GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, SEPTEMBER 11, 2025

LEAD EDITOR: FABIO CORTES

- **US CPI broadly in line with market expectations** (link)
- **The ECB keeps rates unchanged as expected** (link)
- **Chinese equities rally resumes on reports of surging financial account flows** (link)
- **Indonesia's yield curve steepens on fiscal concerns** (link)
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US Treasury Yields Drop After US CPI Release

Treasury yields fell and the dollar weakened after the release of CPI data in the US, which was broadly in line with market expectations. 2-year Treasury yields fell as much as 6 bps, immediately after the release. This follows a weaker-than-expected PPI release yesterday. Across the pond, the ECB kept rates unchanged as expected, with the Governing Council's assessment of the inflation outlook broadly unchanged. Euro-area sovereign bond yields were little changed as market participants waited for the ECB press conference later this morning. In Asia, Japanese and Chinese equities posted strong gains. Japanese equities continued their ascent with companies announcing record buybacks and dividends to boost valuations. In China, equities outperformed other emerging market stock indices on reports of surging financial account flows. Elsewhere, Indonesia's yield curve steepened on rising fiscal concerns, with the spread between 2-year and 10-year bonds widening to 110 bps, the most since 2023.

Key Global Financial Indicators

Last updated: 9/11/25 8:30 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6532	0.3	1	2	18	11
Eurostoxx 50		5383	0.4	1	1	13	10
Nikkei 225		44373	1.2	4	6	25	11
MSCI EM		52	0.7	3	5	22	23
Yields and Spreads					bps		
US 10y Yield		4.05	0.6	-11	-23	40	-52
Germany 10y Yield		2.66	0.8	-6	-4	55	29
EMBIG Sovereign Spread		295	-3	-4	-3	-101	-30
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.7	-0.2	0	0	0	7
Dollar index, (+) = $ appreciation		98.0	0.2	0	-1	-4	-10
Brent Crude Oil ($/barrel)		67.0	-0.7	0	1	-5	-10
VIX Index (%, change in pp)		15.1	-0.2	0	-1	-3	-2

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

Mature Markets

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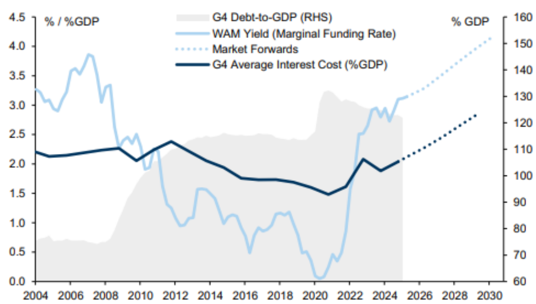
United States

This morning**, August CPI rose broadly in line with expectations**. Core CPI rose 0.3% in August and 3.1% in the year, the same as July and in line with expectations. Headline CPI edged higher at 0.4% in August compared to 0.3% expected, leaving the year-on-year growth at 2.9%, a bit higher than July. However, initial jobless claims turned out higher (263k against an expected 235k), taking claims to their highest level since October 2021 and confirming a weaker labor market. US Treasury yields fell, and the dollar weakened following the release. The data nevertheless remains largely in line with market expectations for 3 cuts this year, adding little to materially change them.

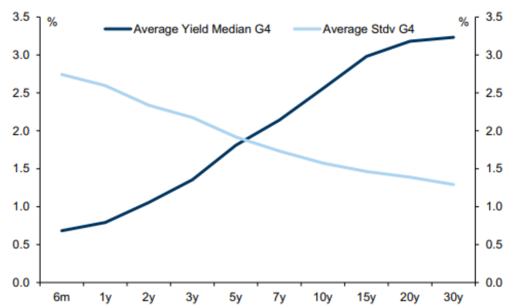
With rising debt costs and rate cuts ahead, the shortening of weighted average maturities (WAM) should be treated with caution. Government interest burdens are rising across G10 economies despite the onset of rate cuts, as elevated debt stocks are being refinanced at higher marginal costs. Goldman Sachs projects interest spending to increase by an average of 0.5 pp of GDP by 2029, with the US, France, and Japan facing the steepest climbs. While shortening WAM may offer some relief, front-end rate cuts could more meaningfully reduce costs, albeit with risks of heightened funding cost volatility. Risks from increased short-term issuance loom larger. In the US, where political pressure for lower rates coincides with a shift toward short-term issuance, market analysts warn of fiscal dominance—where monetary policy becomes subordinate to government financing needs— might impact the Fed's credibility and potentially term premia.

