



- Gold, Silver and Bitcoin extended gains amid US shutdown entering second week ([link](#))
- Solid investor demand absorbs corporate bond supply, limiting buildup on dealer books ([link](#))
- Fifth Third Bancorp to acquire Comerica, forming the ninth largest bank in the US ([link](#))
- French political risks continue to weigh on OAT and regional stock markets pricing ([link](#))
- Japanese yen continues to weaken as currency markets brace for the “Takaichi Trade” ([link](#))
- Brazil ETF draws biggest inflow since 2019 on tariff relief hopes after US-Brazil talks ([link](#))

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## Markets Move from Knee-Jerk to Nuance on Political Shifts

**Rising political risk remains the main theme shaping price action.** OAT yields rose and regional equities fell after snap election risks in France unsettled investors at the start of the week. The euro briefly continued to weaken before recovering some, as investors started to distinguish more clearly the wider euro area’s resilience from country-specific risks. In Japan, the yen extended its decline following the election outcome that brought pro-stimulus conservative LDP candidate Sanae Takaichi to power, though long-end JGBs recovered some after a well-received 30y auction. In the US, Treasury yields fell for a third straight session, with 10y yields down nearly 20 bps from recent highs. Long maturities remain range-bound near 4.75%. Today’s focus is on Fed speakers—Miran, Bostic, Bowman, and Kashkari—ahead of tomorrow’s minutes. With trade data likely delayed by the shutdown, market attention turns to NY Fed inflation and consumer credit surveys. Elsewhere, the euro area is considering halving import quotas and raising steel tariffs in response to Chinese overcapacity, while Germany’s Merz wants to roll back the EU’s ban on new petrol and diesel cars from 2035. Angola has started its first sale Eurobond sale since 2022.

Key Global Financial Indicators

Last updated: 10/7/25 8:39 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6740	0.4	1	4	18	15
Eurostoxx 50		5639	0.1	2	6	13	15
Nikkei 225		47951	0.0	7	11	22	20
MSCI EM		54	0.5	2	8	15	30
Yields and Spreads			bps				
US 10y Yield		4.17	1.2	2	9	14	-40
Germany 10y Yield		2.74	1.2	3	8	48	37
EMBIG Sovereign Spread		278	-2	-5	-19	-72	-47
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.9	-0.1	0	0	0	7
Dollar index, (+) = \$ appreciation		98.4	0.3	1	1	-4	-9
Brent Crude Oil (\$/barrel)		65.4	-0.2	-2	0	-19	-12
VIX Index (% change in pp)		16.5	0.2	0	1	-6	-1

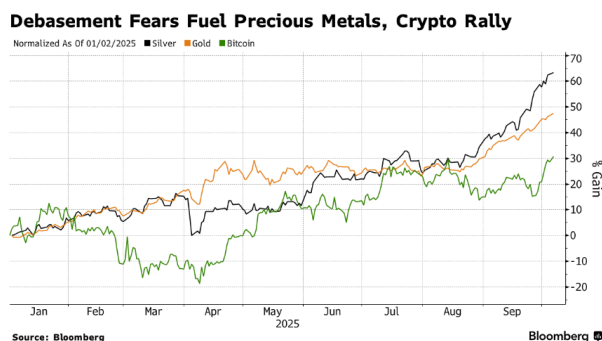
Colors denote **tightening/easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Mature Markets

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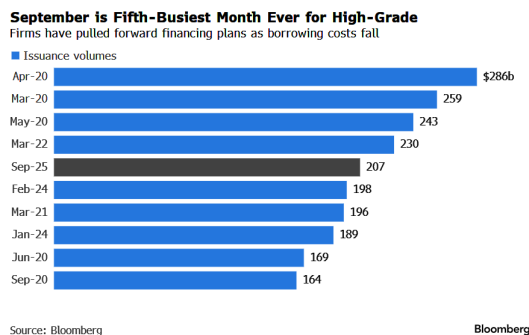
### Commodities

