



- Powell flags labor weakness amid 25 bps Fed rate cut ([link](#))
- Bank of England holds rates while slowing quantitative tightening plans as expected ([link](#))
- Bank of Japan widely expected to keep its benchmark rate unchanged this week ([link](#))
- Indonesian bond yields fell to multi-year lows following unexpected BI rate cut ([link](#))
- Renminbi (RMB) near key levels that could trigger more dollar conversions ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

## Equities Rally as Dust Settles on Fed's "Risk Management" Rate Cut

In a week packed with central bank decisions, investor focus centered on yesterday's FOMC meeting, which delivered the first Fed rate cut since December 2024. The 25bp move triggered choppy trading as investors parsed Chair Powell's press conference and the new Summary of Economic Projections. After the initial dust settled and volatility faded, the US dollar ended the day slightly higher—a move that was reversed today. Commentary focused on Powell's remark that the labor market no longer looks "very solid", and the unusually high dispersion in the "dot plot", which reflects FOMC members' expectation of future rates. Today, European equities advanced and US futures point to a higher open as well. The Bank of England (BoE) held its Bank Rate steady at 4%, as expected. Market focus was on the planned pace of quantitative tightening: the MPC decided to slow the pace from GBP 100 billion over the past 12 months to GBP 70 billion going forward, also skewing sales away from longer-dated debt. Despite this, longer-end gilt yields edged up mildly today, but marginally outperformed euro area government bonds. Elsewhere, Bank Indonesia surprised with an unexpected rate cut, while the Bank of Canada and Norges Bank both cut by 25 bps as expected. Brazil's central bank kept its Selic rate unchanged at 15%. US Treasury yields edged up this morning after initial jobless claims for the week ending on Sep. 13 came in slightly lower than expected, providing a bit of counterweight to the "labor market softness" narrative.

Key Global Financial Indicators

Last updated: 9/18/25 8:51 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6600	-0.1	1	2	17	12
Eurostoxx 50		5442	1.4	1	0	13	11
Nikkei 225		45303	1.1	3	4	22	14
MSCI EM		53	0.4	3	6	24	27
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.07	-2.5	5	-26	37	-50
Germany 10y Yield		2.69	1.5	4	-7	50	33
EMBIG Sovereign Spread		285	-3	-10	-1	-93	-40
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.2	0.3	1	1	0	8
Dollar index, (+) = \$ appreciation		97.1	0.2	0	-1	-4	-11
Brent Crude Oil (\$/barrel)		68.3	0.5	3	3	-7	-8
VIX Index (% change in pp)		14.9	-0.8	0	0	-3	-2

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

## Mature Markets

[back to top](#)

### United States

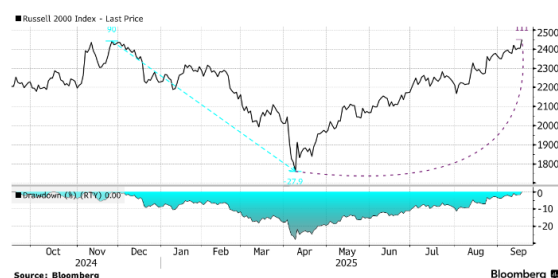
#### Initial jobless claims fell to 231k in the week ending September 13 coming in 9k below expectations.

Analysts suggest the week's prior spike likely overstated labor-market deterioration, potentially due to seasonal factors or one-off layoffs in certain states. Continuing jobless claims declined to 1.920 million for the week ending September 6, slightly below the revised 1.927 million from the prior week. Following the release, Treasury yields edged higher.

**Powell flags labor weakness amid 25 bps Fed rate cut.** The Federal Reserve cut its benchmark interest rate by 25 basis points to a target range of 4.00–4.25%, as widely anticipated by market. Chair Jerome Powell cited growing signs of labor market weakness, stating that job creation now lags the break-even rate needed to maintain unemployment levels. “I can no longer say the labor market is very solid,” Powell said. The FOMC vote was 11–1, with Governor Stephen Miran dissenting in favor of a deeper 50-basis-point cut. The new “dot plot”, reflecting the FOMC participants’ expectations, now projects (median) two more cuts in 2025, one in 2026, and another in 2027. Powell remarks emphasized a “meeting-by-meeting” situation, framing the decision as a “risk-management cut”, and further dismissing the urgency of a 50 bps cut. Trading was choppy after the decision and during the press conference. Trading was choppy during the press conference; the 2-year US Treasury yield briefly fell by 7 bps, only to rebound directly afterwards to end the day 5 bps higher at 4.08%.