Exhibit 1: Interest costs rising for major governments
Average G4 interest costs vs marginal cost (WAM yield)



Source: Haver Analytics, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 13: Lowering WAM reduces interest costs but increases volatility
Average G4 yield curve vs yield volatility



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

Euro area

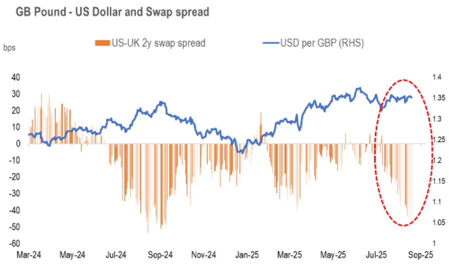
As largely expected, **the ECB kept its three key policy rates on hold today**, with the benchmark deposit rate at 2%. The decision was taken since "inflation is currently at around the 2% medium-term target and the Governing Council's assessment of the inflation outlook is broadly unchanged". The new ECB staff projections were little changed from June, with headline inflation averaging at 2.1% in 2025, 1.7% in 2026 and 1.9% in 2027, and with the Eurozone's GDP projected to grow by 1.2% in 2025 (up from 0.9% expected in June), 1% in 2026 (slightly lower) and 1.3% for 2027 (unchanged from June). Market reaction was relatively muted with the euro flat and euro area government bond yields trading slightly lower. Money market's bets of further easing from the ECB through 2026 remained also little changed (around -15bps priced-in by March 2026).

European equities traded in the green this morning ahead of ECB's decision and US CPI, mirroring US equity index-futures and after Asian tech stocks rallied overnight. The Stoxx 600 index edged 0.2% higher, led by the energy (+0.7%) and the banking sectors (+0.3%). The euro was little changed, continuing to trade at around $1.17/€ and showing resilience to political developments in France, where the new PM Lecornu pledged yesterday to seek collaboration with the opposition on deficit-reduction measures amid protests and market jitters after opposition leader Le Pen said that new parliamentary elections are inevitable.

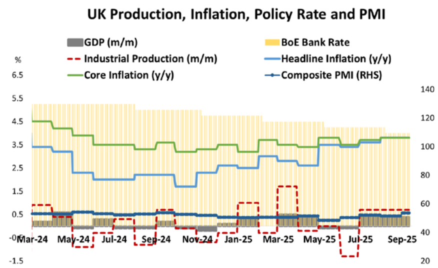
Euro area government bond yields were little changed this morning with the bund yield curve fractionally bear-flattening before the ECB decision later today, while the 10-year yield was unchanged at 2.65%. The **10-year OAT-Bund spread declined -2 bps to 79 bps, a touch lower than the BTP-bund spread (80 bps).** Analysts at Deutsche Bank expect Fitch to downgrade France in one of its next two reviews (Fitch has a negative outlook on France since October 2024) but with a close call on whether this is going to take place Friday or in early 2026. In any case, analysts do not expect any lasting impact on the OAT-Bund spread since OATs are already trading cheap vs France's current rating (all three major agencies currently rate France at AA-). Citi noted that any support to Lecornu's government on the budget from the socialists might mean fiscal compromises including a possible reversal of President Macron's pension reform and delay of the 3% of GDP deficit target by two years, which could bring downside rating actions with OATs already priced for this. Citi also noted that S&P will review Spain (A, stable outlook) and Fitch will also review Portugal (A-, positive outlook) the end of the week.

United Kingdom

The pound edged marginally lower (-0.1%) **this morning,** continuing to trade rangebound at around $1.35/£, on overall cautious market sentiment. Analysts at ING see the higher front-end of UK interest rates, led by the Bank of England (BoE) perceived as still hawkish, as supportive for the pound in the short-term, unless inflation and job market data surprise to the downside next week. **UK 30-year gilt yields reached 5.69% last week, the highest since 1998, but fell to 5.47% today, outperforming other European bonds**. The UK Debt Management Office has shortened the profile of gilt issuances, planning to sell less than £30 bn (around 10% of total issuances) of long-term debt in 2025–26, against almost £60 bn of long-dated gilts issued in the prior fiscal year. Yesterday, the auction of £4 bn of 2031 gilts faced strong demand (bid-to-cover of 3.27) at a 4.20% yield, with the 2040 sale planned for later this week expected to provide another test of investors' appetite.



