GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, OCTOBER 3, 2025

LEAD EDITOR SANJAY HAZARIKA

- **US yield curve flattens on more hawkish market outlook for Fed** (link)
- **European equities at record highs** (link)
- **Rating upgrades surge due to improving credit profile in US corporate bond market** (link)
- **Japanese insurance companies face large unrealized bond losses as rates rise** (link)
- **Argentina continues FX intervention to support peso** (link)

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Global Markets Extend Rally to New Record Highs

A day after the S&P 500, the Nasdaq and the Dow all set new record highs, global markets continued their rally. Enthusiasm relating to artificial intelligence remains the dominant theme in many countries. Stocks were up in most bourses in Asia overnight and markets in Europe have extended their gains this morning, with euro area stocks poised to record new record highs. Korean stocks set a new record high today. US equity index futures have also opened higher, suggesting that more records could be set again by the end of the day. Government bond markets joined the rally, although US Treasuries lost some ground after yesterday's gains. The US government shutdown entered its third day, with little impact on market sentiment so far. However, there is some concern that the delay in publishing important market data such as non-farm payrolls (originally due to be released today) and CPI (due on October 15) could make the Fed's job harder when the FOMC meets on October 29. Meanwhile, Argentina continued its intervention in the FX market to support the peso.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
10/3/25 7:47 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6715	0.1	2	4	18	14
Eurostoxx 50		5646	0.0	3	6	15	15
Nikkei 225		45770	1.9	1	6	18	15
MSCI EM		54	0.5	2	8	16	29
Yields and Spreads					bps		
US 10y Yield		4.08	-0.4	-10	-14	23	-49
Germany 10y Yield		2.69	-0.8	-6	-5	55	32
EMBIG Sovereign Spread		285	-2	5	-15	-75	-40
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.0	0.0	0	1	0	7
Dollar index, (+) = $ appreciation		97.7	-0.1	0	0	-4	-10
Brent Crude Oil ($/barrel)		64.4	0.4	-8	-5	-17	-14
VIX Index (%, change in pp)		16.4	-0.3	1	0	-4	-1

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

Mature Markets

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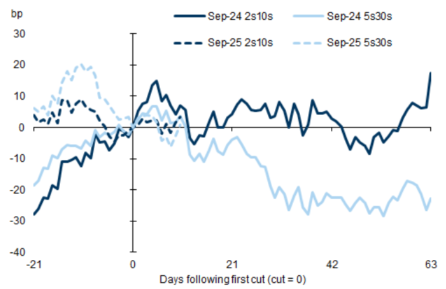
United States

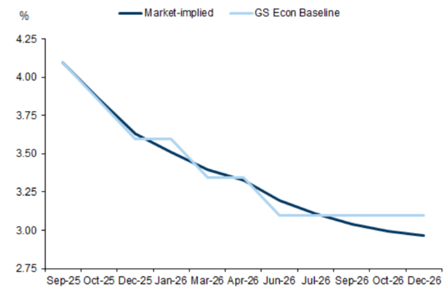
The steepening of the US yield curve has come to an end for the present, with longer maturity Treasuries rallying into and after the Fed's 25 bps rate cut on September 17. The benchmark 10-year yield briefly traded below 4% last week, and it has traded at the low end of the 4–4.30% range that has prevailed since the summer. Part of the curve flattening was also driven by the front end of the yield curve and the market recalibrating its Fed rate-cut expectations towards a slightly more hawkish outlook. The Fed Funds futures market is no longer fully pricing two rate cuts by the end of the year. A month ago, the market was pricing nearly three rate cuts by December. Contacts mentioned that low realized volatility in the market of interest rate swaptions was another factor keeping longer maturity rates low. However, history shows that rate cut cycles do eventually result in a steepening of the yield curve. Meanwhile, market participants are worried that a prolonged government shutdown and delayed releases of US jobs, CPI and other important data might make the Fed's job more difficult at the next FOMC meeting on October 29. A 25 bps rate cut is fully priced in.

