GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, OCTOBER 28, 2026
LEAD EDITOR: JEFFREY WILLIAMS

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- **EM BOP Capital Flows Monitor (Attached)**

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Markets tread water ahead of a monster lineup

European markets and US equity futures are little changed in early trading as investors await a busy slate of events. The Fed is expected to leave rates unchanged, with only a small chance of a hike priced in. Even so, the Chair's remarks could move markets, with some analysts noting that references to concerns about the equity market could be taken as a dovish signal. The Bank of Canada also announces its rate decision, with markets pricing an 80% likelihood of a hike. In the UK, Chancellor Healey presents the Budget today; gilt yields are mostly steady this morning ahead of the statement. After markets close, Microsoft and Alphabet will report earnings, with the releases and guidance expected to help shape sentiment toward the AI trade. So far, US markets show little sign of following Asia's overnight tech rally, sparked by strong results from memory chipmaker SK Hynix, which lifted Korea's KOSPI 6.6%.

Key Global Financial Indicators

Last updated: 10/28/26 8:04 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7723	0.6	0	1	12	13
Eurostoxx 50		6153	-0.2	-1	-2	8	6
Nikkei 225		63954	1.1	-1	-2	25	27
MSCI EM		63	1.1	-1	-7	12	14
Yields and Spreads					bps		
US 10y Yield		5.01	1.3	-11	-23	103	84
Germany 10y Yield		3.37	0.5	-6	-28	74	51
EMBIG Sovereign Spread		205	-3	8	19	-5	7
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.4	0.1	-1	-1	-2	-3
Dollar index, (+) = $ appreciation		102.3	0.0	1	1	4	4
Brent Crude Oil ($/barrel)		115.4	1.3	6	10	79	90
VIX Index (%, change in pp)		17.5	-0.1	1	1	1	3

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

Key Global Inflation and Energy Indicators

Last updated: 10/28/26 8:04 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		115	1.3	6	10	79	90
WTI Crude Oil ($/barrel)		102	2.0	5	10	69	77
Natural Gas (Netherlands TTF)		99	3	6	35	216	262
Breakeven Inflation		%			bps		
USD: 2Y		2.6	0.6	-1	14	-5	34
USD: 5Y		2.5	1.5	-1	5	3	20
USD: 5Y5Y		2.4	0	-2	-3	-6	-5
EUR: 2Y		3.0	1.1	0	8	132	135
EUR: 5Y		2.4	1	-1	-1	66	67
EUR: 5Y5Y		2.1	0	-2	-5	4	3

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

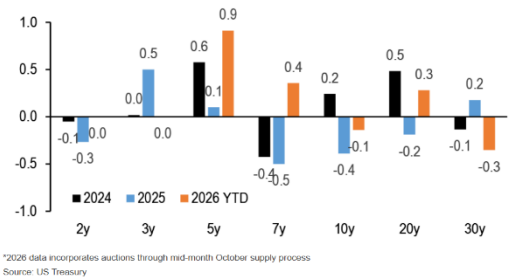
Mature Markets

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United States

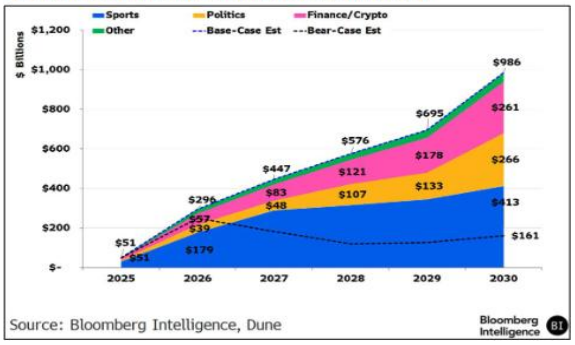
Treasury auction demand has remained resilient in 2026 despite signs of greater price sensitivity. Both two- and five-year Treasury auctions this week tailed mildly, but with high end-users awards, and low primary dealers take-downs, analysts see pockets of genuine demand. The outcome is consistent with the broader demand pattern this year. JPMorgan analysis noted that demand held up through 3Q26, with average end-user allotments at 10- and 30-year auctions reaching record highs of 90.6% and 90.1%, respectively. Foreign participation rose sharply in March and September, particularly at intermediate and longer maturities, suggesting strong demand notably from foreign private investors—challenging concerns about broad de-dollarization, at least in times of market stress. At the same time, auction tails widened across most tenors, reflecting greater price sensitivity amid higher rate volatility, although the far long end remained a notable exception. According to JPMorgan analysts, this outcome provides some evidence against continued reduction of long-dated issuance due to weak demand.

