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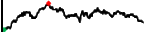





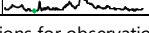
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FOMC day

Financial markets traded in tight ranges across most asset classes ahead of today's FOMC meeting.

A 25 bps cut is fully priced-in at this meeting with market participants expected to closely watch for any changes in the quarterly rate projections. The risk is that FOMC members sound less dovish than expected to keep inflation in check, with uncertainty lingering around the dot plot. The Bank of Canada is also expected to cut 25 bps later this morning, with the release of softer-than-expected inflation data yesterday reinforcing expectations. Across the pond, money markets continued to expect both the ECB and the Bank of England to remain on hold through the end of the year. In emerging markets, Bank Indonesia unexpectedly eased policy today, lowering its policy rate by 25 bps to 4.75% as growth concerns outweighed considerations for currency stability. Elsewhere, Angola policymakers surprised with a 50 bps rate cut yesterday while the central bank of Brazil is expected to keep rates on hold at 15% later today.

Key Global Financial Indicators

Last updated: 9/17/25 8:05 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6607	-0.1	1	2	17	12
Eurostoxx 50		5368	-0.1	0	-1	10	10
Nikkei 225		44790	-0.2	3	2	23	12
MSCI EM		53	0.7	4	6	23	27
Yields and Spreads			bps				
US 10y Yield		4.01	-1.7	-3	-31	37	-56
Germany 10y Yield		2.67	-2.4	2	-12	53	30
EMBIG Sovereign Spread		287	-2	-11	1	-97	-38
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.2	0.0	1	1	0	8
Dollar index, (+) = \$ appreciation		96.8	0.2	-1	-1	-4	-11
Brent Crude Oil (\$/barrel)		68.0	-0.7	1	3	-8	-9
VIX Index (% change in pp)		16.7	0.3	1	2	-1	-1

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

Mature Markets

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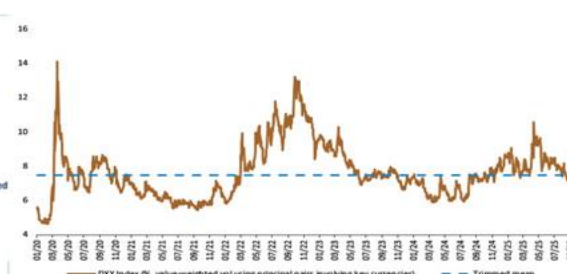
United States

Fed cut expectations are driving increased dollar hedging. As the Fed prepares for a widely-anticipated rate cut later today—narrowing the policy rate gap with other G10 central banks—the shift is reducing hedging costs and prompting foreign investors to shield their US assets from FX risk. According to a recent analysis by Deutsche Bank, most foreign inflows into US domiciled ETFs, are now currency-hedged (left panel), marking a reversal from the last few years. For every hedged dollar asset bought, an equivalent amount of dollar is sold, amplifying downside pressure on the greenback—which is now near July lows. This proactive FX risk management might have contributed to subdued dollar volatility recently. The 1-week implied volatility on the dollar Index remains around 7.1% (right panel). Meanwhile, weekly movements in the dollar Index show no sustained directional trend, indicating a cautious market stance overall.

