



- **US regional bank stocks rebound on strong earnings amid lingering credit concerns** ([link](#))
- **French stocks underperform on S&P's sovereign credit rating downgrade** ([link](#))
- **Japanese stocks surge on expectations of LDP-Ishin coalition** ([link](#))
- **EM bond funds experience first outflow in three months** ([link](#))
- **Chinese stocks gain on hopes for policy support and easing trade tensions** ([link](#))
- **Consensus expectations are for rates to be kept on hold in Hungary tomorrow** ([link](#))

[Mature Markets](#)

[Emerging Markets](#)

[Market Tables](#)

## Markets open the week on a positive note

**Global equities gained as investors focused on the next round of corporate earnings and seemed to leave concerns about trade and US regional banks behind them.** It will be a busy week for earnings, with results expected from Netflix and Tesla, among other major firms. Market sentiment improved as a new round of US-China trade talks is set this week in Malaysia. Asian stocks outperformed, with Japanese stocks surging (Nikkei 225: +3.4%) to a record high on expectations of a coalition between the Liberal Democratic Party and Japan Innovation Party. In rates markets, US Treasury and bund yields were little changed. The OAT-bund spread widened slightly and French equities underperformed after S&P downgraded the country's rating to A+ from AA- amid increasing budget uncertainty. France has now lost its AA rating at two of the three major credit rating agencies. In emerging markets, central bank decisions are expected in Hungary, Indonesia, Turkey and Russia this week.

Key Global Financial Indicators

Last updated: 10/20/25 8:12 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6664	0.5	2	0	14	13
Eurostoxx 50		5643	0.6	1	3	13	15
Nikkei 225		49186	3.4	2	9	26	23
MSCI EM		54	0.0	4	2	18	30
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.01	-0.2	-3	-12	-8	-56
Germany 10y Yield		2.59	0.8	-5	-16	41	22
EMBIG Sovereign Spread		288	-1	-4	4	-46	-37
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.9	0.1	1	0	2	7
Dollar index, (+) = \$ appreciation		98.6	0.2	-1	1	-5	-9
Brent Crude Oil (\$/barrel)		60.8	-0.8	-4	-9	-17	-19
VIX Index (% change in pp)		20.7	-0.1	2	5	3	3

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

In the **week ahead**, with the US government shutdown continuing to delay key macroeconomic data releases, markets are increasingly turning to private indicators to assess economic momentum. Flash PMI data for October will offer timely insights into activity across major economies, including the euro area, France, Germany, India, Japan, and the US. Particular attention will be paid to the US, following two consecutive months of slowing growth in its composite index. The delayed US inflation report for September, now scheduled for release on Friday 24 October, will be closely watched for signals on the Fed's next move. On the data front, key releases include China's GDP, retail sales, industrial production, and unemployment; CPI prints from Canada, South Africa, and the UK; and US initial jobless claims and University of Michigan consumer sentiment. It will be also a busy week for earnings, with results expected from Netflix and Tesla, among other major firms. Central bank decisions are due from Hungary (expected hold), Indonesia (expected 25 bps cut) and Turkey and Russia (expected 100 bps cuts).

## Mature Markets

[back to top](#)

### United States

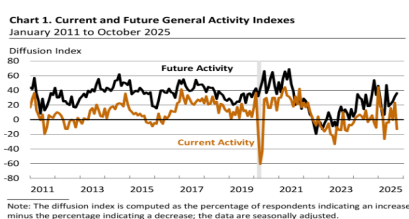
The **US regional bank Index rose +1.7% on Friday, lifted by stronger-than-expected earnings from four large regional banks** with assets ranging from \$159 bn to \$544 bn. Their results helped calm investor concerns over credit losses, as improved asset repricing, reduced deposit costs, and higher net interest and noninterest income drove profitability, offsetting elevated operating expenses. Western Alliance shares gained +3%, while Zions Bancorporation jumped +6%. Despite today's rebound, the index remains -3% lower YTD and continues to lag the broader US bank index, weighed down by persistent worries over credit quality, elevated commercial real estate exposure, and renewed investor unease following recent fraud-related disclosures and legal actions.

