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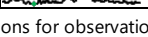
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Markets End the Week on a Cautious Note Ahead of Next Week's FOMC

European bourses traded in the red this morning and US equity futures signaled a negative opening as investors took stock and looked forward to key monetary policy meetings next week. The FOMC (Wednesday), Bank of England (Thursday) and Bank of Japan (Friday) are expected to announce their monetary policy decisions next week. The ECB was on hold yesterday, as expected, with their statement noting that “inflation is currently at around the 2% medium-term target and the Governing Council's assessment of the inflation outlook is broadly unchanged.” President Lagarde's remarks during the subsequent press conference that the ECB is “in a good place” were interpreted as hawkish by some analysts, with money markets cutting further wagers of future easing from the ECB, pricing-in no cuts in 2025 and another cut in 2026 with only a 40% likelihood. This morning, advanced economy sovereign bond yields were higher, and the dollar was slightly stronger.

Key Global Financial Indicators

Last updated: 9/12/25 8:30 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6587	0.8	1	2	18	12
Eurostoxx 50		5377	-0.2	1	1	12	10
Nikkei 225		44768	0.9	4	3	22	12
MSCI EM		52	1.5	5	5	23	25
Yields and Spreads			bps				
US 10y Yield		4.05	3.2	-2	-24	38	-52
Germany 10y Yield		2.71	4.8	4	-4	56	34
EMBIG Sovereign Spread		290	-5	-9	-6	-103	-35
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.9	0.0	0	0	0	7
Dollar index, (+) = \$ appreciation		97.8	0.2	0	0	-4	-10
Brent Crude Oil (\$/barrel)		67.7	1.9	3	2	-6	-9
VIX Index (% change in pp)		14.7	0.0	0	0	-2	-3

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

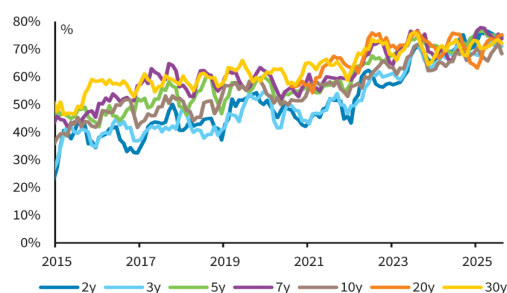
Mature Markets

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United States

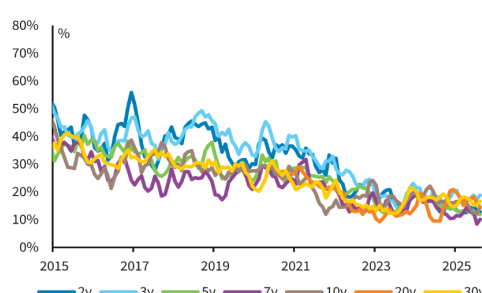
Treasury auction demand remains robust despite fiscal concerns. Earlier this year, there was increasing market chatter about the demand for Treasuries amid concerns about the US fiscal outlook and uncertainty over tariff policies under the new administration. Yet this week's auctions showed resilience: both the 3-year and 10-year sales drew strong demand, and even the 30-year auction—often a wildcard—was solid. More broadly, since the April turmoil, demand has remained firm. Direct bidders have taken a larger share at the expense of primary dealers, with domestic investors dominating participation, particularly at the 2-year, 5-year, and 30-year maturities. This trend does not mean fiscal concerns have eased. Technical factors, such as the Treasury's long-end buybacks, have helped cap yields, while expectations of lower policy rates have boosted demand for duration. At the same time, rising concerns about labor market weakness have heightened recession fears, further supporting Treasury demand.