**Small caps edge higher on Fed-day as Russell 2000 continues recovery from April.** After briefly appearing on track for a record close, the Russell 2000 ended the day up 0.2%, following the Fed's updated guidance signaling further rate cuts. The move continues the index's recovery from the April tariff-induced slump (left panel). While broader equity markets remained volatile—as is typical on Fed decision days—small-cap stocks saw modest relief from the prospect of lower borrowing costs. The index, which includes many speculative-grade borrowers, has been particularly sensitive to interest rate expectations and trade-related headwinds. According to Bloomberg Intelligence, value stocks within the Russell 2000 tend to outperform growth during rate-cut cycles, especially when cuts occur outside recessionary periods (right panel). Still, analysts caution that sustaining momentum may require a pickup in economic growth, as small caps have underperformed since the Fed's initial cut last September.

#### Russel 2000 Index



#### Average S&P 500 and Russell 2000 after Fed cuts

	SPX on the Day	1W Later	1M Later	RTY on the Day	1W Later	1M Later
Avg	0.01%	0.16%	0.85%	-0.01%	0.28%	1.62%
Avg Ex-Recession	0.34	0.82	1.38	0.09	0.79	2.41
Avg 25-bp Cuts Ex-Recession	0.33	0.54	1.05	0.05	0.66	1.67
Avg 50-bp Cuts Ex-Recession	0.38	2.17	2.94	0.21	1.11	4.72

Source: Bloomberg, Federal Reserve  
Note: Analysis looks at all interest-rate cuts since 1990

Bloomberg

### Canada

**The Bank of Canada delivered a rate cut as well, as expected.** The Bank of Canada (BoC) lowered its benchmark rate by 25 bps, as widely expected by markets, following yesterday's softer August CPI print, persistent labor market slack, and subdued Q2 GDP growth. While the BoC stopped short of signaling further easing, its statement was notably reworked to emphasize the export sector as a key determinant for future policy direction. Governor Tiff Macklem noted that the removal of most retaliatory tariffs against the US has reduced some “upside risk” to inflation, calling the rate cut “appropriate to better balance the risks going forward.” The timing—just hours before the Fed's own rate cut—temporarily widened the

Canada-US 2-year yield spread to a one-month high (panel). Traders sharply repriced rate expectations: prior to the announcement, financial markets were pricing in nearly two rate cuts (1.8) by year-end; after the meeting, expectations for the BoC dropped to less than one cut (0.78). The Canadian dollar weakened 0.2% on the day, testing key support levels, with analysts warning that diverging US-Canada rate paths could weigh further on the Loonie.

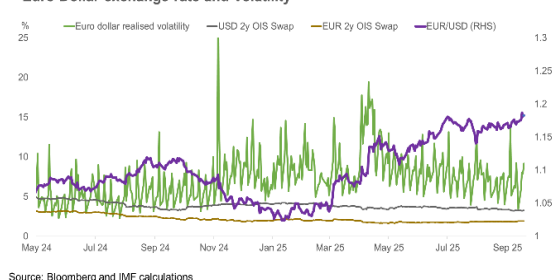
### US-Canada 2-year rate differential and Canadian Dollar Spot



## Europe

**European equities advanced this morning on improved sentiment after yesterday's Fed decision.** The Stoxx 600 index was up by 0.5% driven again by strong gains in the technology sector (2%). After reaching its highest level in four years against the dollar at \$1.1919/€, the euro eased yesterday after the Fed decision and slightly rebounded (+0.1%) this morning to trade at \$1.1827/€. Analysts at Bloomberg highlight that the one-year risk reversal has surged to 81bps in favor of euro option calls (over puts) showing traders' bullish expectations on the euro on the back of increasing divergence between the policy outlook in the US and in Europe and the long-term repricing of dollar rates.

