GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, SEPTEMBER 18, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **Yen weakens after split vote sends mixed signals about BOJ rate policy** (link)
- **Germany-France 10-year bond spread widens to 100 bps** (link)
- **Rising interest rate volatility in US could impair bond market liquidity** (link)
- **Surge in US corporate debt issuance challenges local bond markets** (link)
- **Yuan at strongest level versus dollar since 2022** (link)
- **Strong balance sheets provide US corporations with protection from higher rates** (link)
- **Rising US interest rates put pressure on EM carry trades** (link)

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Markets Are Mixed Ahead of Key Risk Events

Market participants are grappling with a variety of differing factors as they seek clarity about the potential future path of asset prices. Next week's summit between the leaders of China and the US is a key focus, as talks could have a potentially major impact on trade relations, AI, the market for rare earths, and other important issues. The UN General Assembly will draw even more scrutiny than usual amidst the ongoing conflict in the Middle East. Meanwhile, a further decline in the price of oil brought little relief to European markets, with the Stoxx 600 down 0.5% amidst higher prices for natural gas. The Germany-France 10-year bond spread widened to 100 bps as French fiscal pressures gained in prominence. The Bank of Japan did not deliver the unambiguously hawkish signal that markets wanted, with an unusual 7–2 split in the vote to hike by 25 bps to 1.25%, and a press conference viewed as unexpectedly dovish. The yen weakened in response. Equities in emerging Asia and Latin America were mostly higher, while US equity index futures were mixed.

Key Global Financial Indicators

Last updated: 9/18/26 7:42 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7638	1.1	1	-1	15	12
Eurostoxx 50		6263	-1.0	-1	-3	15	8
Nikkei 225		65019	1.4	2	-4	44	29
MSCI EM		67	1.8	0	2	26	22
Yields and Spreads					bps		
US 10y Yield		4.96	3.1	-1	26	86	79
Germany 10y Yield		3.50	2.1	-1	24	77	64
EMBIG Sovereign Spread		236	-3	-3	-3	-63	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.2	-0.1	-1	0	0	-1
Dollar index, (+) = $ appreciation		100.5	0.2	1	1	3	2
Brent Crude Oil ($/barrel)		103.3	-1.5	-1	13	53	70
VIX Index (%, change in pp)		15.4	0.0	0	0	0	0

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

Key Global Inflation and Energy Indicators

Last updated: 9/18/26 7:42 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas					%		%
Brent Crude Oil ($/barrel)		103	-1.5	-1	13	53	70
WTI Crude Oil ($/barrel)		101	-0.7	1	19	59	76
Natural Gas (Netherlands TTF)		78	0	-1	23	138	189
Breakeven Inflation		%			bps		
USD: 2Y		2.5	-0.8	-8	19	-46	20
USD: 5Y		2.5	-0.1	-7	3	-20	14
USD: 5Y5Y		2.4	0	-4	-4	-9	-5
EUR: 2Y		2.8	-1.3	-5	36	105	118
EUR: 5Y		2.4	0	-4	15	56	64
EUR: 5Y5Y		2.1	1	-2	-2	5	8

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

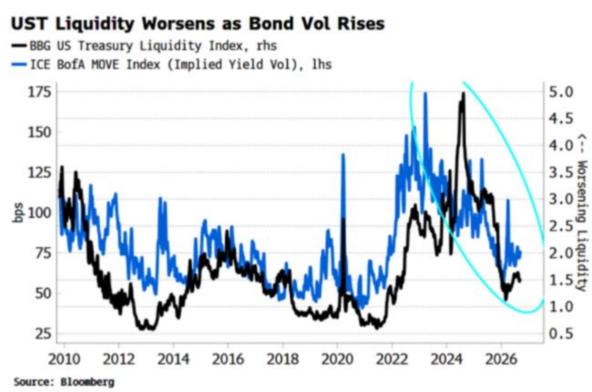
Rising US interest rate volatility tends to be associated with periods of worsening liquidity, according to analysis from Bloomberg. The tipping point could be the 5.25% yield level for the 10-year US Treasury note, as the analysis shows that above that level the correlation between equity and Treasury prices turns highly positive. When this occurs, a selloff in Treasuries could trigger a simultaneous selloff in stocks, with the moves reinforcing each other to create a potentially dangerous negative feedback loop. The MOVE index of bond market volatility and the VIX index of equity market volatility have remained subdued so far but continued increases in US Treasury yields could eventually push volatility levels higher. As Treasuries lose their value as a hedge for equities, stock investors will have to rely more heavily on equity options to hedge their exposure, which is likely to reinforce the rise in volatility as implied volatility goes up to reflect the greater demand for options.