Hedge inflows into US assets



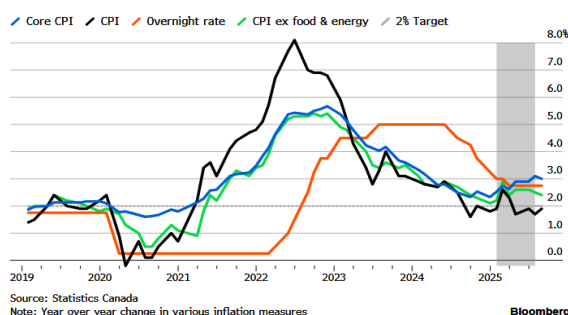
Dollar Index value-weighted volatility



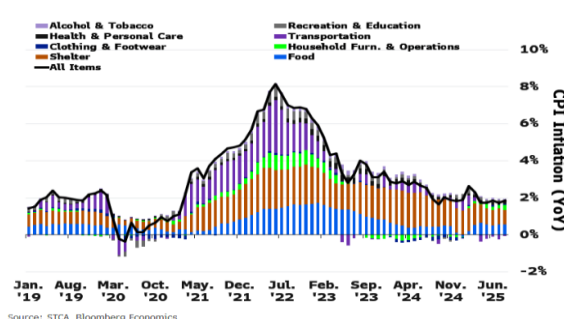
Canada

Canada's monthly inflation surprised downwards boosting rate cut prospects. Canada's monthly CPI declined by 0.1% m/m, slightly surprising to the downside (expected: 0%; prior: 0.3%). Despite this, headline CPI rose 1.9% y/y in August (left panel), up from 1.7% in July, largely due to base effects. The acceleration was milder than the anticipated 2%, primarily reflecting smaller declines in gasoline prices compared to July. Excluding food and energy, inflation softened to 2.4% in August, down from 2.5% the previous month. Core inflation measures remained elevated but showed no signs of deterioration: on an annual basis median core inflation held steady at 3.1% y/y (exp. 3.1%), while trimmed-mean core inflation eased to 3.0% (prior 3.1%), in line with expectations. Shelter inflation slowed to 2.6% (prior 3%), accounting for roughly 40% of year-on-year headline inflation (right panel), with both rents and owners' equivalent rents decelerating. Service inflation remained unchanged at 2.8%. Analysts view the latest inflation print, alongside recent labor market weakness and Q2 GDP downside surprise, as providing the Bank of Canada with room to resume easing, particularly after holding the policy rate steady at 2.75% for the past three meetings. **Traders in overnight swaps currently price in a near-full 25 bps cut later today** and assign a 58% probability to further easing in October.

Annual Canada CPI growth



Canada CPI inflation by category



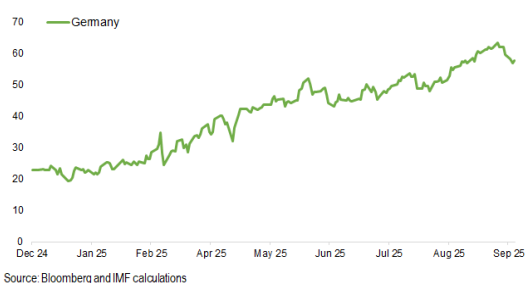
Euro area

European government bond yields fell modestly, and equities rose slightly higher ahead of today's FOMC decision. European government bond yields were around 1–3 bps lower across the curve in early morning trade, with the curve bull-flattening slightly. The 30-year bund yield was 3 bps lower at 3.25% while the 2-year was relatively unchanged at around 2.0%. Intra-EMU government bond spreads saw a slight widening with the 10-year OAT-Bund spread at around 81 bps amid reports of limited progress in French budget discussions. The 10-year BTP-Bund spread was also marginally wider at 80 bps. Meanwhile, European equities were slightly higher. Elsewhere, after reaching its highest level in four years against the dollar, the euro was easing a touch (-0.2%) this morning.

Dutch pension fund transition delays could impact the EUR curve steepener trade.

Analysts at Bank of America (BoFA) noted that “the expectation of large unwinds of receiving positions by Dutch pension funds as they transition to a defined contribution system has been a key driver of positioning in EUR 10s30s curve steepener trades”. Earlier this week, one of the top 10 largest Dutch pension funds, Detailhandel, announced that it will postpone its transition, which was planned for 1 January 2026. The news, according to BofA analysts, resulted in a 2.5 bps flattening in 10s30s, which they argue reflects the large positioning in steepener trades as well as concerns over potential further delays from other funds planning a transition in January 2026. Similarly, analysts at UBS noted that the potential for further funds delaying their transition introduces “uncertainty in timing the pensions [related] steepener” and as a result, they have been reducing their conviction in the Dutch pension fund transition theme as a key driver of long-end curve steepeners noting that risk reduction and profit taking is likely.