Source: Bloomberg and IMF calculations



Source: Bloomberg and IMF calculations

Japan

Japanese equities gained (Nikkei 225: +1.2%) with companies announcing record buybacks and dividends to boost valuations. This follows the Tokyo Stock Exchange's March 2023 call on companies to improve corporate value and capital efficiency. The number of Topix sectors trading below a price-to-book ratio of 1 has dropped to six, down from 16 at the start of the campaign. Sumitomo Mitsui Trust Bank estimates a record 51 companies received shareholder proposals from institutional investors, including activists, during June's annual general shareholder meetings. Analysts expect rising activist investor participation to accelerate improvements in capital efficiency. Foreign investors find Japan's activist investing increasingly attractive compared to the US, where high capital efficiency leaves less room for excess returns. Separately, Reuters reports that the BOJ may gradually unwind its ETF holdings, though no timeline has been set.

Emerging Markets

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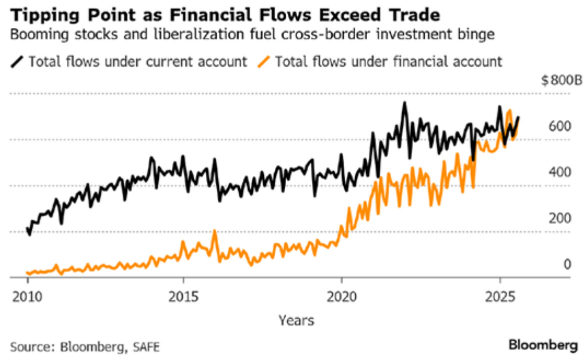
In **Asia** equities were mixed with China outperforming (CSI 300: +2.3%) and Malaysia lagging (FTSE: -0.56%). Currencies mostly weakened to the dollar, led by the Indian rupee (-0.3%). **EMEA equities were mostly higher while currencies traded mixed.** In CEE, equities in Poland outperformed (+0.4%), partially reversing yesterday's sharp declines while CEE currencies continued to trade in a narrow range to the euro. Turkish equities were higher (+0.9%) after the **Central Bank of Türkiye** cut the one-week repo rate by more than expected to 40.5% from 43.0%. Consensus expectations had been for a 200 bp rate cut. Elsewhere on the monetary policy front, the **National Bank of Ukraine** kept its policy rate unchanged at 15.5%, in line with expectations. Meanwhile, the South African rand was weaker (-0.3%) after data this morning showed the Q2 current account deficit widened by more than expected. In **Latam**, stock markets showed mixed performance across major economies on Wednesday, with Argentinean stocks posting gains while Mexican equities declined. On the currency side, the Chilean peso appreciated, whereas most other currencies remained little changed. In **Brazil**, the real strengthened (+0.5%) after the release of official data showing that consumer prices fell in August, driven mainly by declines in housing costs and food and beverages. The monthly inflation fell 0.11% from the previous month, slightly less than the median analyst forecast of a 0.15% drop. Annual inflation slowed to 5.13%, marking the second consecutive month of easing. However, despite lower electricity and food prices, inflation accelerated in education and clothing categories, according to the statistics agency.

