



- Global markets deliver strong results in Q3 ([link](#))
- US government shutdown continues ([link](#))
- Japanese 10-year yields rise to 2008 levels after yet another weak auction ([link](#))
- Euro viewed as most overvalued G-10 currency ([link](#))
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Global Markets in Rally Mode

Equity markets rallied across the globe, extending yesterday's record breaking gains in the the US equity market. Latin American markets were the exception yesterday as markets in Argentina came back under pressure. The technology theme continued to dominate the stock market, boosted by OpenAI's equity offering which valued the company at \$500 bn and made it the most valuable startup company in history. US equity index futures were mostly higher, with S&P 500 futures pointing to another record setting day. The market seems to be looking past the US government shutdown, at least for now. Today's Challenger US jobs report was underwhelming, reinforcing the negative trend established by yesterday's weak ADP report. If the US government shutdown continues, tomorrow's non-farm payrolls report will be delayed. The next key data report is CPI on October 15.

Key Global Financial Indicators

Last updated: 10/2/25 7:58 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6711	0.3	1	5	18	14
Eurostoxx 50		5668	1.6	4	7	14	16
Nikkei 225		44937	0.9	-2	7	17	13
MSCI EM		54	0.8	1	8	14	29
Yields and Spreads			bps				
US 10y Yield		4.10	0.6	-7	-16	32	-47
Germany 10y Yield		2.71	-0.2	-6	-8	62	34
EMBIG Sovereign Spread		287	3	8	-11	-74	-38
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.1	0.1	1	1	0	8
Dollar index, (+) = \$ appreciation		97.6	-0.1	-1	-1	-4	-10
Brent Crude Oil (\$/barrel)		65.0	-0.5	-6	-6	-12	-13
VIX Index (% change in pp)		16.0	-0.3	-1	-1	-3	-1

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

Global Markets in Q3 2025

Global markets extended their gains in the third quarter of 2025. Government bond markets in the US experienced a moderate rally in Q3 and YTD. In contrast, the Japanese Government Bond (JGB) saw a significant selloff as the central bank shifted to a more hawkish stance due tackle rising inflation. Euro area

government bond yields rose due to the adoption of a large infrastructure package in Germany and plans for increased defense spending for the euro area as a whole. In China, yields were moderately higher as the economy stabilized. In FX markets, the big trend of dollar depreciation slowed down in Q3, with the euro and yuan holding steady and the yen weakening. A number of Latin American currencies continued their appreciation versus the dollar while a number of Asian currencies were weaker. Gold extended its historic rally on heavy buying by central banks, retail investors in Asia and ETFs. Global equities also continued their rally, with many indexes at or close to record highs. The S&P 500 registered almost all of its annual gains in Q3.

Selected Market Moves Year-to-Date (YTD) as of 4pm EST 9/30/25

Source: Bloomberg

	Quarter-to-Date	Year-to-Date	Level on 9/30/25
10-year US Treasury Yield	-12 bps	-43 bps	4.14%
10-year JGB Yield	+22 bps	+55 bps	1.65%
10-year Bund Yield	+11 bps	+33 bps	2.71%
10-year China Govt. Bond Yield	+20 bps	+19 bps	1.86%
EUR	-0.1% (EUR weaker)	13.3% (EUR stronger)	1.1740
JPY	-2.6% (JPY weaker)	+6% (JPY stronger)	147.90
CNH	+0.4% (CNH stronger)	+2.95% (CNH stronger)	7.1279
BRL	+2.1% (BRL stronger)	+16% (BRL stronger)	5.3198
IDR	-2.5% (IDR weaker)	-3.1% (IDR weaker)	16665
Gold	+16.9%	+46.47%	\$3,845
Brent Crude	-4%	-10.13%	\$66.16
S&P 500	13.14%	+13.72%	6688
MSCI Emerging Markets	+8.95%	+24.56%	1340
Euro Stoxx 600 Equity Index	+3.11%	+10%	558
Shanghai Shenzhen CSI 300	0%	+18%	4640