Figure 2. Domestic investor participation in Treasury auctions has been increasing steadily



Source: US Treasury, Barclays Research

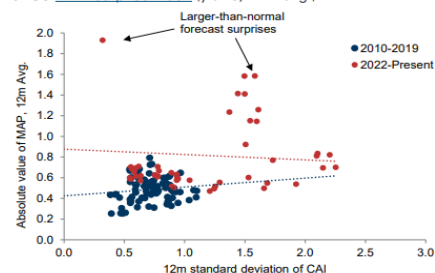
Figure 4. Broker/dealer participation has been falling and is at historical lows



Source: US Treasury, Barclays Research

Some market contacts are questioning whether growing concerns over US data reliability could have a negative impact on markets. A Goldman Sachs report highlights growing concerns over the reliability of US economic data, triggered in part by substantial downward revisions to recent payroll figures. A series of expert interviews identifies declining survey response rates—particularly in key releases such as non-farm payrolls and CPI—as a central factor undermining data quality, with pandemic-era dynamics exacerbating the trend. As a result, economic indicators have become noisier, with increased standard errors and more frequent forecast surprises. Although macroeconomic data remains broadly reliable, unreliable data can significantly impact markets by increasing volatility and raising the risk of policy errors, which may materially hinder growth. It also weakens investor confidence and reduces capital inflows. Financial instruments like inflation-linked TIPS could be especially vulnerable, as their value depends on trust in official statistics. The report underscores the importance of investing in data infrastructure and institutional safeguards to preserve the integrity and utility of economic data.

Forecast surprises also appear larger than normal, even after controlling for volatility in the underlying growth trend, which suggests some increase in data noise
12m standard deviation of GS CAI (x-axis) vs. absolute value of GS MAP surprise index (y-axis, 12m avg.)



Source: Goldman Sachs GIR.

The Dollar could decline further if global portfolio flows become more balanced as foreign investors pull back

Valuation-adjusted portfolio flows, 12ma, \$bn



Source: Federal Reserve Board, Goldman Sachs GIR.

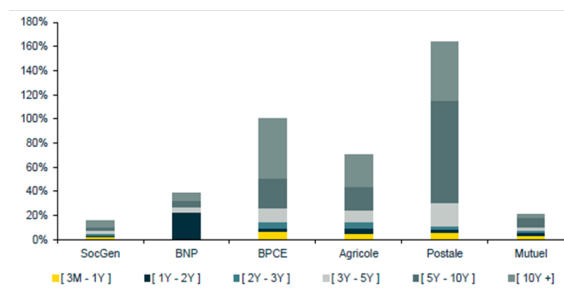
Euro area

European equities slid this morning, with France (CAC 40 index -0.5%) and Spain (IBEX 35 index -0.5%) underperforming. The European banking sector underperformed (-0.4%), led by losses at the largest French banks. The euro was fractionally after the ECB kept rates on hold yesterday as expected, with the benchmark deposit rate at 2%. **Euro-area sovereign bond yields rose this morning, and the 10-year OAT-Bund spread remained little changed at c. 79 bps, ahead of Fitch review of France's rating after market close today.**

Traders reduced bets on further ECB rate cuts through 2026 after the central bank described yesterday the risks to the Eurozone's economic outlook as more "balanced". Money markets price-in today only -4 bps of easing by December (vs.-7 bps priced-in on Wednesday) and -10 bps in July 2026 (about a 40% likelihood of a 25 bps rate cut) against -17 priced-in on Wednesday. However, the ECB rate cut debate is far from over. On the dovish side, analysts at Bank of America expect two more rate cuts in December and March 2026, ING flags the door open for another cut and J.P. Morgan expects one last cut in December. In contrast, Commerzbank expects the policy rate to remain at 2% in 2026 and Deutsche Bank underlines the ECB's comfort with 2% as terminal rate and sees the benchmark rate on hold until late 2026 (before rising to 2.5% by 2027). Rabobank and TD Bank see the easing cycle as effectively over.

Analysts at Commerzbank see French banks' sovereign exposures as largely manageable, though EBA data show over €200 bn (roughly 53–55% of CET1) in 0–3 month maturities, mostly reflecting repo collateral. Excluding this maturity bucket, exposures relative to CET1 are contained (about 25–30% of CET1), although spiking at some banks, and mostly booked at held-to-collect and measured at amortized cost, hence with limited possible impacts on capital in the short-term. Banks' ratings have on average one-notch headroom versus the sovereign, limiting downgrade risk. However, analysts stress that profitability remains weak, making potential bank taxes a capital concern ahead of Basel output floors in 2028.

