GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, OCTOBER 9, 2025

LEAD EDITOR: TIMOTHY CHU

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No Data, No Problem: Markets Still in Rally Mode with Earnings in Tow

Risk markets took a brief pause this morning but remain in rally mode, with U.S. equity futures flat, following global risk assets reaching record highs yesterday. Optimism around AI continues to support a "buy-the-dip" mentality, even as the U.S. government shutdown drags on and becomes potentially more protracted. Lower bond volatility and well received auctions this week also supported risk sentiment. In Europe, political concerns in France eased on avoidance of a near-term snap election, narrowing the 10-year OAT-Bund spread below 82 basis points, while in Japan, the 5-year JGB auction saw robust demand. Japan's Nikkei 225 climbed on "Sanaenomics" expectations, while China's CSI300 rose on AI enthusiasm despite weak data. Gold prices remain above $4,000/ounce amid official sector and ETF demand, and Bitcoin also hovered at record highs. Despite the rise in alternatives, the USD is near a two-month high, partially challenging the "debasement trade" story. In emerging markets, Argentina intervened for the seventh day to support the peso, while the Bangko Sentral ng Pilipinas unexpectedly cut rates by 25bps. Oil was steady after news of a Middle East peace deal between Israel and Hamas. Looking ahead, investors will be hyper focused on corporate earnings to justify lofty valuations and ongoing AI optimism and will parse Chair Powell's remarks this morning.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
10/9/25 8:14 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		6754	0.6	1	4	17	15
Eurostoxx 50		5659	0.2	0	5	14	16
Nikkei 225		48580	1.8	8	11	23	22
MSCI EM		54	0.8	1	6	19	30
Yields and Spreads				bps			
US 10y Yield		4.13	1.4	5	4	6	-44
Germany 10y Yield		2.69	1.1	-1	3	43	32
EMBIG Sovereign Spread		282	-1	-4	-19	-71	-43
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.0	0.1	0	1	1	8
Dollar index, (+) = $ appreciation		99.0	0.1	1	1	-4	-9
Brent Crude Oil ($/barrel)		65.9	-0.5	3	-1	-14	-12
VIX Index (%, change in pp)		16.5	0.2	0	1	-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 September FOMC minutes released Wednesday showed that officials broadly emphasized upside risks to their inflation outlooks, though most also judged that it would be appropriate to ease policy further over the remainder of this year. While almost all participants backed the September rate cut, a few officials saw merit in keeping the fed funds rate unchanged. Given the overall cautious tone of the minutes and communications by policymakers to uphold the Fed's inflation mandate, a large swath of analysts see two more rate cuts this year as not a done deal. Fed funds futures continue to imply around 45 bps of cuts by December, while Treasury 2-year yields were 2 bps higher for the day. Meanwhile, the dollar gained further against the Japanese yen, while equities reached all-time highs on Wednesday amid renewed enthusiasm for AI, with Nvidia (+2%) leading gains among the Mag7 and AMD (+11%) continuing its rise on OpenAI chip sale headlines. Gold, meanwhile, continues to rise for a fourth consecutive day after reaching $4,000 per ounce yesterday, with contacts attributing various factors—including geopolitical uncertainty, central bank purchases, diversification, and rate cut sentiment—as supporting its strength.