Exhibit 1: Treasury curve steepening has stalled despite the Fed starting to cut rates
Change in 2s10s and 5s30s UST curves indexed to first cut



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

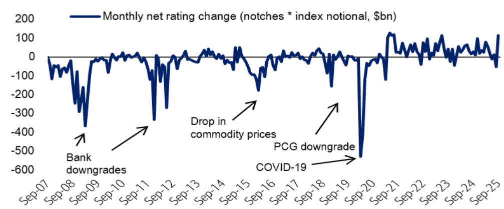
Exhibit 2: Market pricing broadly aligns with our economists' Fed baseline path
Market-implied Fed path vs GS econ baseline



Source: Bloomberg, Goldman Sachs Global Investment Research

Improvements in corporate credit profiles led to a surge of upgrades in the US investment grade (IG) corporate bond market. September saw $115 bn of credit upgrades, the largest monthly net volume since June 2021. In addition, 80% of all rating changes during the month were upgrades, which is an unusually high proportion. Strong balance sheets have kept IG spreads very tight in the face of very strong demand from investors. The supply of new bonds has been limited, as many IG-rated companies issued bonds in the low interest rate post-pandemic era and do not have to refinance for many years. In addition, the higher overall level of interest rates means that the outright yields on IG bonds are very attractive by historical standards. Based on the Bloomberg Aggregate US Corporate Bond Index, the average IG-rated five-year bond has a yield of 4.5%, which is very high in the post-global financial crisis world of low interest rates. Foreign investor demand is also very strong, with large inflows each month, mostly on a dollar-hedged basis.

Exhibit 1: IG net rating change was up in September, the strongest since June 2021
The net ratings change for September was a +$114.7bn upgrade (upgrades less downgrades, notional * notches), up from a net $52.1bn downgrade in August.

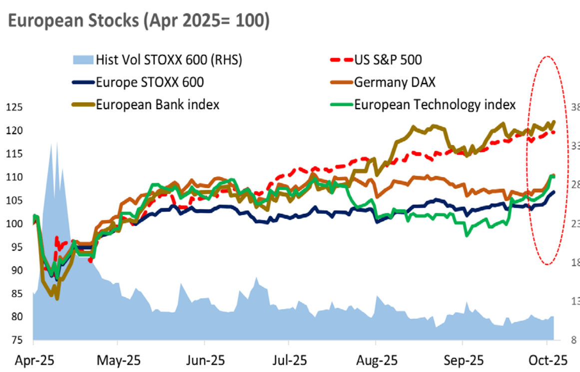


Note: net rating change equals upgrades less downgrades. Based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index C0A0.

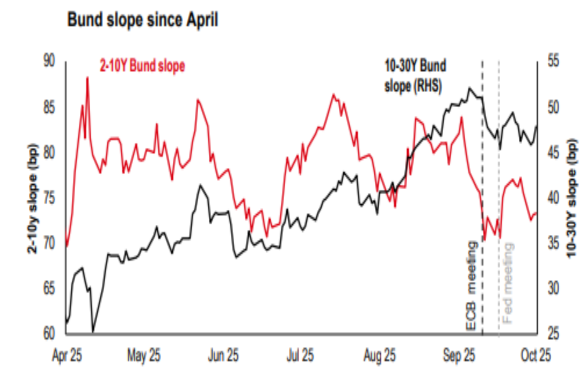
Euro Area

European equities continued to advance this morning, poised to close the week at a new record high. The Stoxx 600 index was up by 0.4%, with the banking (1.1%) and pharmaceutical (0.8%) sectors outperforming, while some profit taking dragged the information technology sector down by -0.3% after yesterday's strong gains. All European bourses traded in the green, with Spain (IBEX 35 index 0.8%) and Italy (FTSE MIB index 0.5%) outperforming after today's September services and composite PMIs surprised to the upside in both countries.

The euro also returned to edge marginally higher against the dollar this morning, to trade at around $1.1738/€, paring yesterday's afternoon losses and heading to close the week by 0.3% higher against the greenback. Yesterday, ECB Governing Council (GC) member Villeroy de Galhau called for policymakers to strengthen the international role of the euro, **including by increasing the issuance of EU safe assets**, while ECB Governing Council member Kazāks noted that the current policy rate of 2% was set at the appropriate level.