Figure 1. U.S. Bank Indexes

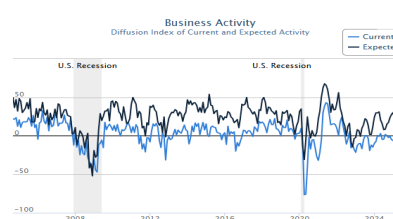


**Regional Fed business surveys are weakening, but analysts see limited broader implications for now.** Recent releases from the Philadelphia and New York Fed business surveys pointed to weaker-than-expected activity, reinforcing investor caution amid a lack of high-frequency hard data. However, analysts continue to emphasize the limited macroeconomic signal value of regional indicators, given their volatility and narrow sectoral coverage. The Philadelphia Fed's October Manufacturing Survey reported a sharp deterioration in business conditions, with the headline index falling to -12.8 (Sep. 23.2). While new orders and shipments remained in expansionary territory, the employment index edged down slightly. Price pressures intensified, with the prices paid index rising to 49.2 (+3pts) and prices received to 26.8 (+8pts). In a special question, firms indicated plans for increased capital expenditures across categories over the next six months. Meanwhile, the New York Fed's Business Leaders Survey showed a steep contraction in service sector activity. The business activity index dropped to -23.6—a multi-year low—while the business climate index fell to -42.9. The employment index softened further, and firms expressed pessimism about future conditions, citing limited improvement in supply availability and capital spending plans. Market pricing increasingly reflects expectations for two Fed rate cuts by year-end; a view echoed by Governor Waller [last week], who, while urging caution, reaffirmed the Fed's data-dependent stance, noting that further easing may be appropriate if labor market and inflation conditions are met.

### Philadelphia Fed's Manufacturing Survey



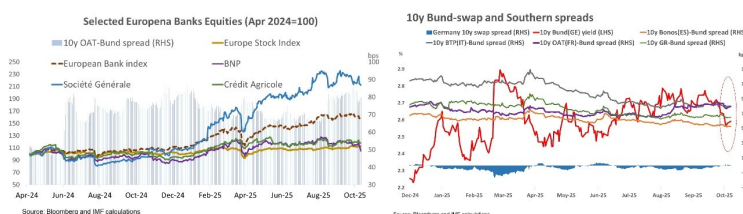
### New York Fed's Business Leaders Survey



## Euro area

**S&P's downgraded France to A+ from AA- last Friday in an unscheduled review** of the country, following earlier cuts by Fitch and DBRS, noting persistent budget uncertainty, minority government paralysis, and the suspension of pension reforms jeopardizing deficit targets. **Analysts at Bloomberg** noted that the downgrade, leaving France aligned with Spain and Portugal, risks forced selling by funds with AA-only mandates and could lower demand from foreign reserve managers. The OAT-bund spread was 1 bps wider at 79 bps this morning, a similar level to the BTP-bund spread. **Goldman Sachs** noted that fiscal slippage debates in France amplify term-premium and spread volatility around ECB meetings, linking OAT-bund spread moves to the pace of fiscal consolidation and ECB's balance sheet normalization.

**European equities advanced this morning on regained optimism ahead of this week's Q3 earnings results.** The Stoxx 600 index was up by 0.6%, with nearly all sectors in the green, including the banking sector (+0.7%) despite **French banks shares falling this morning** after S&P's unplanned downgrade of France during the weekend, with BNP losing the most at -7.7% (also due to concerns about legal risks), and Credit Agricole and Societe Generale down by -1.5% and -1.2%, respectively. Still, all European bourses traded high, with **French stocks underperforming**. The euro was little changed this morning, continuing to trade at around \$1.1654/€. The euro slipped as the dollar regained strength last Friday, following ECB President Lagarde's comments that inflation risks in the euro area have eased, although global trade tensions persist. ECB Governing Council member Simkus indicated, however, that further rate cuts might be necessary due to downside risks such as weaker German industry, euro appreciation, and pressures from Chinese exports. Today's data showed **producer prices continuing to cool down in September in Germany by more than expected**, with the PPI printing at -1.7% y/y (vs. est. -1.5% y/y), from -2.2% y/y in August. **HSBC** expects the ECB to stay on hold at its meeting on October 30 and through the end of 2025, although seeing risks to policy rates to the downside, as inflation undershooting (up to 2028) and oil price declines could justify cuts in December or early 2026. HSBC sees possible rate hikes back in H2 2027 if inflation builds again on the back of Germany's increased deficit and a weaker euro.