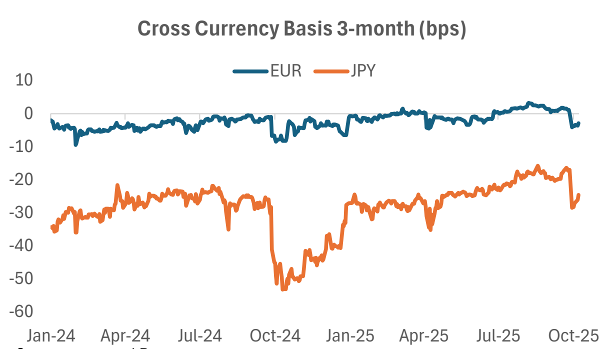
According to Goldman Sachs, the quality of the high-yield corporate bond index has significantly improved in recent years. First, the duration (i.e., remaining maturity) of the index has declined to nearly the lowest level in history. Second, the credit quality of the index has improved, with an abnormally high share of BB-rated bonds (the highest-rated category in the index) and a record low share of CCC-rated bonds (the lowest-rated category). Third, high-yield issuers have increasingly issued secured (collateralized) bonds rather than traditional senior unsecured debt securities. As a result, the high-yield index is now likely the safest it has ever been from a risk perspective. Given the lower risk, the 24-month rolling beta of high-yield bond excess returns to both stock market and investment-grade bond excess returns has trended lower since the global financial crisis. Despite tight spreads, risk-adjusted returns and the ratio of 24-month trailing index returns to their volatility are both currently above their 90th historical percentile

Exhibit 5: HY risk-adjusted returns are nearing all-time highs

The 24-month rolling ratio of HY average monthly total returns to the standard deviation of those returns

Source: Bloomberg, Goldman Sachs Global Investment Research

International dollar funding markets see a moderate widening of the dollar funding premium on seasonal factors. For major currencies such as EUR or JPY, the 3-month cross-currency basis against USD—the benchmark for the dollar funding premium in the international market—has recently widened to negative territory by 5–10 bps. Although the dynamics could reflect slightly higher dollar funding costs in US domestic money markets (see yesterday's GMM), these dynamics can be explained almost entirely by seasonal factors. Specifically, it reflects a change in the demand-supply balance of the FX swap markets in early October, when the three-month window extends beyond the calendar year-end, leading to a seasonal decline in the dollar liquidity provided by market participants. The extent of widening is more moderate compared to last year, indicating no sign of strain. In the medium-term horizon, analysts argue that the expected increase in USD FX hedges to protect against the prospect of a weakening US dollar could be a widening factor, as these hedges are typically executed by selling USD in the FX forward market, which in turn, pushes the basis more negative.