Euro-Dollar exchange rate and Volatility



Options Show Rising Conviction in Euro Gains  
Despite spot pullback below \$1.18, bullish demand stays strong

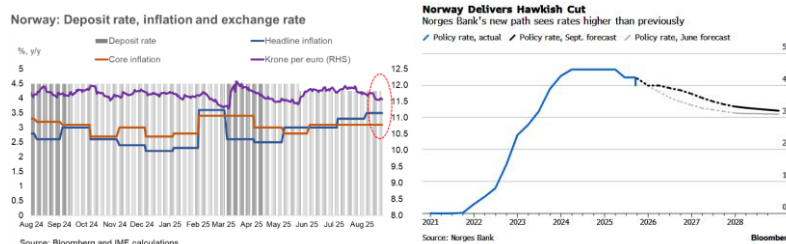
Tenor	EUR/USD vol skew as of 6am London	EUR/USD vol skew on Sept. 11
1W	0.39 ppt	0.11 ppt
2W	0.44	0.12
3W	0.50	0.18
1M	0.52	0.20
2M	0.57	0.29
3M	0.63	0.37
4M	0.66	0.42
6M	0.70	0.48
9M	0.75	0.59
1Y	0.81	0.67

Source: Bloomberg

Bloomberg

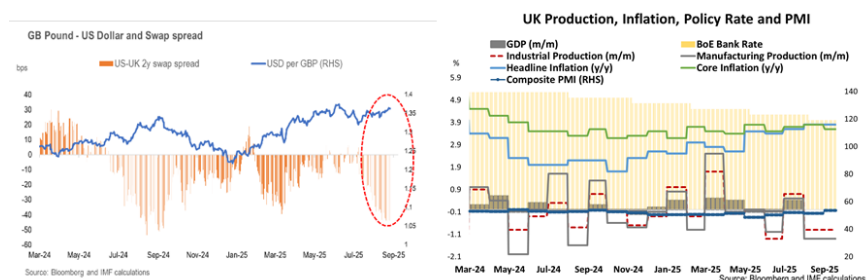
## Norway

**The central bank (Norges Bank) lowered its policy rate by 25bps to 4% in line with expectations.** The Norwegian krone was little changed against the euro, continuing to trade at NOK 11.60/€. Governor Ida Wolden Bache warned however that the Norges Bank will probably slow the easing pace in the future compared to what previously envisaged. Policymakers raised their forecasts for GDP growth to 2% this year, up from 1.6% estimated in June. Analysts at JP Morgan see today's decision as a hawkish cut, suggesting that the policy rate will remain at 4% at the end of 2025. Money markets continue to price-in some further easing, with an implied policy rate at 3.94% after the December 18 MPC meeting.



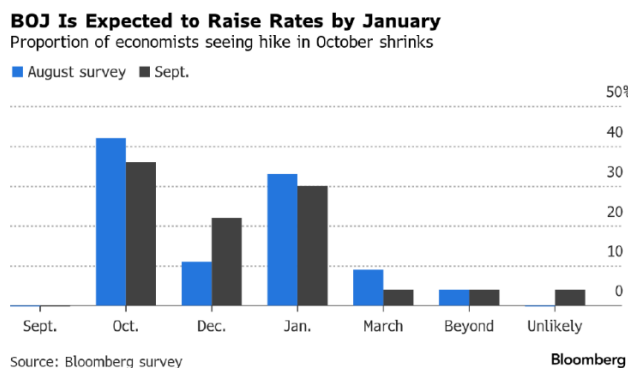
## United Kingdom

**The Bank of England kept its policy Bank Rate at 4% today as expected.** The pound sterling was little changed against the dollar, continuing to trade at \$1.3630/£, after. The decision followed a 7–2 vote split (two MPC members favored a -25bps cut) with the statement balancing ongoing disinflation and slowing wage growth against persistent risks to the inflation outlook and global geopolitical uncertainties. On quantitative tightening, the MPC agreed (again 7–2) to slow the pace of gilt stock reduction from £100bn to £70bn over the next year, taking holdings down to £488bn, with a view to preserving orderly market functioning amid higher term premia and global issuance pressures. Gilts marginally outperformed euro area peers after the decision, with the yield curve bull-steepening fractionally.



