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## Global equities rally loses steam

European bourses were flat and US equity futures erased early gains, suggesting Monday's US equity strong rally is set to fizzle after the S&P 500 recorded its biggest 2-day gain since June. The dollar strengthened as investors took a breather with the corporate earnings season getting into full swing. Netflix, General Electric, Coca-Cola and General Motors are scheduled to report later today. US Treasuries and euro area sovereign bond yields were little changed and traded in narrow ranges. Elsewhere, the yen (-0.8%) underperformed after Sanae Takaichi won the lower house of parliament vote to become prime minister. Analysts noted that many overseas investors associate a Takaichi administration with selling yen and buying equities, the so-called "Takaichi trade". In emerging markets, Chinese equities extended gains on growing optimism over a US-China trade deal, after US president Trump said yesterday that he expects a "really fair and really great trade deal" with China.

Key Global Financial Indicators

Last updated: 10/21/25 8:02 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6735	1.1	1	1	15	15
Eurostoxx 50		5695	0.2	3	4	15	16
Nikkei 225		49316	0.3	5	8	28	24
MSCI EM		55	1.4	3	4	20	31
<b>Yields and Spreads</b>			bps				
US 10y Yield		3.97	-0.8	-6	-16	-22	-60
Germany 10y Yield		2.57	-0.7	-4	-18	29	20
EMBIG Sovereign Spread		286	-2	-6	-4	-51	-39
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.9	-0.1	0	0	2	7
Dollar index, (+) = \$ appreciation		98.8	0.3	0	1	-5	-9
Brent Crude Oil (\$/barrel)		61.4	0.7	-2	-8	-17	-18
VIX Index (% change in pp)		18.5	0.3	-2	3	0	1

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

## Mature Markets

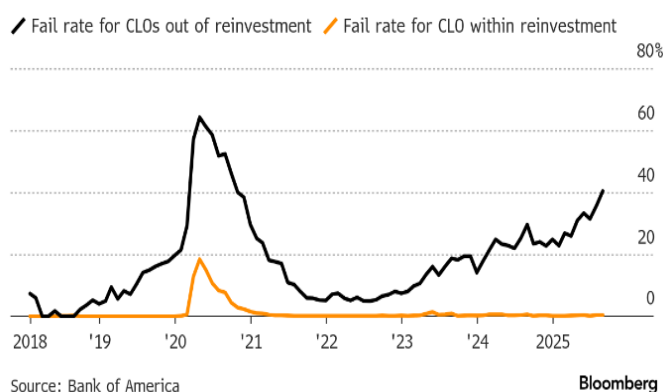
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### United States

**US equities gained on Monday, with the S&P 500 index logging its biggest 2-day gain since June, closing within 0.5% of its record set earlier this month.** The S&P 500 closed at 1.1%, while the Nasdaq Composite gained 1.4%, buoyed by optimism across tech and consumer sectors. The S&P 500 Tesla climbed 1.5%, extending premarket gains ahead of its Q3 earnings on Wednesday. Apple surged 4.4% to a record high for 2025, supported by bullish sentiment from firms like Loop Capital, which cited stronger-than-expected demand for the latest iPhone lineup.

**Signs of selective stress are emerging in segments of the US CLO market, but analysts continue to see broader conditions as stable.** According to Bank of America, over 40% of junior overcollateralization (OC) tests have failed YTD; nearly double the rate recorded in 2024 (left panel). OC tests are structural safeguards designed to ensure that the value of a CLO's underlying loan collateral remains sufficient to support payments. The failures are concentrated in roughly 10% of CLOs that have exited their reinvestment periods, limiting managers' ability to rebalance portfolios. These deals are now more exposed to low-rated debt, resulting in payment reductions to equity tranches. In contrast, active CLOs continue to show resilience, with OC failure rates below 1%, indicating that broader market stress remains contained. Analysts note, however, that further leveraged loan downgrades could amplify vulnerabilities, making the upcoming earnings season a key test for credit quality.