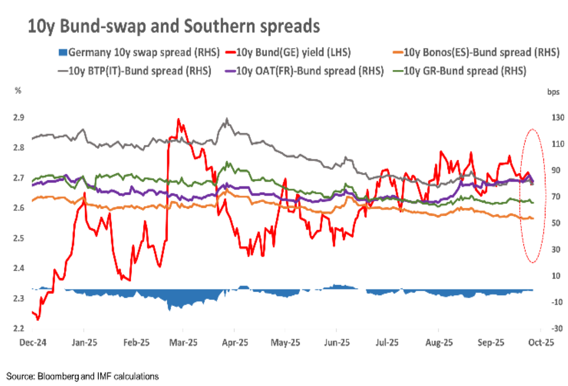


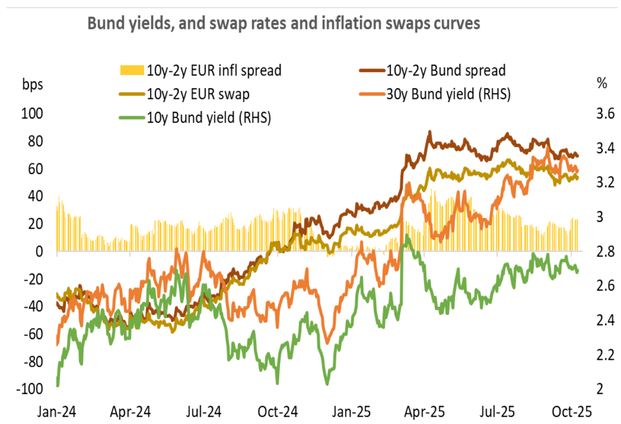
Source: Bloomberg LP

Europe

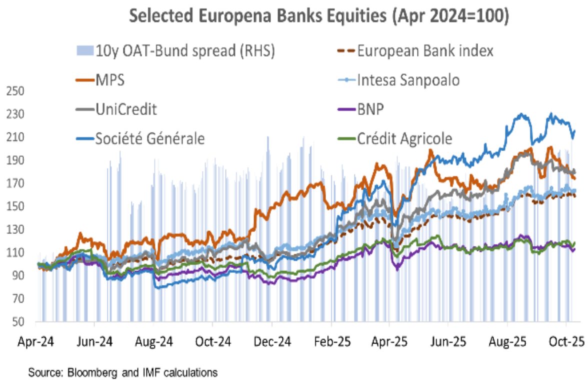
European equities edged marginally lower this morning, with the Stoxx 600 index 0.2% lower, dragged down by the banking sector (-1%). European bourses were mixed, with Italy underperforming (FTSE MIB -1%) while France (CAC 40 +0.2%) and Germany (DAX +0.3%) advanced. **The euro was slightly weaker** (-0.1%) **against the dollar,** trading at $1.1620/€. ING sees a calmer situation in France, where surveys indicate that the probability of snap elections has dropped from 70% to 37% after recent developments, giving temporary support to the euro along with the ECB minutes, to be published today, reaffirming that the policy rate is “in a good place.”

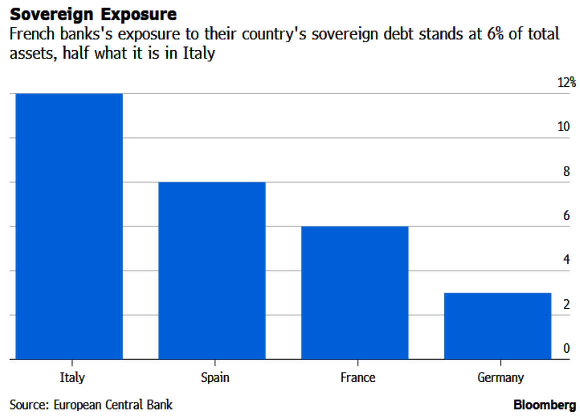
European government bonds (EGB) were little changed today, with the Bund yield curve continuing to marginally flatten on the very long end, as the 2y and 10y yields were firm at respectively 1.98% and 2.67%, while the 30y yield was a touch lower at 3.25%. Other EGBs outperformed Bunds across the curve, with the French OATs regaining ground the most as the 10y OAT-Bund spread narrowed by -2bps to 82bps (against the Italian BTP-Bund spread only fractionally lower at 79bps). The French political situation showed signs of improvement as outgoing PM Lecornu made positive statements yesterday about reaching a political compromise, hinting for a swift appointment of a new PM by President Macron by Friday evening, that would clear the way for a draft budget to be submitted to Parliament as soon as Monday next week.





Analysts at Bloomberg see manageable sovereign risk for French banks, noting that while the resignation of PM Lecornu caused initial losses, shares of major banks have recovered alongside the stabilization in French-German bond spreads (from Tuesday, BNP Paribas +0.6%, Crédit Agricole +2.6%, and Société Générale +0.9%). Jefferies believes that risks to French banks do not stem from direct sovereign exposure, but from indirect effects such as tighter funding conditions and weaker domestic activity. Allianz similarly notes that most French banks’ sovereign holdings are accounted for at amortized cost, limiting capital sensitivity to market swings. However, UniCredit highlights that foreign investors hold 55% of France’s sovereign debt, increasing volatility potential if political uncertainty endures. Carmignac also warns that France’s higher government borrowing costs could raise banks’ refinancing costs, narrowing net interest margins and constraining credit supply; they additionally expect slowing corporate investment and household spending to weigh on loan growth, with early signs of stress in consumer credit and SME lending reinforcing the need for cautious liquidity management by major French banks.





