GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, SEPTEMBER 16, 2025
LEAD EDITOR: FABIO CORTES

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The rally in US tech stocks rages on

US equity futures signaled another day of gains, with the tech-heavy Nasdaq 100 index set to rally for a tenth straight day on expectations the Fed is about to launch a new cycle of interest rate cuts. Measures of option-implied volatility remained close to their lowest levels year-to-date, underscoring the importance of tomorrow's Fed policy decision. Market contacts warned that a more hawkish-than-expected Fed stance could challenge current market positioning and lead to a correction. US Treasury yields were little changed while expectations of imminent Fed cuts continued to drive the dollar weaker. Across the pond, European equities failed to gain traction while euro area sovereign bond yields were modestly higher. The euro (+0.4%) benefited from the continued dollar weakness, appreciating above $1.18/€, its strongest level since 2021. In emerging markets, equities continued their rally in Türkiye after a court postponed proceedings against the main opposition party's leader yesterday. Elsewhere, gold prices continued their ascent, hitting new record highs.

Key Global Financial Indicators

Last updated: 9/16/25 8:11 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6615	0.5	2	3	17	12
Eurostoxx 50		5435	-0.1	1	0	13	11
Nikkei 225		44902	0.3	3	4	23	13
MSCI EM		53	0.7	3	5	23	26
Yields and Spreads					bps		
US 10y Yield		4.04	0.4	-5	-27	42	-53
Germany 10y Yield		2.70	1.2	4	-9	58	34
EMBIG Sovereign Spread		290	1	-12	4	-95	-35
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.1	0.1	1	1	0	8
Dollar index, (+) = $ appreciation		97.1	-0.2	-1	-1	-4	-11
Brent Crude Oil ($/barrel)		67.7	0.3	2	3	-7	-9
VIX Index (%, change in pp)		15.5	-0.2	0	0	-2	-2

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

Mature Markets

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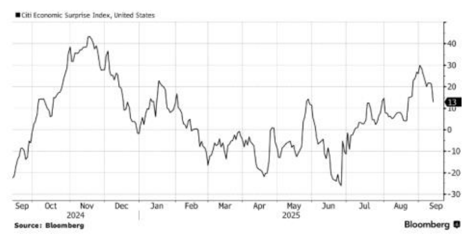
United States

The markets calm heightens the stakes for the Fed's decision tomorrow. Implied volatility in US equity markets is near its lowest levels year-to-date (left panel), underscoring the importance of this week's Fed policy decision for equities, analysts suggest. The S&P 500 has posted 4 record closes since early September, supported by a recent decline in data surprises from their early-month peak (right panel). Options markets are signaling limited expected movement, with S&P 500 options pricing in just a 5% implied volatility for Monday, suggesting markets anticipate no more than a 25-bps move. Analysts noted that nearly 70% of S&P 500 trading volume now comes from same-day options (0DTE), which compresses intraday price movements. This effect is reinforced by dealer positioning that tends to support buying on dips and selling into rallies, helping to keep volatility subdued. However, several technical events could increase market sensitivity this week: Tuesday is the final day to trade September VIX options, followed by Wednesday's VIX settlement and the Fed's rate announcement, while Friday brings a record $1.1 tn in S&P 500 option expirations. With short-term volatility historically low, a more hawkish-than-expected Fed stance could challenge current market positioning and lead to a correction, analysts warn.