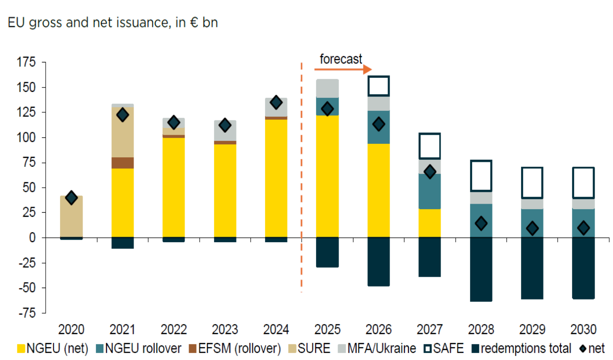


Source: Bloomberg and IMF calculations

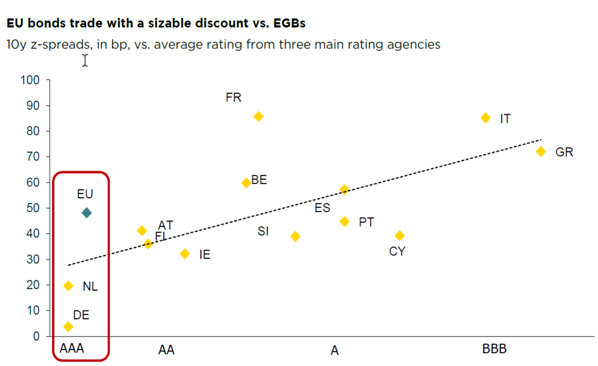


Source: Bloomberg, HSBC. Constant maturity RV yields used to remove the effect of benchmark resets

Analysts note that prospects for more EU issuance in the longer term are gradually emerging, with medium-term plans (2026–30 €150bn SAFE loans; 2028–34 EU budget €150bn "Catalyst Europe" program, €100bn Ukraine loans and €95bn Global Europe guarantees) lifting outstanding EU debt by roughly €450bn over the next decade. **Commerzbank** noted that EU bonds still trade at a premium of around 25–40bps vs similarly rated sovereigns such as France or Belgium, **expecting this spread to narrow** thanks to improved liquidity as the EU curve extends and investor base broadens, with the anchoring of repo markets to a new benchmark helping tightening asset swap spreads of other sovereigns.



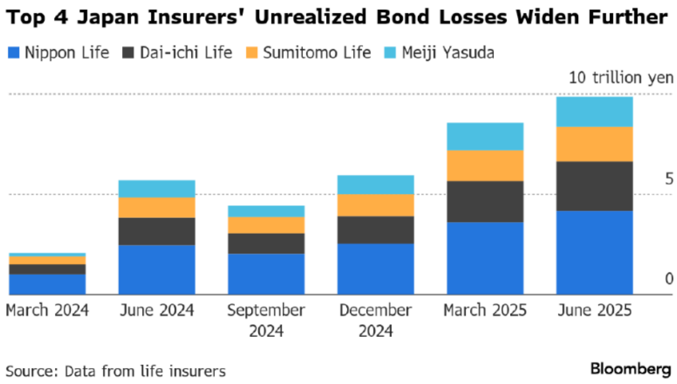
Source: European Commission, Commerzbank Research



Source: Moody's, S&P, Fitch, Commerzbank Research

Japan

Unrealized losses on Japanese life insurers surged due to significant increases in JGB yields. The yield for the 30-year JGB, one of the Japanese insurers' primary investments, has risen by nearly 90 bps year to date, from below 2.30% at the beginning of the year to 3.16% currently, near its highest level since 1999. Based on data from the insurers, the total unrealized losses on domestic bonds held by Japan's four biggest life insurers amounted to over ¥9.83 tn ($67 bn) as of the end of June. To avoid writing down these losses, Bloomberg reported that Sumitomo Life is promising to never sell these bonds unless they rebound to their purchase prices. Sumitomo Life held unrealized losses of ¥1.71 tn on domestic bonds at the end of Q2. Given increases in yields since then, unrealized losses are likely larger still**.** Meanwhile, the BOJ is next scheduled to meet on October 30. Traders are currently pricing in a 59% probability of a 25-bp rate increase at the meeting.



