GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, SEPTEMBER 1, 2026
LEAD EDITOR: TIMOTHY CHU

- **Treasury sell-off resumes, buybacks may offer little relief** (link)
- **Higher US term premia seen driving Europe's long-end selloff this summer** (link)
- **Benchmark 10yr JGB yield reaches a 30-year high amid deepening global sell-off** (link)
- **High real rates keep Latin American currencies on top of carry trade** (link)
- **Markets see EMEA central banks retaining policy flexibility despite higher US yields** (link)

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Global Bonds Continue to Sell off as Oil Climbs

Yields across the globe moved higher overnight as oil prices continued to climb. The start of September sees yields continue to grind higher, with the US 10- and 30-year Treasury yields rising another 3 bps to 4.78% and 5.27%, respectively, while other global yields rose in sympathy. In Japan, the 10-year note passed the psychologically important 3% level, its highest in 30 years, while in Australia, the 10-year yield reached a 15-year high of 5.18%. The global rise in yields comes amid signs of further escalation in the Middle East, following reports of attacks on oil supertankers by Iran in the Strait of Hormuz. Brent oil futures extended yesterday's gains, climbing above $92/bbl. Hawkish central banks and sticky inflation prints, including out of the euro area, are lifting yields, while traders pointed to mounting fiscal concerns as weighing on longer-dated bonds. The US dollar was incrementally stronger overnight versus both majors (+0.2%) and EMs (+0.1%), the latter facing pressure from widening spreads. In equity markets, global bourses are in the red. S&P500 futures point to a lower open (-0.5%), with tech stocks lagging yesterday amid the global bond rout. While equities have been relatively resilient, some contacts are questioning whether the earnings growth story has peaked and whether higher rates will begin to impair the AI capex cycle, especially as hyperscalers increasingly turn to long-duration debt or off-balance-sheet financing.

Key Global Financial Indicators

Last updated: 9/1/26 7:50 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		7686	-0.3	0	3	19	12
Eurostoxx 50		6377	-0.7	-1	0	19	10
Nikkei 225		66215	-0.1	1	3	56	32
MSCI EM		67	-0.2	1	5	34	23
Yields and Spreads				bps			
US 10y Yield		4.78	3.0	15	5	55	61
Germany 10y Yield		3.35	2.2	15	14	60	49
EMBIG Sovereign Spread		234	0	-7	-10	-63	-19
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.4	-0.1	-1	-1	1	0
Dollar index, (+) = $ appreciation		99.6	0.2	1	0	2	1
Brent Crude Oil ($/barrel)		91.8	1.4	4	2	35	51
VIX Index (%, change in pp)		15.8	0.9	0	0	0	1

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: 9/1/26 7:49 AM	Level Last 12m	Level Latest	Change from Market Close 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		92	1.5	4	2	35	51
WTI Crude Oil ($/barrel)		88	2.0	6	3	37	52
Natural Gas (Netherlands TTF)		71	2	4	23	121	163
Breakeven Inflation		%	bps				
USD: 2Y		2.5	0.5	8	23	-60	17
USD: 5Y		2.5	1.1	3	9	-22	16
USD: 5Y5Y		2.4	-1	-2	0	-7	-3
EUR: 2Y		2.7	21.0	29	45	92	106
EUR: 5Y		2.4	9	14	23	50	58
EUR: 5Y5Y		2.2	0	2	2	5	8

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

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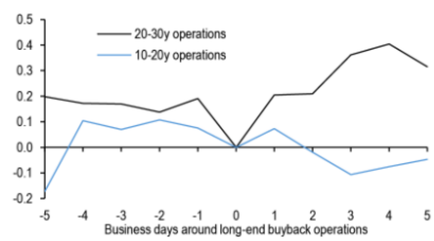
United States

As Treasury sell-off resumes, buybacks may offer little relief. Renewed oil pressures extended the sell-off in US Treasuries, pushing the 10yr yield to 4.75%, its highest level since January 2025. At the same time, skepticism is growing over the effectiveness of debt buybacks. Recent JPMorgan analysis suggests that the Treasury's planned expansion of buyback operations could provide modest, temporary support to the 20yr sector on operation days by removing duration from the market, though such effects have typically faded in subsequent sessions. Larger buybacks could strengthen the immediate impact, while more frequent operations may help smooth market reactions and limit subsequent unwinding. Goldman Sachs analysts also argue that buybacks do not address the underlying macro risks driving higher long-end yields. Overall, analysts signal limited confidence that larger buybacks can materially reduce term premia without broader fiscal reform.