Yields Above 5.25% Favour Positive Stock-Bond Comovement

10y Yield Bucket	% Positive S-B Correlation Observations	% Negative S-B Correlation Observations
3.5%-3.75%	29	71
3.75%-4%	32	68
4%-4.25%	42	58
4.25%-4.5%	49	51
4.5%-4.75%	41	59
4.75%-5%	36	64
5%-5.25%	34	66
5.25%-5.5%	64	36
5.5%-5.75%	87	13
5.75%-6%	70	30
6%-6.25%	72	28
6.25%-6.5%	74	26
6.5%-6.75%	86	14
6.75%-7%	99	1
7%-7.25%	100	0
7.25%-7.5%	100	0

Source: Bloomberg

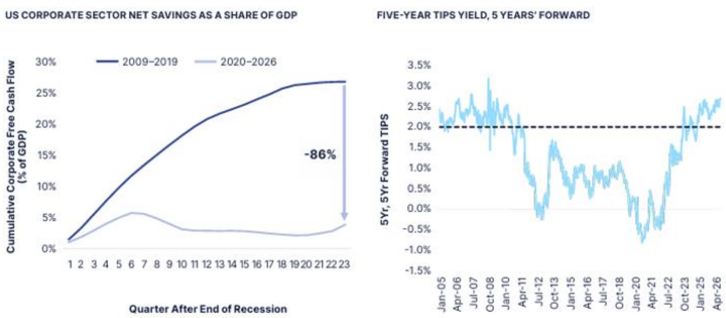
Bloomberg



The surge in corporate debt issuance is creating challenges for US debt markets. US technology corporations have switched from being massive free cash flow generators to being the largest net borrowers in history. US corporate savings in the post-pandemic period have fallen by 86% from the years after the global financial crisis, according to analysis by Carlyle. BNP Paribas estimates that hyperscalers will issue $400 bn of new debt in 2027, a size rivaling Treasury issuance volumes. JP Morgan estimates that $260 bn of longer maturity tech-related issuance in 2026 adds 10–15 bps to US long rates. In this environment, real yields have also increased significantly and the forward curve for Treasury Inflation Protected Securities (TIPS) shows that markets expect this trend to persist. Bond markets thus face multiple challenges, with fiscal worries combining with rising fears about inflation, expectations of greater Fed tightening, and growing competition for funding from the hyperscalers and other AI and IT related corporate borrowers. US Treasury yields are up across the board, with the benchmark 10-year yield rising above 5% to the highest level since 2007, as has the long bond yield, whose yield is approaching 5.40%. Although the pace of the rise in rates has been measured so far and volatility has remained relatively low, markets remain highly vulnerable to a disorderly rise in interest rates.

FIG.07

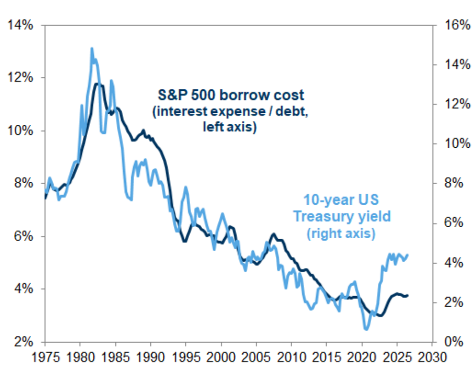
Corporate savings glut vanishes as operating cash gets channeled to AI capex



Source: Carlyle

Strong balance sheets have protected US corporations from the rise in interest rates. Many companies took the opportunity during and shortly after the pandemic to refinance into low cost, very long maturity debt. As a result, the recent increase in interest rates has not led to a sharp selloff in the equity market, as occurred on some previous occasions. The S&P 500 is down less than 2.5% from its record close on August 13 despite 10-year Treasury yields recently hitting 5%. Interest costs for US corporations remains very low by historical standards and interest coverage ratios remain very healthy. The increase in short term interest rates has actually improved the cash flows of many US corporations because their income from short term bonds held in their corporate treasuries has gone up significantly. The start of the Fed rate hike cycle could be challenging the short term, but research by Goldman finds that the S&P 500 gained 9% on average in the 12 months after the first rate hike. With corporate earnings strong in 2026 and expected to improve even more in 2027, many investors are optimistic about US equity markets.