**Gold, Silver and bitcoin extend their rally.** Gold rose above \$3,940 per troy ounce, a new all-time high and now close to 50% year-to-date gains—on track for its best annual performance since 1979. According to market contacts, rising political risk and fiscal concerns are adding more legs to the rally as the United States government shutdown enters its second week. Investors continue to bet firmly on a dovish Federal Reserve delivering four rate cuts by end-2026—one more than the Fed's own guidance in the latest Summary of Economic Projections. An increasing number of strategists are recommending portfolio tilts into gold, with Morgan Stanley now suggesting a move from the traditional 60/40 equity-bond split to a 60/20/20 equity-bond-gold allocation. With market-based inflation expectations—measured by breakevens and inflation swaps—well anchored, these shifts are seen by some as a hedge against eroding central bank independence and rising fiscal dominance. Owning gold is argued to help investors manage those tail risks. Others urge caution as Gold produces no income, and in a true crisis, freezing storage facilities or placing moratoriums on retail sales could be straightforward. These market contacts point to historical precedents: in 1933 in the United States, in India in 1968, and in pre-reform China and the Soviet Union, where authorities imposed bans or confiscation.



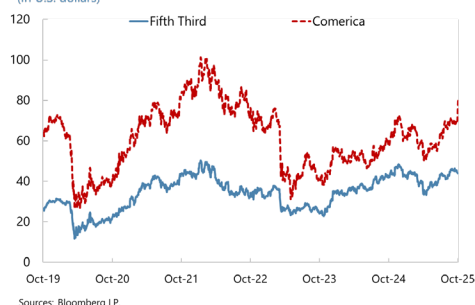
### United States

**Strong investor demand is supporting a large wave of corporate bond supply.** Companies borrowed \$207 bn in the investment-grade (IG) corporate bond market in September—the fifth largest monthly total on record (see chart). For October, Bank of America expects \$115 bn in additional IG issuance, the largest supply for the calendar month since 2021. Net supply for the week of October 6 is estimated at -\$11 bn, suggesting demand is outpacing issuance. This rapid absorption by end-users is also easing pressure on broker-dealer balance sheets, as intermediaries appear to be warehousing less inventory. The strong investor bid may reflect last-minute positioning ahead of the Federal Reserve's expected rate-cutting cycle. With rate volatility low and market yields now below average coupons, companies are calling older bonds and reissuing at lower yields—pulling forward refinancing activity. Some firms are also ramping up spending to support AI-driven growth, adding to the funding push.



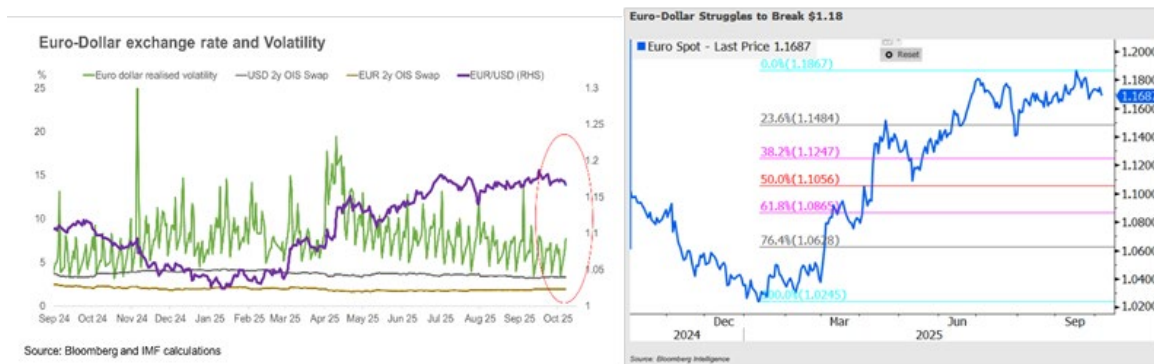
**Ohio-based Fifth Third Bancorp has announced plans to acquire Comerica, marking the largest U.S. bank merger of the year.** The all-stock transaction is valued at \$10.9bn, and the combined entity is set to become the 9th largest bank in the United States, with total assets nearing \$288bn. Comerica has come under increasing pressure in recent months over weak financial performance, drawing scrutiny from both investors and analysts. Under the terms of the deal, Fifth Third shareholders will hold 73% of the merged company, while Comerica shareholders will own 27%. The market reaction was swift: Comerica shares surged +13.7%, while Fifth Third's dipped -1.4%, suggesting a dilutive deal for the acquirer and value-creating for the target—a common pattern when the target is viewed as the main beneficiary. This deal adds to a wave of consolidation in the banking sector this year, joining other notable mergers such as Pinnacle Financial Partners with Synovus, PNC with FirstBank, and Huntington with Veritex Holdings.

