GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, OCTOBER 29, 2026
LEAD EDITOR: SANJAY HAZARIKA

- **US PCE inflation data came in on target** (link)
- **FOMC stays on hold at 3.75% as expected while announcing new meeting schedule** (link)
- **Higher US interest rates highlight potential future fiscal risks** (link)
- **Chinese currency strongest versus dollar since June 2022** (link)
- **Markets in Japan rally on strong JGB demand and tech gains** (link)
- **Credit spreads in Brazil continue to widen after election** (link)
- **UK gilts gain on positive reaction to new budget** (link)

Mature Markets | Emerging Markets | Market Tables

Global Markets Remain Cautious as Geopolitical Risks Linger

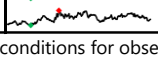
Market sentiment remained cautious due to the uncertain geopolitical outlook. Oil prices are down today on press reports about peace talks but there is continued speculation that the conflict in the Middle East could intensify in the days ahead. Stocks in Asia were mixed overnight while equities in Europe are posting modest gains. US Nasdaq futures are lower by 1.2% due to weaker than expected earnings from technology companies and most other US equity index futures are also down, although the small cap Russell 2000 index futures were slightly higher. Government bond yields are lower in most advanced economies. ECB President Lagarde has announced that she will step down in February. The Fed stayed on hold as expected yesterday and the market reaction was limited. The UK budget met market expectations, enabling gilts to hang on to recent gains. The Bank of Canada hiked by 25 bps to 2.5% yesterday and issued a hawkish view on inflation, leading markets to price another rate hike by January.

Key Global Financial Indicators

Last updated: 10/29/26 8:24 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7744	0.3	0	1	12	13
Eurostoxx 50		6176	0.1	1	-2	8	7
Nikkei 225		64659	1.1	3	-3	26	28
MSCI EM		64	1.6	0	-6	13	16
Yields and Spreads					bps		
US 10y Yield		5.02	0.4	7	-21	95	85
Germany 10y Yield		3.38	0.5	4	-25	76	52
EMBIG Sovereign Spread		202	-3	-7	17	1	4
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.3	-0.1	-1	-1	-2	-3
Dollar index, (+) = $ appreciation		102.2	0.0	1	1	3	4
Brent Crude Oil ($/barrel)		114.5	-0.7	1	12	76	88
VIX Index (%, change in pp)		17.3	0.4	-2	1	0	2

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: 10/29/26 8:25 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		114	-0.7	1	12	76	88
WTI Crude Oil ($/barrel)		102	-0.8	3	14	69	78
Natural Gas (Netherlands TTF)		98	0	4	40	208	257
Breakeven Inflation		%			bps		
USD: 2Y		2.6	-2.0	2	15	-3	34
USD: 5Y		2.5	-1.1	4	7	4	20
USD: 5Y5Y		2.4	0	3	-3	-5	-4
EUR: 2Y		3.0	-3.3	3	16	130	135
EUR: 5Y		2.5	-1	3	4	66	68
EUR: 5Y5Y		2.1	0	1	-3	5	4

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 latest PCE inflation data met forecasts, while GDP was stronger than expected. Markets were little changed after the data, although Treasury yields fell very slightly. PCE mom was the highest in six months, but this was expected.

Selected US Economic Data 8.30am October 29, 2026
Source: Bloomberg

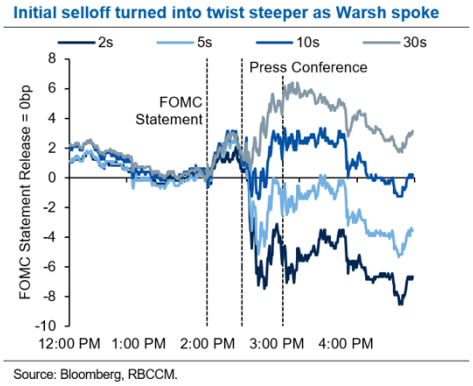
Economic Variable	Consensus Forecast	Actual Data
PCE price index month-on-month	**0.5%**	**0.5%**
PCE price index year-on-year	**3.6%**	**3.6%**
Core PCE price index mom	**0.3%**	**0.3%**
Core PCE price index yoy	**3.1%**	**3.1%**
Annualized Q3 GDP	**3.2%**	**3.4%**