### Fail rate of CLOs out of and within reinvestment



### Euro area

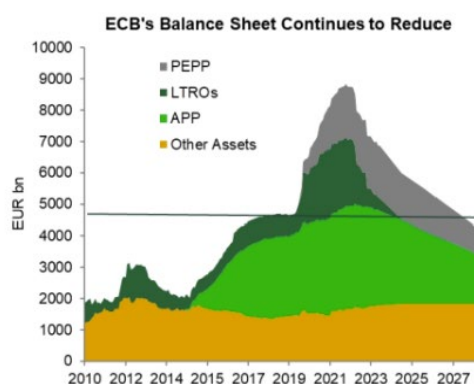
**European equities were trading relatively rangebound this morning.** The Stoxx 600 index was flat in early morning trade, while European banking sector stocks were outperforming (+0.4%). European government bond yields were slightly lower at longer tenors while intra-EMU spreads were relatively steady with both the 10-year BTP-Bund spread and OAT-Bund spread at around 79 bps. Meanwhile the euro was trading weaker (-0.2%) against a broader stronger dollar at 1.16.

**Some analysts expect the ECB may have to provide longer-term liquidity operations in 2026.** Analysts at TD Securities noted that excess reserves in the Eurosystem have declined from a peak of €4.8 trn in 2022 to around €2.6 trn currently and project that reserves will return to pre-COVID levels by the end of next year. TD Securities noted that despite ongoing QT, and several external shocks, European banks' resilience is notable with euro area banks having an aggregate LCR above 150%. That said, the analysts noted that according to ECB survey responses, 40% of euro area banks are already operating close to their internal liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) targets. The analysts also noted

that European government bond holdings have become a key source of reserves as central bank reserves have declined to 49% of HQLA in 2025 compared to 70% at the end of 2022. They highlighted some concerns for the banking system as reserves are drained further noting potential bank-sovereign nexus risks as well as risks from concentration in repo market activity which could impede the distribution of liquidity in a stress episode. The analysts therefore argued that as short-term secured and unsecured rates have moved closer to the Deposit Facility Rate (DFR), the ECB may need to consider longer-term liquidity operations or reduce the rate applied to MRO operations in 2026 to mitigate against these risks.

Tracking Average Yearly Money Market Indicators							
	2019	2020	2021	2022	2023	2024	Current
EUR Rates							
ECB Depo	-0.43	-0.50	-0.50	0.12	3.34	3.72	2.00
Exc Liq (bn)	1807	2520	4120	4512	3846	3179	2566
Security Holdings	2855	3330	4399	5082	5031	4715	4156
ESTR (%)	-0.54	-0.55	-0.57	-0.01	3.21	3.65	1.93
ESTR vs. Depo (bp)	-5.00	-4.65	-6.76	-12.72	-13.22	-7.25	-7.20
GC vs. ESTR (bp)	8.83	2.68	-3.58	-9.54	-0.53	5.52	7.10
3m IBOR vs. ESTR	13.46	13.29	2.16	4.11	0.17	7.14	8.30
5y Spreads (bp)	42	34	35	74	65	31	10

Source: Bloomberg, TD Securities



Source: ECB, TD Securities

## United Kingdom

**The gilt yield curve flattened after public sector borrowing data printed slightly below expectations.**

Data released today showed that public sector borrowing in the month of September reached £20.2 bn marking a five-year high, although the figure was slightly below analyst expectations of £20.8 bn. Immediately following the release, UK gilts were trading around 2 bps lower at the long-end of the curve with the 30-year gilt yield at 5.29%, while 10-year gilts were flat at 4.50% and 2-year gilts were 2 bps higher at 3.86%. Bloomberg analysts noted that borrowing in the six-month period from April to September at £99.8 bn is around £7 bn higher than the Office for Budget Responsibility's (OBR) March forecast with much of the overshoot attributed to higher debt-interest costs. That said, the analysts noted that the overshoot is less than the £11.4 bn reported in August with the improvement explained by corrections to previous data on VAT. Bloomberg estimated that the Chancellor will need to find around £35 bn in savings at the upcoming Budget to restore fiscal headroom. Elsewhere, pound sterling was trading (-0.2%) weaker while UK equities were trading higher, and slightly outperforming European peers in early morning trade.