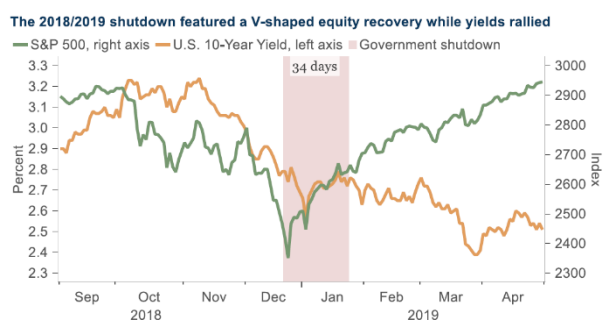
Mature Markets

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United States

The US government shutdown continued for a second day. This is the fifth shutdown since 2000. Approximately 750,000 government workers have been put on furlough, according to analysts at New York Life. Government data releases such as tomorrow's non-farm payroll numbers will be delayed. During the 2013 shutdown, which lasted 16 days, the CPI and jobs reports were delayed by 13 days. During the partial shutdown of 2018–19, which lasted 35 days, Commerce Department reports such as the GDP data were delayed by almost a month

(on that occasion, jobs data were released on time as the partial shutdown did not cover the Bureau of Labor Statistics). The market reaction has been calm so far because the debt ceiling is not an issue this time. Based on past history, Treasuries and equities tend to rally during shutdowns and the dollar tends to weaken. However, with the next FOMC meeting due on October 29, a prolonged shutdown may be cause for concern as the Fed is in the middle of a rate cut cycle and will have to make a rate decision without sufficient data. Treasuries rallied yesterday on the weak ADP jobs report and stocks were slightly lower. This morning, yields are holding steady. Bank of America estimates that the typical shutdown lowers US GDP by 0.1% per week.



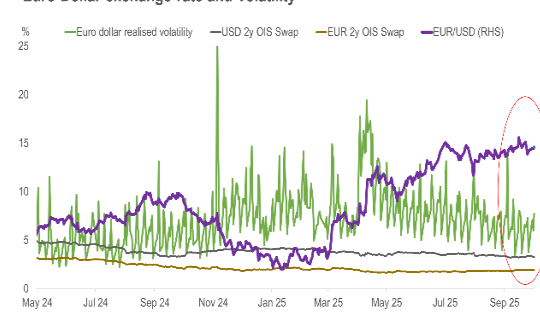
Sources: New York Life Investments Global Market Strategy, S&P Global, U.S. Department of Treasury, Macrobond, September 2025. The S&P 500 measures the performance of 500 large-cap companies listed in the U.S. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Euro Area

European equities continued to gain this morning. The Stoxx 600 index was up by 0.7%, led by strong gains (2.7%) in the information technology sector amid bolstered AI optimism after an OpenAI's \$6.6bn shares sale faced strong demand, taking its market capitalization up to \$500bn. All European bourses traded in the green, with Germany (Dax +1.2%) and France (CAC 40 + 1.1%) outperforming.

The euro edged marginally higher (0.2%) against a globally weaker dollar this morning, to trade at around \$1.1752/€. Analysts at Bloomberg noted that the euro did not breach the \$1.18/€ high-water mark level despite the US shutdown drag on the dollar, and see this from the fact that, on a **real-effective basis**, the euro is now the most expensive of the G-10 currencies, overtaking the Swiss franc. Bloomberg points to option prices implying a 75% likelihood that the EUR/USD stays within the 1.15–1.20 range in one month and with the lower bound closer to \$1.10€ as the horizon extends into 2026; analysts are convinced that the euro will need a positive growth surprise or a more hawkish ECB to move higher. Instead, today's **Eurozone unemployment figure surprised slightly to the upside**, by printing at 6.3% for August (vs. est. 6.2%) from 6.2% in July.