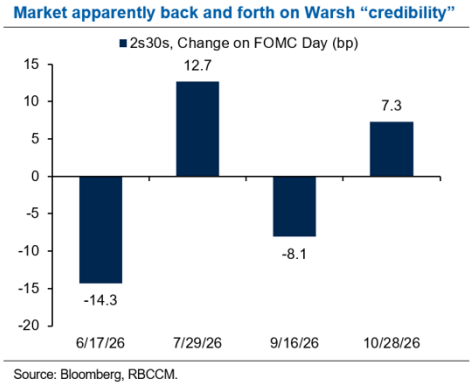
The FOMC stayed on hold as expected at 3.75%-4.00% with minimal market impact other than a slight steepening of the yield curve. Two members dissented, calling for a 25 bps rate hike. The main takeaway was that one of next year's eight FOMC meetings would focus on macroeconomic strategy with no rate decision at that meeting. In 2028, there will be two such meetings. Pricing for a December rate hike moved down from 91% at the Tuesday close to 85% but all contacts agreed that a December hike was baked in.

Selected Market Moves as of 3.35pm, October 28, 2026
Source: Bloomberg

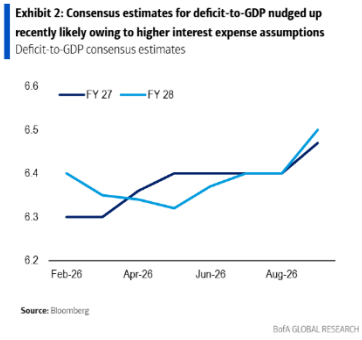
Variable	Level at 1.59pm	Level at 3.35pm
2yr Treasury Yield	**4.76%**	**4.72%**
10yr Treasury Yield	**5.02%**	**5.05%**
30yr Treasury Yield	**5.31%**	**5.37%**
S&P 500	**+0.2%**	**+0.25**
Euro	**1.1137**	**1.1157 (dollar slightly weaker)**

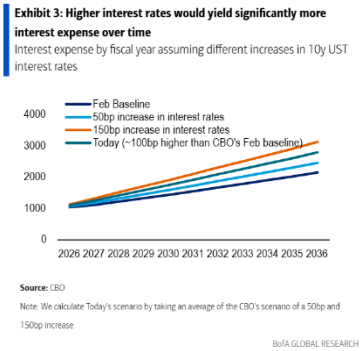
The Fed Chair reiterated the FOMC's commitment to getting inflation back to 2%, but the market reaction was a little skeptical as the press conference proceeded, with the curve bear steepening and the dollar weakening. The press response was that the market was likely to pay more attention to the comments of the other FOMC members when the Fed blackout period ends than to the Chair's remarks the press conference.





Higher US interest rates highlight the risk of intensifying fiscal pressure in the future. The US fiscal year (FY) ended on September 30, with the federal deficit reaching $1.99 tn or 6.2% of GDP, which met market forecasts but point to rising fiscal challenges as federal spending looks set to increase further, according to analysis by Bank of America. Since February 27, the day before the war began, the benchmark 10-year Treasury yield has increased by over 100 bps and rising expectations for further Fed rate hikes point to a potential secular move higher for US interest rates. This could lead to a notable increase in funding costs for the US government. The consensus forecast is that the deficit will increase to 6.4% in FY 2027 and 6.5% in FY 2028. Bank of America estimates that if interest rates increase by 150 bps, the government's interest cost could approach $3 tn in 10 years. Some hope that a growing economy powered by AI-generated productivity gains could alleviate the problem, but the consequences could be quite negative if the AI boom does not live up to expectations.



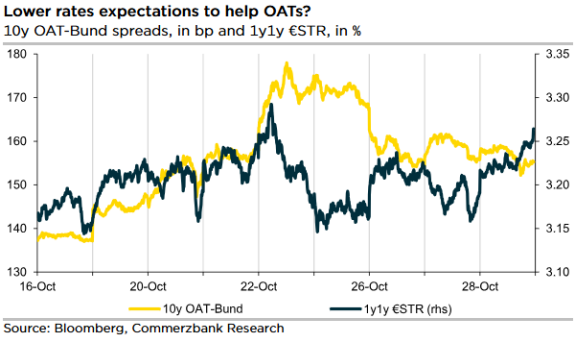


Euro area

The euro remains under pressure ahead of today's ECB decision and depreciated to its weakest level against the dollar since May 2025 as French fiscal concerns and expectations of further Fed tightening weighed on sentiment. This morning, euro area sovereign curves steepened, with front-end yields declining by between 2–4 bps and long-end yields edging up marginally. The STOXX Europe 600 index advanced by 0.4%.