**Fifth Third Bancorp Acquires Comerica**  
(In U.S. dollars)

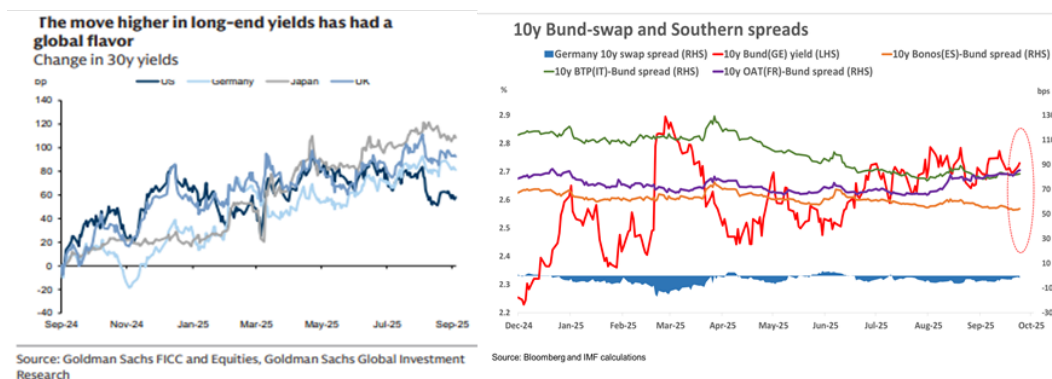


## Euro area

**This morning sees a softer euro and tepid stock markets as political risk in France keeps sentiment restrained.** The Stoxx 600 remains near 570 points, with banks edging lower and Italy's FTSE MIB outperforming (+0.3%) after yesterday's sharp French losses. The euro eased (-0.3%) to \$1.1675/€, with Commerzbank contacts viewing the move as driven by broader dollar strength rather than renewed France-specific stress. Bloomberg analysts, however, point to fading euro momentum, citing data that continue to highlight the strength of the US economy and the euro area lagging behind.



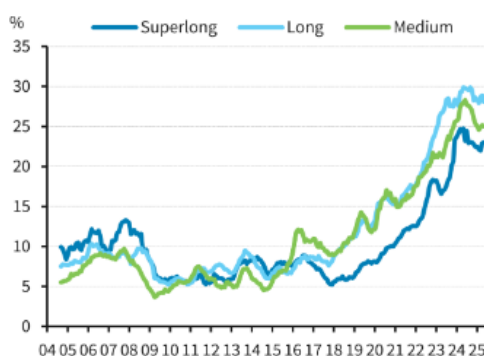
**OATs stay under pressure as sovereign spreads remain elevated.** European government bond yields edged higher, with the Bund curve slightly steeper while the 10y OAT-Bund spread held near 86 bps. Market contacts at HSBC warned that prolonged budget gridlock in France could threaten TPI eligibility. France's first-best investment-grade rating—which currently stands at AA- and six notches above the ECB's eligibility threshold—might come under scrutiny with the next scheduled reviews in a few weeks' time by Moody's on October 24 and S&P on November 28. Market contacts at UBS and ING expect the risk premium to stay elevated, projecting 30y OAT yields around 4.5%, while JP Morgan analysts note that ECB backstops continue to anchor investor confidence, containing broader contagion.