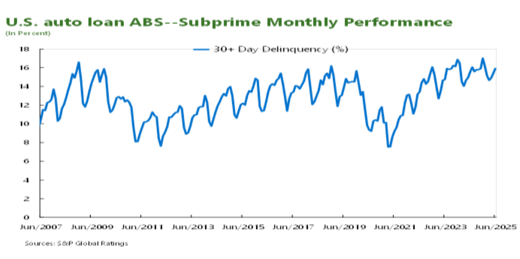
VIX Index near year-to-date lows

Economic data surprises point to slowing



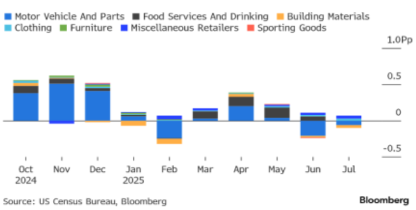
This morning, **US retail sales were stronger than expected.** Headline retail sales grew +0.6% in August—above expectations of 0.2%—outpacing July's already solid print (+0.5%), supported by back-to-school demand. Excluding autos and gasoline, sales rose +0.7%, up from +0.2% in July, above analysts' expectations. Treasury yields rose and the dollar strengthened slightly immediately following the decision.

Investor focus is increasingly turning toward vulnerabilities in the subprime auto loan market, as concerns mount that Tricolor's bankruptcy may signal trouble ahead. Tricolor is a subprime auto lender serving Hispanic customers with limited or no credit history in the southwest of the US. Following allegations that Tricolor pledged identical collateral across multiple loans, several of its ABS tranches traded at notably wider spreads. While similar securities from other issuers did not widen dramatically, many experienced spread increases between the bankruptcy announcement and the end of last week. Tricolor maintained approximately $1.2 bn in retail auto loan warehouse lines and funding facilities across 6 banks. Tricolor also had access to capital markets and completed 13 auto ABS transactions since 2018. The most recent transaction was $217 mn in subprime auto ABS notes issued in June 2025. According to S&P Global Ratings, the US subprime auto loan ABS 30-day-plus delinquency rate remained elevated at 15.9% in June 2025.

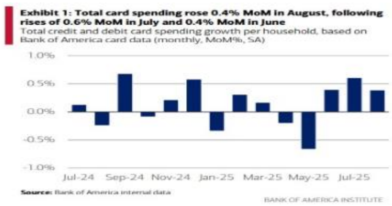


Discretionary spending slows amid tariff and labor headwinds. Discretionary spending—a key indicator of consumer health—has slowed on a 3-month average basis, reversing the momentum seen in late 2024. The pullback has been most evident in sectors such as motor vehicles, food services, clothing, and furniture, which have shown weakening contributions to the overall spending print (left panel). The deceleration coincides with early signs of labor market softening and precedes the full pass-through of tariff-related price pressures, suggesting further downside risks to consumption, according to analysts. Bank of America's September consumer data also shows that card spending remained positive in August, rising 0.4% m/m, but slowing from 0.6% in July (right panel). The deceleration was most pronounced among younger consumers, who are increasingly sensitive to labor market conditions and housing costs. While a strong back-to-school season may offer temporary support to consumption, analysts caution that persistent signs of consumer restraint could weigh on the broader demand outlook and heighten market uncertainty.

Discretionary spending (3-month rolling average)



Total credit and debit card spending per household



Euro area

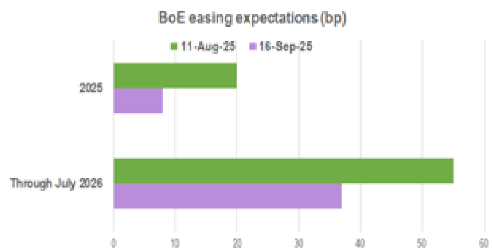
Equities were trading slightly lower ahead of tomorrow's FOMC decision. The Stoxx 600 index was around 0.3% lower, led by declines in the banking sector. Bloomberg reported that the Italian government is considering plans to postpone lenders' tax deductions through to 2027. According to Bloomberg, such an extension would raise an extra €1.5 bn from Italian banks, bringing the total contribution to the budget to €3 bn over the next two years. Regional bourses were also trading in negative territory.