Figure 9: Despite strong end-user demand, average auction tails have grown this year, with the exception of the long end



Prediction markets are gaining traction in traditional finance, evolving from retail-dominated betting venues into a potential information source for institutional investors. Millennium Management, a global hedge fund, is reportedly developing tools that allow portfolio managers to use probabilities from Polymarket and Kalshi as trading signals across traditional asset classes, particularly for geopolitical, economic, and commodity outcomes. Millenium joins a growing roster of buy-side firms exploring this space, which view prediction markets as tools for generating trade ideas and pricing probabilities. At the same time, prediction markets are expanding beyond sports and elections into financial and crypto-linked contracts, including those tied to gold, oil, and inflation. Bloomberg Intelligence projects trading volumes could approach $300 billion in 2026 and $1 trillion by 2030. As prediction-market signals increasingly feed into mainstream financial decisions, concerns over regulatory uncertainty, insider trading, and market integrity are likely to gain importance.

Figure 1: Prediction Market Volume Estimate by Category ($Billions)

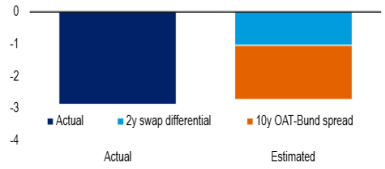


Europe

While global investors await today's FOMC decisions, the focus in Europe is on the UK Budget. UK Chancellor Healey will deliver his statement in Parliament, followed by the release of the Budget 2026 Policy Document, the UK Debt Management Office's "gilt remit," detailing planned gilt issuance, and the Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook. This morning, euro area and UK sovereign yields were mostly steady, while risk assets declined moderately. The ECB is expected to hold rates unchanged tomorrow. Since mid-September, market pricing for the year-end policy rate has fallen by 20 bp despite higher energy prices. Analysts attribute this to tighter financial conditions stemming from higher long-term yields, notably in France. These developments are also seen as contributing to recent euro weakness. The euro was stable against the dollar this morning after falling 0.4% yesterday.

Exhibit 3: France risks could explain 60% of EUR-USD weakness

Actual % move in EUR/USD (September 9 - October 16) vs. estimated move based on 2y differential and OAT-Bund spread move



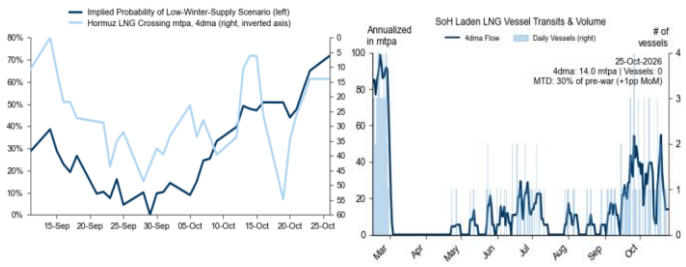
Source: BofA Global Research, Bloomberg. As of Fri 16 Oct. Estimated move based on betas to 2y swap differentials and large (> 1 z-score) moves in 10y OAT-Bund spreads. See also European Viewpoint: French bonds: what next?, 1 Oct '26 report.

BofA GLOBAL RESEARCH

European natural gas prices continue to rise as uncertainty over Middle Eastern LNG supplies increased the premium for winter shortages, according to Goldman Sachs. Today, the front-month European natural gas futures contract rose 1% to another conflict-high of €97/MWh, taking its month-to-date increase to 35%. Persian Gulf LNG exports averaged just 30% of normal in October, while renewed Chinese buying added to competition for cargoes. Goldman estimates that December TTF prices imply a 73% probability of persistently low Middle Eastern supplies this winter, up from 51% a week earlier. Warmer October weather offered some relief, lifting projected end-month storage in northwest Europe to 64% full, but prices remained well above Goldman's €70/MWh December base case, which assumes a gradual recovery in LNG exports.