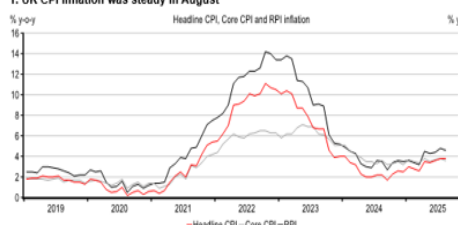
Difference between 30y and 10y yields



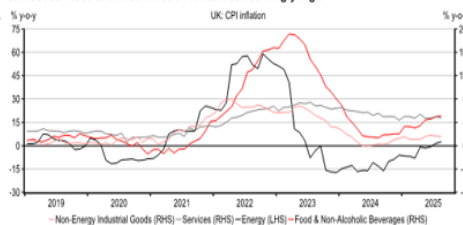
United Kingdom

Money markets expect the Bank of England (BoE) to remain on hold tomorrow given the still elevated inflation. Data this morning showed that headline inflation printed at 3.8% y/y in August, unchanged on the month and in line with consensus expectations as well as the BoE's own projections. Food price inflation rose for the fifth consecutive month, climbing to 5.1% y/y while services inflation ticked down to 4.7% y/y from 5% in July. Immediately following the release, the pound was little changed, trading flat at 1.3642, while gilt yields eased by around 1–2 bps across the curve, led by the longer end (30-year gilt -2 bps to 5.44%). Money markets continued to expect the BoE to remain on hold for the remainder of the year with around 8 bps of easing expected by December. Analysts at HSBC noted that despite today's data printing in line with the BoE's forecast, UK inflation remains elevated and is expected to reach 4% in September. As a result, the analysts expect the MPC to keep Bank Rate on hold at 4.0% until the April 30th meeting next year.

1. UK CPI inflation was steady in August



3. ...but services and food inflation remain concerningly high



Japan

Strong demand for the 20-year JGBs at auction helped ease investor concerns.

The 20-year auction drew a bid-to-cover ratio of 4x, higher than 3.09x seen previously in August and above a 12-month average of 3.2x. Yields on 20-year JGBs fell 4 bps to 2.63% following the auction, retreating from a multi-year high seen earlier this month. Analysts noted that the auction result may have eased some pressure on the Ministry of Finance, which is considering further reductions in its issuance of long-dated bonds, having already scaled back such issuance earlier in the year in response to market volatility. Traders are looking ahead to next week's 40-year JGB auction to see whether demand for super-long sector bonds will be sustained. Meanwhile, **Japan's exports fell for the fourth consecutive month**. Exports fell 0.1% y/y in August (vs. -2% expected), led by cars and steel, according to data from the Finance Ministry. In value terms, shipment to the US suffered its largest fall in more than four years. Imports declined by 5.2%, y/y, a steeper decline compared with expectations (-4.1%, y/y), underscoring challenges to domestic demand.

Japan's Super Long Yields Rise to Multi-Year Highs



Emerging Markets

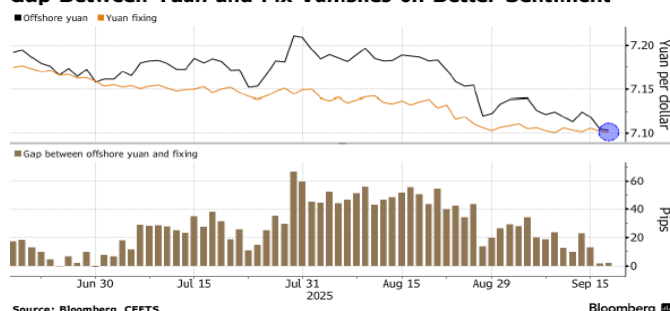
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In **Asia**, equities were mixed. Chinese equities posted strong gains with the Hong Kong Hang Seng leading as AI optimism pushed tech shares to a multi-year high. By contrast, bourses elsewhere in the region were little changed. Currency moves were similarly limited. The Indonesian rupiah underperformed (-0.3%) following the central bank's surprise rate cut. In **EMEA**, equities traded mixed this morning while currencies were mostly weaker. In CEE, equities traded sideways underperforming in Poland (-0.4%) and outperforming in Romania (+0.8%), while currencies were fractionally weaker to the euro. The **central bank of Angola surprised yesterday by cutting its policy rate** by 50 bps to 19%. In **Latam**, assets performed mixed. Stocks gained in Mexico (+0.5%) and Brazil (+0.4%), while Colombia's equity market declined by -0.5%. Currencies appreciated in Colombia (+0.9%), Mexico (+0.5%), Brazil (+0.4%) and Peru (+0.4%).