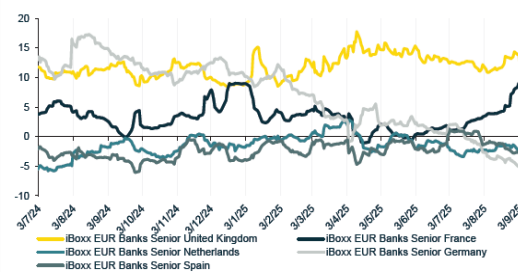
Exposures of French banks to general government in % of CET1 capital, by maturity bucket



Source: EBA, Commerzbank Research

French banks have not drastically deviated from other banks but are correcting towards 2024 differentials

iBboxx EUR Banks Senior, country spreads (ASW) vs global index, in bp

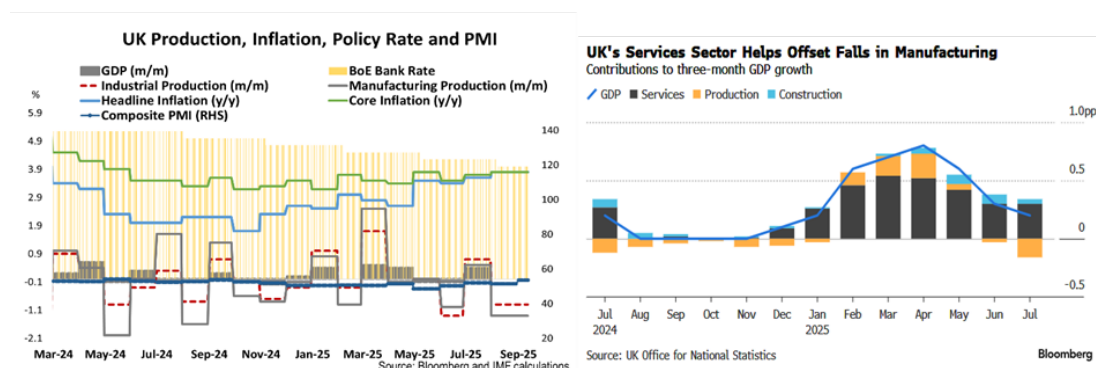


Source: Markit, Commerzbank Research

United Kingdom

The pound edged lower (-0.3%) this morning, with gilt yields modestly higher across and equities in the green (FTSE 100 index at +0.3%). Data released this morning showed, however, the **UK economy stagnating in July**, with GDP flat (0% m/m, from prior 0.4% m/m) and industrial and manufacturing production unexpectedly down, with the former -0.9% m/m lower (+0.1% y/y, vs. est. +1.1%, from +0.2% y/y in June) and the latter -1.3% m/m lower (+0.2% y/y, vs. est. +1.7% y/y, from prior 0% y/y). KPMG sees signs of future weakening as firms face higher payroll taxes and minimum wages, while consumers are braced for more tax hikes in the November 26 budget. Yet, money markets continued to price-in only -10 bps of future easing from the Bank of England (BoE) by December (40% likelihood of a 25 bps cut). Deutsche Bank sees services inflation staying high near 4.6% into year-end, delaying disinflation until Q2 2026, when headline inflation (that is expected to remain steady next week at 3.8% y/y in August) should average at 2.6% and core inflation at 2.8%, with policy easing unlikely until then. Bank of America sees the

BoE holding the policy rate at 4% with a 7–2 vote at its MPC meeting next week but continues to expect two 25bp cuts in November and February 2026, along with a slowdown in BoE's QT to £60bn per year given risks to gilt markets.



Japan

The yen weakened (-0.4%) following a US-Japan joint statement on limited FX interventions. In the statement, US Treasury Secretary Bessent and Japanese FM Kato reaffirmed their commitment to let markets determine exchange rates and not manipulate them for competitive advantage. The statement also added that intervention remains reserved for addressing excess volatility or disorderly movements in the currency market, and any intervention must be publicly disclosed on at least a monthly basis. Bloomberg estimates that the MoF spent close to \$100 bn last year to support the yen. Strategists at Nissay Asset Management interpret the US stance as signaling that yen appreciation is likely to come via rate hikes, not intervention. Expectations for a year-end rate hike resurfaced, partly due to the statement and reports of an upcoming LDP leadership race, increasing selling pressure in JGBs (10-years: +1.5bps to 1.59%). Today, the stock market gained (Nikkei 225: +0.9%), led by the tech sector.