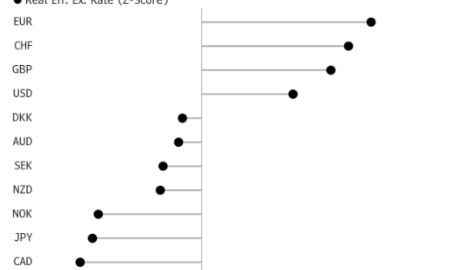
Euro-Dollar exchange rate and Volatility



Source: Bloomberg and IMF calculations

Euro Most Overvalued Among G-10 Peers on REER Basis
It trades more than 2 standard deviations above its long-run average

● Real Eff. Ex. Rate (Z-Score)

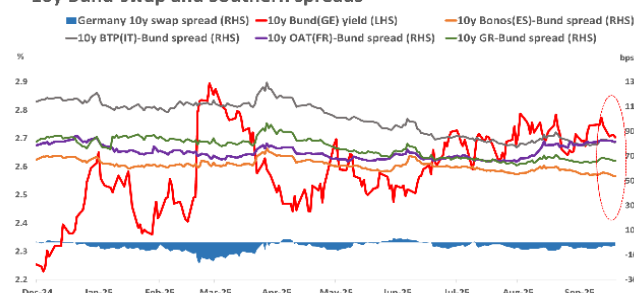


Source: Bloomberg, BIS
Note: REER z-scores measure deviations from the long-term average real effective exchange rate.

Bloomberg

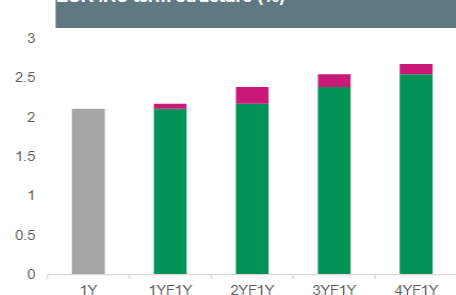
European government bond (EGB) yields were little changed today with the long-end part of the curve marginally bull-flattening, rebounding from yesterday's losses. The 30y Bund yield came back to 3.27% (-2bps) and the 10y yield to 2.69% (-1bp) while the 2y yield was little changed at 2.01%. The OAT-Bund spread was slightly higher at around 82 bps after the French Debt Management Office sold €5.4bn of 3.5% 2035 bonds at a yield of 3.51% (vs. 3.57% at previous auction in September and 3.41% in August). The BTP-Bund spread was firm at around 81bps while the Bonos-Bund spread fell below 54bps, with Spain auctioning €1.2bn of 1% 2042 bonds at a yield of 3.73% and a bid-to-cover ratio of 2.33.

10y Bund-swap and Southern spreads



Source: Bloomberg and IMF calculations

EUR IRS term structure (%)



Source: Crédit Agricole CIB, red denotes spread to previous point

Japan

The second JGB auction of the week suffered yet another poor investor showing. The bid-to-cover ratio in the 10-year auction fell to 3.34x from 3.92x in September and a 12-month average of 3.23x. Moreover, the “tail”—the gap between the average and lowest-accepted prices—widened to 0.19 from 0.06 previously, the most since March. Following the auction, the 10-year yield rose half a basis point to 1.65%, near its 2008 high. The 30-year bond yield rose 2 bps to 3.16% while yields on shorter-dated notes were little changed or 1 bp lower (-bp for the 2 year note at 0.94%). The yen gained 0.2% against the dollar on the day.

10-Year JGB Yield Hovers Near Highest Since 2008



Emerging Markets

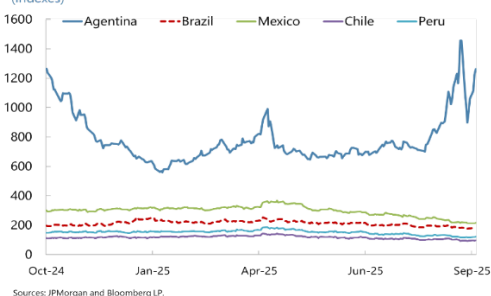
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EMEA equities continued to mostly edge higher this morning while currencies were mixed. In Tanzania, the central bank stayed on hold at 5.75%. In Egypt, the central bank is expected to cut by 100 bps to 21% later today. **Asian markets were little changed with China on a week-long Golden Week holiday (October 1–8) while investors digest the implications of a US government shutdown.** **Currencies moved in a tight range.** Latin American equity markets struggled again yesterday, with the MSCI Latin America Index falling 1.1%. **On the currency side, most regional currencies weakened against the U.S. dollar. The Argentine peso extended its decline.**

