



- **Market estimates that terminal Fed Funds rate will be near 3%** ([link](#))
- **Falling real yields forecasted to further weaken dollar in 2026** ([link](#))
- **China bond yields continue decline as central bank to resume bond buying** ([link](#))
- **Argentine markets rally strongly after ruling party wins election** ([link](#))
- **Euro area bank lending standards are tightening** ([link](#))
- **Türkiye continues to issue eurobonds amid emerging market optimism** ([link](#))

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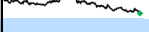



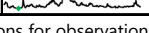
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Global Rally Pauses Ahead of Key US Tech Earnings and Central Bank Meetings

Yesterday saw the S&P 500, Nasdaq, Dow and Russell 2000 indexes all set new highs. The fact that the small cap stocks of the Russell index are now participating in the rally to new records may be a sign that the US rally is broadening and not confined to a few technology names. This month has also seen record closes in Brazil, Germany, Japan, Mexico and Taiwan POC, among others. Shanghai's CSI 300 rose to its highest level in 10 years and the Argentine Merval was up 22% after the Sunday election. Many of these moves were driven by hopes of progress on US-China trade talks. This morning, the global rally paused ahead of key US technology sector earnings, with five of the Magnificent Seven reporting this week, starting tomorrow. Stocks in Europe and Asia were mostly down and US equity index futures oscillated between red and green. Bund and Treasury yields are down slightly, and volatility remains subdued. Market participants are preparing for central bank meetings in the US, Canada, the euro area and Japan. The dollar was weaker against most major currencies, with the yen appreciating after positive rhetoric after President Trump's visit to Japan.

Key Global Financial Indicators

Last updated: 10/28/25 7:45 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6875	1.2	2	3	18	17
Eurostoxx 50		5701	-0.2	0	4	15	16
Nikkei 225		50219	-0.6	2	11	29	26
MSCI EM		56	1.1	1	6	23	33
Yields and Spreads			bps				
US 10y Yield		3.98	0.4	2	-19	-30	-59
Germany 10y Yield		2.62	0.1	7	-13	33	25
EMBIG Sovereign Spread		271	-9	-15	-10	-66	-54
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.1	-0.1	0	1	3	8
Dollar index, (+) = \$ appreciation		98.7	-0.1	0	1	-5	-9
Brent Crude Oil (\$/barrel)		64.8	-1.2	6	-8	-9	-13
VIX Index (% change in pp)		15.8	0.1	-2	1	-4	-2

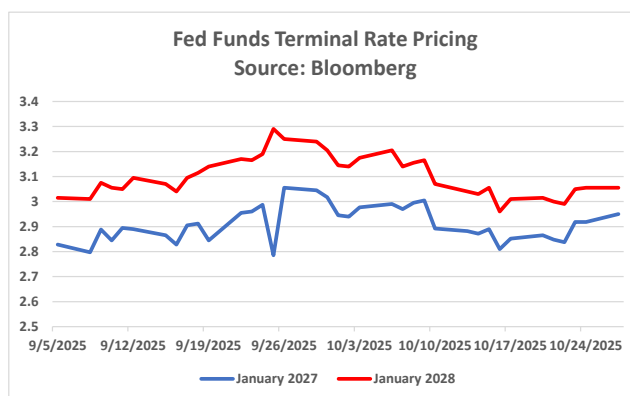
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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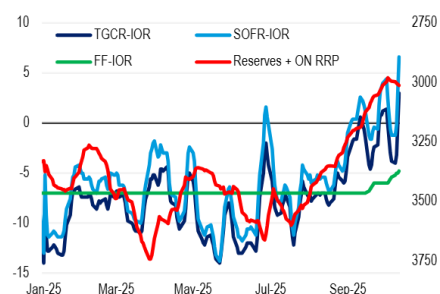
United States

The market expects the terminal Fed Funds rate to be close to 3%. With a 25 bps rate cut expected and almost fully priced in for tomorrow's FOMC meeting, the market forecast based on the Fed Funds futures is for four more cuts after that. The Fed funds rate is expected to be just below 3% by January 2027 and slightly above it in January 2028.