China

The RMB strengthened beyond its official fixing as bullish bets build. For the first time since July, the offshore CNH, which is more sensitive to market sentiment, climbed to 7.1004 per dollar intraday, briefly strengthening past the PBOC's daily reference rate, set at 7.1013/USD. The fixing is to guide the onshore RMB, which is allowed to trade in a band of 2% on either side of that level. Bullish sentiment on the RMB has been building in recent weeks, spurred in part by expectations for Fed rate cuts. The Oversea-Chinese Banking Corp. in Singapore expects the RMB to strengthen to the RMB 7.08/USD level by year end. Meanwhile, **Chinese equities staged robust gains, led by technology firms**. The Hang Seng Tech Index, which tracks the largest tech firms listed in Hong Kong, rose as much as 4.3% to its highest level since November 2021 and is on track for its seventh consecutive week of gains. Baidu, a search engine operator, led the gains with a 19% jump. The tech index has risen 41% YTD, surpassing regional peers.

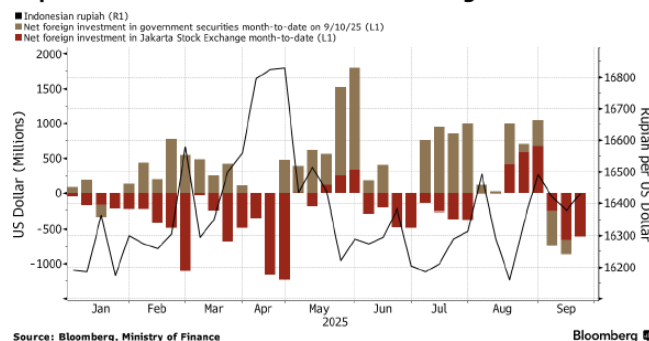
Gap Between Yuan and Fix Vanishes on Better Sentiment



Indonesia

Bank Indonesia (BI) unexpectedly eased policy. In a surprise move, BI lowered its policy rate by 25 bps to 4.75% as growth concerns outweighed considerations for currency stability. Policymakers have eased in three successive meetings this year. In a post-meeting news conference, Governor Perry Warjiyo noted that BI will be “utilizing the room for rate cuts while considering the stability of the rupiah” and that interest rates might need to decline faster. President Prabowo has set a growth target of 8% by 2029, a level not seen since the mid-1990s. Indonesian equities rose following the surprise rate cut, while 10-year bond yields fell as much as 9 bps. The rupiah gave up early gains to end the day 0.3% weaker, underperforming its Asian peers.

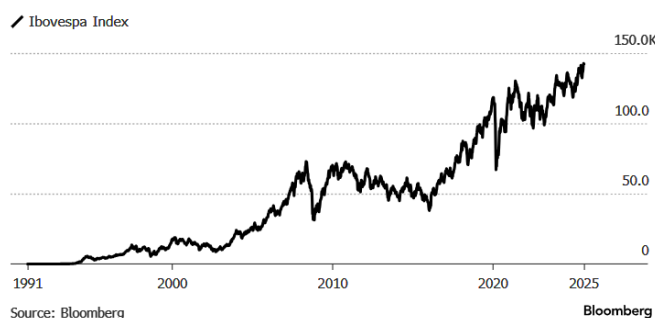
Rupiah Under Renewed Pressure Amid Foreign Outflows



Brazil

Brazil's Ibovespa stock index hit another record high yesterday. Investors are pouring into Brazilian markets, driven by hopes that a pro-business candidate will win Brazil's 2026 presidential election. UBS Wealth upgraded Brazilian equities in June, citing attractive valuations and expected monetary easing, which helped the Ibovespa rise 5% since then, pushing YTD gains to 20%. Foreign investors bought a net 1.2 bn reais (\$226 mn) in August, marking the sixth month of inflows this year, compared to just three in 2024. Market contacts noted that recent polls showing President Lula's declining approval and a potential challenge from Sao Paulo governor Tarcisio de Freitas have fueled investor enthusiasm, though analysts caution that both political and monetary factors remain uncertain.