## Japan

**The Japanese yen continues to weaken as markets reprice for higher expected fiscal spending.** The currency's depreciation extended after a slump (-2%) on Monday and another decline today (-0.3%) to ¥150.73/\$. Long-term yields jumped +14 bps on Monday but later fell back from a daily peak of 3.36% after a well-received 30-year government bond auction. The newly elected LDP leader is seen to favor looser fiscal and monetary policy, fueling the “Takaichi trade”—expectations of large-scale stimulus, steeper curves, weaker yen, and a dovish Bank of Japan stance. The Nikkei 225 briefly touched its all-time high of 47,950 before closing flat. Market contacts at Barclays and SEB warn of parallels to the UK’s 2022 “Truss moment.” While Japan lacks the leveraged pension exposures that drove gilt volatility and does not face an external deficit, risks remain: weak domestic demand for long JGBs and heavy foreign participation (20–30%) could amplify any policy misstep.

Figure 8. Share of foreigners' in JGB trading volumes



## Emerging Markets

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**This morning, EMEA equities and currencies trade on country-specific news.** In CEE, equities advanced in Hungary (+0.5%) and Poland (+0.3%) while dropping in Czechia (-0.9%), where today’s August industrial production data disappointed at -4.2%/y/y (exp. 0.6% from 4.9%). Most CEE currencies remained flat except for the Hungarian forint, which was down by -0.8% to trade at HUF391.66/€. In Hungary, August industrial production data came in below expectations at -4.6% y/y (exp. -2.7% from -1.0%). In Türkiye, the lira remained firm against the dollar at TRY41.70/\$, while stock markets gained ground (+0.2%). In South Africa, the rand edged lower (-0.1%) towards ZAR17.19/\$ while stock market remained flat. Elsewhere, Angola has started its first sale of Eurobonds since 2022, inviting bids for 5y and 10y dollar debt, with initial yields reportedly at around 9.75% for the 2030 bond and 10.5% for the 2035 note.

### Asian currencies were range bound as AI optimism continues to propel stock market sentiment.

Taiwan POC stocks rose (+1.7%), boosted by AI optimism after the OpenAI–AMD deal. The Philippine peso outperformed, gaining some (+0.4%) against the US dollar despite a softer September CPI print of 1.7% y/y (exp. 1.9% from 1.5%). Bloomberg sees little chance of a rate cut at Thursday's central bank meeting, even with inflation below the 2–4% target. The Indonesian rupiah edged up (+0.1%), despite data showing that foreign reserves declined from \$150.7 billion to \$148.7bn in September. The Thai baht fell (-0.3%) ahead of Wednesday's expected 25bp rate cut and following a fiscal stimulus announcement. Markets in mainland China and Korea were closed for Golden Week and Chuseok holidays.

### Yesterday, Latin American currency markets remained range-bound while stock markets fell.

In FX, the Brazilian real and Colombian peso gained (both +0.5%), the Chilean peso rose (+0.3%), while the Mexican peso slipped (-0.2%). In equities, Mexico (-2.5%), Chile (-0.7%), and Brazil (-0.4%) led losses, while Colombia edged higher (+0.1%). Mexican equities dropped sharply after Grupo Mexico—roughly 6% of MEXBOL—plunged more than 15% following news of its surprise bid to acquire Citi-owned Banamex, a deal widely seen as risky and outside its core mining focus. Separately, Argentina's Economy Minister Luis Caputo met with US and IMF officials in Washington to discuss efforts to stabilize domestic financial markets.

## Brazil

**Optimism over a potential thaw in US-Brazil trade tensions has renewed interest in Brazilian equities.** Investors poured more than \$285mn into the iShares MSCI Brazil ETF (EWZ) last week—the first inflow since July and the largest since 2019—after renewed dialogue between President Lula da Silva and US President Trump at the UN General Assembly on Sept. 23 and again on a video call Monday, where Lula reportedly urged the 50% tariffs be lifted. Analysts caution that flows remain tentative pending concrete progress. The EWZ has gained +34% year-to-date, outpacing the MSCI EM Index (+27%).