GS: Dec2026 TTF currently implies a 73% market-perceived probability that Mideast LNG supply remains low this winter

% (right chart, left axis), mtpa (right chart, right axis)



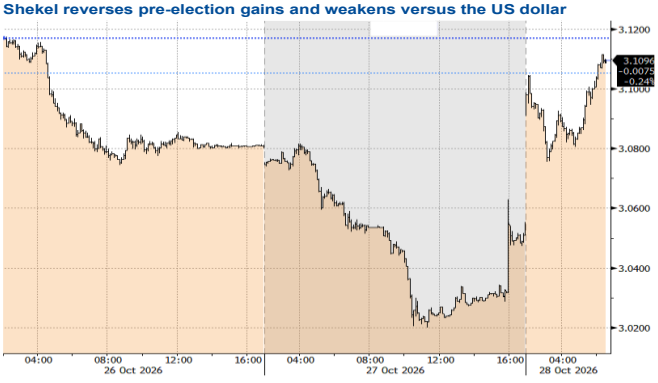
GS: Oct Persian Gulf LNG exports have averaged at 30% of normal, but volumes have been volatile

Source: Goldman Sachs. Note: Mtpa = million tonnes per annum

Israel

The shekel weakened sharply versus the dollar as investors fear deadlock following yesterday's election, reversing pre-election gains. Israeli Prime Minister Benjamin Netanyahu's bloc led opposition leader Gadi Eisenkot's following yesterday's elections, with more than 70% of votes counted, but neither had a clear path to forming a government. The shekel weakened 2% against the dollar today and the Tel Aviv 35 index fell by 2.5%. Front-end rates were stable, but longer-end government bond yields edged up—by around 5 bp for the 30-year maturity.

Shekel reverses pre-election gains and weakens versus the US dollar



Source: Bloomberg

Korea

Korean equities surged as strong SK Hynix earnings and shareholder returns revived confidence in the AI trade. The KOSPI jumped 6.6%, extending its two-day rebound to 9.9%, its strongest since late August, although the index remains more than 30% below its June peak. SK Hynix rallied 10.9% after quarterly operating profit beat expectations and the chipmaker announced substantial additional shareholder returns, while reaffirming a strong multi-year outlook for AI-related memory demand and supply shortages. Attention now turns to Samsung's earnings on Thursday for confirmation that the recovery in Korea's technology-heavy market has further room to run. Despite the strength in equities, the Korean won weakened (-0.9%) ahead of today's Fed decision, despite foreign investors purchasing more than $400mm of Korean stocks today. The divergence highlights how domestic equities and the currency need not move together, as was the case in the first half of this year when Korean residents' purchases of overseas equities led to won weakness. Today, government bond yields rose (3-yr +1bp to 3.80%; 10-yr +3.5bp to 4.11%).



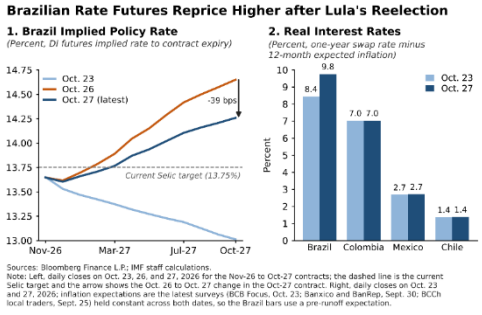


Emerging Markets back to top

Asian currencies were mixed (EM Asia: -0.1%). Asian equities continued to rally (EM Asia: +2.9%), although the gains were primarily driven by Korea (KOSPI: +6.6%), Taiwan POC (TAIEX: +2.0%) and China (CSI 300: +0.8%). **EMEA risk assets were mixed this morning, while local currencies mostly weakened versus the dollar**. Yesterday, Slovenia priced a $500 million 10-year dollar bond at 65 bp over US Treasuries, among the tightest EM sovereign issuance this year, but left pricing unchanged from initial guidance and attracted just 1.6 times subscription—the lowest for a CEEMEA sovereign dollar issue in 2026, according to GlobalCapital. Elsewhere, Fitch said this morning that the Student List's decisive victory in Serbia's parliamentary election shifts the focus to its unclear economic agenda and governing capacity, with implications for the country's BB+/Positive rating hinging on fiscal discipline, macroeconomic stability and governance reforms. **LatAm equities were mixed Tuesday**, with Chile (+1.8%) outperforming, Brazil (-0.5%) declining, and Mexico and Colombia little changed. In FX, the Brazilian real (+1.3%) and Chilean peso (+0.5%) appreciated, while the Mexican peso (-0.6%) fell and the Colombian peso softened slightly.