The ECB is expected to hold rates today, with attention on widening euro area spreads and rising energy prices. Investors will look for its assessment of the recent widening in intra-euro area sovereign spreads. Commerzbank expects President Lagarde's monetary policy statement to avoid direct references to France or the Transmission Protection Instrument (TPI), although both topics are likely to arise during the press conference's Q&A. Any shift toward a less hawkish stance in response to recent long-end yield dynamics could offer marginal support to French government bonds. While a hold is widely expected today, markets price an 82% probability of a December hike. The decision comes against a backdrop of rising

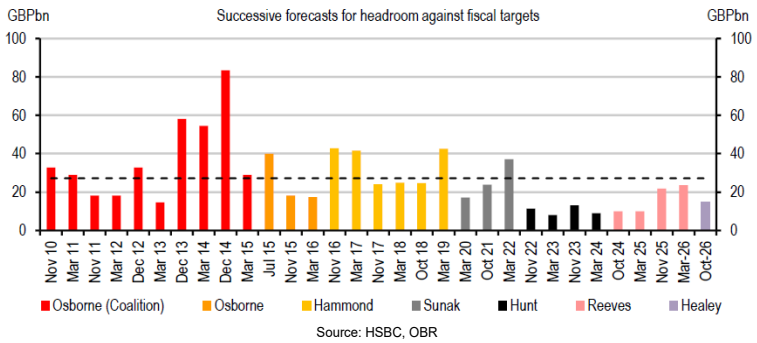
energy prices: European natural gas prices crossed €100/MWh yesterday for the first time since 2022, before falling 3.4% to €97/MWh this morning, compared with around €31/MWh for the front-month futures contract in October 2025. Bloomberg Economics sees scope for prices to rise to €123/MWh, as low storage and colder, calmer winter weather in Germany could raise heating demand while limiting wind generation.



United Kingdom

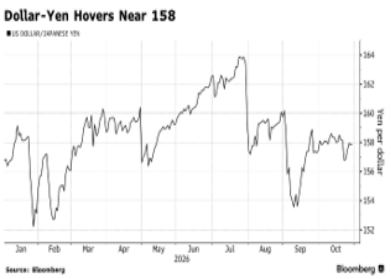
Gilts reacted positively to yesterday's UK Budget, which was in line with expectations. The yield curve flattened as the revised issuance plan cut long-dated conventional gilt sales by £7.6bn to £15.5bn, despite a £4.4bn increase in total issuance to £250.6bn for 2026–27. Fiscal headroom of £15bn broadly met expectations, with targeted tax increases and temporary household support avoiding major surprises. HSBC considers this still low, at around half the historical average. Moreover, borrowing was revised up by around £65bn over five years, while consolidation remains backloaded and difficult decisions on defense and departmental spending were deferred to next year's Spending Review. Analysts see the reduced long-dated supply as supportive for gilts, but limited grounds for a sustained decline in the UK's fiscal risk premium without further progress on spending reforms. The measures are also seen as having little impact on the near-term monetary policy outlook. Front-end gilt yields were unchanged on-the-day, while 30-year yields fell by around 5 bps. This morning, gilt yields fell across the curve, but this was in line with broader global rates dynamics.

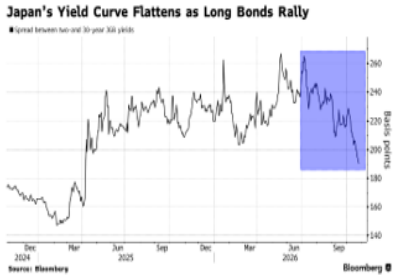
1. The headroom has been restored from its pre-measures low point, but remains flimsy



Japan

Japan's two-year JGB auction drew strong demand. The bid-to-cover ratio rose to 4.03, the highest since June (12-mth avg.: 3.84). Elevated yields and expectations that the Bank of Japan will leave rates unchanged on Friday supported risk appetite. Returning domestic and rising foreign demand have also been helping longer-dated JGBs recover, with the 30-year yield now down almost 40bps from its recent peak. Overnight indexed swaps are pricing an 84% probability of a hike by December. Meanwhile, the yen was little changed at 157.85/$ following the Fed's decision to keep rates steady. Equities outperformed regional peers (Nikkei 225: +1.1%), led by Advantest and other AI-related





names following stronger earnings. However, Hitachi dropped sharply (-9.8%) after disappointing results and guidance, while weakness in Korean technology shares (Samsung: -4.1%) briefly weighed on Japanese stocks, underscoring continued sensitivity to elevated earnings expectations.

