



- Markets likely to be driven by central bank headlines this week ([link](#))
- Dollar stabilizes as markets reprice pace of Fed rate cuts ([link](#))
- Strong earnings push US equities higher to new record ([link](#))
- China to promote internationalization of its currency ([link](#))
- Nikkei marks record new milestone above 50,000 ([link](#))
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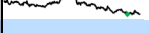



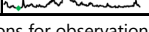
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Global Markets Rally on Hopes of Progress on Trade Talks

Markets across the globe are in rally mode on hopes of progress on trade talks between the US and China as well as other trade partners. The Nikkei crossed the 50,000 level for the first time ever, while stocks in Europe also rose. Equity index futures in the US were significantly higher, suggesting that Friday's record could be broken again today. President Milei's strong showing in Sunday's election in Argentina is expected to boost local markets. US Treasury yields were slightly higher, while government bond yields in the euro area were mixed. The optimistic mood in markets caused the dollar to weaken against most major currencies. The yuan was in focus as the Chinese government announced plans to boost the international use of the currency.

Key Global Financial Indicators

Last updated: 10/27/25 8:06 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6792	0.8	2	2	17	15
Eurostoxx 50		5691	0.3	0	3	15	16
Nikkei 225		50512	2.5	3	11	31	27
MSCI EM		55	0.7	2	5	22	32
Yields and Spreads			bps				
US 10y Yield		4.02	1.7	4	-16	-22	-55
Germany 10y Yield		2.63	0.4	5	-12	34	26
EMBIG Sovereign Spread		279	-1	-9	1	-64	-45
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.2	0.3	0	1	3	8
Dollar index, (+) = \$ appreciation		98.8	-0.2	0	1	-5	-9
Brent Crude Oil (\$/barrel)		65.9	-0.1	8	-6	-13	-12
VIX Index (% change in pp)		15.6	-0.8	-3	0	-5	-2

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

With US economic data releases probably delayed due to the government shutdown and the euro area having a light data calendar, this week's market price action is likely to be driven by central bank headlines. The Fed is expected to cut its policy rate by 25 bps to 4% on Wednesday. JP Morgan and Bank of America predict that the Fed will also announce an end to its quantitative tightening (QT), which

could lead to lower Treasury yields. The Fed currently holds \$6.6 tn bonds on its balance sheet. The Bank of Canada is also expected to cut by 25 bps to 2.25% on Wednesday, but the cut is not fully priced into the overnight index swap (OIS) market as of early morning trading. The ECB is expected to stay on hold at 2% on Thursday and many market participants think that the ECB rate cut cycle has ended. The Bank of Japan is expected to stay on hold at 0.50% on Thursday, with another rate hike expected next year. The other major event of the week is the potential meeting between President Trump and President Xi during the upcoming ASEAN summit. Meanwhile, China's PMI reports due later this week will draw close scrutiny as investors look for clues about the health of the economy. India reports on industrial production tomorrow.

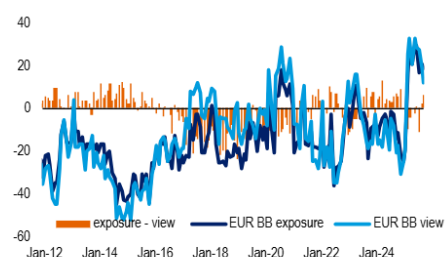
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United States

The dollar has stabilized in recent weeks as markets reprice the pace of Fed rate cuts. The dollar depreciated sharply against nearly all the major currencies this year, shooting up from 1.08 versus the euro at the beginning of April to almost 1.19 in September. However, the dollar has stabilized around 1.16 over the past few weeks as market participants have reduced their estimates of the pace of Fed rate cuts. The yield on the December Fed Funds futures contract had fallen to 2.5% in September, but it is now trading around 2.85% and has been inching higher in recent days. In addition, Bank of America's currency sentiment index indicates that the bullish trend of the euro versus the dollar has eased somewhat, and contacts noted that dollar selling volumes have reduced. However, the consensus forecast is for the dollar to depreciate further and trade in the 1.20–1.25 range versus the euro in 2026.

Exhibit 1: EUR FX positioning and sentiment turned less bullish
EUR exposure and view 2012-2025 ytd



Source: BofA Global Research FX and Rates Sentiment Survey. BB is the Bull-Bear Index for exposure and view. It weights responses to create an index ranging from -100 to +100, zero representing neutral. See [FX and Rates Sentiment Survey 10 Oct '25](#).

