GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, SEPTEMBER 19, 2025

LEAD EDITOR: BENJAMIN MOSK

- **Japanese stocks declined on BOJ's planned ETF sales** (link)
- **Long-end gilt yields edge higher as government borrowing surprises in August** (link)
- **US corporate bankruptcies surged for the fourth consecutive month** (link)
- **Analysts see potential for outperformance of European stocks into year-end** (link)
- **Reserve Bank of South Africa kept policy rate unchanged, in line with expectations** (link)

Mature Markets | Emerging Markets | Market Tables

Bank of Japan: Hold on Rates, Sell on ETFs.

The Bank of Japan (BoJ) kept its policy rate unchanged but surprised markets with the announcement of the start of ETF sales. Market participants consider the planned pace of sales of equity ETF shares to be low, and the equity market reaction was relatively muted: the Nikkei index declined by 0.57%. Markets took a hawkish message from the meeting, which also saw two Board members proposing to raise the policy rate. Interest rate swap markets now price a 25 bps October hike at an implied probability of 52%, up from 34% prior. Moves in Japanese government bond yields were noticeable, with the 5-year yield rising by 4.6 bps to 1.19%. More broadly, most major global sovereign bond markets saw moderate yield increases across the curve today. Longer-end UK gilt yields stood out somewhat, with the 30-year yield increasing by 3.6 bps to 5.54% after the statistical office revealed that the government borrowing had been larger than previously anticipated. Nonetheless, the 30-year gilt yield remains well below its peak reached in early September (of 5.69%). Today also marks "triple-witching"—the simultaneous expiry of US stock options and futures. While this can sometimes fuel volatility, major news flows are already behind us as markets continue to digest this week's major central bank decisions.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
9/19/25 8:28 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6632	0.5	1	3	16	13
Eurostoxx 50		5467	0.2	1	0	11	12
Nikkei 225		45046	-0.6	2	6	19	13
MSCI EM		53	-0.2	2	7	21	27
Yields and Spreads					bps		
US 10y Yield		4.13	2.5	7	-18	42	-44
Germany 10y Yield		2.74	1.0	2	-1	54	37
EMBIG Sovereign Spread		286	1	-4	1	-85	-39
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.0	-0.2	0	1	-1	7
Dollar index, (+) = $ appreciation		97.7	0.4	0	-1	-3	-10
Brent Crude Oil ($/barrel)		67.2	-0.4	0	2	-10	-10
VIX Index (%, change in pp)		15.5	-0.2	1	0	-1	-2

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

Mature Markets

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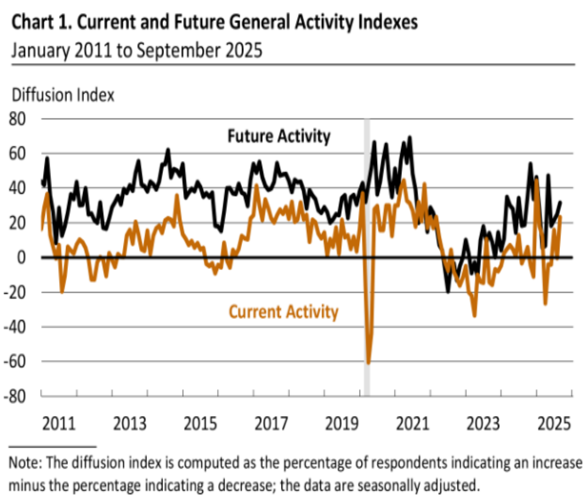
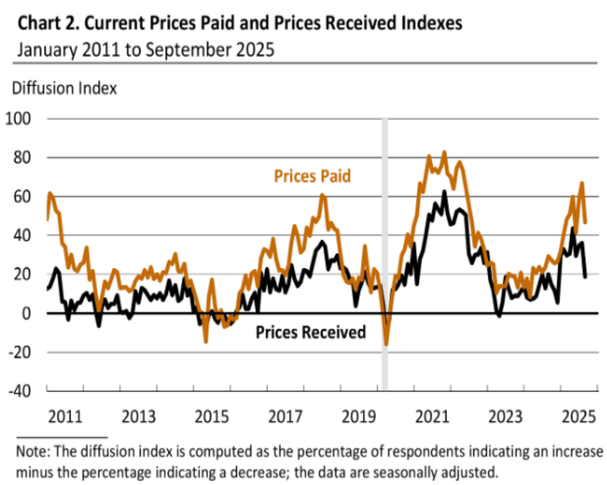
United States

Business surveys show mixed manufacturing signals post-FOMC. The latest Philadelphia Fed Business Outlook Survey—published one day one day after the FOMC's widely anticipated first cut since 2024—reveals that firms expect broad-based growth in manufacturing activity over six months. The index jumped 24 points to 23.2 in September, its highest reading since January (left panel). While the index is known for its volatility, the sharp increase signals resilience in regional manufacturing, underpinned by stronger activity in new orders and shipments. Most firms continued to report stable employment levels. More notably, price pressures eased: the "prices paid" index fell to 46.8 from 66.8, and "prices received" declined 17 points to 18.8 (right panel). Meanwhile, the NY Fed's Empire State Manufacturing Survey, released earlier this month, showed a modest deterioration in business conditions. Taken together, analysts note that the signal from these surveys remains noisy, with the average of both indices remaining little changed on the month, overall suggesting limited directional momentum in broader manufacturing sentiment.