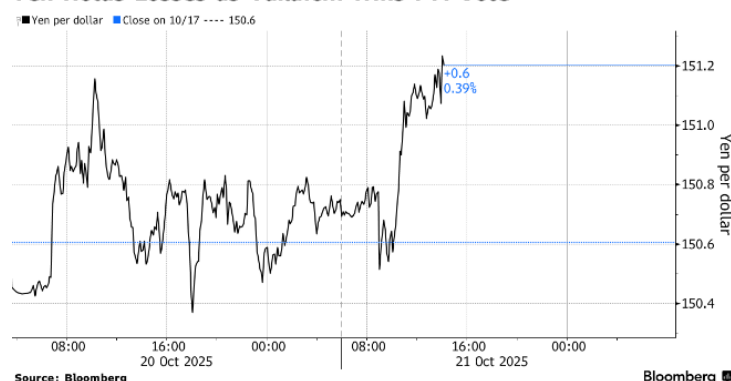
## Japan

**The yen weakened -0.8% after Sanae Takaichi won the lower house of parliament vote to become prime minister.**

Mizuho Bank noted that many overseas investors associate a Takaichi administration with selling yen and buying equities (the so-called "Takaichi trade"). Bloomberg reported that BOJ officials see no urgency to raise interest rates next week, further weighing on the yen. OIS now implies very small odds of an October move (down from ~25% yesterday), but ~63% for December (up from ~36%). Cabinet speculation also shaped markets. Satsuki Katayama, the former regional revitalization minister, was appointed finance minister. Strategists' views are mixed. SMBC Nikko Securities expects Katayama to be a potential brake on aggressive fiscal expansion given her reputation as a market-friendly policymaker. BofA noted that Katayama favors a stronger currency but is skeptical of FX intervention and has advocated exempting long-term equity holdings from inheritance tax to incentivize investment in equities. AXA highlighted her caution on excessive spending but notes her past sympathy for Abenomics-style policies. On rates, some view the LDP-Ishin coalition as limiting the scope for large-scale fiscal expansion,

supporting the long end. JGB yields edged lower (1-year: -0.5bps to 0.71%; 10-year: -1bps to 1.66%). Equities pared early gains on reportedly profit-taking and closed slightly higher (Nikkei 225: +0.3%).

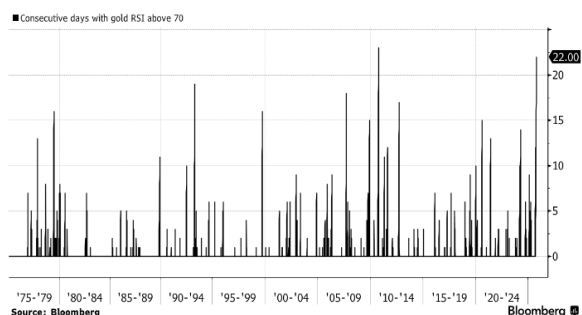
### Yen Holds Losses as Takaichi Wins PM Vote



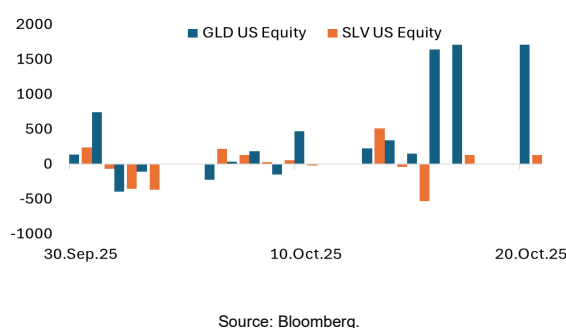
## Commodities

**Gold ETFs inflows continued amid market valuation divergence.** Gold remains in technically 'overbought' territory, with Bloomberg analysts noting that its 14-day relative strength index (RSI) has stayed above 70 for 22 consecutive trading days, just one shy of the 2010 record (left panel). The RSI is a momentum indicator that measures the speed and change of price movements. An RSI is considered overbought when it is typically above 70. The recent dip in prices last Friday prompted increased retail investor activity, with net inflows into gold ETFs and, to a lesser extent, silver ETFs (right panel). Lower yields and resilient equity markets have coincided with stronger demand for gold. Estimates based on a fair-value model—considering real yields, the dollar, equities, and copper—suggest an annualized gold growth rate of 11%, compared to the actual pace exceeding 60%. According to analysts at Macrobond, this gap marks one of the widest divergences in over four decades.