## Japan

**The Bank of Japan is widely expected to keep its benchmark interest rate unchanged as its policy meeting concludes on Friday.** All 50 economists surveyed by Bloomberg expect the policy rate to remain steady at 0.5% at the conclusion of the two-day meeting on Friday. Meanwhile, the outlook for future rate moves is less certain. Overnight index swaps suggest a 65% probability of a 25 bp rate hike in the January meeting next year, compared to about 9 out of 10 economists surveyed by Bloomberg. In general, analysts have pared back rate hike expectations for this year amid uncertainty over domestic politics and a moderate economic recovery as exporters contend with US tariffs. Sanae Takaichi, a former economic security minister, described by some sources as supporting aggressive monetary easing and fiscal spending, declared her candidacy for the LDP leadership. Other contenders include Agriculture Minister Shinjiro Koizumi and Chief Cabinet Secretary Yoshimasa Hayashi.



## Emerging Markets

[back to top](#)

**EMEA equities were mostly higher while currencies were trading mixed.** In CEE, equities traded higher with stocks in Hungary outperforming (+0.8%) while the Hungarian forint was outperforming CEE peers (+0.4%) to trade at 388.5/€—its strongest level against the common currency since last May. Elsewhere, the South African rand was trading steady against the dollar at ZAR17.38/\$ ahead of the Reserve Bank of South Africa's decision later today. While consensus expects the policy rate to be kept on hold at 7.0%, the decision may be finely balanced given yesterday's surprising slowdown in headline inflation. In Türkiye, the lira inched down (-0.1%) against the dollar at TRY41.33/\$, while equities were higher (+0.8%). The Bank of Ghana delivered larger than expected rate cut with dovish guidance, cutting its policy rate by 350bp from 25% to 21.5%, surprising consensus expectations which had forecast a 300bp rate cut.

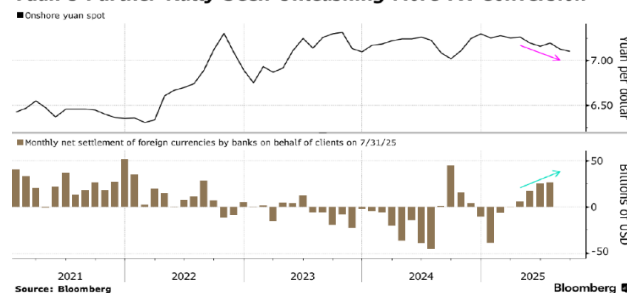
**Asian currencies suffered broad-based losses against the dollar following yesterday's FOMC decision.** The Korean won underperformed (-0.5%) while RMB—both onshore and offshore—held mostly steady. Equities were mixed. Chinese bourses fell, underperforming other major Asian markets on profit taking. Investors are focused on the conclusion of the BOJ meeting on Friday to gauge possible policy path for Japan in the coming months.

**Latin American equity markets traded mixed.** Stocks declined in Mexico (-0.8%) and Chile (-0.7%), while Brazil's equity market rose 1.1% to another record high. Argentina's central bank reportedly sold \$53 million to support the peso.

## China

**The renminbi (RMB) is near key levels that could trigger more dollar conversions.** As Asian investors dialed back expectations for aggressive Fed rate cuts, and with the PBOC setting its RMB fixing at a slightly weaker level relative to recent days, the offshore CNH halted its three-day gain. The RMB fixing was set at 7.1085/USD on the day, compared with 7.1013/USD previously. Analysts noted that the RMB is near key levels that could spur local companies to convert their dollar holdings, with up to \$300 bn of foreign currency holdings likely to be unwound, according to estimates from Barclays Bank and Dongwu Securities. The key levels are in the RMB 7.0 to 7.10/USD range. Should these levels be breached, the RMB could face the possibility of strengthening further. The offshore CNH has gained 3.4% against the USD since the beginning of the year (from about RMB 7.35/USD to around RMB 7.10/USD). Currently, the offshore CNH is holding steady at 7.1037/USD for the day, while the onshore CNY was also little changed at 7.1075/USD.