Argentina

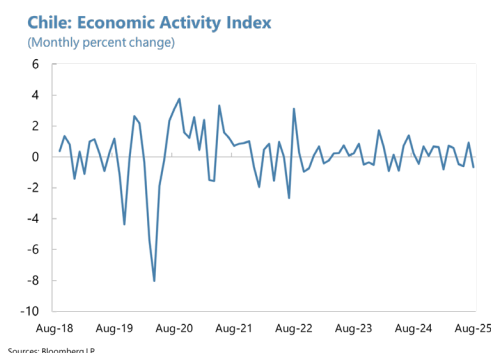
Argentina intervened in the foreign exchange market by selling U.S. dollars to shore up its currency, which fell for the third straight day—dropping 3.2% yesterday, according to Bloomberg. The intervention underscores persistent currency pressures, despite recent financial backing from the United States. In a bid to boost dollar inflows and stabilize the peso, the government introduced a temporary export tax break last week. This move encouraged exporters to sell goods quickly, capitalizing on favorable exchange rates. However, the surge in speculative dollar trading prompted authorities to impose a 90-day ban on reselling U.S. dollars. On October 1, 2025, Argentina’s J.P. Morgan EMBI Global Index—a benchmark for sovereign risk—climbed to 1,264 basis points from 898 basis points a week ago, signaling a sharp decline in investor confidence alongside rising fears of default.

J.P. Morgan EMBIG Sovereign Spreads
(Indexes)



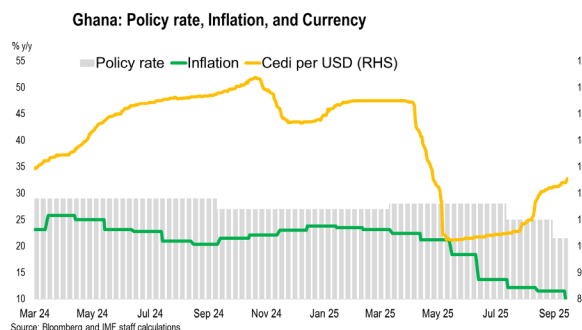
Chile

Chile's economic activity measured by the IMACEC index, a proxy for gross domestic product, fell 0.7% in August from the previous month, missing consensus estimates of +0.3%. It was the largest monthly decline since February. The decline was due to the impact of major copper mine accident in July 2025, which claimed six lives, and halted production for a week at CODELCO, Chile's state-owned copper producer. After the accident, CODELCO lowered its 2025 production forecast and raised estimate for costs, according to Bloomberg. Chile's central bank also reported mining dropped 2.3%, services declined 0.6% while commerce and industry edged up 0.1%.



Ghana

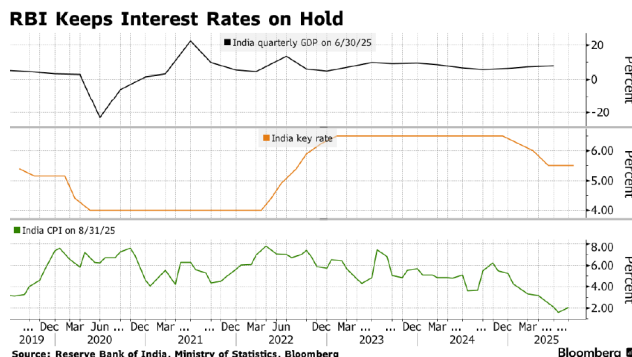
The cedi continued to lose ground (-0.8%) against the dollar today, to trade at GHS12.55/\$, after sliding yesterday by -0.8% when data **showed inflation slowed again in September**, slightly less than expected. The CPI printed at 9.4% y/y (vs. the 9.3% forecast) from 11.5% y/y in August. Real rates have edged lower after the central bank (BOG) started easing policy on July 30, taking its benchmark rate from 28% to 21.5% at its meeting on September 17, with the cedi down by nearly 20% against the dollar since August 1 but still up on the greenback by 14.6% YTD as reserves are supported by higher gold prices. **The BOG expects inflation to return to its (8% +/-2%) target range by the end of 2025.** Analysts at **REDD** believe that **faster deflation** may lead the BOG to make another 350bps cut in November and a further 200bps cut in January taking the policy rate down to 16%. **Goldman Sachs** also expects a front-loaded and deep cutting cycle taking the policy rate to a **16% terminal level by mid-2026**, with inflation cooling down to 6.4%/y/y at the end of 2025.