Japan

Strategists at leading brokerages have raised their year-end Nikkei 225 targets by about 10%, anticipating large-scale stimulus under newly elected ruling party leader Sanae Takaichi. Nomura lifted its forecast to 49,000 from 44,500, citing expectations of stronger corporate profits and "Sanaenomics," which could spur real growth and attract foreign inflows akin to rallies seen during the 2005 postal reform and "Abenomics" in 2012. Daiwa also upgraded its target to 49,000 from 44,000, while SMBC Nikko made a more cautious increase to 47,000 from 45,000, highlighting next-generation energy, cybersecurity, and defense sectors as key beneficiaries. Julius Baer is more bullish, projecting 50,000 and calling Japan "an attractive developed market," supported by AI-driven momentum, structural reforms, and a pro-growth, reflationary path under Sanaenomics.

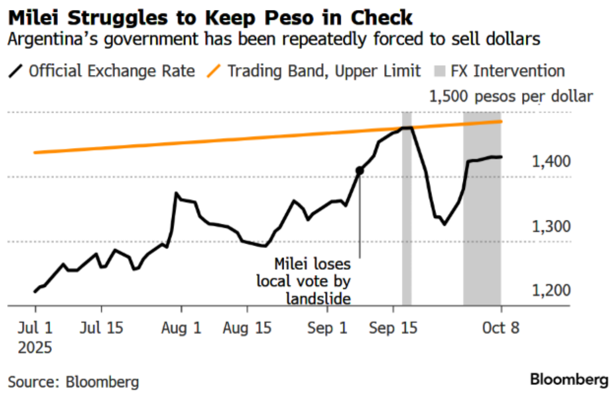
Overnight in Japan, equities advanced (Nikkei 225: +1.77%) on renewed AI sentiment, tracking US tech gains. Meanwhile, the yen weakened further against the dollar (-0.2%), raising expectations of intervention. Despite fiscal concerns, 5-year JGB sales drew solid demand, with a bid-to-cover ratio of 3.69, matching the 12-month average. However, signs of caution emerged: the tail widened to 0.06 from 0.03 in September, and the lowest price fell 5 pips below forecasts. The 5-year yield also remains near 1.2%, the highest since 2008.

Emerging Markets back to top

EMEA equities and currencies traded mixed this morning as investors await for a speech by Fed Chair Powell later today for clearer direction. **In CEE**, equities were largely in the green, while currencies were overall little changed against the euro. In Türkiye, the lira was firm against the dollar, trading at TRY41.72/$, with equities up by 0.3%. The rand continued to advance (0.3% today, 0.8%WtD) against the dollar, to trade at ZAR17.10/$, with stocks trading sideways this morning in South Africa. **EM Asian currencies mostly weakened against the dollar**, led by the Philippine peso (-0.54%) after the Bangko Sentral ng Pilipinas unexpectedly cut rates by 25bps to 4.75% to stimulate growth. The Indian rupee held steady as the Reserve Bank of India reportedly intervened in offshore markets, accumulating at least $15bn in short dollar positions via non-deliverable forwards in recent weeks. EM Asian equities were mixed, with the Hong Kong SAR slipping (HSI: -0.3%), pressured by HSBC Holdings Plc's plan to take its subsidiary Hang Seng Bank Ltd. private. **In Latin America, equities advanced broadly**, led by Mexico (+1%), while in FX markets, the Chilean peso (+1%) outperformed all EM peers on expectations of a more market-friendly congressional outcome later this year. In Mexico, the peso rose, with market sentiment improving after President Sheinbaum signaled progress on US trade talks and announced investments by Salesforce of $1bn in Mexican operations over the next five years.

Argentina

Argentina's government intensified efforts to defend the peso as pressure builds ahead of the October 26 midterm elections. The Treasury sold about $320mn on Wednesday, its seventh straight intervention, bringing total spot market sales to roughly $1.8bn and leading dollar deposits nearly depleted. Bloomberg reports that the central bank, restricted by its IMF program from using reserves directly, has turned to FX derivatives, taking $8bn (near its $9bn cap) in short dollar futures positions on the A3 exchange, Argentina's main interbank derivatives market. It has also added smaller trades on BYMA, the local stock exchange, and bilateral venues to curb devaluation bets. These indirect measures have drained peso liquidity, sending short-term local government Lecap yields to 87% from 51% a week ago, highlighting tightening funding conditions and doubts about the peso's sustainability.