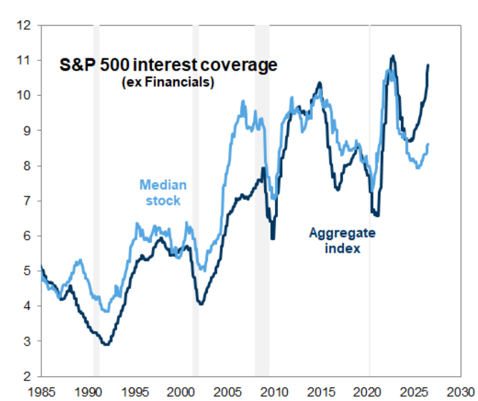
Exhibit 9: Interest expense increase has been manageable



Source: Compustat, Goldman Sachs Global Investment Research

Exhibit 10: Interest coverage ratios are historically high

aggregate excludes "other income" for GOOGL, AMZN, MSFT in recent quar



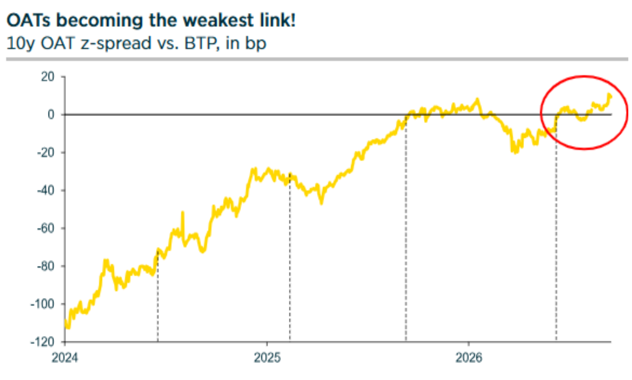
Source: Compustat, Goldman Sachs Global Investment Research

Euro area

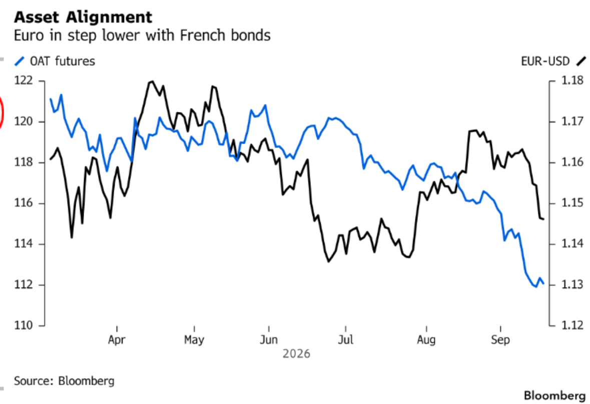
European yields rose at the front end this morning as markets priced a higher path for policy rates following this week's Fed and Bank of Japan hikes. Brent's fall below $103 a barrel (-2%) offered little relief, as European natural gas prices rose 2%, while the STOXX Europe 600 was down by 0.5%.

France

French bonds have led a sharp widening in euro-area sovereign spreads as higher oil prices and rate expectations weigh on the market, Commerzbank writes. The 10-year OAT-bund spread has widened to 100 bps, the 30-year OAT yield has risen above 5%, and French bonds have underperformed even Italian debt. Domestic fiscal concerns have added to the pressure: France is set to miss its 5% deficit target this year, and plans for €30 billion in spending cuts face difficult negotiations and a potential no-confidence vote ahead of the 2027 presidential election. Commerzbank expects spreads to widen further into year-end and maintains its OAT underweight, particularly at longer maturities. Scope Ratings is due to review France's AA rating, currently on negative outlook, today.