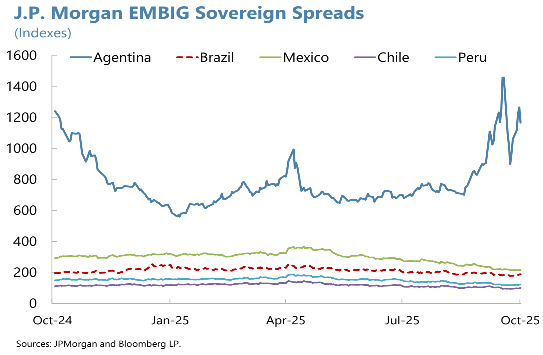
Emerging Markets back to top

EMEA equities continued to mostly edge higher while currencies were little changed. In CEE, equities traded in the green with Hungary outperforming (0.5%). The central bank of Egypt cut its policy rate by 100 bps to 21% yesterday as expected. **Asian markets remain relatively quiet with Korea and Chinese markets closed (National Foundation Day and Golden Week, respectively).** Optimism related to AI boosted Japanese and Taiwanese POC tech stocks with the Nikkei (+1.8%) and the TWSE (+1.5%) leading regional gains. Meanwhile, the Hong Kong Hang Seng fell as much as 0.9% intraday (-0.5% at day's close) following a three-day surge. Currency market movements were limited. **Latin American equity markets delivered mixed performances yesterday, with some facing headwinds while others posted gains.** The MSCI Latin America Index slipped by 1%. On the currency front, most regional currencies depreciated against the U.S. dollar and the Argentine peso continued its downward trajectory.

Argentina

Argentina stepped into the foreign exchange market on Thursday, selling U.S. dollars to stabilize its currency, which declined for the fourth consecutive day. According to Bloomberg, the central bank sold at least $70 million at a rate of 1,425 pesos per dollar. This intervention highlights ongoing currency pressures fueled by uncertainty surrounding President Milei's waning political support and clarity on the type of U.S. financial backing. Bond markets reacted with volatility after the U.S. Treasury Secretary stated clarifying that the aid package consists of a $20 billion currency swap line—not a direct investment. The offer hinges on Argentina canceling its existing $18 billion swap agreement with China. Currency swaps are financial arrangements in which two parties exchange foreign currencies at a fixed rate, serving as a hedge against future exchange rate fluctuations. Argentina's J.P. Morgan EMBI Global Index—a key gauge of sovereign risk—closed at 1,165 basis points, down 99 points from the previous day. Despite the dip, the index remains 30% higher than a week ago, signaling continued investor anxiety and growing fears of a potential default (Figure 1).

Figure 1. Selected Sovereign Spreads



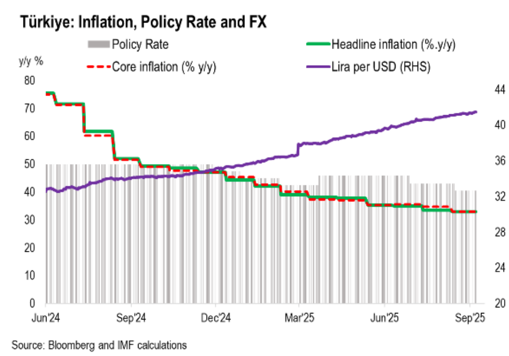
Brazil

Brazil's national development bank, BNDES, has joined forces with China's Export-Import Bank (CEXIM) to establish a landmark US $1 billion bilateral investment fund aimed at financing strategic initiatives in energy transition, infrastructure, mining, agriculture, and artificial intelligence. Under the agreement, BNDES will contribute **US$400 million**, while CEXIM will provide **US$600 million**, with the fund operating in **Brazilian reais**. Scheduled to launch in **2026,** the fund will deploy capital through **debt instruments and equity investments.** This initiative complements BNDES's broader international engagement, which includes strategic partnerships with **China, the European Union, and the United States** (see Figure 1).