Figure 5: The 20-year sector has tended to richen on the fly on the day of long-end buybacks, though this impact has been short lived on average

Average change in 10s/20s/30s Treasury butterfly in the business days around long-end Treasury buybacks*; bp

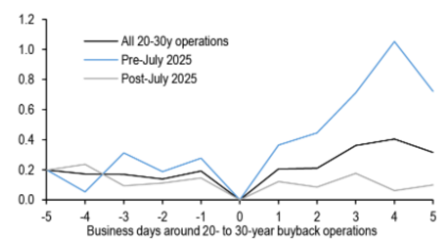


* Over the life of the buyback program, there have been 26 20- to 30-year operations, and 25 10- to 20-year operations

Source: J.P. Morgan

Figure 6: The impact on the 20-year sector has been less pronounced after Treasury doubled the frequency of the operations

Average change in 10s/20s/30s Treasury butterfly in the business days around long-end Treasury buybacks*; bp

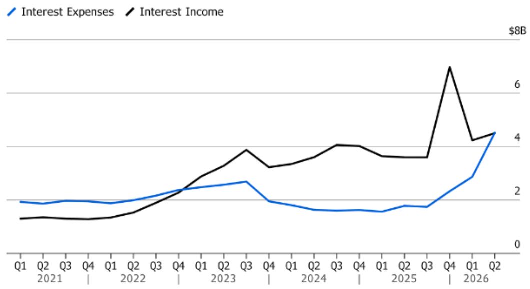


* 9 buybacks were conducted prior to August 2025, while 17 buybacks have occurred since

Source: J.P. Morgan

Higher yields challenge tech stocks on the back of rising funding costs. Equities closed the month on a weaker note, as markets repriced rate expectations following Chair Warsh's Jackson Hole comments and renewed Middle East tensions. Despite a positive August on net, equities have struggled to sustain momentum, with rising Treasury yields reigniting concerns about the impact of higher discount rates on valuations, particularly for large technology companies whose valuations rely heavily on future earnings. Those firms had until recently been relatively insulated, as substantial cash holdings generated interest income that broadly offset higher borrowing costs. This cushion is now weakening as cash is drawn down to fund elevated capital expenditures, while debt levels continue to rise at higher financing costs. Although robust earnings growth and upbeat guidance from companies such as Nvidia continue to support the sector in the short term, the combination of thinner liquidity buffers and rising debt costs suggests that interest rates could become a more important driver of technology valuations going forward.

Interest Income Offsets Debt Costs for Big Tech
Quarterly sum of Magnificent Seven interest income versus expenses



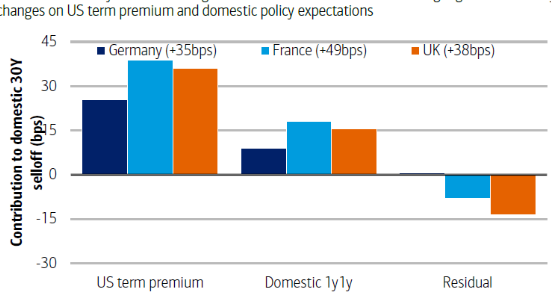
Source: Bloomberg

Euro area

European sovereign bonds joined the global selloff as higher oil prices reinforced inflation concerns and pushed markets toward a higher-for-longer rate outlook. The 10yr gilt yield rose 10 bps to 5.24%, its highest level since 2008. Moves in euro area sovereign curves were more limited, with the 10yr Bund yield advancing 3.5 bps. A September ECB hike is now fully priced, while the market-implied probability of a September BoE hike stands at only 14%. The euro area data calendar was relatively busy today. Following yesterday's lower-than-expected German flash CPI print for August, euro area inflation came in as expected at 3.3% y/y. The unemployment rate stood at 6.4% in July, slightly above the 6.3% expected. Manufacturing PMIs for Spain and Italy were slightly weaker than expected and fell to just below 50. Risk assets extended yesterday's losses, with the STOXX Europe 600 falling 0.8%. The euro weakened 0.2% against the US dollar to just below $1.16.