Germany's September ZEW survey of expectations surprises on the upside. Investor confidence in Germany unexpectedly rose in September with the ZEW expectations index rising to 37.3 from 34.7 in the prior month and ahead of consensus expectations which had expected a decline to 25.0. A statement accompanying the release noted that financial market participants are "cautiously optimistic" although an index measuring the current economic situation deteriorated to -76.4 (-73.6 exp, -68.6 prior). European government bond yields were trading slightly higher across the curve this morning with the 10-year bund (+1 bps) at 2.70% while the 30-year was around 2 bps higher at 3.28%. Intra-EMU government bond spreads remain relatively steady with the 10-year OAT-Bund spread at around 79 bps and the 10-year BTP-Bund spread at 78 bps. The euro (+0.4%) strengthened to a broadly weaker dollar, trading at $1.1814/€ in early morning trade, its strongest level in four years. Analysts at ING noted that interest rate differentials should continue to support the euro in the near-term given recent signals from ECB policymakers that the easing cycle is over for now with the policy rate settling at 2.0%, while the market is expecting the FOMC to deliver another 125–150 bps of cuts.

United Kingdom

Analysts see today's UK labor market data as supportive of a hold by the Bank of England this week. Data this morning showed that wage growth excluding bonuses rose by 4.8% y/y, in line with consensus estimates, with the unemployment rate unchanged at 4.7% in July. Analysts at Morgan Stanley noted that with the jobless rate unchanged and a halt in the decline in vacancies, the Bank of England will likely remain focused on developments in headline inflation in assessing the future trajectory of Bank Rate. In line with market pricing, the analysts expect the Bank to keep rates on hold at 4.0% on Thursday. However, they noted that today's data could present a near-term hawkish risk to their expectation of a rate cut in November. Similarly, analysts at HSBC noted that today's data is unlikely to influence Thursday's MPC decision, but policymakers may look to signal towards an easing bias in November depending on incoming data. Money markets are currently expecting the Bank to remain on hold through the end of the year, with around 8 bps of easing priced in by December and the next rate cut not expected until March 2026. Elsewhere, UK gilts were around 1–2 bps higher this morning led by the front end, with the 10-year at 4.65% and the 30-year trading at 5.47%.

Source: Goldman Sachs Global Investment Research, Haver Analytics



Source: Bloomberg and IMF calculations

Japan

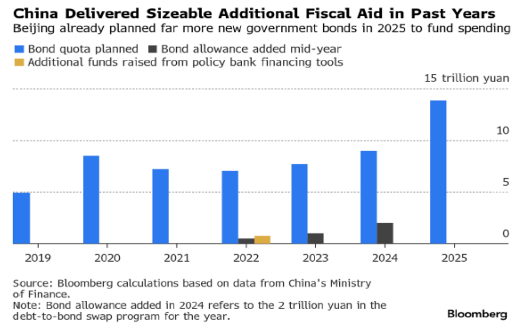
The Bank of Japan is widely expected to leave rates unchanged at the conclusion of its policy meeting on Friday. Despite political uncertainty following PM Ishiba's recent resignation announcement, market participants expect the BOJ to keep its policy rate unchanged at 0.50% on Friday. Economists surveyed by Bloomberg expect considerations for the economic impact of US tariffs to keep the BOJ cautious as it deliberates its policy outlook. Meanwhile, a small majority of those surveyed expect a rate hike by year-end as economic growth and inflation have mostly developed in line with BOJ's expectations. Such a rate hike, should it materialize, would put Japan on a different path than the Fed. Moreover, it could potentially push the yen stronger to the dollar, adversely affecting Japan's exporters. Meanwhile, the US has begun formally implementing a 15% tariff rate on imports of automobiles and auto parts from Japan as of Tuesday.