Source: Bloomberg, Commerzbank Research

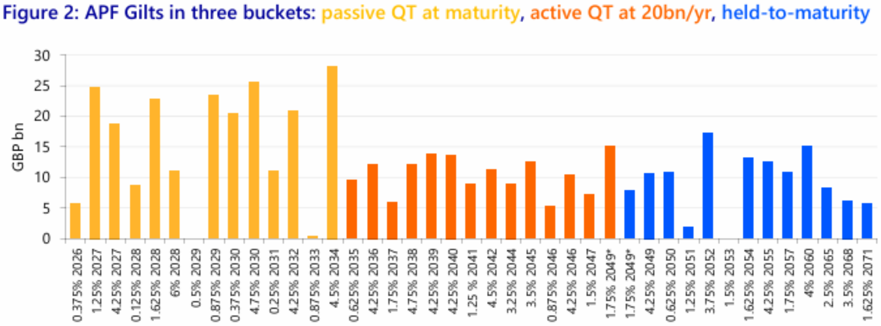


Source: Bloomberg

United Kingdom

The BoE's decision yesterday to slow QT and spare the longest-dated gilts from active sales pulled the 30-year yield down by more than 10 bps. The MPC unanimously agreed on a plan to complete QT by September 2034, with gilt holdings falling by an average of £46 billion a year. Over the next 12 months, the total reduction will ease from £70 billion to around £50 billion as redemptions decline; active sales will remain at £20 billion a year. The Bank will now set that sales pace directly, concentrating sales in gilts maturing in 2035–49 while retaining the longest maturities to back banknotes. Auctions will pause as the Bank finalizes operational arrangements, including possible sales to the DMO. This morning, front end gilts underperformed euro area peers, but the long end remained stable with the 30-year gilt unchanged (-12 bps yesterday).

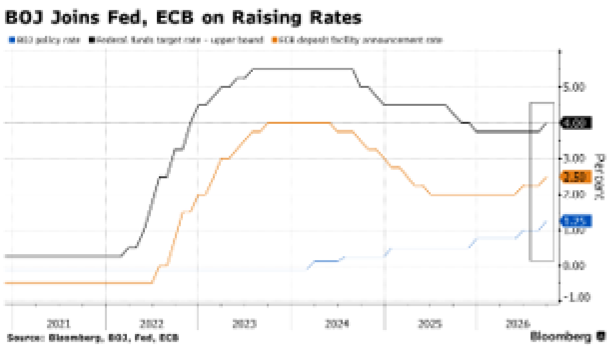
Figure 2: APF Gilts in three buckets: passive QT at maturity, active QT at 20bn/yr, held-to-maturity



Source: Bank of England, RaboResearch

Japan

The Bank of Japan raised its policy rate by 25bp to 1.25%, but a surprise 7–2 split vote and Governor Ueda's mixed guidance led investors to temper expectations for a rapid tightening cycle. The market did not receive the unambiguously hawkish signal it was hoping for. The yen fell depreciated by 1.2% to 157.88 as investors focused on dissent from two board members and the absence of a strong signal that the BOJ would accelerate policy normalization. While Ueda stressed that the BOJ had entered a "new stage" of policymaking and refused to rule out back-to-back or larger rate hikes, he also emphasized the need to avoid unnecessarily harming growth, leaving investors unconvinced of a significantly more hawkish trajectory. Japanese equities reacted positively to the weaker currency (Nikkei 225: +1.4%). Benchmark bond yields fell today (10-yr -1bp to 2.97%; 30-yr -1bp to 4.06%). Strategists at Wells Fargo and Reed Capital now expect cautious BOJ guidance, coupled with a hawkish Fed, to keep yen weaker towards the 158–160 range. By contrast, State Street argues the medium-term outlook remains more constructive, with rising domestic yields, capital reallocation into Japanese assets and growing AI-related investment likely to support the yen over time.



Emerging Markets

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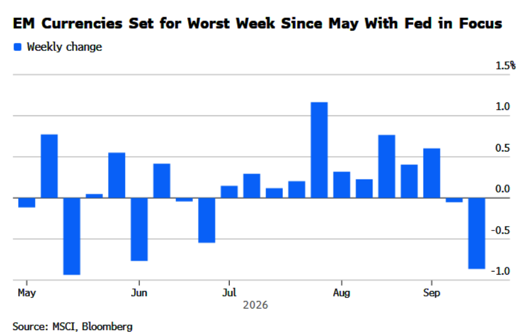
EMEA risk assets were mixed this morning, while currencies were little changed. Turkish stocks stood out, falling 1.7% as investors continued to assess this week's fund turmoil. **Asian currencies strengthened (EM Asia: +0.1%) versus the US dollar.** Malaysian ringgit strengthened (+0.4%), while Korean won (-0.3%) remain the weakest among regional peers. Asian equities rallied (EM Asia: +2.1%), driven by the tech-heavy Korea (KOSPI: +2.7%) and Taiwan POC (TAIEX: +1.9%). **Latin American assets were broadly firmer, with most regional currencies gaining ground and equities advancing.** The Brazilian real and Mexican peso each strengthened 0.5% against the dollar, while the Colombian peso bucked the trend, sliding 1.2%.