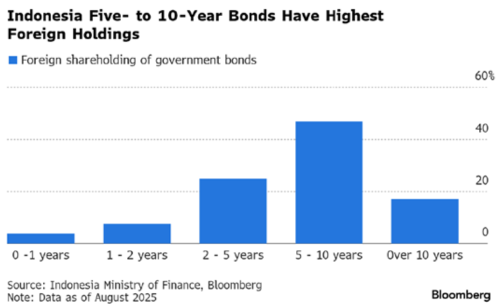
China

Equities gained (CSI 300: +2.3%) on reports of surging financial account flows. This is being driven by a booming equity market and greater liberalization, according to Bloomberg. Monthly financial flows grew +17% y/y on average, reaching $4.5 tn in the first seven months—on track to exceed trade flows on an annual basis for the first time. Cross-border securities trading through July were +25% higher than in 2024 and triple the level five years ago. The surge extends beyond equities, including active trading in banks' short-term debt and increased foreign purchases of government bonds. However, China's investment-to-trade flow ratio remains below that of the US and Japan, suggesting room for further capital account liberalization. This could lead to more Chinese firms listed globally, greater inclusion of onshore stocks in overseas pension funds, and wider adoption of yuan-denominated debt in central bank reserves. BBVA expects capital flows to eventually dominate, and Standard Chartered sees rising capital flows boosting the yuan's global role, though authorities remain cautious over disorderly movements. Today, the yuan was little changed after touching 7.116 per dollar, its strongest level in 10 months.



Indonesia

The yield curve steepened on rising fiscal concerns. The spread between 2-year and 10-year bonds widened to 110 bps, the most since 2023. Shorter-term notes rallied as Bank Indonesia cut rates, while longer maturities—where foreign holdings are concentrated—remain vulnerable to budget deficit risks, raising the potential for further outflows. Ministry of Finance's data shows about 47% of foreign-held local bonds are in mid- to long-dated maturities, while only 11% of bonds have maturities of two years or less. The new finance minister announced a transfer of IDR 200 tn ($12 bn) in government reserves to state-owned banks to stimulate lending. Analysts expect the yield curve to steepen further as banks may invest excess liquidity into short-term bonds. Today, the stock market rebounded for a second session (JCI: +0.8%), led by bank shares.

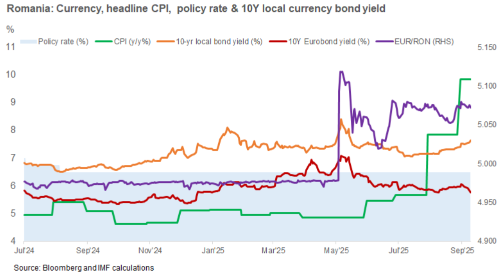


Argentina

Argentina rolled over almost all of its peso-denominated notes coming due, selling a total of 6.6 tn pesos in government securities. Its peso-denominated bond yields fell on the day. However, its most subscribed Lecap notes are trading at annual interest rates above 59%, reflecting persistently high borrowing costs. Ahead of the auction, yields on local debt had surged to record highs as investors grew increasingly concerned about the sustainability of the government's economic program. Successfully refinancing a large volume of maturing bonds should help the government avoid flooding the economy with liquidity, which should help mitigate the peso's decline. The country's consumer prices rose 1.9% in August, while annual inflation eased to 33.6%, down sharply from a peak of 289% in April 2024.

Romania

Local currency bond yields rose as August headline inflation surprises to the upside in Romania. Headline inflation accelerated to 9.85% y/y in August, ahead of consensus expectations of a 9.4% print and up from 7.8% in the prior month to reach the highest rate since June 2023. The increase in inflation was largely driven by an increase in taxes alongside the impact of higher energy and fuel prices. Policymakers expect headline inflation to peak at over 9% before easing towards 3% next year. Analysts at Raiffeisen expect the central bank to keep interest rates on hold at 6.5% for the remainder of the year and possibly until May 2026 if economic activity is weak. The Romanian leu was trading relatively steady to the euro at 5.07/€ while the yield on the 10-year local currency government bond was around 7 bps higher at 7.64%, approaching levels seen in mid-May.