Emerging Markets back to top

In **Asia**, equities posted modest gains while regional currencies edged slightly stronger. A **JP Morgan decision to lower the weight of regional bond issuers** – including China and India – in its EM Index garnered limited reaction. The proposed weighting for China, India, Indonesia, Malaysia, as well as Mexico will be lowered from 10% to 9% while several others, including for Thailand, will likely be increased. Implementation of the changes will be phased over a period of several months. Standard Chartered estimated limited impact on China's bond market given an estimated reduction of about USD 2bn (or CNY 14.2bn), the equivalent to 0.7% of current foreign holdings of CGBs. Meanwhile, Malaysia is closed for a national holiday. In **EMEA**, equities and currencies traded mixed this morning**.** In CEE, equities were mostly in the red across the region with Hungary (-0.4%) underperforming, while currencies were little changed to the euro. In **Latam**, asset prices edged higher on Monday. Stocks gained in Mexico (+0.5%), Brazil (+0.9%), and Chile (+1.1%). Currencies outperformed in Mexico (+0.4%) and Brazil (+0.7%).

China

The potential for future stimulus is likely limited despite decelerating economic activity. Worse-than-expected economic data from August and signs that the Chinese economy is slowing further have raised expectations that the authorities could roll out more stimulus to support growth. A majority of economists surveyed by Bloomberg expects the People's Bank of China to deliver a policy rate cut of 10 bps in Q4 of the year. Moreover, those surveyed expect only modest additional fiscal stimulus before the end of December. For example, Morgan Stanley expects a "modest" package of up to RMB 0.5–1 tr to fund infrastructure spending, spur consumption and tap "quasi-fiscal" tools to repay local government arrears owed to private companies. Alternatively, Standard Chartered expects the government to bring forward next year's bond quota to help address hidden local debt. Meanwhile, **interest payments on government debt have grown amid sizable fiscal aid.** The **c**ombined interest payments under China's two major budgets are currently over 5 times the amount compared to 10 years ago, by Bloomberg's calculations. Specifically, interest payments totaled nearly RMB 2.2 tn (or about $308 bn) in 2024, equivalent to 5.7% of total government spending based on the Ministry of Finance's data. This amount exceeds China's health care spending last year and is nearly twice the amount it spent on science and technology.

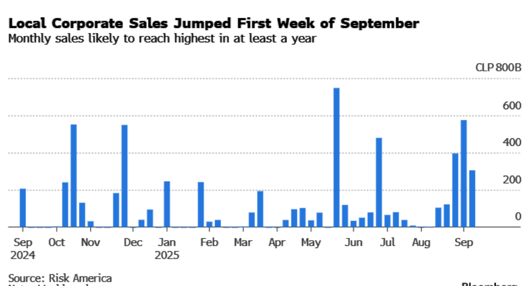


Türkiye

The stock market jumped yesterday by +6% in Türkiye and continued to edge higher (+0.5%) today, after a court adjourned yesterday a case questioning the legitimacy of the main opposition party's leader Ozgur Ozel, postponing the proceedings to October 24. **The lira has appreciated fractionally** (+0.1%) since Friday, while the yield on dollar-denominated 10-year **Turkish government bonds dropped by -13 bps yesterday and continued to decline today** (-3 bps) to trade at 6.61%. The 5-year CDS spread on dollar-denominated Turkish senior bonds was also down by -15 bps since Friday to 249 bps, the lowest level since the resurfacing of political tensions on March 18. Today's data showed the increase of house sales slowing in Türkiye to 6.8% y/y in August from 12.4% in July, with the growth of the house price index also slightly lower to 31.4% y/y in August from a prior 32.8%.