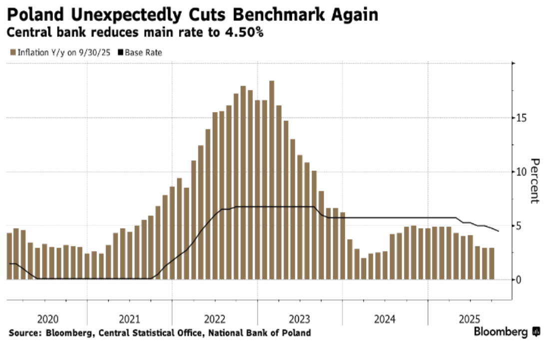


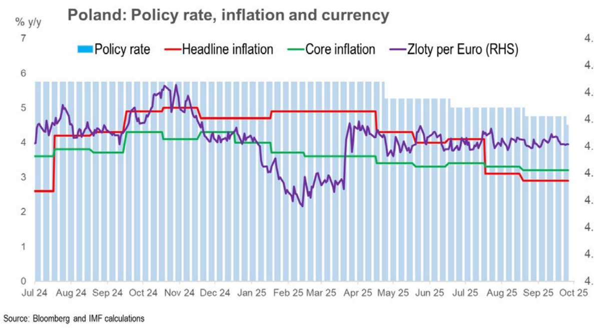
China

The stock market advanced (CSI300: +1.48%) as markets reopened after the eight-day golden week holiday, with renewed AI enthusiasm and gains in gold shares offsetting signs of weak consumer spending. Travel and consumer stocks declined after preliminary data showed soft demand. Sales at key retailers and restaurants rose +2.7% y/y during the holiday, according to the Commerce Ministry—less than half the +6.3% increase seen over May's Labor Day break. Average passenger traffic grew +6.2% y/y, based on the Ministry of Transport estimate, below the +8% rise during the five-day Labor Day holiday. Average spending per trip dropped to RMB 911 ($127.85), the lowest for this holiday season in the post-pandemic years, reflecting consumers' budget-conscious behavior. Meanwhile, China Securities Journal noted positive trends in sectors such as excavators, logistics, and SMEs, signaling "economic resilience and vitality." Despite the sustained rally, Bloomberg estimates that the MSCI China Index is trading below 13.5x forward earnings, far under the S&P 500's 23x, though some market contacts suggest high-growth tech firms remain attractive relative to global peers if earnings materialize. Today, the yuan depreciated slightly against the dollar (-0.1%), with the daily fixing at 7.1102 per dollar—slightly weaker than 7.1055 in the prior session but stronger than the 7.145 estimate.

Poland

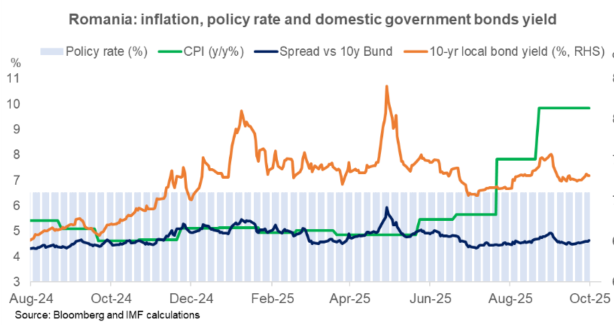
The zloty was firm this morning against the euro, remaining nearly flat week-to-date to trade at around PLN4.2553/€, after the central bank (NBP) surprised yesterday by cutting its policy rate by 25bps to 4.50%. The NBP justified its decision as an adjustment to "an improved inflation outlook for the coming period," after inflation softened to 2.9%y/y (NBP's target 2.5% ± 1%) in September and in August, on the back of a freeze on electricity prices. Bank Millennium saw the cut as hawkish, stressing that the NBP did not provide hints for a longer easing cycle. ING believe that the NBP will be reluctant to signal more cuts in 2025 and expects the policy rate to reach a terminal level of 4% only by mid-2026. Goldman Sachs forecasts a lower terminal rate of 3.5%, also by mid-2026, expecting disinflationary pressures from subdued domestic demand and a strong zloty (+0.6% on the euro, and +11.5% on the dollar year-to-date). The yield on 10-year government bonds dropped by 4bps to 5.46% yesterday.