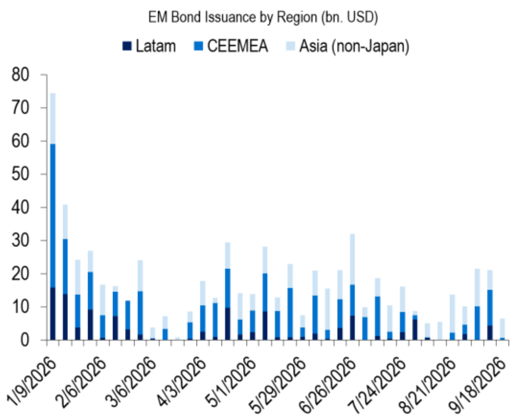
EM Currencies

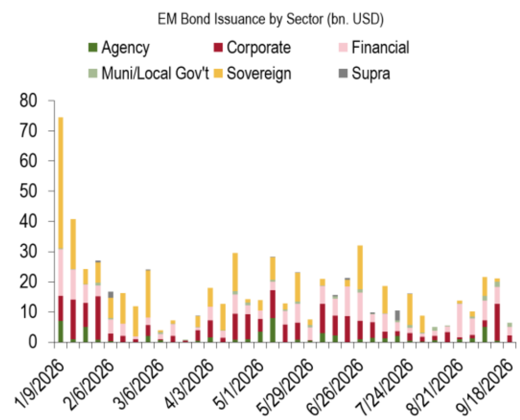


Emerging market currencies are on track for their worst week since May, with MSCI's EM currency index down 0.8% despite a Thursday rebound. Nearly all EM currencies have slipped against the dollar since last Friday ahead of the FOMC decision, led by the Polish zloty, Chilean peso, Hungarian forint, and Mexican peso, each down 1.6% to 2%. Bloomberg analysts point to shrinking interest rate differentials as the appreciating dollar put US pressure on EM carry trades, with their EM-8 Carry Trade Index down 1% on the week after climbing 10% over the past year. Carry trades involving the Colombian peso, Chilean peso, and Peruvian sol have underperformed over the past week, with returns ranging from -1.8% to -2.4%.

EM Bond Issuance

Emerging market bond issuance is on pace for its lowest weekly total in five weeks. Through Thursday, issuance stood at $6.5bn, a sharp pullback from $21.1bn the prior week. Regionally, Asia ex-Japan dominated, accounting for almost 89% of the total, with CEEMEA making up the balance. By sector, financials led issuance at 43%, followed by corporates (35%) and municipal/local governments (22%). The bulk of issuance carried fixed coupons, with maturities spanning from 1 year out to one perpetual structure.



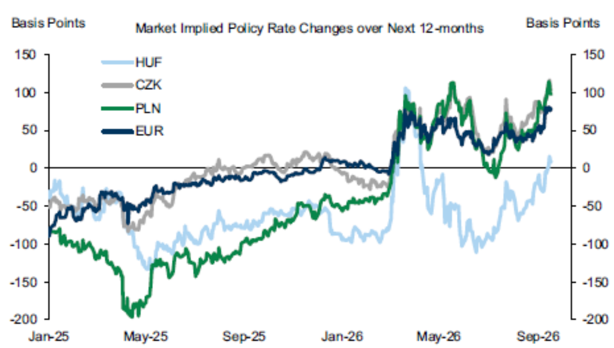


Sources: Bond Radar and IMF staff calculations

Central and Eastern Europe

CEE curves are unlikely to flatten much further on gas risks alone. Local developments favor lower Hungarian rates, while there is scope for a steeper Polish curve, according to Goldman Sachs (GS). Rising European gas prices have lifted inflation concerns and pressured the short and middle parts of CEE curves, but GS judges much of that risk to be priced in. Last week's ECB hike led markets to remove expected Hungarian cuts, while they still price hikes in Poland and Czechia; GS argues that different starting points for policy mean CEE central banks need not follow the ECB. That limits the case for further repricing, especially with much of the gas risk already reflected in CEE curves. Further material flattening would require gas to approach its €105/MWh upside winter scenario. In Hungary, prospects of euro adoption could support rates despite the country's high gas exposure. In Poland, fiscal slippage could instead push up longer-term rates, leading GS to expect a steeper curve.