Figure 1. Selected Strategic Partnerships

Country/Region	Focus Areas	Type	Size	Currency
China	Green transition, infrastructure, AI, agriculture, and mining.	Investment Fund	$1 billion	Brazilian reais
European Union	Renewable energy, Amazon development, water, and sewage infrastructure.	Credit line	€ 300 million	Euro
United States	Healthcare, innovation, green hydrogen, mining, semiconductors, and connectivity.	Co-investment	No fixed size	U.S. dollar

Türkiye



The lira was weaker (-0.2%) **against the dollar this morning**, trading at TRY 41.68/$, with equities again in the red (-1%) poised to close the week at -1.6%, after today's data showed **inflation slowing by less than expected in September**. Headline inflation printed at 33.29%y/y (vs. est. 32.45%) from 32.95% in August, with momentum increasing to 3.23%m/m in September (vs. est. 2.58%) from prior 2.04%m/m, and core inflation also slightly surprising at 32.54%y/y (vs. est. 32.10%) from prior 33%y/y. The domestic government bond yield curve bear-steepened, with the 2y and 5y yields up to respectively 36.41% (+51bps) and 33.51% (+32bps), while the 10y yield was little changed at 28.77%. **JP Morgan** expects Türkiye's disinflation to continue at a slower pace, given sticky services prices, with CPI averaging at 37% at the end of 2025, leading the central bank (CBRT) to lower its policy rate gradually from the current level of 40.5% to 37% by year-end. Analysts at **Bloomberg** revised their end-2025 inflation forecast up to 30% after today's surprise, expecting the CBRT to take the policy rate to 37.5% at year-end, above earlier projections.

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), 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.

Global Financial Indicators

	Level		Change				
10/3/25 7:48 AM	**Last 12m**	**Latest**	**1 Day**	**7 Days**	**30 Days**	**12 M**	**YTD**
Equities					**%**		**%**
United States		6,715	0.1	1.7	4.1	17.8	14
Europe		5,646	0.0	2.7	6.0	14.7	15
Japan		45,770	1.9	0.9	6.4	18.5	15
China		4,641	0.4	2.7	4.6	17.3	18
Asia Ex Japan		93	0.7	2.5	7.7	16.0	29
Emerging Markets		54	0.5	2.4	8.1	16.2	29
Interest Rates					**basis points**		
US 10y Yield		4.1	0	-10	-14	23	-49
Germany 10y Yield		2.7	-1	-6	-5	55	32
Japan 10y Yield		1.7	0	1	3	83	56
UK 10y Yield		4.7	-3	-6	-7	67	11
Credit Spreads					**basis points**		
US Investment Grade		114	-1	-2	-10	-13	-6
US High Yield		331	-1	4	-15	-24	3
Exchange Rates					**%**		
USD/Majors		97.7	-0.1	-0.4	-0.4	-4.2	-10
EUR/USD		1.17	0.2	0.3	0.7	6.5	13
USD/JPY		147.2	0.0	-1.5	-0.6	0.2	-6
EM/USD		46.0	0.0	0.2	0.6	0.1	7
Commodities					**%**		
Brent Crude Oil ($/barrel)		64.4	0.4	-7.0	-4.2	-13.8	-10
Industrials Metals (index)		150.0	0.5	3.2	4.8	-2.8	7
Agriculture (index)		54.6	0.5	0.7	-0.3	-6.3	-4
Gold ($/ounce)		3860.6	0.1	2.7	8.5	45.4	47
Bitcoin ($/coin)		120407.9	-0.3	8.6	7.3	98.1	28
Implied Volatility					**%**		
VIX Index (%, change in pp)		16.4	-0.3	1.1	0.0	-4.1	-1.0
Global FX Volatility		7.1	0.0	-0.1	-0.7	-1.6	-2.1
EA Sovereign Spreads					**10-Year spread vs. Germany (bps)**		
Greece		67	0	-2	-3	-32	-18
Italy		82	0	-2	-6	-52	-34
France		82	0	0	2	2	-1
Spain		54	0	-2	-6	-24	-15

