rate movements. JPMorgan expects limited direct effects on local rates markets and only indirect effects on the peso.



Egypt

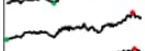
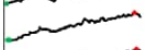
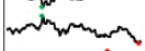
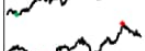
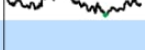
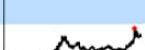
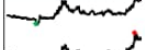
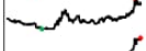
Egyptian assets gained this morning following Moody's sovereign rating upgrade. Equities rose 0.8%, while 10-yr government bond yields fell 2 bps to 21%, after Moody's last Friday upgraded Egypt's sovereign rating by one notch to B3, maintaining a positive outlook. Moody's cited fiscal consolidation and stronger external buffers. Egypt's primary surplus reached 4.9% of GDP in FY2026, which ended in June, while government debt declined to 81.8% of GDP from 95.2% in June 2023. Net international reserves rose to $57 bn in September from $52 bn at end-2025. Inflation slowed to 13.9% y/y in September from 14.5% in August, helped by base effects and limited exchange rate pass-through, despite the Egyptian pound depreciating 13% against the dollar YTD to around EGP53.86/$. JPMorgan analysts expect a policy rate cut around April 2027 as headline inflation falls below 10%. However, external imbalances remain elevated. The current account deficit widened to a record $7.9 bn in Q2, although strong FDI and portfolio inflows helped finance the shortfall. JPMorgan expects the deficit to narrow from 5.1% of GDP in FY2026 to 4.3% in FY2027.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (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), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), 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), Olivia Marr (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

Last updated: 10/19/26 8:07 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,701	-1.1	-1.4	0.7	15.6	12
Europe		6,129	-1.2	-1.2	-1.7	9.3	6
Japan		64,917	-0.6	-6.0	-0.2	32.0	29
China		4,175	0.1	-2.6	-7.4	-8.0	-10
Asia Ex Japan		108	-2.0	-6.4	-7.0	16.4	16
Emerging Markets		63	-1.7	-5.9	-6.2	16.0	15
Interest Rates					basis points		
US 10y Yield		5.1	2	-15	9	108	92
Germany 10y Yield		3.4	2	-4	-8	86	59
Japan 10y Yield		2.9	-2	-11	-8	128	84
UK 10y Yield		5.4	2	-4	10	87	92
Credit Spreads					basis points		
US Investment Grade		120	0	2	8	-3	7
US High Yield		358	-5	14	56	-2	17
Exchange Rates					%		
USD/Majors		101.8	0.0	-0.8	1.6	3.4	4
EUR/USD		1.12	-0.1	0.6	-2.1	-3.6	-4
USD/JPY		158.2	0.1	-0.2	0.6	5.0	1
EM/USD		45.7	0.1	0.2	-1.0	-0.4	-2
Commodities					%		
Brent Crude Oil ($/barrel)		108.4	-1.3	1.6	9.2	74.5	80
Industrials Metals (index)		172.4	0.2	-1.8	-4.5	15.3	6
Agriculture (index)		61.0	-0.2	-1.5	-2.2	12.4	14
Gold ($/ounce)		4165.7	0.0	-0.2	-4.1	-4.4	-4
Bitcoin ($/coin)		82345.6	1.8	0.8	1.5	-24.4	-6
Implied Volatility					%		
VIX Index (%, change in pp)		18.8	-1.2	3.6	4.0	-2.0	3.8
Global FX Volatility		6.9	0.1	0.0	0.1	-0.5	0.0
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		94	3	0	15	29	35
Italy		110	4	0	19	30	40
France		144	6	2	40	66	73
Spain		62	1	-1	14	9	18