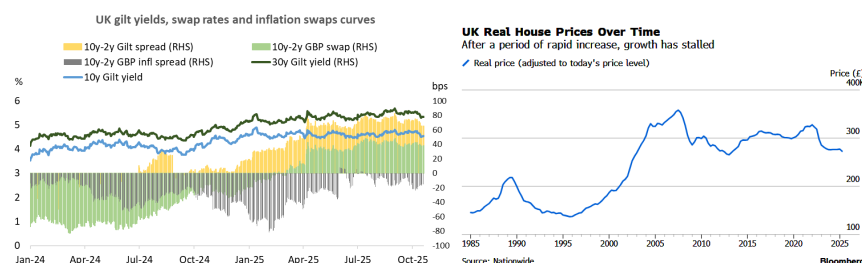


**European government bond (EGB) yields rose marginally across tenors this morning, with bund yields higher by about 1 bp** (2-year bund yield at 1.91% and the 10-year yield at 2.59%) after having rallied last week. **Citi expects 10-year bund yields to average at 2.6% into year-end**, with risk-off support limiting downside and increasing supply as a near-term pricing driver.

## United Kingdom

**The pound continued to lose ground (-0.2%) this morning, after data showed house prices stalling in October (-0.1% y/y)**, similarly to September. Gilts were little changed, with yields fractionally lower across the curve (2-year yield at 3.85%, 5-year yield at 3.96% and 10-year yield at 4.52%), after rallying last week as markets scaled-up expectations of further easing from the Bank of England (BoE) amid weaker jobs data. BoE Governor Bailey said during the weekend that Brexit will have a negative impact on UK growth for the "foreseeable future" before gradually easing. Still, BoE Chief Economist Pill emphasized the need for a cautious approach to rate cuts as inflation remains higher than the BoE had anticipated and is expected rise to 4% y/y for September in Wednesday's release. **HSBC** expects gilts to remain under pressure as demand is weakening against rising issuance, with analysts noting that overseas investors'

holdings of gilts have risen by about £300 bn, constituting a more price-sensitive base. HSBC expects further yield volatility and steepening of the gilt yield curve. **Bank of America** expects the November 26 budget to support the pound and increase gilt yields, as investors may rotate into risk assets. Analysts see that higher fiscal headroom and improved sentiment may re-establish the historical negative correlation between the pound and gilt yields.

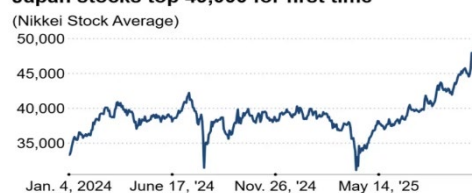


## Japan

**Japanese stocks surged (Nikkei 225: +3.4%) to a record high on expectations of the coalition between the Liberal Democratic Party (LDP) and Japan Innovation Party (Ishin),** positioning pro-stimulus Sanae Takaichi to become Japan's first female prime minister in tomorrow's parliamentary vote. The deal is pivotal to securing a so-called "Diet majority".

During her LDP campaign, Takaichi has pledged expanded spending for defense, semiconductors, cybersecurity, and nuclear energy. Ishin, the third-largest lower-house party, sought LDP's agreement on a temporary sales-tax cut on food, tighter political-funding rules, fewer parliamentary lawmakers, and welfare reforms to ease burdens on working-age households. Still, the coalition may need backing from other parties to pass key bills, including the budget. JGB yields rose after BOJ's board member Takata argued for a rate hike, citing inflation above target for over three years (5-year +5 bps to 1.25%; 10-year +4 bps to 1.67%). Today, the yen weakened slightly (-0.1%).

### Japan stocks top 49,000 for first time



## Emerging Markets

[back to top](#)

In **Asia**, currencies edged stronger, led by the Thai baht (+0.3%). Asian equities mostly gained on improved sentiment after signs of easing trade frictions. Vietnamese stocks tumbled (VN Index: - 5.5%), the steepest drop in six months, amid concerns over corporate bond issuance violations. In **EMEA**, most currencies were stronger while equities mostly traded higher this morning on improved risk sentiment. In CEE, equities in **Poland** were outperforming (+1.6%), with the Polish Banking Sector index also advancing (+1.4%) and partially reversing some of Friday's heavy losses after Parliament voted to approve a bill which proposes raising the corporate income tax rate on banks. Separately, data released this morning showed September industrial production data in Poland surprised significantly on the upside, printing at 7.4% y/y (5.2% exp, 0.7% prior). In **Latam**, major stock markets broadly ended in positive territory on Friday except for Mexico, which underperformed. Currency movements were mixed: the Argentine peso and Chilean peso depreciated, while Brazilian real and Colombian peso appreciated.