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

Emerging Market Financial Indicators

Last updated: 10/3/2025 7:49 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	-0.1	0.2	-1.4	2.5		1.9	0	0	8	-20	22
Indonesia		16563	0.2	1.1	-0.9	-6.8	-2.6		6.2	-2	-4	-10	-34	-84
India		89	-0.1	-0.1	-0.8	-5.4	-3.6		6.8	-4	-9	-10	-19	-54
Philippines		58	0.4	0.5	-1.0	-2.6	0.2		4.8	0	-2	1	-3	-10
Thailand		32	0.2	-0.4	-0.3	2.3	6.1		1.5	0	2	16	-100	-79
Malaysia		4.21	-0.1	0.3	0.4	0.3	6.2		3.5	3	0	5	-27	-35
Argentina		1425	-0.1	-6.1	-4.5	-31.9	-27.6		57.9	93	590	1143	1743	2876
Brazil		5.34	-0.2	0.5	2.4	2.0	15.6		13.9	11	11	-6	149	-204
Chile		959	0.3	0.1	1.0	-4.1	3.9		5.4	0	-3	-4	47	-26
Colombia		3886	-0.1	0.5	3.1	7.7	13.4		11.3	0	-7	-33	124	-47
Mexico		18.39	0.2	-0.1	1.7	5.2	13.2		8.7	1	7	-19	-72	-160
Peru		3.5	0.0	0.8	1.8	6.8	8.1		6.0	-1	-12	-19	#VALUE!	-59
Uruguay		40	0.0	0.0	0.3	4.6	9.5		8.0	-2	-1	-9	-155	-168
Hungary		331	0.3	0.8	1.9	9.9	20.0		6.6	-2	-3	-22	49	15
Poland		3.62	0.3	0.6	0.6	7.8	14.0		4.9	1	-1	-1	-10	-67
Romania		4.3	0.1	0.1	0.4	4.1	10.8		7.3	0	-1	-16	82	1
Russia		82.1	0.3	1.9	-1.3	15.3	38.3							
South Africa		17.2	0.3	0.6	2.5	1.6	9.3		9.6	-1	-2	-44	-82	-92
Türkiye		41.68	-0.2	-0.5	-1.3	-18.1	-15.2		31.8	11	-14	-92	245	204
US (DXY; 5y UST)		98	-0.1	-0.4	-0.4	-4.2	-9.9		3.67	0	-10	-3	4	-72

	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		4,641	0.0	2.7	4.6	17.3	17.9		94	-12	-20	-30	-2
Indonesia		8,118	0.6	0.2	3.2	8.3	14.7		93	7	6	-3	2
India		81,207	0.3	0.1	0.6	-0.6	3.9		88	1	-6	-16	2
Philippines		6,109	1.1	1.4	-0.7	-18.2	-6.4		70	7	1	-13	-9
Thailand		1,294	0.4	1.2	2.3	-10.4	-7.6						
Malaysia		1,635	-0.2	1.6	3.6	0.3	-0.4		59	-2	-8	-18	-11
Argentina		1,808,661	2.5	2.3	-6.5	3.1	-28.6		1169	190	263	-114	532
Brazil		143,950	-1.1	-0.9	2.9	9.3	19.7		194	5	-7	-16	-53
Chile		8,900	-0.4	-1.4	-1.8	39.3	32.6		101	6	-2	-10	-12
Colombia		1,849	-0.8	-0.8	1.1	41.9	34.0		264	13	-16	-47	-62
Mexico		62,220	0.5	0.4	4.3	20.4	25.7		211	-1	-23	-89	-101
Peru		2,378	1.2	2.5	10.4	23.9	40.3		98	3	-7	-33	-43
Hungary		100,262	0.6	1.1	-2.8	38.0	26.4		132	8	-9	-21	-23
Poland		107,944	0.2	1.3	3.3	32.1	35.6		88	-4	-10	-18	-24
Romania		21,543	0.1	2.0	4.5	23.9	28.8		205	5	-12	10	-30
South Africa		109,270	1.1	2.4	7.6	26.4	29.9		261	6	-27	-15	-32
Türkiye		10,935	-1.3	-1.9	1.8	22.9	11.2		264	-1	-18	-22	5
EM total		54	0.5	2.4	8.1	16.2	29.3		291	-53	-70	-102	-73

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

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