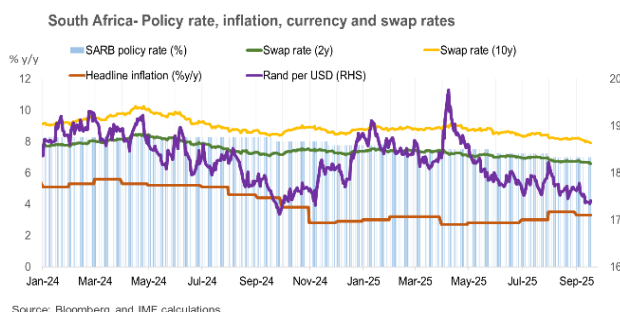
Brazil's Ibovespa Stock Index Rallies to All-Time High



South Africa

Yields on domestic government bonds declined across tenors after today's data showed inflation unexpectedly slowed in South Africa in August. Headline inflation printed at 3.3% y/y (vs. est. 3.6%), from 3.5% y/y in July. Core inflation printed in line with expectations at 3.1% y/y, a touch above 3% in July. Traders have raised bets that the South African Reserve Bank (SARB) will extend its interest rate-cutting cycle at its upcoming MPC meeting tomorrow, although consensus remains for the central bank to hold its policy rate at 7% with analysts at Bloomberg noting that the SARB announced in July that it now prefers

inflation to settle at the bottom of its target band of 3% to 6%. The BER survey released Monday showed that inflation expectations for the current year fell to 3.8% in Q3 from 3.9% in Q2. The rand was -0.2% weaker this morning.



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.

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Global Financial Indicators

9/17/25 8:05 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,607	-0.1	1.4	2.4	17.3	12
Europe		5,368	-0.1	0.1	-1.5	10.4	10
Japan		44,790	-0.2	3.1	2.5	23.1	12
China		4,551	0.6	2.4	7.4	43.5	16
Asia Ex Japan		92	0.7	3.5	6.5	26.2	27
Emerging Markets		53	0.7	3.6	6.2	23.3	27
Interest Rates			basis points				
US 10y Yield		4.0	-2	-3	-31	37	-56
Germany 10y Yield		2.7	-2	2	-12	53	30
Japan 10y Yield		1.6	0	3	3	77	50
UK 10y Yield		4.6	-3	-2	-9	84	4
Credit Spreads			basis points				
US Investment Grade		117	1	-3	1	-18	-3
US High Yield		336	2	-5	1	-44	8
Exchange Rates			%				
USD/Majors		96.8	0.2	-1.0	-1.1	-4.1	-11
EUR/USD		1.18	-0.2	1.3	1.6	6.6	14
USD/JPY		146.3	-0.2	-0.8	-1.1	2.7	-7
EM/USD		46.2	0.0	1.0	0.7	0.2	8
Commodities			%				
Brent Crude Oil (\$/barrel)		68.0	-0.7	0.7	4.1	-4.8	-6
Industrials Metals (index)		144.5	-1.3	1.1	2.2	-0.8	3
Agriculture (index)		55.8	-0.8	2.0	2.0	0.0	-2
Gold (\$/ounce)		3668.6	-0.6	0.8	10.1	42.8	40
Bitcoin (\$/coin)		116364.3	-0.5	0.1	-1.1	93.5	24
Implied Volatility			%				
VIX Index (% change in pp)		16.7	0.3	1.3	1.6	-1.0	-0.7
Global FX Volatility		7.6	0.0	0.0	0.0	-0.9	-1.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		66	1	-1	1	-31	-19
Italy		80	1	-2	0	-56	-36
France		81	2	0	13	10	-2
Spain		56	1	-2	0	-23	-13