**Yuan's Further Rally Seen Unleashing More FX Conversion**



## Indonesia

**Indonesian bond yields fell to multi-year lows following an unexpected Bank Indonesia (BI) rate cut.** The yield on the five-year note, seen as sensitive to policy changes, fell as much as 11 bps to 5.35%, the lowest in more than three years. The 10-year note fell 3 bps to 6.26%, the lowest since August 2023. Bank Indonesia surprised markets by lowering its policy rate to 4.75% yesterday, in an “all-out pro-growth” move, according to Governor Perry. BI also asymmetrically lowered its deposit facility rate by 50 bps to 3.75%, signaling a push to accelerate liquidity transmission. Meanwhile, analysts noted that the new Finance Minister Purbaya Yudhi Sadewa's decision to inject IDR 200 trn (about USD 12 bn) of the government's cash reserves into

**Indonesia 5-Year Bond Yield Falls to Lowest in Over 3 Years**





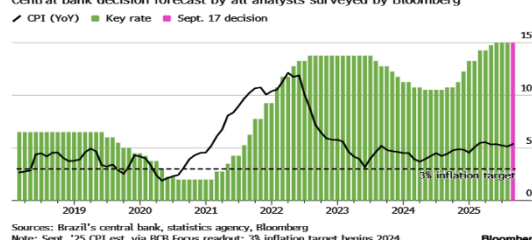
SOE banks could push yields lower still as banks recycle this liquidity into the bond market. The rupiah weakened 0.5% against the dollar on the day and was the second-worst performing currency in Asia.

## Brazil

### Brazil's central bank kept its Selic rate unchanged at 15% for a second straight meeting, signaling it will

remain at this nearly two-decade high for an extended period to bring inflation toward its 3% target. Policymakers warned that they are ready to resume rate hikes if needed, despite recent signs of cooling inflation and slowing economic activity. Annual inflation eased to 5.13% in August, aided by lower electricity and food costs. The Brazilian real has strengthened about 5% since the last meeting, helping curb import prices. However, service costs remain elevated, and consumer price forecasts still exceed target levels, with economists projecting 4.83% inflation by year-end. While GDP growth slowed in the second quarter, a strong labor market (unemployment at a record low of 5.6%) continues to support demand. The decision came shortly after the U.S. Federal Reserve cut its interest rate by 0.25 percentage points.









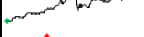
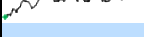





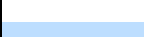











**Brazil Keeps Key Rate at 15% for Second Straight Meeting**  
Central bank decision forecast by all analysts surveyed by Bloomberg



*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.*

**Disclaimer:** *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*

## Global Financial Indicators














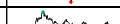
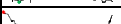












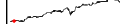





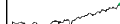

9/18/25 8:54 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		6,641	-0.1	0.8	3.0	18.2	13
Europe		5,442	1.4	1.0	0.1	12.5	11
Japan		45,303	1.1	3.3	4.0	21.9	14
China		4,498	-1.2	-1.1	6.5	40.7	14
Asia Ex Japan		92	0.4	3.2	6.2	27.1	27
Emerging Markets		53	0.4	3.3	6.0	24.2	27
<b>Interest Rates</b>			basis points				
US 10y Yield		4.1	-3	5	-26	37	-50
Germany 10y Yield		2.7	2	4	-7	50	33
Japan 10y Yield		1.6	0	2	3	77	50
UK 10y Yield		4.6	1	4	-10	79	7
<b>Credit Spreads</b>			basis points				
US Investment Grade		116	0	-3	-1	-15	-4
US High Yield		330	-1	-6	-4	-35	2
<b>Exchange Rates</b>			%				
USD/Majors		97.1	0.2	-0.5	-1.1	-3.5	-11
EUR/USD		1.18	-0.1	0.6	1.3	6.2	14
USD/JPY		147.6	0.4	0.2	-0.2	3.7	-6
EM/USD		46.2	0.3	0.8	0.9	0.3	8
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		68.3	0.6	3.0	3.5	-4.1	-5
Industrials Metals (index)		144.4	-0.3	0.0	2.6	-1.1	3
Agriculture (index)		55.0	-0.4	-0.1	0.6	-2.2	-4
Gold (\$/ounce)		3668.1	0.2	0.9	10.1	43.3	40
Bitcoin (\$/coin)		117263.2	1.4	1.1	0.7	94.7	25
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		14.9	-0.8	0.2	-0.1	-3.3	-2.4
Global FX Volatility		7.6	0.0	0.1	0.1	-0.9	-1.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		66	0	0	1	-34	-19
Italy		79	0	0	0	-59	-36
France		81	1	3	13	9	-2
Spain		56	1	-1	0	-25	-13

Colors denote **tightening/easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations.

Data source: Bloomberg.