India

The Reserve Bank of India (RBI) voted unanimously for a dovish hold. In its policy meeting on Wednesday, the RBI left its policy rate unchanged at 5.50% and retained its “neutral” stance. At the same time, it signaled that there could be scope for easing in the coming months. The RBI attributed its pause to the need to evaluate the impact of existing policy cuts and the GST rate cuts. Governor Malhotra said in a speech that “the current macro-economic conditions and the outlook have opened up policy space for

further supporting growth.” The RBI raised its growth forecast for the 2025–26 fiscal year (ending March 2026) from 6.5% to 6.8%, reflecting the economy’s strong performance thus far as well as expectations that the recent cuts to consumption taxes could lift spending and help offset the impact of higher tariffs. India’s Q2 GDP expanded 7.8%—the fastest pace in over a year. At the same time, the RBI lowered its inflation projection for the year from 3.1% to 2.6%, well below the 4% target.



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.

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Global Financial Indicators

10/2/25 8:00 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,711	0.3	1.1	4.6	17.5	14
Europe		5,668	1.6	4.1	7.1	14.2	16
Japan		44,937	0.9	-1.8	7.1	16.6	13
China		4,641	0.4	2.7	4.6	17.3	18
Asia Ex Japan		92	1.1	1.4	7.4	13.5	28
Emerging Markets		54	0.8	1.3	8.0	14.3	29
Interest Rates			basis points				
US 10y Yield		4.1	1	-7	-16	32	-47
Germany 10y Yield		2.7	0	-6	-8	62	34
Japan 10y Yield		1.7	1	1	4	84	56
UK 10y Yield		4.7	2	-4	-9	69	15
Credit Spreads			basis points				
US Investment Grade		115	0	-2	-8	-14	-5
US High Yield		332	3	7	-7	-26	4
Exchange Rates			%				
USD/Majors		97.6	-0.1	-1.0	-0.8	-4.0	-10
EUR/USD		1.18	0.2	0.7	1.0	6.4	13
USD/JPY		146.8	-0.2	-2.0	-1.0	0.2	-7
EM/USD		46.1	0.1	0.7	1.0	0.2	8
Commodities			%				
Brent Crude Oil (\$/barrel)		65.0	-0.5	-5.2	-5.2	-9.8	-9
Industrials Metals (index)		149.5	1.1	2.6	4.4	-5.2	7
Agriculture (index)		53.9	-0.1	-0.7	-2.4	-8.2	-6
Gold (\$/ounce)		3885.8	0.5	3.6	10.0	46.2	48
Bitcoin (\$/coin)		118792.2	1.0	8.5	6.6	95.0	27
Implied Volatility			%				
VIX Index (%, change in pp)		16.0	-0.3	-0.7	-1.2	-2.9	-1.3
Global FX Volatility		7.3	0.0	0.1	-0.5	-1.5	-1.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		67	0	-2	-5	-33	-18
Italy		82	0	-2	-7	-51	-34
France		82	0	-1	2	5	-1
Spain		54	0	-2	-7	-25	-15