The rise in the US term premium was the dominant driver of Europe's long-end selloff this summer, Bank of America (BofA) writes. Spillovers appear particularly strong at the 30yr point. BofA estimates that the increase in the US term premium contributed around 25 bps to the 35 bps rise in German 30yr yields and 36 bps to the 38 bps rise in the UK, while shifts in domestic policy expectations accounted for much of the remainder. The sensitivity of European long-end yields to the US term premium has also risen toward the upper end of its recent range, while 10s30s curves tend to exhibit greater co-movement with the US curve when US 30yr yields are elevated. BofA therefore expects US long-end spillovers to remain sizeable and sees renewed steepening risks for EUR 10s30s, particularly as European government bond supply picks up seasonally in September. This morning, the 30yr gilt yield increased by 11 bps to 5.90%, its highest level since 1998.

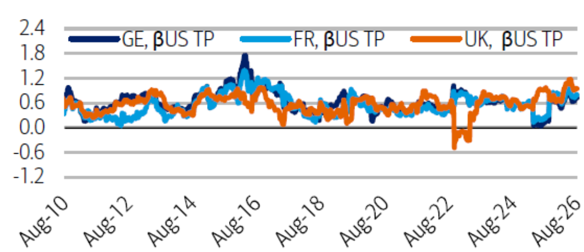
Chart of the day: Europe's 30Y summer 2026 sell-off was mostly attributed to rises in US term premium, showing considerable spillover from the US
Attribution of 30Y yield selloff using latest fitted values of a 26-week rolling regression of 30Y yield changes on US term premium and domestic policy expectations



Source: Bloomberg, BofA Global Research. The term premium is calculated as the residual of a regression of the 30Y bond yield on the policy rate and the 1y1y – policy rate slope. Regression covers 2 Jul 2010 - 21 Aug 2026. Attribution covers the absolute yield change in 30Y from 29 Jun 2026 – 21 Aug 2026. R^2: DE 0.72, FR 0.81, UK 0.85.

BofA GLOBAL RESEARCH

Exhibit 4: Europe's sensitivity to US TP is at high levels on a rolling basis
Rolling US TP beta, by country regression



Source: BofA Global Research, Bloomberg. Rolling regression runs from 2 Jul 2010 - 21 Aug 2026.

BofA GLOBAL RESEARCH

Japan

The benchmark 10yr JGB yield reaches a 30-year high amid a deepening global bond sell-off. The 10yr yield rose 6 bps to 2.996%, touching the psychologically significant 3% level for the first time since 1996 as domestic interest rates normalize. Notably, the current level is double that seen just a year ago. Although higher yields could impose mark-to-market losses on existing JGB holdings, analysts also expect rising yields to spur investment into JGBs. Nomura Research Institute, for example, expects repatriation from Japan's life insurers to domestic markets at yield levels of 3% or higher. Meanwhile, foreign investors have become a larger part of the JGB market. While the BOJ still holds a large portion of JGBs, global funds have become increasingly active in the market. By Bloomberg's estimate, international investors currently make up about two-thirds of monthly cash JGB transactions, up from 12% in 2009. Yields on other segments of the JGB curve, including the 2-, 30-, and 40-year bonds, are also 6 to 7 bps higher on the day. The yen is little changed on the day, down 0.1% against the dollar.