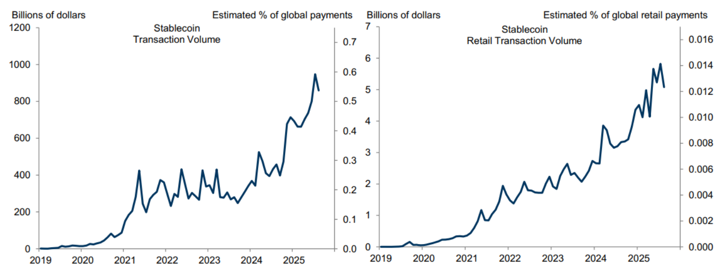
Egypt

A decline in August core inflation supports expectations of further policy easing. Core inflation decelerated to 10.7% y/y in Egypt, from 11.6% in the prior month. This was lower than a Reuters poll, which predicted core inflation to ease to around 12.7% in August. Yesterday's data marked the third consecutive month of deceleration in core inflation. Analysts at Goldman Sachs expect inflation to continue to decline over the coming months to a low of around 11%, before picking up to around 13% by year-end as the effect of prior increases in fuel and electricity is captured. The analysts continue to expect the central bank of Egypt to cut rates and project an additional of 300 bps of easing in Q4 which would take the policy rate to 19% by year end. That said, the analysts also noted that there are still potential upside risks from inflation and FX volatility. The Egyptian pound was trading a fraction weaker this morning.

Stablecoins

Stablecoins are gaining traction in emerging markets, but retail use remains niche. Goldman Sachs analysis maps the global uses of digital money—stablecoins, CBDCs, and public fast payment systems—and finds that adoption crucially depends on interactions with existing payment networks, which favor incumbents. This helps explain why, in developed markets, where card networks and payment rails are deeply entrenched, even well-designed alternatives struggle to gain ground. By contrast, emerging economies have more broadly adopted various forms of digital payments, where these tools fill gaps in financial infrastructure. Stablecoins offer faster settlement and lower costs but remain a small share of global payments. Their use is concentrated in cross-border flows between advanced and emerging economies and is becoming relatively more popular in countries with high inflation and capital controls. However, retail use remains niche. As discussions around large-scale stablecoin adoption abound, the implication is that broader retail uptake would require a compelling domestic use case and efficient integration with existing payment rails.

Exhibit 5: Stablecoin Transactions Have Also Increased Significantly Over the Last Few Years, Though They Remain a Small Share of Global Payments, Especially Retail Payments



Note: Volumes adjusted to remove high-frequency and high-volume wallets and smart contract addresses, and bot-related activity.

Source: Goldman Sachs Global Investment Research, Visa

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

9/11/25 8:29 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,532	0.3	1.3	2.5	17.6	11
Europe		5,383	0.4	0.7	1.0	13.0	10
Japan		44,373	1.2	4.2	6.1	24.6	11
China		4,548	2.3	4.2	10.3	42.7	16
Asia Ex Japan		89	0.7	3.3	5.1	24.8	23
Emerging Markets		52	0.7	3.1	4.5	21.9	23
Interest Rates					basis points		
US 10y Yield		4.1	1	-11	-23	40	-52
Germany 10y Yield		2.7	1	-6	-4	55	29
Japan 10y Yield		1.6	1	-2	9	73	48
UK 10y Yield		4.6	-1	-9	6	87	6
Credit Spreads					basis points		
US Investment Grade		120	-1	-2	-2	-19	0
US High Yield		341	-1	-2	-1	-55	12
Exchange Rates					%		
USD/Majors		98.0	0.2	-0.4	-0.5	-3.6	-10
EUR/USD		1.17	0.0	0.4	0.7	6.2	13
USD/JPY		147.9	0.3	-0.4	-0.1	3.9	-6
EM/USD		45.7	-0.2	0.0	-0.2	0.3	7
Commodities					%		
Brent Crude Oil ($/barrel)		67.0	-0.7	0.1	1.5	-3.0	-7
Industrials Metals (index)		143.3	0.2	1.1	1.5	2.2	2
Agriculture (index)		54.8	0.1	0.2	1.3	0.4	-4
Gold ($/ounce)		3620.5	-0.6	2.1	8.3	44.1	38
Bitcoin ($/coin)		114033.1	0.4	3.5	-4.1	98.3	22
Implied Volatility					%		
VIX Index (%, change in pp)		15.1	-0.2	-0.2	-1.1	-2.6	-2.2
Global FX Volatility		7.6	0.0	-0.2	-0.1	-0.8	-1.6
EA Sovereign Spreads				10-Year spread vs. Germany (bps)			
Greece		66	-1	-2	0	-37	-20
Italy		80	-2	-5	1	-63	-36
France		79	-2	2	13	7	-4
Spain		57	-1	-1	1	-25	-12