JP Morgan and Bank of America predict that the Fed will announce an end to Quantitative Tightening as reserves move from “ample” to a “normal” range, and also because conditions in funding markets have tightened recently. The Secured Overnight Funding Rate (SOFR), the benchmark rate for the US money market, has spiked above the Fed’s Interest on Reserves (IOB), as have a number of other important money market rates. The Bank of America analysts think that the Fed may even have to introduce temporary open market operations (TOMO) to inject more liquidity into money markets. Citi analysts disagree, contending that the Fed will not end QT tomorrow, although it might do so later this year.

Exhibit 4: Money market rates relative to IORB and reserve balances + ON RRP (1w MA)
Money market rates (LHS, bps), reserves + ON RRP (RHS, \$bn, inverted)

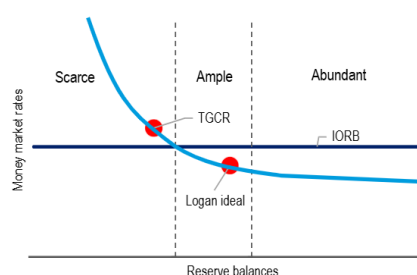


Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Exhibit 5: Stylized reserve balance demand curve in Fed's ample reserve regime

As reserves drain from abundant to ample, money market rates will become increasingly sensitive to changes in reserves



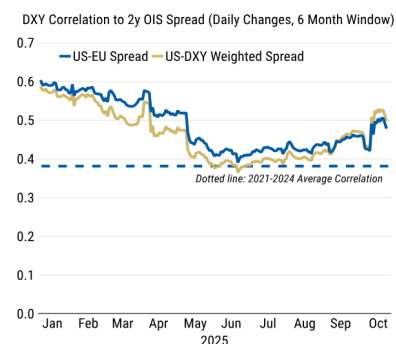
Source: BofA Global Research

BoFA GLOBAL RESEARCH

Falling real yields are forecasted to be negative for the dollar in 2026. The yield on the 10-year US Treasury Inflation Protected Security (TIPS) has fallen significantly this year, from a high of 2.25% in January to the current level of 1.71%. This has accompanied a major depreciation in the dollar, with the DXY dollar index falling from 108.5 at the start of 2025 to 98.91%, a decline of almost 9%. The dollar has depreciated by over 12% versus the euro. Analysts at Morgan Stanley predict that the 10-year TIPS yield will decline further to 1.25% by the end of Q2 2026 and then to 0.90% by the end of 2026. They forecast a slight increase in the 10-year TIPS breakeven yield from 2.30% today to 2.35% by the end of Q2 next year. As a result, they expect the dollar to depreciate even further, with narrowing yield differentials with Europe

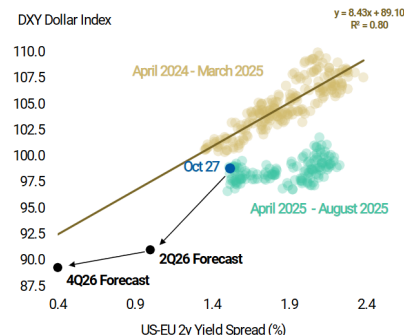
expected to accelerate the move. The Bloomberg consensus forecast also calls for a depreciation of the dollar next year, but the moves are expected to be relatively small. The average end-2026 forecast for the euro is 1.18 and for the yen is 148, not too far away from current spot levels.