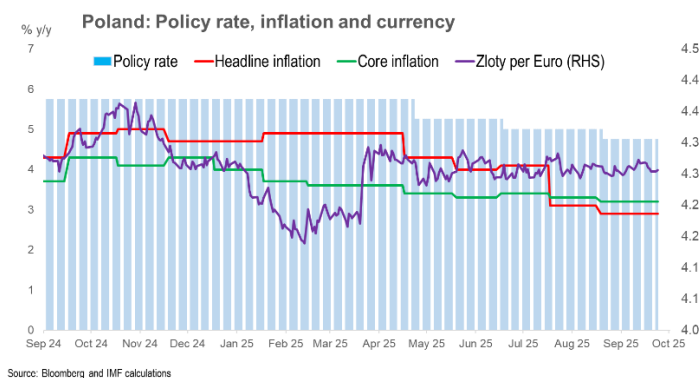
### Brazil ETF Sees Largest Weekly Inflow Since 2019

It also marks the first positive flow in three months



## Poland

**Narodowy Bank Polski faces a trade-off between easing too soon and staying restrictive for too long.** Latest price data released last month speaks to decelerating inflation with the flash estimate for September CPI released falling short of expectations and August producer prices notably contracting amid slowing wage growth and softer employment data. Markets remain calm ahead of tomorrow's meeting, with the zloty little changed, short-term yields flat, and equities rebounding after yesterday's losses. ING expects a close call, projecting one more -25bps cut in November and two in 2026, taking the policy rate toward 4%. Still, fiscal slippage and recent rating-outlook downgrades from Moody's and Fitch argue for caution. Finance Minister Domanski stated that interest rates remain among the EU's highest, even as inflation continues to drop.



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## Global Financial Indicators

10/7/25 8:40 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		6,740	0.4	1.2	4.0	18.3	15
Europe		5,639	0.1	2.0	6.0	13.5	15
Japan		47,951	0.0	6.7	11.5	21.9	20
China		4,641	0.4	2.7	4.6	17.3	18
Asia Ex Japan		94	0.5	2.9	7.6	13.9	30
Emerging Markets		54	0.5	2.4	8.0	15.0	30
<b>Interest Rates</b>			basis points				
US 10y Yield		4.2	1	2	9	14	-40
Germany 10y Yield		2.7	1	3	8	48	37
Japan 10y Yield		1.7	-1	4	11	75	58
UK 10y Yield		4.7	1	5	10	54	18
<b>Credit Spreads</b>			basis points				
US Investment Grade		114	0	0	-7	-10	-6
US High Yield		326	-1	0	-21	-9	-2
<b>Exchange Rates</b>			%				
USD/Majors		98.4	0.3	0.6	0.6	-4.1	-9
EUR/USD		1.17	-0.3	-0.5	-0.8	6.4	13
USD/JPY		150.7	0.3	1.9	2.2	1.7	-4
EM/USD		45.9	-0.1	-0.1	0.3	0.4	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		65.4	-0.1	-1.0	0.4	-14.6	-9
Industrials Metals (index)		151.1	0.2	2.6	6.5	-3.2	8
Agriculture (index)		54.2	-0.1	1.1	-0.4	-5.5	-5
Gold (\$/ounce)		3959.1	0.0	2.6	8.9	49.8	51
Bitcoin (\$/coin)		124359.8	-0.7	3.0	11.7	97.4	33
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		16.5	0.2	0.2	1.3	-6.2	-0.9
Global FX Volatility		7.0	0.0	-0.2	-0.7	-1.7	-2.2
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		68	1	1	-2	-29	-17
Italy		83	1	0	-1	-49	-33
France		85	1	3	7	8	3
Spain		54	1	0	-5	-22	-15