## EM Fund Flows

**EM bond funds saw the first outflow in three months.** Weekly EM bond flows were -\$190 mn (from +\$894 mn), while equity flows were -\$67 mn (from +\$511 mn) for the week ending on October 17. Within bond funds, hard currency fund outflows materially increased to -\$705 mn this week (from +\$374 mn), while local currency fund inflows marginally declined to +\$515 mn (from +\$521 mn). ETF inflows decreased to +\$261 mn (from +\$881 mn) and non-ETF outflows were -\$451 mn (from +13 mn). Within equity funds, ETFs

[illegible]

**Hungary: Policy rate, Inflation and Currency**

%/y

7.00

6.00

5.00

4.00

3.00

2.00

Nov 24

Dec 24

Jan 25

Feb 25

Mar 25

Apr 25

May 25

Jul 25

Aug 25

Sep 25

Oct 25

Policy rate

Inflation

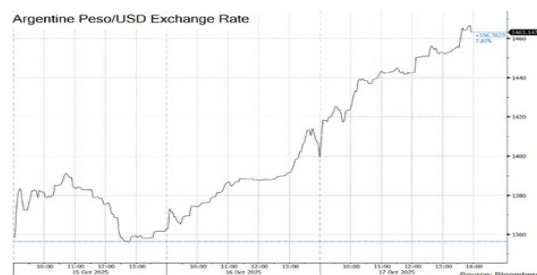
HUF per EUR(RHS)

Source: Bloomberg and IMF calculations.



## Argentina

**The Argentine peso depreciated on Friday, despite reports of US government purchases.** US Treasury Secretary Bessent announced on Thursday that the US continues to support the peso by purchasing it both through the parallel and the spot market. This effort was designed to stabilize the currency following a steep sell-off triggered by the defeat of President Milei's party in last month's provincial elections. Despite this support, the peso plummeted as much as 5.2% to 1,475 pesos per dollar on Friday. Investors are increasingly worried that Milei's administration will lose the upcoming midterm elections on October 26, which will potentially undermine his ability to push forward with his economic reforms. Prior to the US intervention, the Argentina's government had also reportedly sold dollars to defend its currency, draining its reserves and causing some spikes in local interest rates.



*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.*

**Disclaimer:** *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*










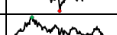
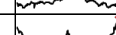

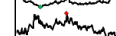


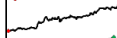



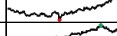
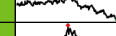
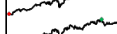






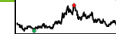
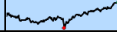
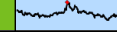

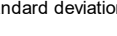


## Global Financial Indicators

10/20/25 8:11 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,664	0.5	1.7	0.0	13.6	13
Europe		5,643	0.6	1.3	3.4	13.2	15
Japan		49,186	3.4	2.3	9.2	26.3	23
China		4,538	0.5	-1.2	0.8	15.3	15
Asia Ex Japan		93	0.0	4.4	2.0	18.2	29
Emerging Markets		54	0.0	4.3	2.2	18.0	30
<b>Interest Rates</b>			basis points				
US 10y Yield		4.0	0	-3	-12	-8	-56
Germany 10y Yield		2.6	1	-5	-16	41	22
Japan 10y Yield		1.7	4	-1	3	70	57
UK 10y Yield		4.5	-2	-14	-20	46	-5
<b>Credit Spreads</b>			basis points				
US Investment Grade		117	-1	-4	1	-2	-2
US High Yield		355	-3	-15	23	18	27
<b>Exchange Rates</b>			%				
USD/Majors		98.6	0.2	-0.7	1.0	-4.7	-9
EUR/USD		1.17	0.0	0.7	-1.2	7.8	13
USD/JPY		150.7	0.1	-1.0	2.0	-0.1	-4
EM/USD		45.9	0.1	0.8	-0.1	1.7	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		60.8	-0.8	-4.0	-7.9	-14.3	-15
Industrials Metals (index)		149.8	0.2	-1.6	4.0	-0.4	7
Agriculture (index)		54.7	0.7	2.4	0.5	-1.6	-4
Gold (\$/ounce)		4278.4	0.6	4.1	14.2	57.3	63
Bitcoin (\$/coin)		111029.6	1.9	-0.1	-4.1	61.5	18
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		20.7	-0.1	1.7	5.2	2.7	3.3
Global FX Volatility		7.5	0.1	0.0	0.2	-1.2	-1.7
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		65	0	-2	0	-19	-20
Italy		80	0	0	1	-38	-36
France		79	1	-4	-2	8	-4
Spain		53	0	-2	-2	-16	-17