Exhibit 4: USD remains highly correlated with yield differentials



Source: Bloomberg, Morgan Stanley Research

Exhibit 5: Our USD forecast reflects US rates falling vs. Europe



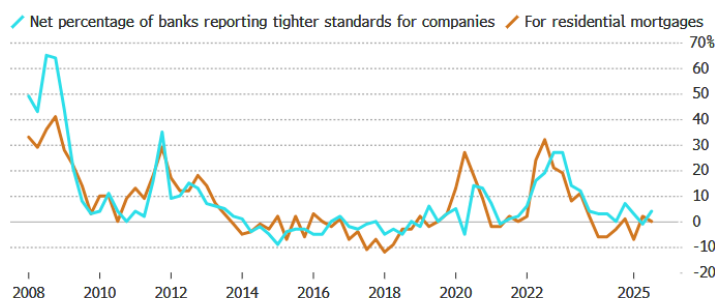
Source: Bloomberg, Morgan Stanley Research

Euro Area

European equities were trading slightly lower after reaching a record close yesterday. The Stoxx 600 index was (-0.3%) lower in early morning trade led by declines in the basic resources sector. Elsewhere, the euro was trading slightly firmer against the dollar at 1.1662. On the data front, euro-area consumer inflation expectations were little changed in September with prices expected to rise by 2.7% over the next 12 months, down from 2.8% expected in August. Expectations for inflation three- and five- years ahead were unchanged at 2.5%, and 2.2%, respectively. European government bond yields were slightly lower in early morning trade with the 10Y Bund yield at 2.61%. The 10Y OAT-Bund spread and the 10Y BTP-Bund spread were both slightly wider to trade at 81bp and 79bp, respectively.

Q3 euro area bank lending survey shows slight tightening in bank lending standards. According to the Q3 bank lending survey, euro area banks reported a slight net tightening of credit standards for loans in the third quarter of 2025 with 4% of respondents reporting tighter standards for corporate loans. Per the release, respondents cited elevated levels of geopolitical uncertainty and trade related risks as factors for the tighter lending standards. Looking ahead, banks expect credit standards to remain broadly unchanged for firms, and to tighten slightly for mortgages and consumer credit. Meanwhile, corporate loan demand showed a small increase although it “remained weak overall.” According to the survey, banks believe that the ECB’s QT program has had a “broadly neutral impact on market financing conditions and liquidity positions of euro area banks while inducing a further increase in banks’ holdings of euro area sovereign bonds.” Survey respondents expect the impact of ongoing QT to remain broadly neutral.

Euro-Zone Lending Standards Tightened Slightly



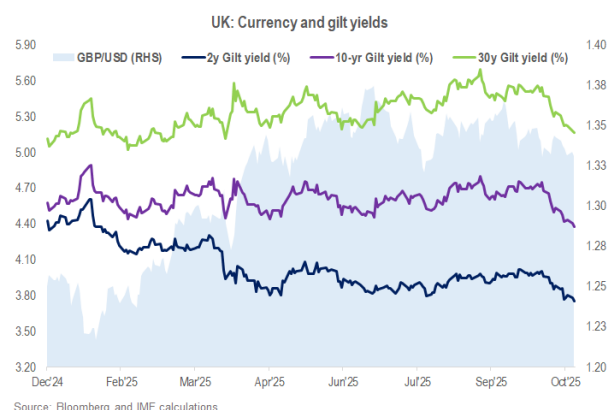
Source: ECB Bank Lending Survey

Bloomberg

United Kingdom

Fiscal headlines drive UK gilt yields lower.

There were media reports yesterday suggesting that the Office for Budget Responsibility (OBR) may cut its productivity forecast by up to 0.3pp, larger than the 0.1–0.2pp expected by consensus. Market analysts have taken that to mean the Chancellor will likely have to raise income tax at the upcoming budget to address the fiscal deficit, while the BoE may have to cut rates to support growth. UK gilt yields were lower by 2–3bp across the curve, with the curve bull steepening as front-end rates declined more than longer tenors. The 2-year gilt yield was around 3bp lower at 3.74%, with the 10-year gilt yield 2bp lower at 4.38%, in early morning trade and outperforming European peers. Elsewhere, money markets added to expectations of easing by the BoE, pricing in around 62bp of rate cuts by September next year, up from 57bp of cuts priced yesterday. Markets continue to assign around a 30% probability to a rate cut in November. Separately, data reported today by the British Retail Consortium (BRC) showed shop prices rose by 1% y/y in October, better than the 1.6% expected and lower than last month's 1.4% increase. This may give more confidence to MPC members that progress is being made on inflation.