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

Emerging Market Financial Indicators

10/19/2026 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		6.68	0.1	0.2	0.2	6.6	4.6		1.7	0	-3	-4	-18	-21
Korea*		1330	0.3	0.4	3.3	6.8	8.2		4.3	-5	-17	-39	150	96
Indonesia		18043	-0.2	-0.8	-1.1	-8.1	-7.5		7.2	3	4	4	121	115
India		95	0.0	0.9	0.9	-7.4	-5.3		8.4	9	7	-4	159	131
Philippines		63	-0.2	-0.5	-0.4	-7.8	-6.8		6.2	0	0	15	145	151
Thailand		34	-0.3	0.1	-0.9	-2.6	-6.2		2.3	-5	-6	-6	70	60
Malaysia		4.08	0.0	0.0	-0.1	3.5	-0.5		3.9	1	-1	-9	39	35
Argentina		1518	-0.3	-0.1	-0.4	-7.3	-4.3		0.0	0	0	0	-5268	-3237
Brazil		5.05	0.3	-1.2	1.2	6.5	8.5		12.9	18	33	-131	-95	-66
Chile		984	0.1	-0.6	-3.5	-3.3	-8.4		5.9	-5	-5	6	52	62
Colombia		3175	-0.2	0.4	-1.5	21.1	19.0		12.9	-9	2	23	148	7
Mexico		18.49	0.0	-1.2	-6.9	-0.6	-2.6		9.1	5	-4	-29	51	14
Peru		3.4	-0.4	0.2	-2.0	-1.5	-2.2		6.6	1	9	3	49	83
Uruguay		40	0.1	0.2	0.3	-0.3	-2.8		7.8	-1	0	12	-5	26
Hungary		324	-0.2	1.0	-2.6	3.2	1.1		5.5	-7	-20	-29	-103	-107
Poland		3.89	-0.2	1.0	-2.7	-6.6	-7.8		5.7	-7	-2	-5	91	116
Romania		4.7	-0.2	0.8	-3.2	-7.9	-8.7		6.9	-8	-16	-4	-24	25
Russia		82.5	1.2	1.8	0.8	-1.9	-4.6							
South Africa		16.4	0.2	0.6	-1.2	4.8	0.7		9.0	-3	-16	-12	-46	43
Türkiye		49.55	-0.1	-0.5	-1.5	-15.7	-13.3		34.4	-13	4	12	156	483
US (DXY; 5y UST)		102	0.0	-0.8	1.6	3.4	3.5		4.89	2	-13	3	130	116

	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		4,175	0.1	-2.6	-7.4	-8.0	-9.8		3	1	1	-6	-4
Korea*		5,768	1.8	-9.7	-16.3	51.2	36.9		24	1	1	0	2
Indonesia		4,997	-3.6	-15.8	-22.4	-38.2	-42.2		113	12	23	24	38
India		73,853	-1.2	2.7	-1.3	-12.5	-13.3		97	5	14	16	21
Philippines		5,798	0.3	1.0	-1.0	-4.7	-4.2		96	5	21	30	34
Thailand		1,572	-0.1	0.1	-0.8	22.4	24.8						
Malaysia		1,596	-0.7	-1.4	-4.2	-0.7	-5.0		63	4	9	-1	6
Argentina		2,848,945	-0.4	0.6	-5.7	43.2	-6.6		648	56	122	-460	82
Brazil		205,430	0.5	-0.4	10.9	43.3	27.5		167	9	4	-33	-32
Chile		5,507	0.0	-0.7	-3.6	16.0	1.6		96	2	8	-7	6
Colombia		2,566	-0.6	1.4	0.7	33.4	24.1		220	4	14	-50	-58
Mexico		68,930	1.9	4.4	8.8	11.6	7.2		218	11	27	-5	-1
Peru		3,532	-0.6	-2.6	2.1	51.6	36.7		117	5	11	-8	-12
Hungary		144,787	-0.5	1.3	-5.2	40.6	30.4		99	-4	3	-31	-33
Poland		158,594	-1.0	-0.2	2.3	47.2	35.3		99	0	9	6	11
Romania		34,990	0.8	5.2	6.8	60.7	43.2		182	4	13	-22	12
South Africa		109,741	-1.1	0.9	-2.9	-0.9	-5.3		202	-5	8	-52	-13
Türkiye		11,585	-1.1	-4.7	-12.8	13.5	2.9		249	11	7	-15	30
EM total		63	0.5	-5.9	-6.2	16.0	14.9		194	6	22	-27	-4

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

*Not an EM Under IMF Classification.

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