### Gold Relative Strength Index (RSI)



### Gold and Silver ETF Net Daily Inflows



## Emerging Markets

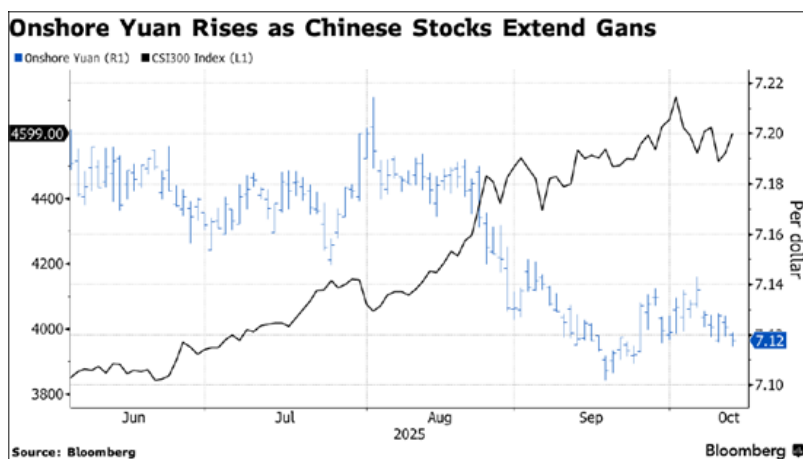
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In **Asia**, stocks mostly gained. Rare-earth stocks surged following a US–Australia supply deal, and Apple suppliers advanced across Asia on continued strong demand for the latest iPhones. EM Asian currencies broadly depreciated. In **EMEA**, equities and currencies traded mostly lower this morning. In CEE, most equities were in the red while currencies were trading fractionally weaker to the euro with the forint down the most (-0.2%), ahead of the decision of the national bank of **Hungary** later today, where it is expected to keep its policy rate unchanged at 6.5%. The **rand** weakened (-0.4%) dragged by losses in the South African stock market (-1.5%) and gold (-2.0%) today. Despite this morning's price action, Fitch expects

South Africa's fiscal position to improve, with the deficit narrowing to 4.4% of GDP in 2025/26, against the government's forecast of 4.6%, supported by lower spending and an increase of tax revenues thanks to higher metals prices. The lira was also down (-0.4%) and equities in the red (-0.3%) in Türkiye this morning. Separately, Ethiopian 2024 (defaulted) Eurobonds jumped +4.3%, after the country started talks to convert part of its \$5.4 bn debt to China into yuan denominated loans. In **Latam**, major stock markets experienced mixed movements, with Argentine and Colombian stock markets declining while Brazilian and Chilean stock markets gained. Currency movements were also mixed: the Argentine peso and Colombian peso depreciated, while the Brazilian real and Chilean peso appreciated. The **Colombian peso** (-1.4%) underperformed amid escalating tensions between Colombia and the US. President Trump signaled intentions to impose tariffs on Colombia as a punitive response to alleged concerns over the country's drug trade.

## China

**Chinese equities extended gains (CSI300: +1.5%) on growing optimism over a US–China trade deal**, after US president Trump said Monday that he expects a “really fair and really great trade deal” with China. BofA equity strategists advised investors to stay risk-on until the end of October, citing two major events: the ongoing Fourth Plenum and a potential Xi–Trump meeting at APEC next week. Union Bancaire Privée equity advisers also saw improved investor sentiment towards the upcoming US-China trade resolution, supported by falling rates and structural AI-driven demand growth. That said, long-term risks persist, with concerns over US–China decoupling as China accelerates chip development while the US builds critical-mineral supply chains with allies. On policies, local media suggest the PBOC could add liquidity via reserve-requirement cuts or government bond operations, setting the stage for a lower loan prime rate after it was held yesterday, leaving room for a moderately loose monetary policy. However, Citigroup no longer expects policy rates or RRR cuts in Q4 given one-track GDP growth so far. Today, the onshore yuan appreciated (+0.1%) to a one-month high (7.1171 per dollar) after a stronger fixing at 7.0930 per dollar (vs. 7.0973 yesterday).