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

Emerging Market Financial Indicators

Last updated: 9/11/2025 8:29 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	0.2	0.9	-0.1	2.5		1.9	3	8	15	-10	21
Indonesia		16462	0.0	-0.2	-1.1	-6.4	-2.0		6.3	-2	3	-6	-31	-69
India		88	-0.4	-0.3	-0.9	-5.0	-3.2		6.8	1	-1	13	-4	-50
Philippines		57	-0.1	-0.2	-0.2	-2.2	1.4		4.7	0	-1	0	-34	-13
Thailand		32	-0.2	1.5	2.0	5.8	7.9		1.4	2	0	-19	-122	-95
Malaysia		4.22	0.0	0.2	0.3	2.6	5.9		3.4	-2	-2	2	-35	-44
Argentina		1424	-0.5	-4.4	-7.1	-32.8	-27.6		50.4	-250	210	1231	1167	2121
Brazil		5.41	0.5	0.8	0.6	4.6	14.1		13.8	-3	-16	-7	187	-215
Chile		963	0.5	0.6	0.7	-1.4	3.5		5.5	1	2	3	22	-23
Colombia		3925	-0.1	2.1	2.8	9.1	12.2		11.4	-18	-31	-26	147	-44
Mexico		18.63	-0.1	0.6	0.2	6.4	11.8		8.7	-7	-17	-37	-93	-160
Peru		3.5	0.5	1.5	1.5	9.4	8.0		6.0	-8	-21	-20	-40	-62
Uruguay		40	-0.1	0.0	-0.1	1.1	9.1		8.0	-2	-6	-3	-177	-164
Hungary		336	0.0	0.4	1.4	7.0	18.3		6.7	1	-4	13	79	33
Poland		3.65	-0.2	0.0	0.4	6.7	13.1		4.9	3	-4	7	-6	-68
Romania		4.3	0.0	0.5	0.5	4.1	10.7		7.5	3	5	30	100	26
Russia		85.0	-0.1	-4.3	-6.4	7.7	33.6							
South Africa		17.5	-0.2	1.4	1.3	2.1	7.5		9.9	-1	-13	-10	-54	-60
Türkiye		41.29	-0.1	-0.3	-1.6	-17.7	-14.4		32.9	-6	-21	129	353	318
US (DXY; 5y UST)		98	0.2	-0.4	-0.6	-3.6	-9.7		3.60	0	-5	-24	15	-78

	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		4,548	2.3	4.2	10.3	42.7	15.6		113	0	5	-14	17
Indonesia		7,748	0.6	-1.7	1.9	-0.2	9.4		98	7	12	-20	7
India		81,549	0.2	1.0	1.2	0.0	4.4		93	-1	-1	-21	7
Philippines		6,127	0.1	0.3	-2.0	-11.8	-6.2		77	5	2	-25	-2
Thailand		1,288	0.8	2.8	2.3	-9.0	-8.0						
Malaysia		1,583	-0.5	0.3	1.3	-3.5	-3.6		67	1	-3	-25	-3
Argentina		1,825,228	5.6	-5.6	-20.8	3.5	-28.0		1031	129	290	-418	394
Brazil		142,349	0.5	1.8	5.0	5.7	18.3		201	-2	0	-41	-46
Chile		8,974	-0.1	-2.2	4.4	42.4	33.7		106	2	-1	-26	-7
Colombia		1,873	0.3	1.0	3.3	43.0	35.8		243	-36	-60	-96	-83
Mexico		60,489	-0.3	1.4	3.7	18.2	22.2		219	-13	-32	-125	-93
Peru		34,938	0.3	0.0	2.6	23.9	20.6		103	-2	-6	-54	-38
Hungary		101,799	0.3	-2.5	-2.3	41.8	28.3		145	1	8	-25	-10
Poland		106,325	0.6	0.3	-3.4	33.1	33.6		103	1	11	-18	-9
Romania		20,614	-0.1	0.6	-1.5	19.0	23.3		210	-8	10	-9	-25
South Africa		103,543	0.0	3.1	2.9	28.1	23.1		280	-10	-17	-40	-13
Türkiye		10,678	0.9	-1.4	-3.3	13.4	8.6		289	7	14	-30	30
EM total		52	-0.6	3.1	4.5	21.9	23.2		359	-2	14	-62	-6

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

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