## Emerging Market Financial Indicators

Last updated: 9/18/2025 8:30 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.11	0.0	0.2	1.1	-0.4	2.7		1.9	-2	-5	4	-11	16
Indonesia		16505	-0.5	-0.3	-2.1	-7.1	-2.4		6.2	-5	-17	-19	-43	-86
India		88	-0.4	0.3	-0.9	-5.0	-2.9		6.9	1	1	8	0	-49
Philippines		57	-0.3	0.2	0.0	-2.3	1.4		4.7	-5	-1	-1	-33	-14
Thailand		32	-0.2	0.2	2.1	4.6	7.2		1.5	-7	15	7	-104	-80
Malaysia		4.20	-0.2	0.6	0.6	1.1	6.6		3.4	0	-2	3	-30	-42
Argentina		1474	-0.3	-3.4	-12.3	-34.8	-30.1		51.1	194	74	1357	1218	2195
Brazil		5.27	0.6	2.2	3.1	3.5	17.1		13.6	-4	-17	-12	158	-232
Chile		952	-0.4	1.1	1.2	-2.1	4.5		5.4	0	-6	-1	26	-29
Colombia		3878	-0.2	1.2	3.5	8.6	13.6		11.2	-4	-13	-44	142	-57
Mexico		18.23	0.5	1.3	3.0	5.8	14.2		8.7	-2	-3	-36	-57	-163
Peru		3.5	0.1	0.2	1.9	8.0	7.6		6.1	-1	16	-11	-14	-48
Uruguay		40	0.2	0.4	0.6	3.0	10.1		8.0	0	-3	4	-216	-167
Hungary		329	0.4	1.4	3.0	7.8	20.8		6.6	-2	-13	-3	66	20
Poland		3.60	-0.1	0.6	1.1	6.6	14.6		4.9	1	1	12	-3	-68
Romania		4.3	-0.1	0.7	1.0	4.3	11.9		7.3	-2	-22	-5	74	4
Russia		83.1	0.6	2.0	-3.3	11.7	36.6							
South Africa		17.4	0.2	0.0	1.6	1.1	8.6		9.6	-6	-28	-35	-63	-88
Türkiye		41.30	-0.1	0.1	-1.0	-17.5	-14.4		31.7	-1	-118	-7	199	200
US (DXY; 5y UST)		97	0.2	-0.5	-1.1	-3.5	-10.5		3.64	-2	4	-21	15	-75

	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		4,498	-1.2	-1.1	6.5	40.7	14.3		109	-4	0	-15	13	
Indonesia		8,008	-0.2	3.4	1.9	1.3	13.1		90	-8	13	-17	-1	
India		83,014	0.4	1.8	1.7	-0.2	6.2		91	-2	4	-22	5	
Philippines		6,234	0.4	1.7	-0.7	-13.4	-4.5		69	-8	5	-23	-10	
Thailand		1,297	-0.7	0.7	5.0	-10.8	-7.4							
Malaysia		1,599	-0.8	0.8	0.5	-4.0	-2.6		62	-5	1	-27	-8	
Argentina		1,783,520	-0.3	-2.3	-18.9	-1.7	-29.6		1251	220	533	-115	614	
Brazil		145,594	1.1	2.3	6.0	8.9	21.0		192	-9	-2	-36	-55	
Chile		9,007	-0.7	0.4	1.7	42.2	34.2		99	-7	1	-26	-14	
Colombia		1,834	-0.2	-1.1	-1.2	40.3	33.0		254	11	-28	-66	-72	
Mexico		61,596	-0.8	1.5	5.6	17.1	24.4		216	-3	-19	-109	-96	
Peru		2,239	0.8	4.0	7.7	24.8	32.1		96	-7	-4	-48	-45	
Hungary		100,065	0.7	-2.2	-5.2	37.5	26.1		131	-14	0	-34	-24	
Poland		105,913	0.3	-1.1	-3.6	28.1	33.1		94	-9	3	-21	-18	
Romania		20,888	0.1	1.1	0.7	19.5	24.9		194	-16	-6	-13	-41	
South Africa		105,742	0.4	1.7	4.5	27.8	25.7		251	-29	-27	-44	-42	
Türkiye		11,243	0.7	8.3	2.9	15.0	14.4		262	-27	-2	-39	3	
EM total		53	0.0	3.3	6.0	24.2	27.4		357	-2	22	-44	-7	

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

[back to top](#)