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

## Emerging Market Financial Indicators

Last updated: 10/20/2025 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		7.12	0.0	0.1	-0.1	0.0	2.5		1.9	-2	-4	2	-16	18
Indonesia		16575	0.1	0.0	0.2	-6.5	-2.7		5.9	0	-14	-26	-74	-111
India		88	0.0	0.8	0.4	-4.4	-2.6		6.8	1	1	-8	-35	-55
Philippines		58	0.0	0.1	-1.9	-1.0	-0.3		4.7	5	1	1	-8	-13
Thailand		33	0.5	-0.3	-2.7	2.5	5.1		1.7	2	8	18	-78	-62
Malaysia		4.23	0.1	-0.1	-0.9	2.0	5.8		3.4	-1	-3	5	-33	-37
Argentina		1463	-3.9	-2.9	0.7	-33.0	-29.5		51.9	-69	-137	83	1227	2277
Brazil		5.41	0.6	2.1	-1.9	4.5	14.1		13.9	2	-5	29	99	-203
Chile		956	0.2	0.3	0.0	-0.4	4.3		5.4	1	0	0	17	-29
Colombia		3831	0.5	2.5	1.3	11.1	15.0		11.5	0	-2	21	102	-36
Mexico		18.39	-0.1	0.4	-0.2	8.6	13.3		8.6	4	-4	-9	-127	-171
Peru		3.4	0.2	1.6	2.8	11.2	11.2		6.1	-1	#####	-2	-31	-51
Uruguay		40	0.2	0.6	0.1	4.4	9.5		7.7	-4	-4	-25	-190	-192
Hungary		334	0.0	1.3	-1.4	11.1	18.9		6.5	0	0	-11	21	9
Poland		3.64	0.0	1.1	-1.0	9.7	13.4		4.8	0	-4	-9	-51	-77
Romania		4.4	0.0	0.8	-1.5	5.4	10.0		7.1	1	-18	-17	53	-14
Russia		81.1	0.2	-0.2	3.3	19.1	40.1							
South Africa		17.3	0.3	0.0	0.0	1.7	8.8		9.4	1	-5	-17	-123	-104
Türkiye		41.96	-0.1	-0.4	-1.4	-18.4	-15.7		32.9	6	53	119	273	319
US (DXY; 5y UST)		99	0.2	-0.7	1.0	-4.7	-9.1		3.59	0	-3	-9	-29	-79

	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		4,538	0.5	-1.2	0.8	15.3	15.3		94	2	-15	-20	-2	
Indonesia		8,089	2.2	-1.7	0.5	4.1	14.3		98	2	8	12	7	
India		84,363	0.5	2.5	2.1	4.0	8.0		94	3	3	0	8	
Philippines		6,084	-0.1	0.5	-2.9	-17.9	-6.8		77	0	8	4	-2	
Thailand		1,284	0.8	-0.2	-0.6	-13.7	-8.3							
Malaysia		1,607	0.0	-0.9	0.6	-2.3	-2.1		57	-1	-5	-5	-13	
Argentina		1,989,555	3.1	3.4	18.1	9.1	-21.5		1094	156	-157	-9	457	
Brazil		143,399	0.8	1.9	-1.7	9.9	19.2		202	-20	10	-2	-45	
Chile		9,130	0.2	3.8	1.4	37.4	36.1		103	-3	4	-6	-10	
Colombia		1,924	1.3	2.9	3.6	41.3	39.5		268	-3	14	-33	-58	
Mexico		61,744	-1.3	1.9	0.9	16.4	24.7		222	-3	6	-77	-90	
Peru		2,330	-1.8	0.3	5.2	20.2	37.5		102	-5	6	-31	-39	
Hungary		103,484	0.5	0.9	3.4	39.4	30.5		136	-2	5	-5	-19	
Poland		109,039	1.2	1.1	3.5	31.9	37.0		95	-1	1	-10	-17	
Romania		21,806	0.1	0.7	5.6	25.3	30.4		207	-3	13	26	-28	
South Africa		110,565	-0.2	-0.4	4.2	26.8	31.5		258	-6	7	-4	-35	
Türkiye		10,369	1.6	-1.8	-8.2	17.9	5.5		277	3	15	8	18	
EM total		54	0.8	4.3	2.2	18.0	29.6		291	-11	-66	-89	-73	

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

[back to top](#)