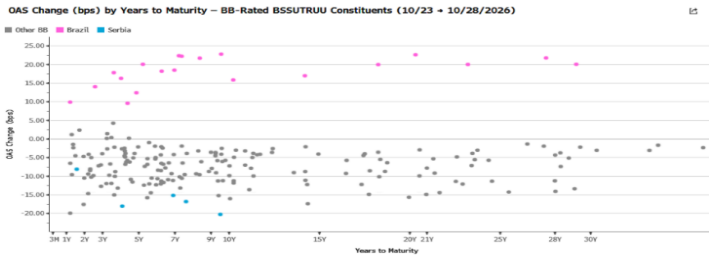
Emerging Markets

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Emerging EMEA risk assets were mixed, with gains in CEE contrasting with declines in Gulf equities. Egypt's central bank is expected to hold its deposit rate at 19% today. Bloomberg reports that Mozambique is seeking to ease repayment pressures through creditor negotiations while avoiding a comprehensive debt restructuring, following Moody's September downgrade to Caa3 amid heightened Eurobond restructuring risks. **Currencies in Asia were mixed while stocks were generally lower.** Technology shares fell on weak earnings from Samsung, while Indonesia remained under pressure due to continued risk aversion. **LATAM equities fell**, led by Brazil (-2.7%), followed by Chile (-0.8%) and Mexico (-0.8%), while Colombia was little changed. Currencies were little changed, except the Colombian peso, which depreciated 0.6% as the dollar strengthened.

Brazil

Brazil's dollar bond spread is 18 bps wider than before Sunday's election, while that of other BB-rated EM sovereigns were 7 bps tighter. Brazil's spread widened 20 bps on Monday to 195 bps and held at 193 bps on Wednesday, versus 175 bps on Friday. All 20 Brazilian bonds are wider across the whole curve, while other BB-rated bonds widened only 1.5 bps on average on Monday before tightening (chart). Brazil's 5-year CDS rose 21 bps on Monday to 141 bps and stood at 135 bps on Wednesday.

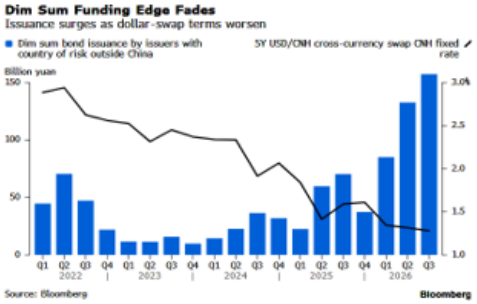


Source: Bloomberg

China

The yuan strengthened further, with the offshore rate breaking past 6.66 per dollar to its strongest since June 2022. Both onshore CNY and offshore CNH strengthened today after the PBOC set a stronger fixing at 6.7147 for a second consecutive session. Ample liquidity (overnight repo rate 1.28%; 7-day 1.34%) continued to support the bond market today (10-yr -1bp to 1.61%; 30-yr -0.5bp to 2.04%). Beyond near-term market moves, attention remains on the yuan's expanding international financing role. CICC chief economist Miao Yanliang argued that its longer-term potential rests less on low borrowing costs and yen-style carry trades than on China's manufacturing scale, supply-chain links and growing demand for yuan-denominated trade and investment. Meanwhile, Bank of America analysts estimated that heavy use of cross-currency swaps by foreign issuers has pushed hedged yuan funding costs broadly in line with dollar borrowing. They also argued that continued dim sum issuance suggests that diversification of the investor base is becoming more important than pure funding arbitrage, putting greater focus for market development on Southbound Bond Connect quotas and further opening of offshore investment channels.

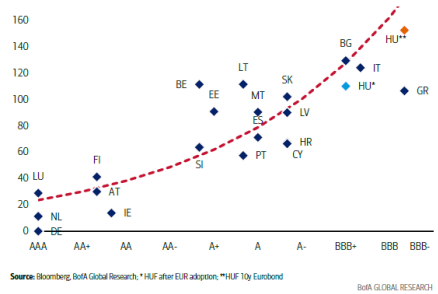




Hungary

Hungarian bonds rallied as the government set out its medium-term path toward euro adoption. Ten-year yields fell by around 9 bps yesterday following publication of the 2027–2030 economic and fiscal program, building on last week's budget announcement. The program envisages the deficit declining from 7.5% of GDP this year to the previously announced 4.9% in 2027 and 2.8% by 2030, while further details clarified the tax measures underpinning next year's budget. Analysts see scope for further spread compression and forint appreciation if fiscal delivery supports progress toward the euro. Bank of America believes that Hungary's 10-year government bond spread could fall to 90–110 bps above Germany's by the time it adopts the euro, assuming its credit rating rises to BBB+ by the end of ERM II. During ERM II—the exchange-rate mechanism preceding euro adoption—the gap would likely remain wider because investors would still require some compensation for possible currency fluctuations.