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

Emerging Market Financial Indicators

Last updated: 9/17/2025 8:05 AM	Exchange Rates						Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.10	0.1	0.2	1.1	-0.1	2.7		1.9	-1	-1	6	-9	18
Indonesia		16437	0.0	0.2	-1.5	-6.7	-1.9		6.2	-2	-14	-14	-40	-81
India		88	0.3	0.3	-0.5	-4.6	-2.5		6.8	-2	1	7	-1	-50
Philippines		57	0.0	0.4	0.2	-2.1	1.9		4.8	4	4	4	-4	-9
Thailand		32	-0.1	0.1	2.4	5.2	8.3		1.6	1	24	14	-98	-73
Malaysia		4.19	0.4	0.8	0.8	1.7	6.8		3.4	-2	0	3	-29	-42
Argentina		1469	-0.2	-3.6	-12.0	-34.6	-29.8		49.2	-171	-370	1163	899	2000
Brazil		5.30	0.4	2.7	2.6	4.0	16.5		13.7	-6	-15	-7	162	-227
Chile		950	-0.2	1.4	1.5	-2.1	4.9		5.4	-1	-4	0	26	-28
Colombia		3870	0.9	1.4	4.1	9.5	13.8		11.3	-6	-27	-41	146	-53
Mexico		18.29	0.0	1.7	2.7	4.4	13.9		8.7	0	-7	-34	-65	-161
Peru		3.5	0.4	0.5	1.8	8.6	8.0		6.2	5	10	-1	-14	-44
Uruguay		40	0.2	-0.2	0.1	2.2	9.1		8.0	1	-5	4	-204	-167
Hungary		329	-0.3	2.1	2.9	7.8	20.7		6.6	-2	-9	0	68	22
Poland		3.59	-0.3	1.5	1.5	7.1	15.0		4.9	1	2	11	-2	-69
Romania		4.3	-0.3	1.5	1.4	4.6	12.3		7.3	-1	-17	-3	74	6
Russia		83.1	0.1	2.1	-3.3	10.2	36.6							
South Africa		17.4	-0.2	0.6	1.5	1.4	8.4		9.7	2	-23	-29	-56	-82
Türkiye		41.29	-0.1	-0.1	-1.0	-17.5	-14.4		31.7	-47	-124	-6	183	201
US (DXY; 5y UST)		97	0.2	-1.0	-1.1	-4.1	-10.8		3.58	-1	-2	-26	13	-80

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)				YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,551	0.6	2.4	7.4	43.5	15.7		112	-1	3	-14	16
Indonesia		8,025	0.8	4.2	1.6	2.5	13.4		93	-3	16	-20	2
India		82,694	0.4	1.6	1.7	-0.3	5.8		91	0	4	-23	5
Philippines		6,211	1.0	1.5	-1.2	-13.2	-4.9		72	-2	8	-25	-7
Thailand		1,307	-0.1	2.2	5.2	-9.0	-6.7						
Malaysia		1,612	0.7	1.6	1.7	-2.9	-1.9		62	-5	1	-27	-8
Argentina		1,788,269	2.3	3.5	-18.3	-1.4	-29.4		1172	96	454	-210	535
Brazil		144,062	0.4	1.7	5.7	6.7	19.8		193	-12	-1	-39	-54
Chile		9,066	-0.3	1.0	3.7	43.2	35.1		103	-5	5	-27	-10
Colombia		1,839	-0.5	-1.8	-1.0	40.0	33.3		252	-2	-30	-74	-74
Mexico		62,102	0.5	2.4	6.5	18.8	25.4		218	-7	-17	-111	-94
Peru		2,222	-0.1	3.8	7.1	26.2	31.1		98	-7	-2	-50	-43
Hungary		99,752	-0.1	-1.8	-5.1	37.2	25.7		138	-5	7	-29	-17
Poland		105,450	-0.5	-0.2	-3.6	27.2	32.5		91	-11	0	-19	-21
Romania		20,873	0.9	1.2	-0.7	19.2	24.8		201	-13	0	-11	-35
South Africa		104,665	-0.2	1.0	2.7	26.1	24.5		259	-26	-19	-49	-34
Türkiye		11,198	0.1	5.8	3.0	14.8	13.9		270	-19	6	-39	11
EM total		53	0.7	3.6	6.2	23.3	26.8		356	-9	21	-50	-8

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

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