Romania

The **leu continued steady against the euro, trading at around RON5.09/€** (-0.1% week-to-date)**, after the Romanian central bank (NBR) kept its policy rate unchanged at 6.50% yesterday,** for the ninth consecutive meeting, in line with expectations**.** The NBR has been holding the rate over the past year in anticipation of possible inflationary impacts from the fiscal consolidation measures needed to redress a public deficit of 8.4% of GDP in 2025, including a VAT hike, excise duties, and expiry of electricity price caps. The NBR expects inflation to "decrease very slowly" in the coming months after climbing to 9.9%y/y in August, while recent data suggest a near-stagnation of economic activity in 2Q (GDP: 0.3%y/y). Goldman Sachs expects the NBR to maintain a cautious stance and keep rates on hold until at least Q1 2026. JP Morgan similarly sees a prolonged pause, projecting the first rate cut no earlier than August 2026; they note, however, that excess liquidity in the financial system (estimated at RON 21bn) could push money market rates below the policy rate, providing some indirect easing.



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Global Financial Indicators

10/9/25 8:14 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities					%		%
United States		6,756	0.6	0.6	3.7	16.6	15
Europe		5,659	0.2	0.2	5.4	13.6	16
Japan		48,580	1.8	8.1	10.8	23.4	22
China		4,709	1.5	3.1	5.9	17.8	20
Asia Ex Japan		94	0.6	1.4	5.7	18.5	30
Emerging Markets		54	0.8	1.2	6.4	18.6	30
Interest Rates					basis points		
US 10y Yield		4.1	1	5	4	6	-44
Germany 10y Yield		2.7	1	-1	3	43	32
Japan 10y Yield		1.7	1	4	12	76	60
UK 10y Yield		4.7	2	2	11	55	16
Credit Spreads					basis points		
US Investment Grade		114	0	0	-7	-8	-6
US High Yield		332	0	1	-9	-7	4
Exchange Rates					%		
USD/Majors		99.0	0.1	1.1	1.2	-3.8	-9
EUR/USD		1.16	-0.2	-0.9	-0.8	6.1	12
USD/JPY		152.8	0.1	3.8	3.7	2.4	-3
EM/USD		46.0	0.1	0.2	0.7	1.2	8
Commodities					%		
Brent Crude Oil ($/barrel)		65.9	-0.5	2.8	-0.3	-10.6	-8
Industrials Metals (index)		153.9	1.5	3.1	8.3	2.9	10
Agriculture (index)		54.4	-0.1	0.2	-0.7	-4.5	-5
Gold ($/ounce)		4040.8	0.0	4.8	11.4	55.0	54
Bitcoin ($/coin)		123091.1	0.2	0.9	10.4	103.8	31
Implied Volatility					%		
VIX Index (%, change in pp)		16.5	0.2	-0.1	1.5	-4.3	-0.8
Global FX Volatility		7.3	0.0	0.2	-0.5	-1.2	-1.9
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		66	0	-1	-1	-29	-19
Italy		79	-1	-3	-3	-51	-36
France		82	-2	0	1	5	-1
Spain		54	0	0	-5	-22	-16