BofA GLOBAL RESEARCH

Exhibit 2: USD remains rangebound as Fed pricing has retraced
DXY index & December '26 Fed pricing (fed funds implied)

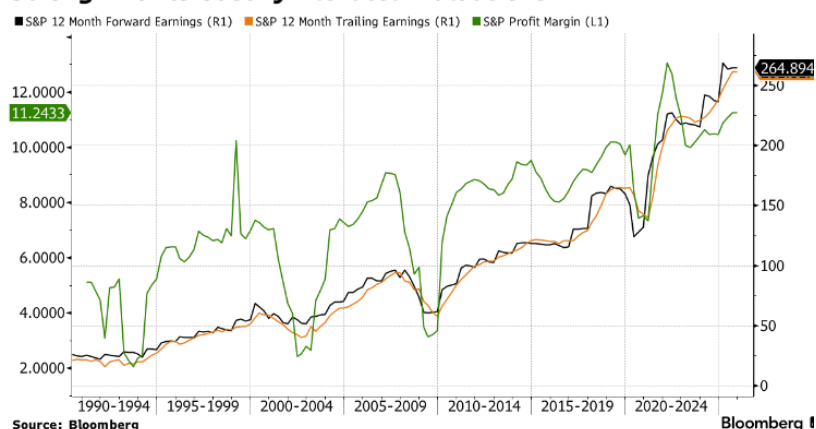


Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

The S&P 500 has set more than two dozen new highs this year, with the index rallying by 35% since April 8 when the tariff announcements were partially reversed. Although US stocks continue to trail global peers year-to-date, they have rallied more strongly since the April low, with the Euro Stoxx 600 up just 18% in nominal terms over the period (the currency adjusted returns are higher than that). US stocks were helped by strong earnings in Q2 and another strong performance in Q3, with strong profits appearing to justify rising valuations. Some contacts remain bullish, pointing out that when the price-earnings ratio of the S&P 500 is above 25 as it is now, the average return over the next month is 110 bps. They argue that the current state of the market is not analogous to the 2000 dotcom situation because unlike in 2000, the market leading US companies are generating very large volumes of free cash flow due to booming business conditions. Others are more pessimistic, noting that equity valuations are extremely expensive by historical standards, and that heavy spending on AI could lead to a major market correction if the expected profits do not materialize.

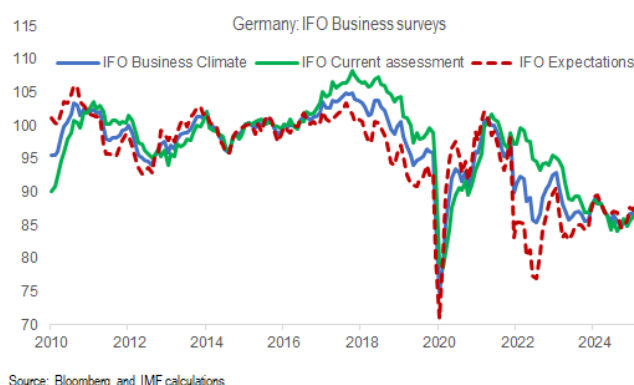
Strong Profits Justify Elevated Valuations



Europe

European equities were trading slightly higher on optimism over US-China trade talks. The Stoxx 600 index was up in early morning trade with regional bourses also trading higher. The euro was holding steady against a stronger dollar at 1.1639.

German business confidence gauge improves to highest level since 2022. Germany's October IFO business confidence expectations index rose to 91.6 in October, above consensus expectations of a 90.0 reading and up from 89.8 last month. Meanwhile, the current assessment index declined to 85.3 (vs 86.0 exp, and 85.7 prior). Today's data follows Friday's better-than-expected flash PMI data which Bloomberg economists suggest that growth in the services sector may be holding up despite trade related uncertainty weighing on the manufacturing sector. Meanwhile, analysts at ING note the despite this morning's better than expected data, the risk of stagnating growth remains alive citing domestic political developments. This morning, European government bond yields were slightly higher across the curve, although continue to trade in a relatively narrow range with the 10-year German bund yield steady at 2.63%. Intra-EMU government bond spreads were slightly narrower. Analysts expect ongoing budget negotiations to remain the focus for OATs this week. Elsewhere, the 10-year BTP-Bund spread was around 1bp tighter at 78bp.