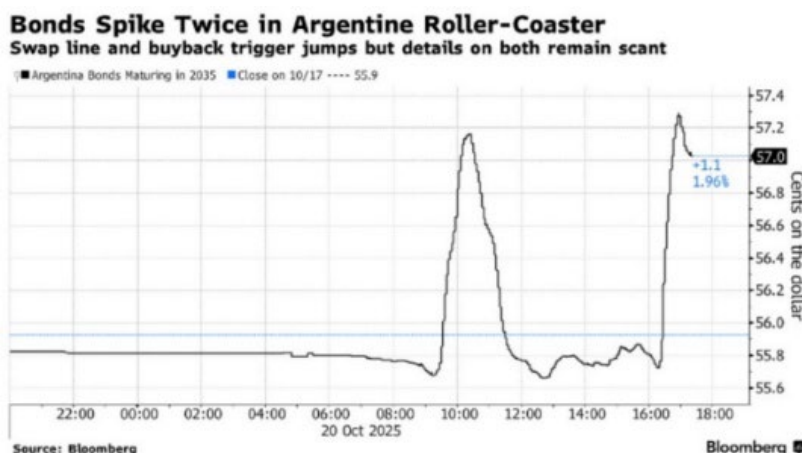


## Argentina

**Argentina's dollar bonds surged late on Monday following an announcement by Finance Secretary Quirno, who revealed that the government plans to buy back sovereign bonds as a strategy to reduce its financing costs.** The day saw volatility in the Argentine bond market. In the morning, bonds spiked after the central bank issued a statement confirming a \$20 bn currency swap agreement with the US, a key part of a rescue package designed by US Treasury Secretary Bessent to stabilize the currency. However, the early gains faded somewhat due to a lack of information, leading to a retracement across the curve. Finance Secretary Quirno's announcement in the afternoon reignited market interests, delivering a second boost to bonds. While some analysts view the buyback plan positively, especially if implemented,



many remain cautious, awaiting further details on how the government intends to execute the plan and its potential impact.



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

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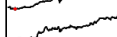



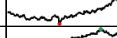
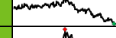