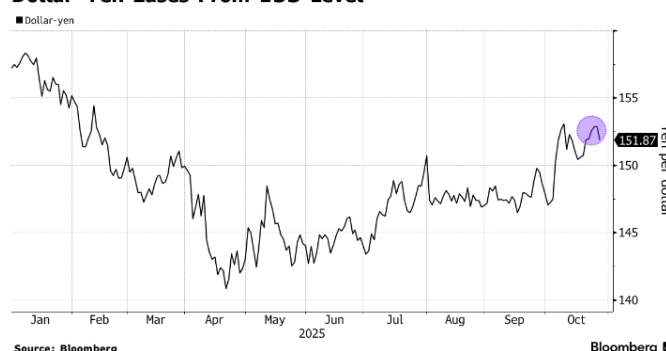
Source: Bloomberg and IMF calculations

Japan

The yen outperformed G-10 peers after supportive remarks by Japanese officials and positive sentiment from US-Japan meetings.

US Treasury Secretary Bessent and newly appointed Japanese Finance Minister Satsuki Katayama discussed exchange rate volatility. Minoru Kiuchi, minister for growth strategy, followed up today by saying that he will keep monitoring the impact of yen weakness on the economy. The yen strengthened (+0.6%) to \$/151.98 while benchmark bond yields dropped (10-year -3bp to 1.64%; 30-year -2bp to 3.05%). Hours after Trump hailed US's alliance with Japan and praised Takaichi's plans to increase defense spending, Japan's trade ministry released a list of potential projects for its \$550 bn investment vehicle. Investor focus now turns to Bank of Japan's policy meeting on Thursday for signals on the timing of the next rate hike, with pressure building due to elevated inflation and recent yen weakness.

Dollar-Yen Eases From 153 Level



Source: Bloomberg

Bloomberg

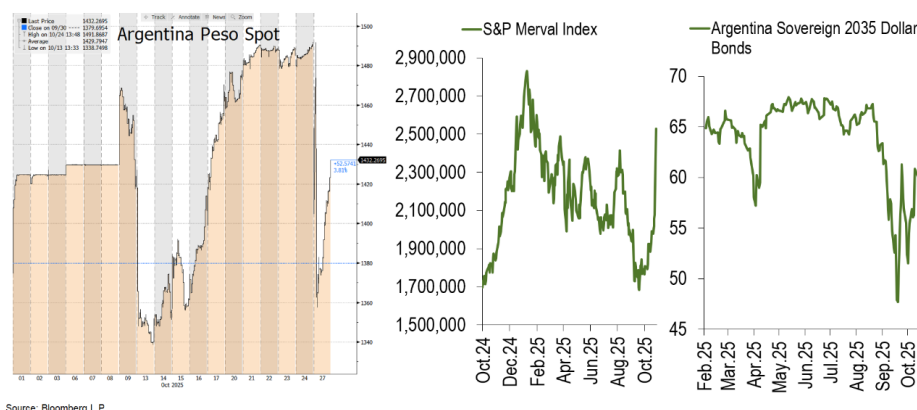
Emerging Markets

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EMEA stocks returned to trade mostly in the green this morning, while currencies were mixed. In CEE, equities traded mostly higher, outperforming in Hungary (0.8%) and Poland (0.7%), while currencies were little changed against the euro. **The Bangko Sentral ng Pilipinas said in a statement that it is allowing the dollar-peso exchange rate to be determined by market forces,** adding that strong remittances and economic growth will support the local currency. Asian currencies and equities were mixed. **Latin American equities advanced,** led by Mexico (+1.2%), Brazil (+0.5%), and Colombia (+0.5%), while Chile also posted gains. Sentiment improved after President Sheinbaum confirmed a US-Mexico trade-deal deadline extension, signaling constructive dialogue.