Emerging Markets

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In **Asia**, equities extended gains (EM Asia: +1.8%), with Hong Kong SAR (HSI: +1.2%) outperforming. Asian currencies strengthened slightly, led by the Indonesian rupiah (+0.5%) and the Malaysian ringgit (+0.4%). **EMEA equities and currencies were mixed** this morning. In CEE, equities in Hungary underperformed (-1.0%) while CEE currencies continued to trade in narrow ranges to the euro. Elsewhere, **the central bank of Russia cut the key policy rate by less than expected**. Policymakers delivered a 100 bp rate cut citing still elevated inflation, taking the policy rate to 17%, whereas consensus expectations had been for a larger 200 bp rate cut. In **Latam**, most stock markets in the region advanced yesterday, although equities in Argentina and Colombia fell. In **Brazil**, equities gained +0.6% and reached a new record close, with investors dealing with political turbulence after Brazil's Supreme Court formed a majority

to convict ex-president Bolsonaro of a coup attempt. Some analysts warned the verdict could prompt potential US sanctions against Brazil and add uncertainty for investors. Currencies broadly strengthened on rising expectations of Fed rate cuts. However, the Argentine peso bucked the trend and depreciated. Analysts at Morgan Stanley cautioned that the Mexican peso and Brazilian real appeared overvalued, attributing the peso's strength mainly to external factors rather than domestic fundamentals.

China

Global investors are reportedly showing renewed interest in Chinese government bonds (CGB) despite multi-month highs in long-term yields.

The 10-year CGB was trading at a 1.8% yield this morning, + 13 bps higher YTD, and the 30-year benchmark was trading at 2.19%, +25 bps higher so far this year. AllianzGI, AllianceBernstein, and Aberdeen Investments have turned overweight on CGBs, citing expectations of further monetary easing and ample banking system liquidity, according to Bloomberg. Meanwhile, JP Morgan and UBS Asset Management expressed a more neutral stance, noting yields are still trading below historical levels (e.g., the 10-year average is near 2.6%). Analysts mostly attributed the recent yield rebound to a rotation into stocks rather than fundamental shifts. Bloomberg estimates that the CGB market remains dominated by domestic investors, with foreign institutions holding RMB 3.93 tn (\$552 bn) in the interbank market, about 2.3% of total volume. Local media reports that analysts expect the PBOC to resume bond purchases in Q4, after halting in January as yields hit record lows and bonds bought in 2024 begin to mature. Separately, Shanghai Tiantian Fund Sales Corp. has suddenly stopped releasing local bond flow data, a key sentiment gauge used by traders, with some contacts speculating whether this could be a regulatory move to rein in excessive market volatility. Today, the stock market declined (CSI 300: -0.6%) and the yuan was little changed.

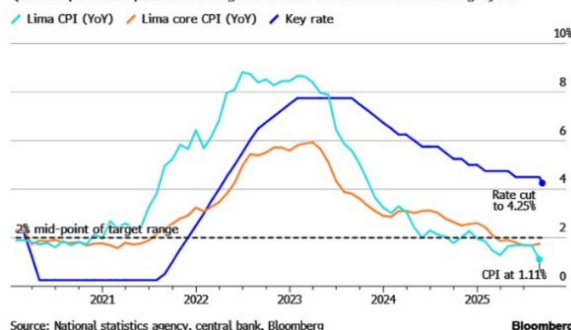
China Yields Rebound in Recent Months Amid Stocks Rally



Peru

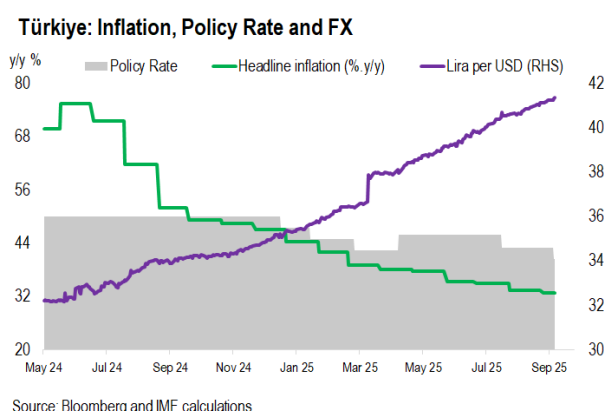
The Peruvian central bank cut its benchmark interest rate to 4.25% from 4.5% on Thursday, its lowest level since 2022. Consumer prices rose just 1.1% last month from 1.7% in July. The central bank noted that the lower headline inflation is temporary and expected it to move toward the midpoint of the 1–3% range by year-end. While policymakers remain vigilant about downside risks to growth, including tariffs and trade uncertainties, recent data show business confidence is holding steady and economic activity is improving. The national statistics agency will release July's economic activity next week, and the government maintains its 2025 growth forecast at 3.5%, outpacing its regional peers in Latin America. The Peruvian sol closed modestly weaker and 10-year local yields were little changed on the day.