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

Emerging Market Financial Indicators

Last updated: 10/9/2025 8:15 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	0.0	0.0	-0.6	2.5		1.9	0	0	5	-22	22
Indonesia		16545	0.1	0.3	-0.4	-5.6	-2.7		6.1	-3	-10	-18	-60	-92
India		89	0.0	-0.1	-0.8	-5.4	-3.6		6.8	3	-8	-7	-29	-58
Philippines		58	-0.5	-0.3	-2.2	-2.1	-0.7		4.8	4	0	1	-6	-10
Thailand		33	-0.2	-0.7	-2.8	2.6	4.6		1.6	3	2	20	-104	-76
Malaysia		4.22	0.0	-0.2	-0.3	1.5	6.1		3.5	0	6	10	-28	-32
Argentina		1430	0.0	-0.4	-0.8	-31.9	-27.9		59.1	243	215	673	1870	2998
Brazil		5.33	0.2	0.1	2.0	4.9	15.8		14.0	-4	17	16	156	-198
Chile		947	0.4	1.5	2.2	-1.6	5.0		5.4	-2	-1	1	22	-27
Colombia		3892	-0.4	-0.3	1.2	8.6	13.2		11.4	1	1	-25	111	-46
Mexico		18.32	0.1	0.6	1.7	6.4	13.7		8.8	1	2	-2	-90	-158
Peru		3.4	0.5	0.8	1.9	8.7	8.6		6.1	-1	8	3	-41	-51
Uruguay		40	-0.3	-0.4	-0.1	3.9	9.7		7.9	-9	-10	-15	-162	-176
Hungary		337	0.0	-1.4	-0.3	8.3	18.0		6.5	-1	-4	-19	32	12
Poland		3.66	-0.2	-0.8	-1.0	7.2	12.7		4.9	-4	0	3	-26	-69
Romania		4.4	-0.2	-1.1	-1.3	3.7	9.5		7.3	-2	4	-17	79	5
Russia		81.4	0.0	1.2	2.9	19.2	39.5							
South Africa		17.1	0.3	1.1	2.6	3.2	10.2		9.5	-7	-8	-45	-104	-99
Türkiye		41.72	-0.1	-0.3	-1.1	-18.0	-15.3		32.5	8	87	-74	237	280
US (DXY; 5y UST)		99	0.0	1.1	1.2	-3.9	-8.8		3.73	1	6	11	-19	-65

	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		4,709	1.5	3.1	5.9	17.8	19.7		92	-5	-21	-25	-4
Indonesia		8,251	1.0	2.2	7.2	10.3	16.5		89	-4	-10	-3	-2
India		82,172	0.5	1.5	0.9	0.7	5.2		88	-1	-6	-7	2
Philippines		6,057	-0.7	0.3	-1.0	-18.3	-7.2		68	-2	-8	-10	-11
Thailand		1,314	0.7	2.0	2.8	-10.5	-6.2						
Malaysia		1,630	0.1	-0.5	2.4	-0.7	-0.8		57	6	-9	-17	-13
Argentina		1,819,464	1.4	3.1	5.3	2.7	-28.2		1076	-192	-38	-113	439
Brazil		142,145	0.6	-2.3	0.4	9.4	18.2		194	2	-14	-11	-53
Chile		8,909	0.9	0.1	-0.8	36.2	32.8		97	-2	-13	-16	-16
Colombia		1,875	0.9	1.4	0.4	44.1	35.9		255	-9	-9	-51	-71
Mexico		60,889	1.1	-1.7	0.3	17.4	23.0		208	-3	-24	-90	-104
Peru		2,444	3.1	3.9	14.2	28.4	44.2		95	-2	-11	-42	-46
Hungary		101,478	-0.3	1.8	-1.1	37.1	27.9		132	0	-14	-14	-23
Poland		108,608	0.3	0.8	1.8	31.1	36.5		90	-3	-15	-17	-22
Romania		21,673	0.3	0.7	5.4	22.7	29.6		206	-2	-13	16	-29
South Africa		111,223	0.2	2.9	7.7	30.3	32.3		255	-5	-34	-13	-38
Türkiye		10,751	0.0	-3.0	2.5	17.7	9.4		261	-4	-29	-16	2
EM total		54	0.3	1.2	6.4	18.6	30.3		290	-2	-79	-97	-74

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

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