Argentina

Markets rallied yesterday after President Milei's La Libertad Avanza party secured a decisive midterm victory on Sunday, securing 41% of the national vote and strengthening his reform mandate. The opposition won 31% of the vote. The peso jumped as much as 11% in early trading to around ARS 1,431 per USD before settling at around 4% stronger amid profit-taking. The local S&P Merval Stock Index surged up to 23% intraday and closed 21.8% higher, marking its largest gain since late 2024, with every constituent advancing. In fixed income, 2035 maturity dollar bonds climbed 14 points to 71 cents on the dollar. The broad-based rally reflects investor confidence that the election outcome reduces the risks that reform policies will be reversed.



Chile

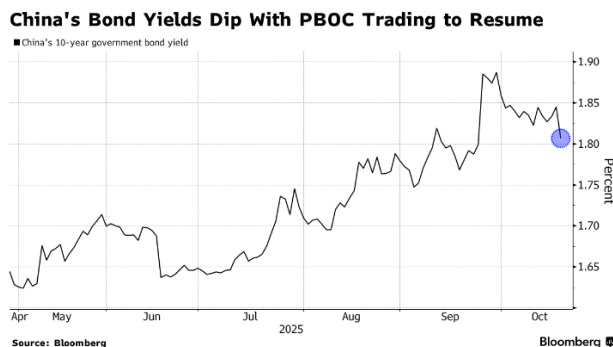
Markets are turning to Chile's November 16 presidential election as the next regional catalyst following Argentina's midterms. Investors widely expect a win for José Antonio Kast, a free-market conservative aligned with Milei and Brazil's Bolsonaro, with Polymarket odds heavily favoring him. A weaker-than-expected showing could pressure the peso and equities, though implied peso volatility suggests investors remain confident. Chilean equities meanwhile reached their sixty-first intraday record high of 2025, broadly tracking regional performance.



China

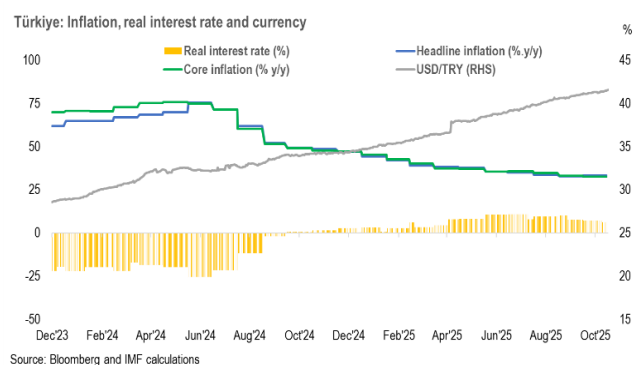
The People's Bank of China will restart its sovereign bond trading operations, according to reports by state-owned Xinhua Finance, citing PBOC Governor Pan Gongsheng at a forum in Beijing. PBOC had suspended its trading in January when yields were driven to a record low but will now resume trading in the open market after a rally in domestic stocks, easing trade tensions and China's anti-involution campaign dampened the appeal of bonds. Analysts believe the likely resumption of debt purchases will support the economy by improving cash conditions and facilitate any increase in government borrowing. It would also ease market volatility spurred by investor rotation into equities. PBOC may buy additional sovereign debt to replenish its inventory, which had shrunk by CNY 660bn to CNY 2.22 tn from December to September

as some notes matured. Sovereign bond yields generally continued to fall today (2-year -3bp to 1.45%; 10-year +1bp at 1.81%; 30-year -1bp to 2.17%), while both onshore CNY (+0.1%) and offshore CNH (+0.1%) continued to strengthen. At the same forum, Governor Pan also said that PBOC will explore mechanisms of providing liquidity to non-bank financial institutions under specific scenarios, and expressed unease over stablecoins, citing concerns around customer identification and anti-money laundering.