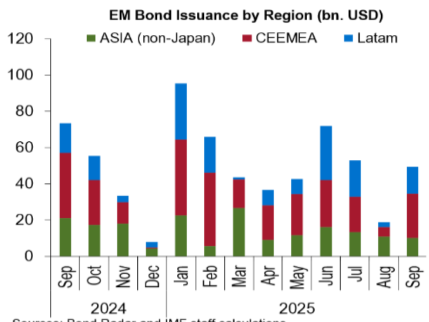
Chile

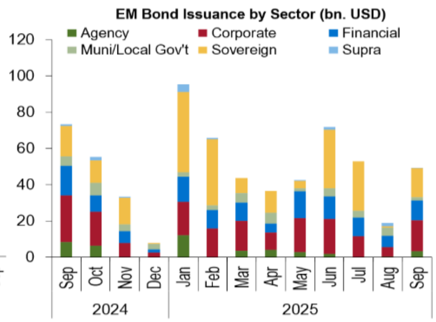
Chilean companies are ramping up both local and international debt sales, driven by falling interest rates, improved liquidity, and optimism over pro-market political prospects ahead of the presidential election. In early September, non-banking corporations issued 575 bn pesos ($603 mn) in local currency bonds, along with $1.7 bn in dollar bonds and $205 min in Swiss franc denominated bonds. It is the busiest issuance week since 2024. The surge is fueled by more than $1 bn in local debt maturities, growing foreign investment in Chile's sovereign debt, and a broader rally in Chilean assets. The stock market is trading near record historical highs, while Chilean sovereign bond spreads over US Treasuries are at very tight historical levels.



EM Bond Issuance

The EM bond market priced $24 bn in new bond issuance last week, 16% lower than the week before. There was $11.7 bn issued in corporate/financial bonds, $6.8 bn in sovereign bonds, $3.7 bn in agency bonds, and $1.6 bn in local government bonds. Colombia, Saudi Arabian Oil Company and Türkiye were the top issuers. Total EM hard currency and local currency issuance now stands at $477 bn YTD.





Sources: Bond Radar and IMF staff calculations

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Global Financial Indicators

	Level		Change				
9/16/25 8:12 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,615	0.5	1.8	2.6	17.4	12
Europe		5,435	-0.1	1.2	-0.2	12.6	11
Japan		44,902	0.3	2.9	3.5	22.7	13
China		4,523	-0.2	2.0	7.6	43.2	15
Asia Ex Japan		91	0.7	3.5	5.7	25.4	26
Emerging Markets		53	0.7	3.4	5.4	22.5	26
Interest Rates					basis points		
US 10y Yield		4.0	0	-5	-27	42	-53
Germany 10y Yield		2.7	1	4	-9	58	34
Japan 10y Yield		1.6	1	3	3	75	50
UK 10y Yield		4.7	2	3	-5	89	8
Credit Spreads					basis points		
US Investment Grade		117	-2	-6	1	-19	-3
US High Yield		334	-2	-10	-1	-49	6
Exchange Rates					%		
USD/Majors		97.1	-0.2	-0.7	-0.8	-3.7	-11
EUR/USD		1.18	0.3	0.8	1.2	6.0	14
USD/JPY		147.1	-0.2	-0.2	-0.5	4.6	-6
EM/USD		46.1	0.1	1.0	0.6	0.0	8
Commodities					%		
Brent Crude Oil ($/barrel)		67.7	0.3	1.9	3.6	-4.3	-6
Industrials Metals (index)		146.4	0.0	3.0	3.5	0.2	4
Agriculture (index)		56.2	0.5	2.6	2.8	1.5	-1
Gold ($/ounce)		3693.1	0.4	1.8	10.8	43.0	41
Bitcoin ($/coin)		115352.3	0.0	0.8	-2.0	100.0	23
Implied Volatility					%		
VIX Index (%, change in pp)		15.5	-0.2	0.5	0.4	-1.6	-1.8
Global FX Volatility		7.4	0.0	-0.4	-0.3	-1.2	-1.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		65	-1	-2	-1	-33	-21
Italy		78	-1	-4	-2	-58	-38
France		79	0	-2	11	8	-4
Spain		55	0	-4	-1	-24	-14