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

Emerging Market Financial Indicators

Last updated: 10/2/2025 8:02 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.12	0.0	-0.1	0.2	-1.4	2.5		1.9	0	-1	8	-20	22
Indonesia		16598	0.2	0.9	-1.1	-8.0	-2.8		6.2	-2	1	-12	-30	-82
India		89	0.1	0.0	-0.6	-5.5	-3.5		6.8	0	-4	-7	-11	-50
Philippines		58	0.1	0.0	-1.0	-3.3	-0.2		4.8	-1	1	3	-3	-10
Thailand		32	0.2	-0.4	0.1	1.7	6.3		1.6	0	7	15	-98	-78
Malaysia		4.21	0.0	0.1	0.6	-0.7	6.3		3.5	0	2	7	-26	-35
Argentina		1424	-3.1	-6.0	-3.3	-31.9	-27.6		57.0	142	916	1202	1681	2783
Brazil		5.31	0.3	1.0	2.9	2.4	16.2		13.8	0	9	-4	136	-215
Chile		958	0.2	0.3	1.6	-4.9	4.0		5.4	-2	-2	-1	48	-26
Colombia		3881	1.0	0.1	3.5	8.8	13.5		11.3	-6	-1	-29	124	-47
Mexico		18.37	0.0	0.6	1.9	5.7	13.4		8.7	0	9	-17	-69	-161
Peru		3.5	-0.2	0.7	1.7	7.0	8.1		6.0	-2	-12	-22	-20	-60
Uruguay		40	0.0	0.0	0.3	4.6	9.5		8.0	0	0	0	-172	-166
Hungary		331	0.3	1.5	2.7	9.5	20.2		6.6	1	2	-17	69	16
Poland		3.62	0.3	1.1	1.1	7.3	14.0		4.9	0	1	-3	-6	-69
Romania		4.3	0.2	0.6	0.9	4.2	11.1		7.3	1	-5	-12	84	2
Russia		81.2	0.8	3.4	-0.7	17.7	39.7							
South Africa		17.2	0.3	1.4	3.0	1.0	9.7		9.6	-1	2	-39	-69	-91
Türkiye		41.61	-0.2	-0.3	-1.1	-17.8	-15.0		31.6	-11	-21	8	249	193
US (DXY; 5y UST)		98	-0.1	-1.0	-0.8	-4.0	-10.0		3.68	1	-8	-4	13	-70

	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		4,641	0.0	2.7	4.6	17.3	17.9		97	-12	-16	-27	1	
Indonesia		8,071	0.3	0.4	2.3	7.0	14.0		93	5	8	-8	2	
India		80,983	0.0	-0.9	0.5	-1.8	3.6		89	0	-3	-14	3	
Philippines		6,040	0.2	0.0	-0.7	-18.3	-7.5		70	5	0	-16	-9	
Thailand		1,288	1.0	0.0	2.3	-10.7	-8.0							
Malaysia		1,638	1.0	2.5	3.8	-0.2	-0.3		51	-10	-14	-25	-19	
Argentina		1,764,590	-0.5	-4.3	-10.7	2.9	-30.4		1268	364	430	-25	631	
Brazil		145,517	-0.5	-0.7	3.7	9.0	21.0		192	5	-9	-26	-55	
Chile		8,939	-0.4	-1.1	-0.6	39.9	33.2		99	4	-4	-15	-14	
Colombia		1,863	-0.5	-0.7	1.8	43.2	35.0		264	18	-16	-51	-62	
Mexico		61,930	-1.6	0.0	3.7	18.6	25.1		211	0	-28	-96	-101	
Peru		2,351	-0.2	0.3	10.6	22.0	38.7		97	4	-6	-37	-44	
Hungary		99,780	0.6	1.8	-2.9	36.6	25.8		132	5	-8	-21	-23	
Poland		108,629	1.4	2.9	4.5	31.1	36.5		93	1	-6	-21	-19	
Romania		21,491	0.5	2.1	6.0	23.2	28.5		207	10	-6	12	-28	
South Africa		109,355	0.6	3.4	8.1	25.5	30.0		260	6	-28	-17	-33	
Türkiye		11,142	-0.7	-2.1	2.4	23.6	13.3		265	1	-12	-18	6	
EM total		54	1.1	1.3	8.0	14.3	28.7		292	-46	-62	-102	-72	

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

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