Türkiye










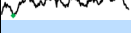






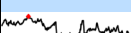
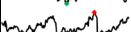



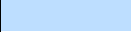





The lira continued to weaken against the dollar this morning, trading at TRY41.96/\$, taking its depreciation against the greenback to 18.7% YTD, while today Türkiye issued \$2.25bn of 11y Eurobonds via syndication at a 6.8% yield, following a \$2bn 10y bond issuance at 7% last month. Analysts at Bloomberg note that demand was strong, amid emerging market optimism, a softer dollar, and declining global rates, with the yield matching the secondary-market (the 10y Turkish USD Eurobond yield declined by about -30 bps in the last ten days to 6.68%) to suggest stable risk perception of the country after a court ruling eased political tensions last week. The central bank (CBRT) cut its policy rate by 100 bp to 39.5% last week, with **JP Morgan** seeing a shift to a hawkish bias amid lingering risks to disinflation; it expects another 100 bp cut in December and further gradual easing through 2026 to 30.5%.



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), 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) and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

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Global Financial Indicators

10/28/25 7:52 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,875	1.2	2.1	3.5	18.1	17
Europe		5,701	-0.2	0.2	3.7	14.7	16
Japan		50,219	-0.6	1.8	11.5	29.1	26
China		4,692	-0.5	1.8	1.6	19.6	19
Asia Ex Japan		96	1.3	1.6	6.3	23.7	33
Emerging Markets		56	1.1	1.4	5.7	22.9	33
Interest Rates			basis points				
US 10y Yield		4.0	0	2	-19	-30	-59
Germany 10y Yield		2.6	0	7	-13	33	25
Japan 10y Yield		1.6	-3	-2	-1	67	55
UK 10y Yield		4.4	-2	-9	-36	13	-18
Credit Spreads			basis points				
US Investment Grade		111	-1	-5	-3	-12	-8
US High Yield		338	-5	-13	12	1	9
Exchange Rates			%				
USD/Majors		98.7	-0.1	-0.2	0.6	-5.4	-9
EUR/USD		1.17	0.1	0.5	-0.6	7.8	13
USD/JPY		152.1	-0.5	0.1	2.3	-0.8	-3
EM/USD		46.1	-0.1	0.5	0.5	2.7	8
Commodities			%				
Brent Crude Oil (\$/barrel)		64.8	-1.2	5.7	-6.3	-6.9	-10
Industrials Metals (index)		153.9	-0.6	2.5	5.9	2.8	10
Agriculture (index)		55.4	0.4	1.6	2.2	0.3	-3
Gold (\$/ounce)		3928.2	-1.4	-4.8	2.5	43.2	50
Bitcoin (\$/coin)		114494.7	0.0	4.5	3.3	64.5	22
Implied Volatility			%				
VIX Index (% change in pp)		15.8	0.1	-2.0	0.6	-4.0	-1.5
Global FX Volatility		7.0	0.0	-0.2	-0.2	-2.1	-2.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		65	1	0	-4	-23	-20
Italy		78	0	-1	-6	-43	-38
France		80	0	1	-2	8	-3
Spain		53	0	-1	-4	-17	-17