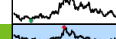








## Global Financial Indicators

10/21/25 8:01 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,735	1.1	1.2	1.1	15.1	15
Europe		5,695	0.2	2.6	4.3	15.3	16
Japan		49,316	0.3	5.3	8.4	28.4	24
China		4,608	1.5	1.5	1.9	16.4	17
Asia Ex Japan		94	1.4	2.7	3.4	20.9	30
Emerging Markets		55	1.4	2.8	3.6	20.4	31
<b>Interest Rates</b>			basis points				
US 10y Yield		4.0	-1	-6	-16	-22	-60
Germany 10y Yield		2.6	-1	-4	-18	29	20
Japan 10y Yield		1.7	-1	1	2	70	56
UK 10y Yield		4.5	-1	-10	-22	36	-7
<b>Credit Spreads</b>			basis points				
US Investment Grade		117	-1	-4	2	-4	-3
US High Yield		351	-4	-18	25	15	23
<b>Exchange Rates</b>			%				
USD/Majors		98.8	0.3	-0.2	1.2	-5.0	-9
EUR/USD		1.16	-0.2	0.1	-1.6	7.4	12
USD/JPY		151.9	0.8	0.0	2.8	0.7	-3
EM/USD		45.9	-0.1	0.3	-0.1	2.0	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		61.4	0.7	-1.5	-7.0	-14.5	-14
Industrials Metals (index)		150.3	-0.3	0.4	4.4	0.6	7
Agriculture (index)		54.8	0.1	1.9	0.8	-1.5	-4
Gold (\$/ounce)		4259.2	-2.2	2.8	13.7	56.6	62
Bitcoin (\$/coin)		108460.9	-2.4	0.5	-6.0	60.2	16
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		18.5	0.3	-2.3	3.1	0.1	1.2
Global FX Volatility		7.2	0.0	-0.5	-0.1	-1.5	-2.0
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		64	0	-2	-1	-25	-21
Italy		79	0	0	0	-44	-37
France		79	0	0	-2	5	-4
Spain		53	0	0	-2	-19	-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: 10/21/2025 8:00 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	0.3	-0.1	0.0	2.5		1.9	2	-1	0	-16	20
Indonesia		16587	-0.1	0.1	0.1	-6.5	-2.7		5.9	1	-12	-19	-73	-110
India		88	0.0	0.8	0.4	-4.4	-2.6		6.8	0	4	-8	-35	-55
Philippines		58	-0.1	0.0	-2.0	-1.2	-0.5		4.7	-5	-1	-4	-12	-18
Thailand		33	-0.4	-0.2	-3.0	2.2	4.8		1.8	5	13	29	-71	-57
Malaysia		4.23	-0.1	0.1	-0.7	1.8	5.7		3.5	-1	0	6	-33	-36
Argentina		1477	-1.0	-8.7	-4.6	-33.4	-30.2		52.8	82	387	-1440	1365	2359
Brazil		5.37	0.7	1.7	-0.7	6.0	14.9		13.8	-9	-16	14	83	-212
Chile		952	-0.1	0.9	0.4	0.0	4.6		5.4	0	0	0	17	-29
Colombia		3886	-1.4	0.9	-1.0	10.1	13.4		11.5	8	6	21	102	-28
Mexico		18.43	-0.2	0.4	-0.4	8.4	13.0		8.7	3	-1	-3	-131	-169
Peru		3.4	0.2	1.5	3.9	11.6	11.4		6.1	-5	#####	-6	-36	-55
Uruguay		40	0.2	0.6	0.1	4.1	9.7		7.7	0	-4	-25	-191	-191
Hungary		335	-0.4	0.6	-1.7	10.7	18.5		6.5	0	0	-10	21	8
Poland		3.65	-0.3	0.6	-1.2	9.5	13.2		4.8	-2	-4	-13	-48	-78
Romania		4.4	-0.1	0.2	-1.7	5.1	9.8		7.2	2	-8	-17	55	-11
Russia		81.2	-0.3	-1.5	3.1	18.9	39.8							
South Africa		17.3	-0.4	0.5	0.1	1.8	8.9		9.3	-9	-17	-27	-131	-113
Türkiye		41.97	-0.4	-0.4	-1.4	-18.4	-15.8		32.7	-25	13	90	240	294
US (DXY; 5y UST)		99	0.3	-0.2	1.2	-5.0	-8.9		3.57	-1	-4	-11	-42	-81

	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		4,608	1.5	1.5	1.9	16.4	17.1		95	3	-15	-19	-1
Indonesia		8,238	1.8	2.1	2.5	5.8	16.4		99	3	10	6	8
India		84,426	0.1	2.9	2.8	5.4	8.0		95	4	5	2	9
Philippines		6,094	0.2	0.3	-2.0	-17.8	-6.7		80	3	12	1	1
Thailand		1,291	0.5	1.9	0.6	-12.2	-7.8						
Malaysia		1,617	0.6	0.1	0.8	-1.6	-1.6		65	7	4	-4	-5
Argentina		1,978,419	-0.6	2.8	17.5	8.7	-21.9		1053	115	-406	-47	416
Brazil		144,509	0.8	1.9	-0.9	10.9	20.1		200	-22	8	-7	-47
Chile		9,160	0.3	1.6	1.7	37.3	36.5		103	-3	7	-7	-10
Colombia		1,897	-1.4	0.3	2.1	39.9	37.5		269	-2	21	-33	-57
Mexico		61,672	-0.1	1.0	0.8	16.8	24.6		221	-4	4	-76	-91
Peru		2,351	0.9	-2.0	6.2	22.0	38.7		101	-6	8	-33	-40
Hungary		104,003	0.2	1.6	3.9	40.6	31.1		135	-3	6	-8	-20
Poland		110,082	0.4	3.2	4.5	34.1	38.3		94	-2	2	-12	-18
Romania		21,936	0.6	1.4	6.2	25.8	31.2		210	0	13	26	-25
South Africa		109,514	-1.6	-1.2	3.2	25.8	30.2		258	-6	8	-13	-35
Türkiye		10,449	-0.3	1.3	-7.5	20.7	6.3		276	2	12	1	17
EM total		55	-0.4	2.8	3.6	20.4	31.3		289	-13	-83	-93	-75

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

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