Elevated European government bond supply is expected to weigh on bond yields. According to Commerzbank analysts, euro-area government bond (EGB) supply is expected to remain high in 2026. The analysts forecast gross EGB issuance of €1,465bn, an increase of €88bn relative to this year while net supply, adjusted for ECB quantitative tightening, is projected to reach €652bn. The analysts expect the bulk of the additional supply next year to come from Italy, France, Germany, and Spain. For Italy, the analysts

expect around €370bn gross BTP issuance with retail instruments expected to remain an important part of the mix, which they project could reach around 8.5% of overall nominal funding. For France, the analysts note that the Tresor has estimated an OAT issuance target of €310bn (net of buybacks) for next year. Given the elevated EGB supply, Commerzbank analysts expect bund yields to resume cheapening versus swaps next year, particularly at the 10Y tenor.

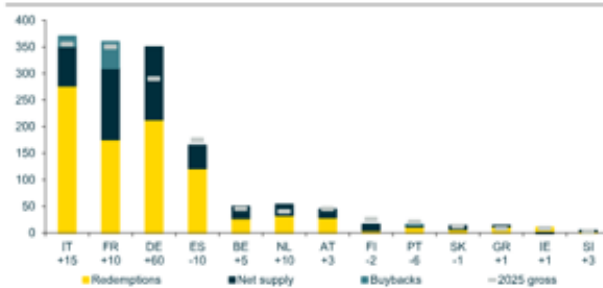
Record high ECB-adjusted net supply in store!
ECB-adjusted net issuance, estimates for 2025/26 in €bn



Source: Debt agencies, Ministries of Finance, ECB, Bloomberg, Commerzbank Research

Composition of 2026 bond supply

Expected 2026 EGB gross issuance, in €bn, lower numbers show delta vs. 2025e



Source: Debt agencies, Ministries of Finance, Bloomberg, Commerzbank Research

Japan

The yen hovered around the \$/153 level as the market focused on potential outcomes of Tuesday's meeting between Prime Minister Takaichi and US President Trump. Analysts believe that pressure for JGB yields to rise may intensify if Japan is asked to further increase defense spending. Last Friday, Takaichi said she would bring forward a goal to hit the defense spending target (2% of GDP) by two years to end-March 2026, with funds from a supplementary budget. Today, the blue-chip Nikkei 225 index rose (+2.5%) to above the psychological key level of 50,000. Over the calendar year, the Nikkei has surged 26.6%, outperforming a 15.5% gain in the S&P 500. Given the recent rally has been driven by artificial-intelligence related stocks, investors will be closely watching results and investment plans from US tech giants later this week.

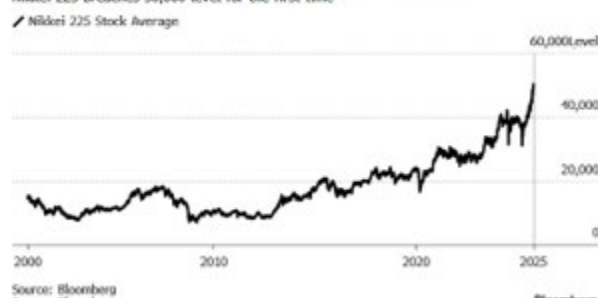
Yen Hovers Near Weakest Since February Against Dollar



Source: Bloomberg

Bloomberg

Japan's Blue-Chip Nikkei Gauge Reaches New Milestone
Nikkei 225 breaches 50,000 level for the first time



Source: Bloomberg

Bloomberg

Emerging Markets

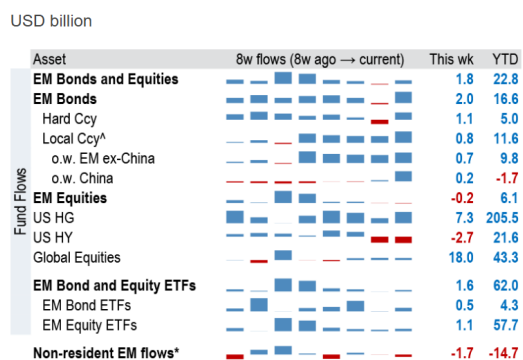
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EMEA markets rallied on hopes that trade tensions will be reduced. The zloty and rand appreciated versus the dollar. Markets are poised for a sharp rally in Argentina after President Javier Milei's La Libertad Avanza secured around 41% of the vote in the midterm elections on Sunday, far exceeding forecasts. The opposition alliance won just 32% of the vote. The result strengthens Milei's mandate while reducing the risk of policy reversal. Asian equities rallied (EM Asia: +2.2%) on trade optimism, led by Korea (KOSPI: +2.6%) and Taiwan POC (TAIEX: +1.7%). Indonesian equities declined sharply (Jakarta Composite: -1.9%) on concerns about a potential MSCI re-weighting of local shares.