Other Advanced Economy Markets

The **Australian** 10yr government bond yield jumped as much as 10 bps to 5.19%, the highest since July 2011, while the 3yr note rose 7 bps to 4.73% as investors increased bets that the RBA could hike interest rates again soon. In **Israel**, the Bank of Israel will announce its interest rate decision later today. Economists surveyed by Bloomberg are evenly split between a hold at 3.5% and a 25 bp cut to 3.25%. The Bank is seen as facing a dilemma between cutting rates as inflation remains subdued and the shekel remains strong, or holding amid robust growth, looming fiscal pressures, and a more hawkish global monetary backdrop. In **Korea**, the authorities plan to issue up to KRW 222.8 tn, or USD 162.7 bn, of government bonds in 2027 to help repay maturing debt, while spending next year is expected to jump substantially to KRW 820.9 tn, or USD 599.3 bn, according to Bloomberg. The yield on the 3yr Korean sovereign note rose 5 bps to 3.89%, while the 10yr note rose 8 bps to 4.39%.

Emerging Markets back to top

EMEA bonds came under pressure as rising expectations of a September Fed hike spilled into local rates, with South Africa's 10yr yield jumping 10 bps to 8.84%. EMEA currencies were generally softer, including the Hungarian forint, which weakened by 0.7% versus the US dollar. Wider EM sovereign spreads pointed to some deterioration in risk sentiment. Despite the volatility and yield increases in global bond markets, Saudi Arabia is reportedly returning to the primary market with benchmark-sized US dollar-denominated sukuk issuance at the 5- and 10yr maturities, possibly pricing later today.

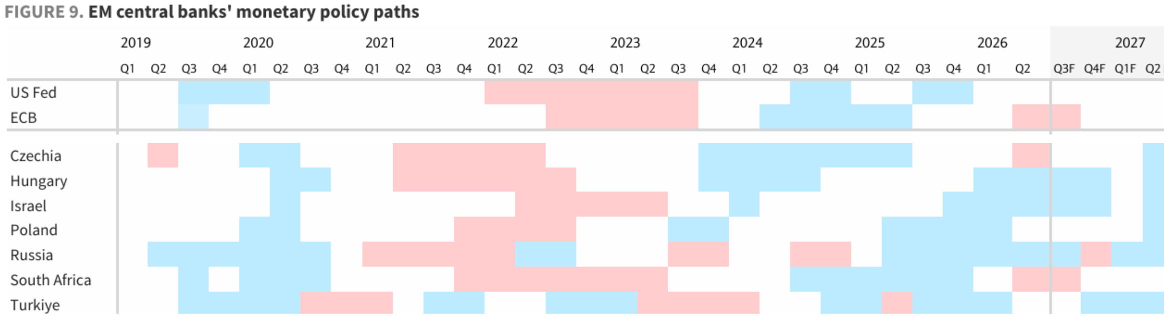
Asian bond yields rose, tracking the move in Treasuries. Meanwhile, Asian currencies broadly weakened modestly as the US dollar strengthened. Equity markets in the region were largely in the red, with the Hang Seng (0.9%) index the biggest underperformer.

Latin American equities were mixed, with Brazil (+1%) advancing, Colombia (-1.3%) and Chile (-1.1%) declining, and Mexico little changed. The Colombian peso (-0.6%) led FX losses for a sixth straight session. The Chilean peso softened, while the Mexican peso and Brazilian real firmed.

EMEA Central Banks

EMEA central banks retain considerable room to pursue their own policy paths despite higher US yields, Barclays writes. Relatively high real policy rates mean that many central banks can look through limited additional Fed tightening, allowing Hungary to continue gradual easing, Czechia to remain on hold, and Poland and Romania to move cautiously toward more neutral settings. Türkiye and South Africa are more exposed to higher US rates, which could constrain easing or prompt a more hawkish response, while Egypt’s outlook remains primarily driven by domestic inflation. Overall, Barclays expects EMEA easing to continue, but increasingly at different speeds across countries.