Peru Cuts Key Interest Rate for First Time Since May
Quarter-point cut puts borrowing costs near terminal rate of easing cycle



Türkiye

The Central Bank of Türkiye delivered a larger than expected rate cut yesterday. The central bank of Türkiye (TCMB) cut the policy rate by 250 bps to 40.5%, more of consensus expectations of a 200 bps rate cut. The accompanying statement noted that underlying inflation continued to ease in August and that demand conditions remain in disinflationary territory. At the same time though, policymakers noted upside risks to inflation from services and food prices. Analysts at Deutsche Bank noted that the TCMB maintained a cautious approach to its policy outlook with the statement noting that “the step size (of interest rate cuts) will be reviewed on a meeting-by-meeting basis with a focus on the inflation outlook”. Deutsche Bank expects the TCMB will ease rates at the two remaining policy meetings this year, anticipating a 200 bps rate cut in October and a 150 bps cut in December. However, uncertainty around their projections remains high given domestic political developments and the TCMB’s more dovish stance relative to consensus expectations at the last two policy meetings. This morning, the Turkish lira continued to trade in a narrow range while Turkish equities were weaker (-0.7%) ahead of a court ruling on Monday over the leadership of the country’s main opposition party.



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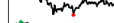























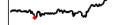


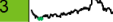
Global Financial Indicators

9/12/25 8:30 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,596	0.8	1.8	2.3	17.9	12
Europe		5,377	-0.2	1.1	0.8	11.7	10
Japan		44,768	0.9	4.1	3.2	22.4	12
China		4,522	-0.6	1.4	7.6	43.1	15
Asia Ex Japan		90	1.4	5.3	5.2	25.5	25
Emerging Markets		52	1.5	4.9	4.8	22.7	25
Interest Rates			basis points				
US 10y Yield		4.1	3	-2	-24	38	-52
Germany 10y Yield		2.7	5	4	-4	56	34
Japan 10y Yield		1.6	1	1	10	73	49
UK 10y Yield		4.6	5	0	2	87	8
Credit Spreads			basis points				
US Investment Grade		119	0	-2	-1	-18	-1
US High Yield		335	-1	-12	-4	-52	7
Exchange Rates			%				
USD/Majors		97.8	0.2	0.0	-0.3	-3.6	-10
EUR/USD		1.17	-0.2	0.0	0.3	5.8	13
USD/JPY		147.9	0.5	0.3	0.0	4.3	-6
EM/USD		45.9	0.0	0.2	-0.2	0.1	7
Commodities			%				
Brent Crude Oil (\$/barrel)		67.7	1.9	3.3	3.1	-3.7	-6
Industrials Metals (index)		145.4	0.7	2.5	1.8	2.1	4
Agriculture (index)		55.0	-0.1	1.1	1.8	0.0	-3
Gold (\$/ounce)		3643.1	0.2	1.6	8.8	42.4	39
Bitcoin (\$/coin)		114911.1	0.4	3.2	-4.4	97.5	23
Implied Volatility			%				
VIX Index (% change in pp)		14.7	0.0	-0.5	0.0	-2.4	-2.7
Global FX Volatility		7.6	0.0	-0.2	-0.2	-0.8	-1.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		67	1	-3	2	-32	-19
Italy		81	1	-3	2	-58	-35
France		80	2	2	14	10	-3
Spain		58	0	-1	2	-23	-12