EM Fund Flows

Weekly flows into EM bond funds rebounded to +\$2.0bn (from -\$190mn), while EM equity outflows widened to -\$183mn (from -\$67mn) for the week ending October 24th. Hard currency funds drew +\$1.1bn (from -\$705mn), and local currency funds added +\$825mn (from +\$515mn). ETF inflows rose to +\$459mn, and non-ETF inflows climbed to +\$1.5bn. Within local currency, EM ex-China funds added +\$652mn, while China-focused funds saw +\$172mn in inflows. Among equities, ETF inflows increased to +\$1.1bn (from +\$756mn), and non-ETF outflows accelerated to -\$1.3bn (from -\$823mn). YTD, EM bond and equity inflows stand at +\$16.6bn and +\$6.1bn, respectively.

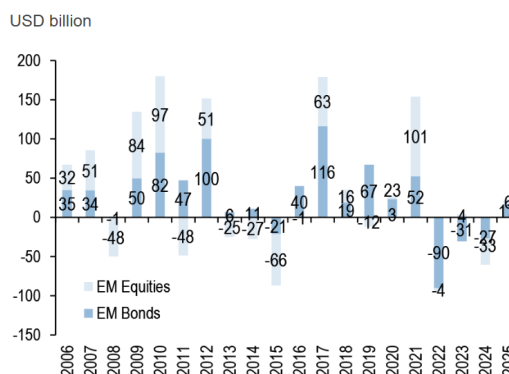
Figure 1: Weekly cross-asset flows



*High-frequency non-resident EM portfolio flow data where available. ^aLocal ccy split is retail only.

Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

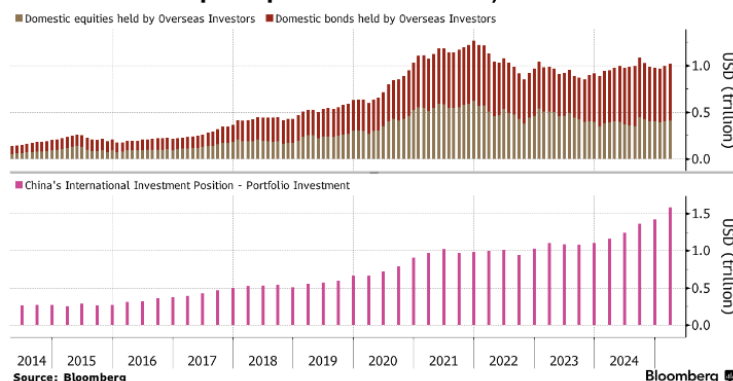
Figure 2: EM bond and equity fund flows



China

The yuan advanced beyond the \$/7.11 level, buoyed by expectations of a US-China trade deal. Both onshore CNY (+0.2%) and offshore CNH (+0.3%) strengthened, after the yuan was fixed stronger at 7.0881. Analysts believe the yuan may eventually test the 7.10 level on trade optimism and seasonality as corporate remittances typically favor yuan strength into year-end. Yuan strength may also have been supported by more assertive language by the People's Bank of China on the push for the yuan's role in the global monetary system. PBOC said late Friday that China will expand the yuan's use in trade, deepen the two-way opening of financial markets in an orderly manner, and further develop the offshore yuan market. Other plans listed by the PBOC include supporting the development of Shanghai and Hong Kong SAR as international financial centers, continuing to build a cross-border yuan payment system described as "independent, controllable with multiple channels and a wide coverage," and strengthening multilateral and bilateral monetary and financial cooperation. Sovereign yields continued to fall today.