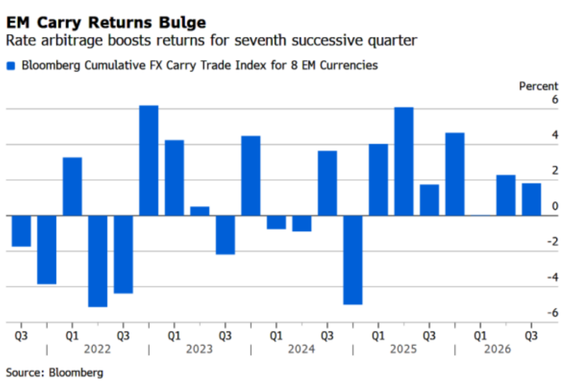
FIGURE 9. EM central banks' monetary policy paths

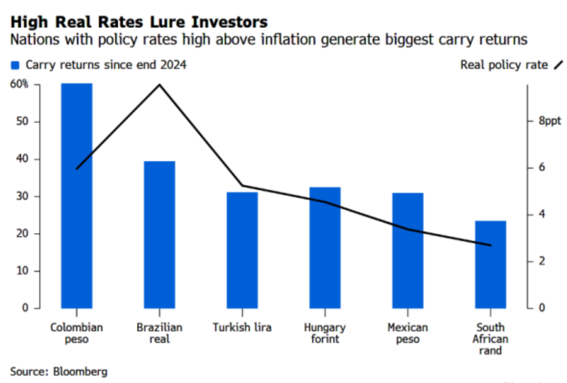


Note: Red indicates tightening cycle, blue is for easing cycle.
Source: Bloomberg, Barclays Research.

Emerging Markets Carry Trades

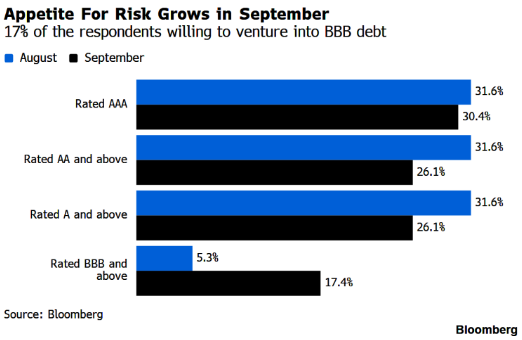
Latin American currencies lead this year’s dollar-funded carry trade, with the Colombian peso and Brazilian real posting the region’s highest returns. Dollar-funded carry trades have earned 48% in Colombian pesos and 21% in Brazilian reals over the past 12 months, ahead of the Mexican peso’s 19%, as regional policy rates outpace those in Turkey, Hungary, and South Africa. A Bloomberg gauge of eight major EM currencies has returned about 22% since end-2024, extending a seventh straight quarterly gain—the longest run since 2008. Colombia’s outperformance has been amplified by roughly 45% spot appreciation against the dollar, though a shift toward higher US rate expectations remains the trade’s main risk.

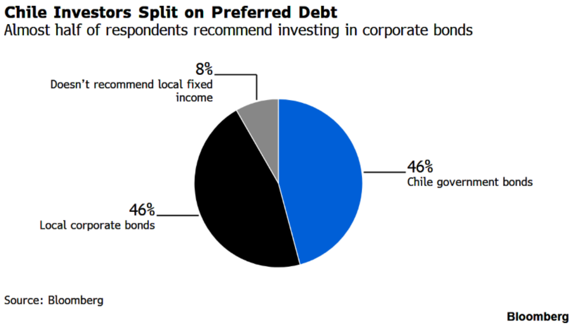




Chile

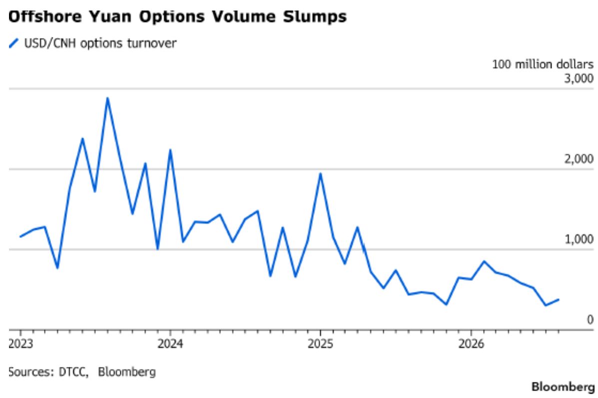
Chilean investors are venturing further down the credit curve, with corporate bond buyers’ minimum acceptable rating dropping sharply in September on bets that the government’s reform agenda will revive growth. A Bloomberg survey of 24 analysts and traders found that 17% are now willing to buy bonds rated as low as BBB, more than triple August’s 5.4% and the highest share since March, while 30% still restrict themselves to top-rated debt (left chart). Investors are split on where to put that risk appetite: 46% favor local corporate bonds over Chilean sovereign debt, with only 8% avoiding local fixed income altogether (right chart). The economy stagnated in Q2 after a 0.3% Q1 contraction, and the reform bill's revenue hit could push gross debt toward the 45% of GDP level that some analysts flag as a downgrade threshold.