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

Emerging Market Financial Indicators

Last updated: 9/16/2025 8:13 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.12	0.0	0.1	1.0	-0.3	2.6		1.9	0	2	7	-8	19
Indonesia		16440	-0.1	0.3	-1.5	-6.3	-1.9		6.2	-1	-4	-12	-38	-79
India		88	0.2	0.1	-0.8	-4.7	-2.8		6.9	0	3	9	2	-48
Philippines		57	0.5	0.1	0.1	-1.8	1.9		4.7	0	-1	0	-32	-13
Thailand		32	0.3	0.1	2.5	4.9	8.3		1.6	10	22	13	-100	-74
Malaysia		4.20	0.4	0.6	0.7	3.1	6.4		3.4	-2	0	3	-32	-42
Argentina		1466	-0.8	-3.2	-11.4	-34.5	-29.7		50.9	158	-154	1333	1051	2171
Brazil		5.32	0.7	1.9	1.6	3.7	16.1		13.7	-6	-8	-1	174	-222
Chile		951	0.3	2.0	1.3	-3.0	4.7		5.4	-2	0	1	26	-27
Colombia		3906	-0.2	0.9	2.8	8.5	12.8		11.3	6	-26	-34	149	-47
Mexico		18.35	0.1	1.5	2.4	4.8	13.5		8.7	4	-5	-34	-65	-161
Peru		3.5	0.0	0.5	1.9	8.2	7.6		6.1	11	6	-7	-22	-50
Uruguay		40	0.1	-0.3	-0.1	2.0	8.9		8.0	-1	-6	3	-198	-168
Hungary		330	0.3	1.7	2.5	7.2	20.3		6.7	-6	-7	2	69	25
Poland		3.60	0.3	0.7	1.2	6.7	14.7		4.9	0	3	10	-3	-69
Romania		4.3	0.3	1.0	1.1	4.2	12.0		7.3	-8	-15	-2	77	7
Russia		82.8	-0.6	1.2	-2.9	10.4	37.1							
South Africa		17.4	0.0	1.1	1.6	1.5	8.6		9.6	-11	-30	-31	-70	-84
Türkiye		41.30	0.1	-0.1	-1.0	-17.7	-14.4		32.2	-55	-105	41	282	248
US (DXY; 5y UST)		97	-0.2	-0.7	-0.8	-3.7	-10.5		3.61	0	-1	-23	21	-77

	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		4,523	-0.2	2.0	7.6	43.2	15.0		112	-1	3	-14	16
Indonesia		7,958	0.3	4.3	0.8	1.9	12.4		92	-7	15	-19	1
India		82,381	0.7	1.6	2.2	-0.7	5.4		92	-2	5	-22	6
Philippines		6,149	1.5	0.4	-2.6	-13.4	-5.8		72	-4	8	-23	-7
Thailand		1,308	0.6	2.5	3.9	-8.9	-6.6						
Malaysia		1,600	0.0	1.4	1.5	-3.9	-2.6		65	-1	4	-25	-5
Argentina		1,748,702	-0.6	0.9	-20.1	-3.5	-31.0		1237	123	519	-168	600
Brazil		143,547	0.9	1.2	5.3	6.2	19.3		197	-11	3	-32	-50
Chile		9,089	1.1	1.2	4.0	43.2	35.4		104	-6	6	-23	-9
Colombia		1,847	0.1	-1.1	-0.5	40.1	33.9		247	-17	-35	-82	-79
Mexico		62,102	0.5	2.4	6.5	18.8	25.4		218	-14	-17	-109	-94
Peru									98	-8	-2	-50	-43
Hungary		100,196	-0.4	-2.4	-4.7	37.7	26.3		138	-8	7	-27	-17
Poland		107,010	-0.4	0.3	-2.2	31.0	34.5		100	-5	9	-19	-12
Romania		20,843	0.2	1.3	-0.9	18.9	24.7		201	-18	1	-8	-34
South Africa		105,213	0.5	1.9	3.2	28.3	25.1		264	-25	-14	-45	-29
Türkiye		11,061	0.5	5.5	1.7	15.5	12.5		272	-18	8	-34	13
EM total		53	0.5	3.4	5.4	22.5	25.9		361	-8	26	-47	-3

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

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