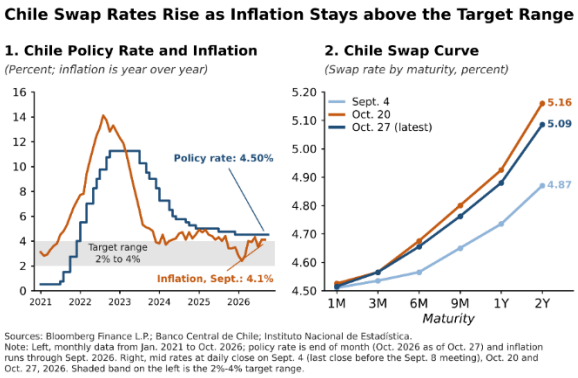
Brazil

Brazilian rate markets flipped from pricing Selic cuts to pricing hikes after Lula's reelection, though Tuesday's rebound retraced about a quarter of the move. Interbank deposit (DI) futures imply the overnight rate averaging 14.26% through October 2027, down 39 bp on Tuesday but still above the 13.75% Selic and up from 13.01% before the election, when cuts were priced (left chart). Brazil's one-year real rate of 9.8% remains the region's highest, nearly 3 ppt above Colombia's 7.0% (right chart), with that carry cushion supporting the Brazilian real.



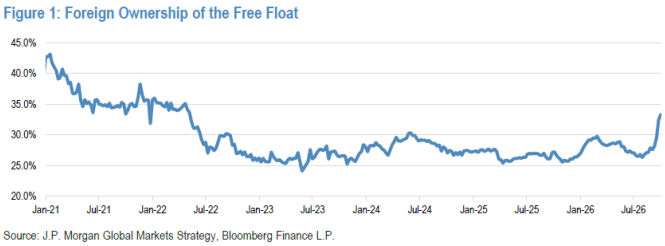
Chile

Chile's central bank held its policy rate at 4.5% for a seventh straight meeting, as expected, but with inflation just above the 4% upper bound of the target range, markets are pricing higher rates ahead. Inflation was 4.1% y/y in September, and the policy rate has not moved since December (left chart). Swap rates show a shift, with the two-year rate up more than 20 bp to 5.09% since before the September meeting (right chart). Investors see mounting pressure as intensifying Middle East tensions, El Niño-driven food prices and a weaker Chilean peso (down 5.1% since early September) challenge the central bank's forecast that inflation returns to target.



Türkiye

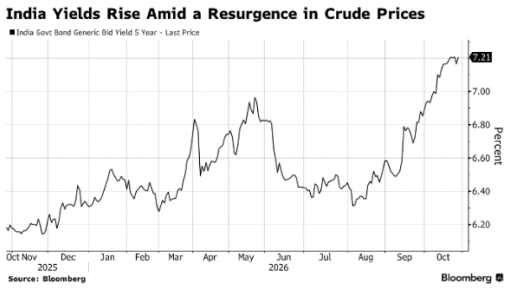
Türkiye ordered the liquidation of the brokerage at the center of its fund crisis and revoked its license late yesterday. Trading in Tera Yatirim's shares was suspended today, extending a regulatory crackdown after failed investor redemptions sparked a selloff that has erased more than $100 billion from Turkish equities since mid-September, Bloomberg writes. Concerns over shareholder transparency and coordinated trading have also prompted MSCI to freeze index additions and certain other changes. JP Morgan nevertheless sees Türkiye's removal from EM indices as highly unlikely, citing regulatory reforms and investor opposition, while estimating that removal could trigger $3.5 billion in passive outflows. Counterintuitively, foreign ownership as a share of free float has risen because large-cap stocks, where foreign holdings are concentrated, have outperformed the broader market—not because of foreign inflows, JP Morgan notes.