Exhibit 1: Euro adoption could bring Hungarian 10y yield to Bunds +75-95bp
Spreads vs Bunds of Eurozone sovereigns and Hungarian 10y Eurobond

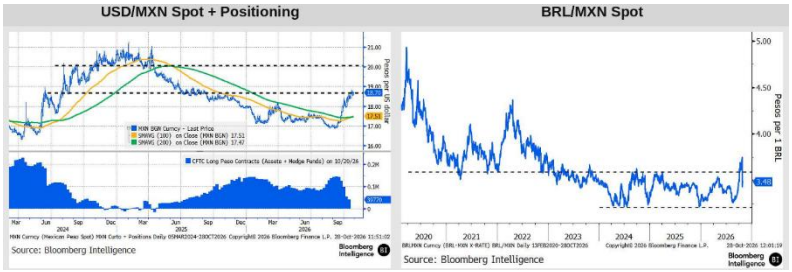


Source: Bloomberg, BofA Global Research, * HUF after EUR adoption; **HUF 10y Eurobond

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Mexico

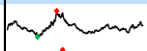
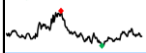
Net long positioning in the Mexican peso has fallen about 73% from its September peak to 40,000 contracts, leaving less to unwind as spot trades near 18.70 per dollar. The net long position peaked at about 145,000 contracts in the week of September 8 (left chart). The Mexican peso is little changed since Brazil's election, while the Brazilian real depreciated 7% against the dollar and Mexican peso (right chart). One-month implied volatility is at 11% for the Mexican peso, against 16% for both the Brazilian real and Colombian peso. Colombia's 10-year local-currency yield (13.0%) exceeds Mexico's (9.3%), but its government faces a congressional fight over spending cuts.



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Global Financial Indicators

Last updated: 10/29/26 8:27 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,685	0.3	0.3	0.2	11.5	12
Europe		6,176	0.1	1.5	-2.3	8.2	7
Japan		64,659	1.1	2.8	-3.1	26.0	28
China		4,042	-1.0	0.1	-7.2	-14.2	-13
Asia Ex Japan		110	1.8	0.9	-6.3	14.7	19
Emerging Markets		64	1.6	-0.1	-5.8	13.4	16
Interest Rates					basis points		
US 10y Yield		5.0	0	7	-21	95	85
Germany 10y Yield		3.4	1	4	-25	76	52
Japan 10y Yield		2.8	2	-2	-25	119	78
UK 10y Yield		5.3	-1	-1	-10	92	84
Credit Spreads					basis points		
US Investment Grade		121	0	-3	2	5	8
US High Yield		346	3	-22	3	9	5
Exchange Rates					%		
USD/Majors		102.2	0.0	0.6	0.8	3.0	4
EUR/USD		1.11	-0.1	-0.7	-1.8	-4.0	-5
USD/JPY		158.1	0.1	0.8	0.5	3.5	1
EM/USD		45.3	-0.1	-0.8	-0.9	-1.8	-3
Commodities					%		
Brent Crude Oil ($/barrel)		114.5	-0.7	1.2	19.1	79.6	90
Industrials Metals (index)		175.1	-0.4	2.3	-1.4	12.0	7
Agriculture (index)		57.9	-0.2	-3.3	-6.8	4.0	8
Gold ($/ounce)		4022.7	-1.1	-0.1	-3.8	2.4	-7
Bitcoin ($/coin)		80014.7	-1.5	-0.5	-4.3	-28.2	-9
Implied Volatility					%		
VIX Index (%, change in pp)		17.3	0.4	-1.7	1.3	0.4	2.4
Global FX Volatility		6.7	0.0	-0.3	-0.4	-0.2	-0.2
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		95	0	-13	9	32	37
Italy		115	1	-9	16	39	46
France		155	1	-19	37	77	84
Spain		62	0	-9	10	11	19