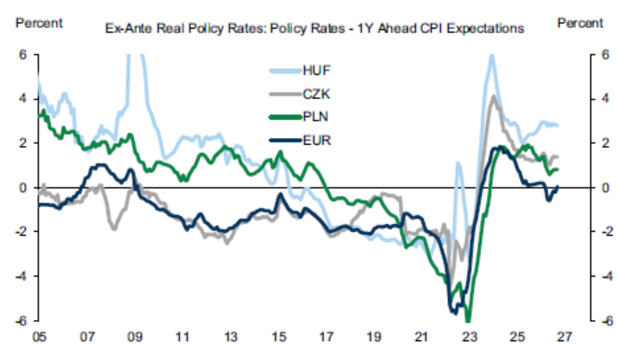
Exhibit 5: The market removed cuts from the HUF front-end after the ECB meeting last week, and continues to price hikes in Poland and Czechia



These are computed by subtracting current 3-month interbank rates from 12x15 FRAs

Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 6: Starting points of monetary policy are quite distinct between the ECB and CEE-3 central banks, creating less pressure for policy convergence



Source: Haver Analytics, Consensus Economics, Goldman Sachs Global Investment Research

China

Both onshore CNY and offshore CNH broke below 6.70/$ for the first time since July 2022. Both appreciated after the People's Bank of China strengthened its daily fixing (6.7521) for an eighth straight session, the longest such streak since 2023. The move underscored Beijing's willingness to tolerate gradual appreciation as part of broader efforts to promote RMB internationalization, while strong exports and sustained FX conversion flows continued to support the currency. Investor attention also shifted to next week's Trump-Xi summit, where discussions on tariffs, AI, rare earths, and market access could shape the outlook for bilateral relations and Chinese assets. Both onshore (CSI 300: +1.1%) and offshore (Hang Seng: +0.6%) equities rose, drawing support from AI-related themes, with robotics and automation shares advancing after reports that Tesla had begun talking to Chinese suppliers and placing additional orders linked to Optimus humanoid robot production. Local interest rates were lower.

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (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), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (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), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

Last updated:	Level		Change				
9/18/26 7:43 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,638	1.1	0.6	-0.7	15.2	12
Europe		6,263	-1.0	-1.0	-3.2	14.8	8
Japan		65,019	1.4	1.6	-3.6	43.5	29
China		4,507	1.1	-0.1	-4.6	0.2	-3
Asia Ex Japan		116	1.8	-0.2	2.2	26.8	25
Emerging Markets		67	1.8	-0.1	2.4	25.9	22
Interest Rates					basis points		
US 10y Yield		5.0	3	-1	26	86	79
Germany 10y Yield		3.5	2	-1	24	77	64
Japan 10y Yield		3.0	-1	0	3	139	92
UK 10y Yield		5.3	4	-8	19	59	79
Credit Spreads					basis points		
US Investment Grade		113	0	-3	-7	-8	0
US High Yield		301	1	-4	-14	-36	-40
Exchange Rates					%		
USD/Majors		100.5	0.2	1.4	0.8	3.2	2
EUR/USD		1.15	-0.1	-1.2	-1.0	-2.8	-2
USD/JPY		157.8	1.2	2.7	-1.1	6.6	1
EM/USD		46.2	-0.1	-0.7	-0.4	0.2	-1
Commodities					%		
Brent Crude Oil ($/barrel)		103.3	-1.5	-1.3	15.4	57.3	72
Industrials Metals (index)		180.1	0.0	1.1	1.7	25.0	10
Agriculture (index)		63.0	-0.6	-0.9	3.1	14.7	18
Gold ($/ounce)		4379.1	0.9	0.7	1.0	20.2	1
Bitcoin ($/coin)		78007.0	2.0	0.9	20.8	-33.7	-11
Implied Volatility					%		
VIX Index (%, change in pp)		15.4	0.0	-0.4	-0.4	-0.3	0.5
Global FX Volatility		6.9	0.0	-0.1	0.5	-0.5	0.0
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		77	2	5	7	11	18
Italy		89	3	4	8	9	19
France		102	5	7	16	20	31
Spain		48	2	2	3	-8	4