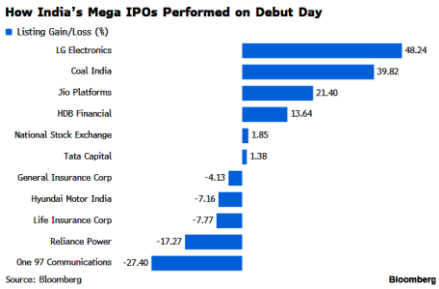


India

Indian bond yields remain elevated after their recent rise, reflecting tighter liquidity and a hawkish rates outlook. Banking-system surplus liquidity has collapsed from INR11 trn in early September to around INR462 bn as of October 26, pushing overnight rates above the 5.5% policy rate. The yield curve has bear-flattened recently as markets price further rate hikes, while elevated crude prices and US yields, alongside heavier state and long-duration federal government issuance, continue to exert upward pressure. Today, the rupee depreciated slightly (-0.1%) with tight liquidity also raising the cost of speculative bets against the currency. Equities remained under broader pressure (SENSEX: -0.4%), although Jio Platforms provided a rare bright spot, surging as much as 23% on debut after India's record $3.1 billion IPO and reaching a

valuation above $131 billion. Separately, Bloomberg reported that India is considering reforms for its $180 bn national pension system that could broaden the deployment of retirement savings across listed equities, corporate credit and private markets, potentially strengthening the domestic institutional investor base.

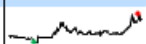
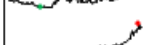




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Global Financial Indicators

Last updated: 10/28/26 8:04 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,736	0.6	-0.3	0.7	12.3	13
Europe		6,153	-0.2	-0.9	-2.3	7.9	6
Japan		63,954	1.1	-1.0	-2.3	24.6	27
China		4,084	0.8	-0.7	-6.0	-14.0	-12
Asia Ex Japan		108	1.2	-0.4	-7.5	13.4	16
Emerging Markets		63	1.1	-1.3	-7.0	12.3	14
Interest Rates					basis points		
US 10y Yield		5.0	1	-11	-23	103	84
Germany 10y Yield		3.4	1	-6	-28	74	51
Japan 10y Yield		2.8	2	-5	-27	119	77
UK 10y Yield		5.3	0	-3	-7	95	87
Credit Spreads					basis points		
US Investment Grade		121	-1	0	3	4	8
US High Yield		339	-5	-13	4	-4	-2
Exchange Rates					%		
USD/Majors		102.3	0.0	0.6	1.1	3.7	4
EUR/USD		1.11	0.1	-0.9	-2.1	-4.4	-5
USD/JPY		157.9	0.0	-0.2	0.3	3.8	1
EM/USD		45.4	0.1	-0.9	-0.6	-1.8	-3
Commodities					%		
Brent Crude Oil ($/barrel)		115.4	1.3	6.0	17.9	82.0	92
Industrials Metals (index)		176.1	0.1	0.9	-1.4	13.6	8
Agriculture (index)		58.4	0.1	-3.0	-6.0	5.3	9
Gold ($/ounce)		4047.3	-0.3	-2.3	-1.7	2.4	-6
Bitcoin ($/coin)		81115.3	0.5	-0.3	-2.9	-28.1	-7
Implied Volatility					%		
VIX Index (%, change in pp)		17.5	-0.1	0.8	1.4	1.0	2.5
Global FX Volatility		6.7	0.0	-0.1	-0.4	-0.2	-0.2
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		98	1	-2	15	34	39
Italy		118	4	2	23	40	48
France		159	3	0	46	79	88
Spain		64	1	-2	14	12	21