China

Activity in China's offshore currency derivatives market atrophies amid RMB stability. Options activity for the offshore CNH has fallen sharply as expectations for near-term CNH price swings have fallen to their lowest levels in over a decade. By Bloomberg's estimate, average monthly volume for offshore CNH options stood at about $58 bn for the first eight months of the year, compared with $95 bn and $142 bn during the same periods in 2025 and 2024, respectively. One-month realized volatility for the CNH is hovering near 2.3% for the year, reflecting historically flat trading conditions. Meanwhile, the CNH-CNY spread has compressed to 1.3 bps, underscoring exceptionally calm funding markets for the RMB. As a result, speculative investors have retreated to the sidelines, with some reportedly moving capital into the Hong Kong dollar and the Taiwan dollar instead. Some analysts worry that the discouraging of FX risk hedging could expose exporters and importers to market disruptions. Expectations for offshore CNH price swings over a one-month period dropped to 1.6% on the day, far below those for other major currency pairs, such as euro-dollar at 5.3% and euro-yen at 6.1%, based on Bloomberg estimates.



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Global Financial Indicators

Last updated: 9/1/26 7:47 AM	Level Last 12m	Latest	Change 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,686	-0.3	0.4	2.6	19.0	12
Europe		6,379	-0.6	-1.2	0.3	18.9	10
Japan		66,215	-0.1	0.5	2.9	56.5	32
China		4,611	-0.3	1.3	0.5	2.7	0
Asia Ex Japan		117	-0.1	2.1	5.5	36.0	25
Emerging Markets		67	-0.2	1.4	4.6	34.4	23
Interest Rates					basis points		
US 10y Yield		4.8	3	15	4	55	61
Germany 10y Yield		3.3	2	14	14	60	49
Japan 10y Yield		3.0	5	10	20	138	94
UK 10y Yield		5.2	16	23	17	47	74
Credit Spreads					basis points		
US Investment Grade		114	0	-3	-4	-13	1
US High Yield		301	0	-14	-17	-42	-40
Exchange Rates					%		
USD/Majors		99.6	0.2	0.7	-0.3	1.9	1
EUR/USD		1.16	-0.2	-0.7	0.7	-1.0	-1
USD/JPY		160.1	0.2	0.5	1.8	8.8	2
EM/USD		46.4	-0.1	-1.0	-0.5	1.3	0
Commodities					%		
Brent Crude Oil ($/barrel)		91.8	1.4	5.2	8.5	38.5	53
Industrials Metals (index)		179.6	-0.3	-1.2	1.6	26.0	10
Agriculture (index)		65.3	-0.1	4.6	12.4	17.1	22
Gold ($/ounce)		4385.7	-1.2	-5.8	8.2	26.2	2
Bitcoin ($/coin)		78110.7	-0.9	-2.5	24.8	-28.3	-11
Implied Volatility					%		
VIX Index (%, change in pp)		15.8	0.8	0.3	-0.2	-0.4	0.8
Global FX Volatility		6.5	0.0	0.1	0.0	-1.2	-0.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		68	0	1	-3	-1	9
Italy		83	0	3	1	-3	13
France		86	0	1	6	7	15
Spain		45	0	0	0	-15	2