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

## Emerging Market Financial Indicators

Last updated: 10/7/2025 8:40 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	-1.5	2.5		1.9	0	-1	8	-20	22
Indonesia		16540	0.1	0.8	-1.4	-5.2	-2.6		6.2	-1	-3	-15	-45	-87
India		89	0.0	0.0	-0.6	-5.4	-3.6		6.8	-3	-11	-6	-36	-57
Philippines		58	0.4	0.1	-2.4	-2.3	-0.5		4.7	-4	-1	-1	-1	-14
Thailand		33	-0.2	-0.3	-2.0	2.9	4.9		1.5	0	-3	17	-103	-79
Malaysia		4.21	0.0	-0.2	0.1	1.7	6.1		3.5	-1	1	6	-31	-35
Argentina		1430	-0.4	-5.0	-0.8	-31.8	-27.9		55.4	-34	431	798	1543	2624
Brazil		5.31	0.5	0.2	2.0	3.4	16.3		13.9	-5	8	7	141	-203
Chile		962	0.3	0.5	0.8	-3.8	3.4		5.4	0	-2	0	28	-25
Colombia		3855	0.4	1.7	2.2	9.3	14.3		11.4	2	-1	-27	114	-45
Mexico		18.37	-0.2	-0.3	1.6	5.0	13.4		8.8	-1	2	-7	-86	-160
Peru		3.5	0.0	0.5	1.4	8.1	8.1		6.1	4	1	3	-38	-52
Uruguay		40	-0.1	-0.1	0.3	3.4	10.1		8.0	0	-1	-8	-148	-169
Hungary		336	-1.3	-1.1	-0.6	9.0	18.2		6.6	1	-1	-16	33	15
Poland		3.65	-0.4	-0.3	-1.0	8.0	13.3		4.9	2	1	7	-15	-64
Romania		4.4	-0.4	-0.7	-1.2	3.9	10.1		7.3	4	5	-13	83	5
Russia		82.2	1.0	0.8	0.6	16.9	38.1							
South Africa		17.2	-0.1	0.5	1.8	1.2	9.7		9.6	4	4	-34	-88	-87
Türkiye		41.70	0.0	-0.3	-1.1	-17.8	-15.2		32.5	21	39	-33	232	274
US (DXY; 5y UST)		98	0.3	0.6	0.6	-4.0	-9.3		3.75	1	1	16	-12	-64

	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	
									basis points					
China		4,641	0.0	2.7	4.6	17.3	17.9		92	-13	-21	-26	-4	
Indonesia		8,169	0.4	1.3	3.8	8.9	15.4		88	-2	-5	3	-3	
India		81,927	0.2	1.9	1.5	1.1	4.8		89	2	-3	-10	3	
Philippines		6,084	1.4	2.2	-1.1	-19.5	-6.8		67	1	-9	-5	-12	
Thailand		1,305	1.5	2.4	3.2	-10.1	-6.8							
Malaysia		1,630	-0.5	1.1	3.3	-0.3	-0.7		57	-4	-10	-18	-13	
Argentina		1,802,570	-0.1	0.5	-9.8	5.1	-28.9		1021	-98	107	-223	384	
Brazil		143,608	-0.4	-1.9	0.7	8.8	19.4		189	-1	-15	-13	-58	
Chile		8,832	-0.7	-1.8	-4.1	36.4	31.6		95	-3	-14	-12	-18	
Colombia		1,863	0.1	-0.5	0.0	42.3	35.1		255	-8	-11	-47	-71	
Mexico		60,404	-2.5	-3.5	-0.1	16.1	22.0		204	-8	-27	-83	-108	
Peru		2,408	0.0	1.6	11.2	23.9	42.0		94	-3	-12	-37	-47	
Hungary		100,367	0.4	1.5	-2.7	35.6	26.5		127	-2	-18	-18	-28	
Poland		107,862	0.7	1.4	2.2	31.5	35.5		89	-6	-15	-15	-23	
Romania		21,503	-0.2	0.8	3.5	21.2	28.6		198	-6	-18	10	-37	
South Africa		109,851	-0.1	1.8	8.2	27.3	30.6		253	-6	-37	-13	-40	
Türkiye		10,843	1.0	-1.5	1.1	20.1	10.3		259	-4	-23	-16	0	
EM total		54	0.1	2.4	8.0	15.0	30.3		287	-64	-70	-98	-77	

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

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