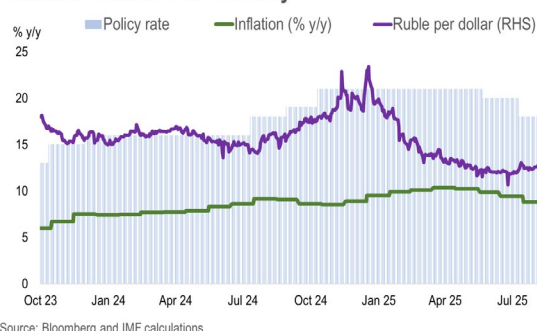
China Vows to Open Up Financial Markets, Globalize Yuan



Russia

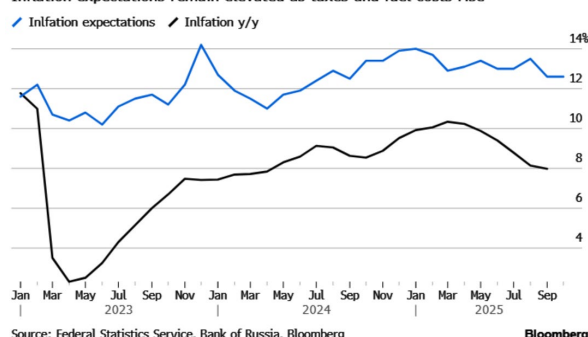
The ruble advanced (0.8%) against the dollar this morning, trading at around RUB 79.08/\$, ahead of October fiscal deadlines and after the central bank of Russia (CBR) lowered its policy rate by less than expected (-50bps, vs. est. -100bps) to 16.50% last Friday. Policymakers noted that, as inflation expectations remain elevated, additional evidence is needed to further cut rates without risking persistent inflation above the 4% target level (CPI printed at 7.98% y/y in September). The CBR increased its inflation forecast for 2026 to 5%, from 4% earlier; it also decreased the outlook for the 2025 GDP growth to 0.5–1% from 1–2%. The revised CBR's projections see the benchmark rate in 2026 at an average of 13–15% from 12–13% in previous forecasts. **Goldman Sachs** noted that the latest sanctions package, covering 45% of Russian oil exports, increases downside risks for growth and fiscal revenues.

Russia: Inflation and currency



Public Doubts Central Bank's Inflation Fight

Inflation expectations remain elevated as taxes and fuel costs rise



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 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), 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

10/27/25 8:06 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,843	0.8	1.6	3.0	17.8	16
Europe		5,691	0.3	0.2	3.5	15.1	16
Japan		50,512	2.5	2.7	11.4	30.8	27
China		4,716	1.2	3.9	3.6	19.0	20
Asia Ex Japan		94	0.7	1.7	4.9	22.4	31
Emerging Markets		55	0.7	1.7	4.5	22.1	32
Interest Rates			basis points				
US 10y Yield		4.0	2	4	-16	-22	-55
Germany 10y Yield		2.6	0	5	-12	34	26
Japan 10y Yield		1.7	1	0	2	72	57
UK 10y Yield		4.4	-1	-8	-33	19	-15
Credit Spreads			basis points				
US Investment Grade		112	0	-5	-3	-11	-8
US High Yield		338	-4	-13	13	2	10
Exchange Rates			%				
USD/Majors		98.8	-0.2	0.2	0.6	-5.3	-9
EUR/USD		1.16	0.2	0.1	-0.7	7.7	13
USD/JPY		152.6	-0.2	1.2	2.7	-0.5	-3
EM/USD		46.2	0.3	0.3	0.7	2.7	8
Commodities			%				
Brent Crude Oil (\$/barrel)		65.9	-0.1	8.0	-4.8	-10.0	-8
Industrials Metals (index)		154.9	0.7	2.7	6.6	3.1	10
Agriculture (index)		55.4	1.1	1.1	2.2	-0.7	-3
Gold (\$/ounce)		4030.9	-2.0	-7.5	5.1	47.0	54
Bitcoin (\$/coin)		115296.0	1.7	7.1	5.3	70.3	23
Implied Volatility			%				
VIX Index (%, change in pp)		15.6	-0.8	-2.6	0.3	-4.7	-1.7
Global FX Volatility		7.2	0.1	-0.1	-0.1	-1.8	-2.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		65	-1	0	-4	-24	-21
Italy		78	-1	-1	-6	-44	-38
France		80	-1	1	-2	4	-3
Spain		52	-1	0	-4	-18	-17