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

Emerging Market Financial Indicators

9/18/2026 7:46 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		6.70	0.1	0.1	0.7	6.2	4.3		1.8	0	0	1	-10	-18
Korea*		1387	-0.5	-3.3	1.7	0.0	4.1		4.5	-5	0	6	184	125
Indonesia		17758	0.0	-0.8	0.6	-6.9	-6.1		7.1	-2	4	2	93	106
India		96	0.1	-0.3	-0.2	-8.1	-6.3		8.4	-3	12	69	159	136
Philippines		63	0.0	-0.1	-1.6	-9.1	-6.1		6.0	0	4	6	131	136
Thailand		33	-0.2	-0.9	-0.8	-4.3	-5.6		2.4	-4	6	20	86	66
Malaysia		4.08	0.4	-0.3	-0.5	2.8	-0.5		3.9	-10	-23	18	54	43
Argentina		1510	0.1	0.2	-1.5	-2.4	-3.9		0.0	0	0	0	-5110	-3237
Brazil		5.13	0.5	-0.5	1.4	3.4	7.1		14.1	-2	9	-49	47	51
Chile		962	-0.2	-2.0	-3.6	-0.8	-6.4		5.9	0	16	27	49	58
Colombia		3164	-1.2	-2.3	-0.9	22.6	19.3		12.7	2	14	69	144	-18
Mexico		17.17	0.0	-1.2	-0.6	6.9	4.9		9.3	-12	-8	24	57	31
Peru		3.4	0.3	0.5	0.1	3.5	0.1		6.6	-1	8	43	42	77
Uruguay		40	0.1	0.2	0.3	-0.6	-2.6		7.6	1	-1	10	-33	13
Hungary		318	-0.5	-1.3	-0.7	4.0	3.0		5.7	-6	7	29	-96	-87
Poland		3.81	-0.3	-2.1	-1.9	-5.0	-5.7		5.6	-11	-4	32	66	101
Romania		4.6	-0.2	-1.4	-1.4	-6.4	-5.7		6.9	-1	6	19	-40	23
Russia		84.2	0.6	0.1	0.9	-1.2	-6.4							
South Africa		16.3	0.0	-0.8	0.0	6.7	1.8		9.0	-11	-10	9	-65	36
Türkiye		48.79	-0.1	-0.5	-1.8	-15.4	-11.9		34.6	-49	72	-27	289	499
US (DXY; 5y UST)		100	0.2	1.4	0.8	3.2	2.2		4.83	5	5	47	117	111

	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		4,507	1.1	-0.1	-4.6	0.2	-2.6		3	2	-1	-7	-4
Korea*		6,894	2.7	-0.2	0.4	99.2	63.6		21	-1	-2	2	-1
Indonesia		6,441	-0.3	-1.5	-0.1	-19.6	-25.5		100	8	-2	22	25
India		74,295	-0.3	-0.8	-3.8	-10.5	-12.8		83	-2	-3	8	7
Philippines		5,856	-1.7	-3.4	-6.5	-6.1	-3.3		86	9	1	32	24
Thailand		1,584	0.1	-1.3	-2.3	22.1	25.8						
Malaysia		1,666	-0.5	-2.3	-3.9	4.2	-0.9		59	2	3	0	2
Argentina		3,061,512	1.1	-3.1	5.9	80.6	0.3		517	27	-2	-939	-49
Brazil		185,992	0.2	-1.2	11.8	27.8	15.4		166	6	-17	-18	-33
Chile		5,715	1.3	1.4	1.4	21.9	5.4		91	6	2	-4	1
Colombia		2,522	0.4	-2.6	2.5	38.3	21.9		210	12	14	-43	-68
Mexico		63,873	0.6	-1.5	-0.1	4.2	-0.7		193	-2	-6	-24	-26
Peru		3,488	2.3	1.2	4.6	60.1	35.0		108	4	-4	-8	-21
Hungary		152,925	-0.8	0.3	2.8	53.5	37.7		99	7	-1	-23	-33
Poland		155,569	-0.3	0.3	3.3	47.4	32.7		94	7	5	7	6
Romania		32,287	0.7	-2.2	-10.9	54.5	32.1		166	-2	-5	-23	-4
South Africa		114,057	-0.1	-1.0	0.6	8.2	-1.5		196	9	2	-42	-19
Türkiye		13,284	-1.7	-8.2	-6.0	20.2	18.0		249	19	12	0	30
EM total		67	-0.2	-0.1	2.4	25.9	22.3		177	7	-26	-36	-21

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

*Not an EM Under IMF Classification.

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