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

Emerging Market Financial Indicators

Last updated: 10/28/2025 7:53 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		7.10	0.1	0.4	0.3	0.4	2.8		1.9	-1	0	-3	-21	20
Indonesia		16608	0.1	-0.1	0.4	-5.3	-2.9		5.9	0	1	-30	-80	-109
India		88	0.0	-0.4	0.6	-4.7	-3.0		6.8	1	4	-6	-40	-51
Philippines		59	-0.4	-1.5	-1.7	-1.5	-2.0		4.7	0	-1	-12	-22	-19
Thailand		32	0.7	1.3	-0.7	4.2	5.9		1.8	1	2	21	-71	-55
Malaysia		4.20	0.4	0.8	0.5	4.0	6.6		3.5	-1	-1	2	-41	-34
Argentina		1432	4.2	3.2	-5.2	-31.1	-28.0		35.4	-996	-1736	-1592	-223	623
Brazil		5.37	0.3	0.0	-1.0	6.2	14.9		13.6	-2	-19	-13	75	-231
Chile		941	0.0	1.3	2.7	0.6	5.9		5.4	-1	-2	-7	2	-31
Colombia		3849	0.1	1.0	1.8	12.7	14.5		11.5	-5	1	11	74	-27
Mexico		18.44	-0.2	0.0	-0.4	8.7	12.9		8.7	-2	2	-3	-148	-166
Peru		3.4	0.0	-0.3	2.8	11.2	11.0		6.0	-2	-5	-11	-65	-59
Uruguay		40	0.0	-0.1	0.0	3.3	9.5		7.8	0	9	-14	-172	-182
Hungary		333	0.2	0.8	0.2	12.3	19.3		6.5	-1	-1	-9	-8	7
Poland		3.64	-0.1	0.6	0.1	10.6	13.6		4.8	-1	1	-14	-59	-77
Romania		4.4	0.1	0.5	-0.6	5.5	10.2		7.0	-2	-11	-25	40	-23
Russia		79.7	-0.6	2.1	3.9	22.5	42.4		9.3	-3	-4	-28	-128	-117
South Africa		17.3	-0.2	0.8	0.1	2.6	9.2		32.1	-18	-52	2	131	243
Türkiye		41.96	-0.2	0.0	-0.9	-18.3	-15.7		32.1	-18	-52	2	131	243
US (DXY; 5y UST)		99	-0.1	-0.2	0.6	-5.4	-9.0		3.61	1	5	-15	-51	-77

	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		4,692	-0.5	1.8	1.6	19.6	19.2		93	-2	-13	-17	-3	
Indonesia		8,093	-0.3	-1.8	-0.4	6.4	14.3		95	-4	8	6	4	
India		84,628	-0.2	0.3	5.3	5.3	8.3		90	-5	2	-1	4	
Philippines		5,953	0.3	-2.3	-0.7	-17.8	-8.8		79	-1	14	4	0	
Thailand		1,314	-0.7	2.3	2.0	-9.4	-6.1							
Malaysia		1,614	-0.3	-0.2	0.2	-0.1	-1.8		61	-4	0	-7	-9	
Argentina		2,529,084	21.8	27.8	41.2	36.6	-0.2		716	-337	-348	-255	79	
Brazil		146,969	0.6	1.7	1.0	12.0	22.2		202	2	14	-3	-45	
Chile		9,208	0.3	1.0	2.0	36.7	37.2		99	-4	4	-11	-14	
Colombia		1,956	0.5	3.6	5.0	46.1	41.8		258	-11	4	-61	-68	
Mexico		61,860	1.2	0.3	-0.7	19.4	24.9		214	-7	2	-85	-98	
Peru		2,292	0.4	-2.5	-1.1	16.9	35.3		100	-1	6	-35	-41	
Hungary		106,352	1.0	3.3	7.2	43.5	34.1		130	-5	3	-16	-25	
Poland		112,782	1.0	3.0	5.8	39.6	41.7		93	-1	0	-9	-19	
Romania		22,723	0.5	3.3	7.6	30.8	35.9		199	-11	-3	10	-36	
South Africa		109,436	0.7	0.5	2.6	24.9	30.1		244	-14	-5	-31	-49	
Türkiye		10,871	0.2	3.9	-2.5	21.5	10.6		257	-19	-5	-13	-2	
EM total		56	-0.8	1.4	5.7	22.9	33.2		280	-9	-67	-99	-84	

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

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