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

Emerging Market Financial Indicators

9/1/2026 7:46 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		6.72	0.0	0.0	0.5	6.2	4.0		1.8	0	2	0	-8	-17
Korea*		1374	-0.4	0.7	4.2	1.4	4.8		4.4	-1	-11	2	166	111
Indonesia		17726	0.0	-0.1	1.5	-7.4	-5.8		7.0	3	0	-30	69	94
India		95	0.2	0.5	0.4	-7.1	-5.3		7.9	5	16	4	101	83
Philippines		62	-0.2	-1.1	-2.3	-8.3	-5.7		6.0	3	6	-15	124	130
Thailand		33	-0.3	-1.6	0.3	-2.9	-5.3		2.2	0	0	2	79	48
Malaysia		4.04	-0.4	0.1	1.4	4.6	0.5		3.9	0	7	16	48	36
Argentina		1509	0.2	0.0	-1.4	-8.8	-3.8		0.0	0	0	0	-4663	-3237
Brazil		5.19	0.2	-0.6	-2.2	4.9	5.6		14.5	2	5	6	62	89
Chile		934	-0.3	-2.3	-0.3	3.7	-3.6		5.7	2	2	2	22	35
Colombia		3224	-0.6	-5.1	-2.1	24.6	17.2		12.8	15	59	56	118	-11
Mexico		17.00	0.0	-0.3	2.0	9.7	6.0		9.2	5	10	8	26	20
Peru		3.4	-0.4	-0.7	0.8	4.9	-0.2		6.3	4	5	22		52
Uruguay		40	0.1	-0.2	0.1	-0.6	-3.2		7.6	5	8	14	-34	12
Hungary		316	-0.5	-2.2	0.2	6.8	3.6		5.5	1	6	1	-123	-102
Poland		3.74	-0.2	-1.4	0.3	-2.6	-3.9		5.4	9	14	25	47	86
Romania		4.5	-0.1	-0.7	0.5	-4.5	-4.4		6.8	3	7	12	-58	13
Russia		86.8	-0.9	-3.2	-7.2	-7.0	-9.2							
South Africa		16.1	-0.2	-1.3	2.3	9.1	2.6		9.0	6	1	1	-103	36
Türkiye		48.27	0.0	-0.4	-1.5	-14.8	-11.0		34.0	-5	-13	-157	256	439
US (DXY; 5y UST)		100	0.2	0.7	-0.3	1.9	1.3		4.52	2	18	7	82	79

	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		4,611	-0.3	1.3	0.5	1.9	-0.4		87	-4	-2	-26	12
Korea*		6,836	0.2	1.4	3.6	115.5	62.2		22	0	-1	2	0
Indonesia		6,600	1.1	1.5	5.8	-15.4	-23.7		103	-5	-12	18	17
India		76,944	1.1	-0.9	-1.5	-4.0	-9.7		91	-3	-3	-1	1
Philippines		6,094	2.3	-2.5	-2.3	-0.6	0.7		89	-3	-6	19	14
Thailand		1,589	-0.4	-0.5	-2.2	27.2	26.1						
Malaysia		1,701	-1.5	-2.1	-1.4	7.9	1.2		60	0	-2	-5	1
Argentina		3,033,848	1.8	1.3	-7.8	56.4	-0.6		520	6	80	-318	-49
Brazil		177,419	1.0	3.2	-0.3	25.6	10.1		183	-4	-3	-18	-20
Chile		11,315	-1.1	-1.9	2.7	26.8	8.0		90	-3	-7	-13	-1
Colombia		2,425	-1.3	-3.3	1.4	31.6	17.3		200	5	-7	-80	-77
Mexico		65,430	-0.1	-0.5	-2.3	11.2	1.7		194	-3	-13	-45	-23
Peru		3,489	-0.6	-2.7	2.3	67.0	35.0		87	-5	-4	-16	-22
Hungary		148,445	-0.5	-2.0	1.2	43.1	33.7		104	-4	-9	-36	-35
Poland		150,895	-1.1	-1.0	2.4	45.2	28.7		92	-2	-2	-7	1
Romania		34,315	1.7	-4.9	-5.1	68.7	40.4		176	-3	-2	-37	0
South Africa		115,178	-0.9	-1.4	3.3	13.0	-0.6		188	-12	-20	-100	-30
Türkiye		14,274	-0.4	-1.4	6.1	26.5	26.8		240	-10	-21	-37	6
EM total		67	-0.6	1.4	4.6	34.4	22.5		263	-10	-15	-91	-8

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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