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

Emerging Market Financial Indicators

10/29/2026 8:27 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		6.66	0.1	0.2	0.7	6.6	5.0		1.7	0	-1	-4	-17	-24
Korea*		1339	0.3	-0.9	1.0	6.2	7.9		4.2	6	-1	-40	134	90
Indonesia		18137	0.3	-0.4	-0.9	-8.4	-8.0		7.6	9	29	47	166	155
India		95	0.0	-0.5	0.8	-7.4	-5.6		8.3	7	-5	-9	151	126
Philippines		64	0.3	-0.5	-2.0	-8.0	-7.7		6.3	-1	3	24	165	165
Thailand		34	-0.1	-0.1	-0.6	-4.0	-6.7		2.3	-2	-8	-17	49	53
Malaysia		4.06	0.4	0.6	0.5	3.1	0.0		3.9	-1	6	-13	46	43
Argentina		1541	-0.2	-1.0	-1.1	-4.4	-5.8		0.0	0	0	0	-3401	-3237
Brazil		5.35	0.0	-5.7	-2.7	0.2	2.7		15.1	12	226	98	139	149
Chile		993	-0.4	-0.7	-2.0	-5.1	-9.3		6.0	3	1	-7	60	66
Colombia		3164	-0.5	0.8	6.2	23.2	19.3		13.0	1	1	8	143	13
Mexico		18.73	-0.5	0.0	-3.6	-1.3	-3.8		9.2	-3	5	-27	58	25
Peru		3.5	0.0	-0.5	-0.3	-1.8	-2.6		6.8	0	8	9	75	99
Uruguay		40	0.1	0.0	0.4	-0.6	-2.5		7.8	-2	3	10	0	30
Hungary		328	0.3	-0.6	-1.4	2.0	-0.3		5.6	-7	-3	-31	-92	-96
Poland		3.94	0.0	-1.1	-2.3	-7.3	-9.0		5.8	5	-4	-9	106	129
Romania		4.8	0.0	-0.6	-3.0	-8.6	-9.6		6.9	-3	-2	-61	-10	19
Russia		80.6	-0.2	1.3	3.9	-0.8	-2.3							
South Africa		16.6	-0.2	-0.9	-1.5	3.3	-0.5		8.9	-1	-1	-32	-41	27
Türkiye		49.84	0.0	-0.4	-1.7	-15.9	-13.8		34.6	-5	19	-37	241	495
US (DXY; 5y UST)		102	0.0	0.6	0.8	3.0	4.0		4.85	1	8	-20	114	112

	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		4,042	-1.0	0.1	-7.2	-14.2	-12.7		5	0	3	-3	-2	
Korea*		5,938	-1.2	7.3	-13.2	45.3	40.9		24	-1	1	2	2	
Indonesia		5,098	-3.5	-5.4	-16.0	-37.7	-41.0		116	-15	19	43	41	
India		74,151	1.2	1.2	2.3	-12.1	-13.0		102	-2	17	24	26	
Philippines		5,706	0.9	-1.3	0.5	-3.8	-5.7		99	-12	15	42	37	
Thailand		1,545	-1.4	-0.7	-0.9	17.5	22.6							
Malaysia		1,611	-0.2	0.2	-2.4	-0.2	-4.1		66	-5	10	9	9	
Argentina		2,848,945	-0.4	0.0	2.4	1.7	-6.6		760	53	151	84	194	
Brazil		171,006	-2.7	-17.2	-7.0	15.1	6.1		183	16	11	-11	-16	
Chile		5,333	-0.8	-1.4	-3.9	10.0	-1.7		99	-4	5	9	9	
Colombia		2,506	0.0	-0.9	-2.1	25.7	21.2		224	-7	5	-29	-54	
Mexico		69,182	-0.8	-1.5	6.3	9.2	7.6		221	-4	11	11	2	
Peru		3,380	-0.1	-3.9	-5.4	41.1	30.8		117	-3	6	1	-12	
Hungary		146,787	1.0	2.4	-0.2	37.0	32.2		107	-7	4	-5	-25	
Poland		160,677	0.2	1.6	2.7	41.8	37.0		107	-8	11	28	19	
Romania		34,671	0.0	-1.0	12.5	53.3	41.9		198	-6	11	18	28	
South Africa		109,560	-0.2	1.0	0.1	-0.7	-5.4		203	-15	-2	-18	-12	
Türkiye		11,165	0.0	-3.6	-6.5	3.0	-0.9		253	-10	5	18	34	
EM total		64	-1.4	-0.1	-5.8	13.4	16.1		202	-7	17	1	4	

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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