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

Emerging Market Financial Indicators

10/28/2026 8:20 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		6.67	0.0	0.2	0.7	6.5	4.9		1.7	-1	-1	-3	-19	-24
Korea*		1343	-1.1	-1.2	1.2	6.7	7.6		4.1	-2	-9	-34	127	84
Indonesia		18184	-0.2	-0.9	-1.1	-8.7	-8.3		7.5	9	17	44	157	146
India		95	-0.1	-0.8	0.8	-7.3	-5.6		8.3	2	-17	-27	145	120
Philippines		64	0.2	-1.1	-2.3	-7.7	-7.9		6.3	3	4	26	166	166
Thailand		34	0.0	-0.5	-0.6	-4.3	-6.7		2.3	-1	-7	-11	49	54
Malaysia		4.08	0.3	0.1	0.1	2.9	-0.4		4.0	2	10	-5	48	46
Argentina		1538	0.1	-0.9	-0.9	-6.9	-5.6		0.0	0	0	0	-3539	-3237
Brazil		5.35	-0.1	-6.1	-2.4	0.1	2.7		14.9	-38	212	95	132	138
Chile		978	0.6	0.2	-1.0	-3.6	-7.9		5.9	2	-2	2	55	62
Colombia		3147	-0.3	0.9	6.8	22.3	20.0		13.0	-8	3	10	144	11
Mexico		18.64	0.2	0.2	-3.5	-1.1	-3.4		9.3	1	12	-12	57	28
Peru		3.5	-0.2	-0.7	-0.3	-1.9	-2.6		6.8	-1	6	5	74	98
Uruguay		40	0.2	-0.2	0.3	-0.6	-2.5		7.8	-1	7	17	2	32
Hungary		329	0.0	-1.3	-2.0	1.1	-0.7		5.7	-7	11	-15	-84	-88
Poland		3.95	0.0	-1.9	-2.8	-8.2	-9.3		5.8	-3	-2	-4	99	124
Romania		4.8	0.1	-1.0	-3.4	-9.2	-9.8		6.9	-1	2	-45	-15	22
Russia		80.5	0.0	2.1	4.8	-2.0	-2.2							
South Africa		16.7	-0.1	-1.7	-1.4	3.0	-0.5		8.9	-4	-17	-20	-43	28
Türkiye		49.84	-0.1	-0.5	-1.7	-15.9	-13.8		34.6	-1	19	-20	247	500
US (DXY; 5y UST)		102	0.0	0.5	1.1	3.7	4.1		4.85	1	-10	-22	124	113

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD	
								basis points						
China		4,084	0.8	-0.7	-6.0	-14.0	-11.8		4	2	3	-4	-3	
Korea*		6,012	6.6	4.8	-12.5	47.3	42.7		25	0	1	2	3	
Indonesia		5,282	0.3	-0.9	-13.7	-35.3	-38.9		122	1	28	39	47	
India		73,246	-0.5	-0.6	1.0	-13.8	-14.1		103	3	19	25	27	
Philippines		5,654	-1.9	-2.9	-1.5	-5.2	-6.6		103	5	22	37	41	
Thailand		1,566	-0.6	0.7	-1.8	19.0	24.3							
Malaysia		1,614	0.1	0.7	-1.8	0.1	-3.9		68	1	12	7	11	
Argentina		2,848,945	-0.4	0.0	1.8	6.7	-6.6		748	75	121	52	182	
Brazil		175,710	-0.5	-15.6	-4.0	19.2	9.1		179	20	7	-19	-20	
Chile		5,377	1.8	-2.5	-3.8	12.0	-0.8		102	4	8	4	12	
Colombia		2,507	0.1	-2.1	-2.8	26.8	21.2		227	4	9	-34	-51	
Mexico		69,712	0.3	0.7	7.3	11.0	8.4		224	4	13	8	5	
Peru		3,384	1.0	-4.8	-5.3	43.3	31.0		120	3	8	-3	-9	
Hungary		145,782	-0.6	1.6	-2.3	37.2	31.3		109	7	3	-13	-23	
Poland		160,219	0.0	-0.1	2.1	41.2	36.7		110	5	12	20	22	
Romania		34,844	1.3	-1.3	12.3	52.5	42.6		197	11	7	5	27	
South Africa		109,916	0.1	0.2	0.7	0.1	-5.1		210	7	3	-27	-5	
Türkiye		11,165	0.1	-3.6	-11.3	2.7	-0.9		257	9	6	12	38	
EM total		63	1.3	-1.3	-7.0	12.3	14.3		205	8	19	-5	7	

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

*Not an EM Under IMF Classification.

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