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

Emerging Market Financial Indicators

Last updated: 10/27/2025 8:08 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		7.11	0.2	0.2	0.2	0.3	2.7		1.9	1	2	-2	-20	21
Indonesia		16621	-0.1	-0.3	0.4	-5.4	-2.9		5.9	0	2	-27	-82	-110
India		88	-0.4	-0.4	0.6	-4.7	-3.0		6.8	1	3	-7	-41	-52
Philippines		59	-0.5	-1.3	-1.3	-1.1	-1.6		4.7	-2	-6	-12	-22	-19
Thailand		33	0.1	-0.1	-1.4	3.4	5.2		1.8	0	7	30	-71	-55
Malaysia		4.21	0.3	0.3	0.2	3.6	6.2		3.5	0	1	2	-39	-34
Argentina		1492	-0.4	-1.9	-10.3	-34.0	-30.9		45.4	-283	-658	-248	631	1619
Brazil		5.37	0.4	0.1	-0.9	6.3	15.0		13.6	-7	-26	-5	88	-229
Chile		938	0.4	1.4	3.0	1.0	6.2		5.4	0	-1	-6	2	-30
Colombia		3853	0.8	-0.6	0.8	11.6	14.3		11.6	-4	14	24	89	-23
Mexico		18.40	0.3	0.0	-0.2	8.9	13.2		8.7	4	7	6	-141	-164
Peru		3.4	0.2	-0.1	3.5	10.9	11.0		6.0	-1	-4	-10	-58	-58
Uruguay		40	0.0	0.0	-0.1	4.3	9.5		7.8	1	9	-16	-177	-182
Hungary		334	0.4	0.0	-0.1	11.9	19.0		6.5	0	-1	-6	-2	8
Poland		3.63	0.4	0.1	0.1	10.7	13.6		4.8	2	0	-6	-58	-77
Romania		4.4	0.2	0.1	-0.7	5.4	10.1		7.1	-1	-7	-27	42	-20
Russia		79.1	0.8	2.3	4.7	23.5	43.4							
South Africa		17.2	0.4	0.1	0.4	2.9	9.5		9.3	-3	-11	-21	-138	-115
Türkiye		41.92	0.1	-0.3	-0.8	-18.2	-15.7		32.3	-39	-58	47	157	261
US (DXY; 5y UST)		99	-0.2	0.2	0.6	-5.3	-9.0		3.62	2	5	-14	-44	-76

	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		4,716	1.2	3.9	3.6	19.0	19.9		93	-1	-16	-17	-3	
Indonesia		8,117	-1.9	0.3	0.2	6.3	14.7		92	-6	4	-2	1	
India		84,779	0.7	1.0	5.4	6.0	8.5		90	-4	1	-3	4	
Philippines		5,934	-0.9	-2.5	-1.5	-19.2	-9.1		75	-2	10	-6	-4	
Thailand		1,324	0.7	3.8	3.5	-8.9	-5.5							
Malaysia		1,618	0.3	0.7	0.6	0.5	-1.5		59	2	-2	-5	-11	
Argentina		2,076,859	1.0	4.4	16.0	10.9	-18.0		1086	-8	182	46	449	
Brazil		146,172	0.3	1.9	0.5	12.5	21.5		203	1	16	-9	-44	
Chile		9,184	0.4	0.3	1.8	36.0	36.9		99	-4	4	-15	-14	
Colombia		1,946	1.1	2.5	4.4	45.8	41.0		258	-10	12	-59	-68	
Mexico		61,145	-0.6	-1.0	-1.9	18.1	23.5		215	-7	4	-86	-97	
Peru		2,283	-0.7	-2.0	-1.5	17.2	34.7		99	-3	6	-39	-42	
Hungary		105,025	0.8	1.9	5.9	41.4	32.4		130	-6	3	-18	-25	
Poland		111,884	0.4	2.1	5.0	38.5	40.6		92	-3	0	-12	-20	
Romania		22,585	0.2	3.5	7.0	29.3	35.1		201	-6	4	12	-34	
South Africa		109,289	-1.0	-1.8	2.4	25.6	30.0		248	-10	-6	-34	-45	
Türkiye		10,855	-0.8	3.5	-2.7	21.8	10.4		258	-19	-6	-14	-1	
EM total		55	0.9	1.7	4.5	22.1	31.8		283	-8	-55	-103	-81	

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

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