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

Emerging Market Financial Indicators

Last updated: 9/12/2025 8:30 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	-0.1	0.1	0.8	-0.1	2.5		1.9	-1	7	12	-9	20
Indonesia		16375	0.5	0.4	-0.5	-5.7	-1.5		6.3	-3	0	-10	-33	-72
India		88	0.2	0.0	-0.6	-4.9	-3.0		6.9	1	2	13	-6	-49
Philippines		57	0.1	-0.3	-0.1	-1.7	1.5		4.8	2	1	3	-32	-10
Thailand		32	-0.1	1.1	2.1	5.3	8.2		1.4	3	4	-16	-118	-91
Malaysia		4.20	0.4	0.6	0.7	3.1	6.4		3.4	-2	0	2	-33	-42
Argentina		1432	-0.6	-4.9	-7.7	-33.1	-28.0		48.0	-237	-186	994	837	1884
Brazil		5.40	-0.1	0.3	-0.1	4.3	14.4		13.8	-1	-15	-1	188	-216
Chile		953	-0.1	1.4	0.3	-2.3	4.6		5.4	-4	-4	-1	23	-27
Colombia		3895	0.8	2.4	3.6	9.6	13.1		11.2	-14	-45	-42	137	-58
Mexico		18.48	-0.1	1.3	0.6	5.7	12.7		8.7	-9	-24	-44	-92	-169
Peru		3.5	-0.2	1.1	1.3	8.3	7.7		6.0	-2	-11	-20	-44	-65
Uruguay		40	-0.1	0.0	-0.1	1.1	9.0		8.0	-2	-7	-4	-196	-166
Hungary		334	0.0	0.5	1.5	7.0	19.1		6.7	-3	-7	9	77	30
Poland		3.63	-0.2	-0.2	0.3	6.5	13.7		4.9	-3	-6	5	-4	-71
Romania		4.3	-0.1	0.1	0.2	3.8	11.0		7.5	-3	2	26	97	22
Russia		83.6	1.4	-2.5	-5.0	6.6	35.7							
South Africa		17.4	-0.1	1.2	1.2	2.4	8.4		9.8	-10	-23	-23	-61	-69
Türkiye		41.37	-0.1	-0.3	-1.6	-18.1	-14.5		32.9	3	-12	131	368	321
US (DXY; 5y UST)		98	0.2	0.0	-0.4	-3.6	-9.9		3.62	3	4	-20	16	-76

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		4,522	-0.6	1.4	7.6	43.1	14.9		113	-3	6	-13	17	
Indonesia		7,854	1.4	-0.2	-0.6	0.5	10.9		96	4	10	-18	5	
India		81,905	0.4	1.5	1.6	-1.2	4.8		91	-5	-5	-24	5	
Philippines		6,109	-0.3	-0.6	-3.3	-13.0	-6.4		76	0	1	-22	-3	
Thailand		1,294	0.4	2.3	2.7	-9.2	-7.6							
Malaysia		1,600	1.1	1.4	1.5	-3.9	-2.6		68	1	-1	-22	-2	
Argentina		1,805,182	-1.1	-9.3	-21.9	0.8	-28.8		1053	143	321	-394	416	
Brazil		143,151	0.6	1.5	3.8	6.8	19.0		193	-12	-5	-46	-54	
Chile		9,151	2.0	-0.6	6.6	44.3	36.4		104	-1	-2	-27	-9	
Colombia		1,855	-1.0	-0.4	1.7	40.5	34.4		242	-37	-55	-94	-84	
Mexico		61,554	1.8	2.8	4.9	18.4	24.3		216	-16	-32	-120	-96	
Peru		34,938	0.3	0.0	2.1	22.4	20.6		98	-7	-10	-55	-43	
Hungary		101,139	-1.1	-2.0	-2.8	39.8	27.5		140	-5	4	-27	-15	
Poland		107,047	0.0	1.4	-3.3	32.0	34.5		103	-3	7	-14	-9	
Romania		20,721	0.3	-0.2	-0.5	19.6	23.9		204	-15	6	-11	-31	
South Africa		104,567	0.6	3.0	3.3	28.0	24.3		274	-16	-21	-42	-19	
Türkiye		10,301	-0.8	-4.0	-6.0	8.2	4.8		279	-8	5	-35	20	
EM total		52	0.3	4.9	4.8	22.7	25.0		353	-8	9	-64	-11	

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

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