Philadelphia Fed Manufacturing Business Outlook Survey - **Current and Future activity indexes**

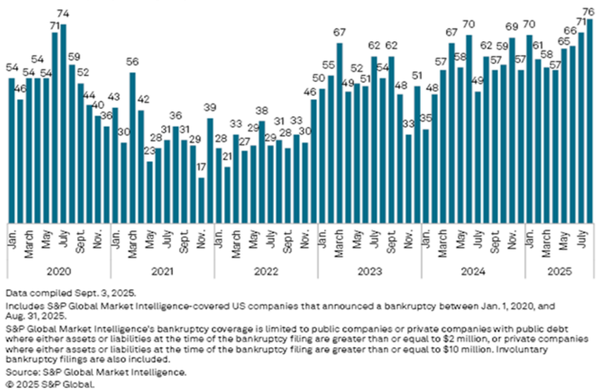


Philadelphia Fed Manufacturing Business Outlook Survey - **Price indexes**

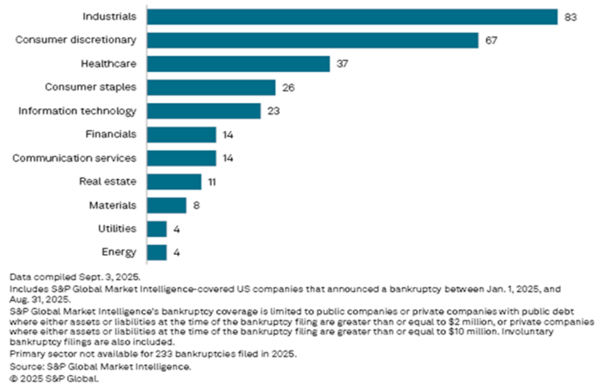


US corporate bankruptcies surged in August. US corporate bankruptcies rose for the fourth consecutive month in August, reaching the highest monthly total since at least 2020, according to S&P Global Market Intelligence data. Notably, 76 large public and private companies filed for bankruptcy last month, up from 71 in July (left panel). Year-to-date filings reached 524. The rise reflects refinancing pressures as firms contend with elevated interest rates. Debt issued during the 2020-21 low-rate environment is maturing, and refinancing at current levels is straining highly leveraged firms, research highlights. While US corporations trimmed debt in Q2, relief from expected Fed rate cuts may be limited if longer-term yields remain sticky, according to analysts. Nevertheless, bankruptcy filings have been concentrated in specific sectors, such as industrials and consumer discretionary (right panel). Analysts highlight that investor demand for corporate credit remains strong, driven by low-risk perception. The CDX North American High Yield index—referencing credit default swap pricing for a basket of speculative-grade company debt—narrowed by 16 basis points to 321 bps in August, well below the April peak of over 400 bps.

US corporate bankruptcy filings by month

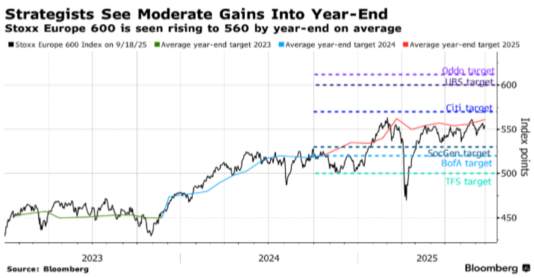


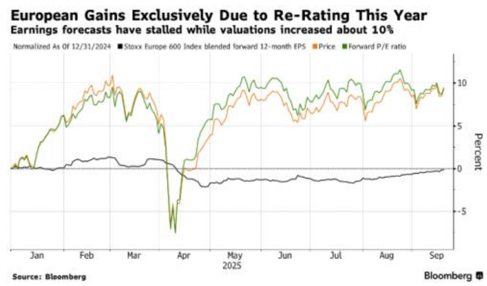
US corporate bankruptcy filings by primary sector



Europe

According to a survey conducted by Bloomberg, European stocks are poised to resume gains into year-end, due to improving company earnings and the boost from falling US interest rates. On average, the Stoxx 600 index is expected to finish 2025 by about 2% higher from yesterday's close, with analysts at UBS seeing the stock market up to 9% as recent PMI figures signal expansion of orders and an earlier-than-expected pick-up in economic activity would feed through to corporate profits. Citi has also a bullish view on European stocks noting that Fed easing has historically spilled over to support European equities and broader market strength. Goldman Sachs prefers the financial, retailers and telecommunication sectors, noting that German equities are expected to provide similar earnings growth to US peers but with the advantage of discounted valuations amid decreasing rates in Europe. Société Générale has instead a more bearish view, stressing that the full effect of tariffs has yet to feed through into company results and that European earnings could be vulnerable to further depreciation of the US dollar, with this year's performance driven so far mainly by re-rating rather than earnings growth**.** European stocks edged marginally higher this morning, with the Stoxx 600 index up by 0.2% led by the banking sector (0.5%).

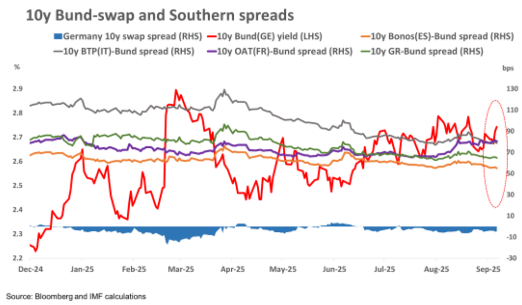


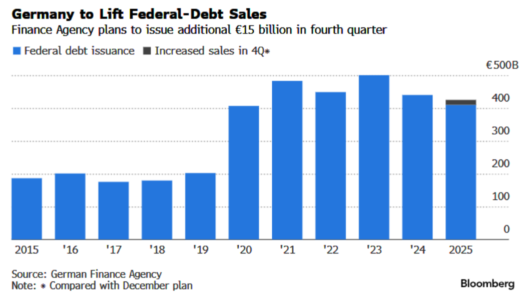


European government bond yields were fractionally higher across tenors this morning, with the 2y Bund yield at 2.01% (+1bp) and the 10y yield at 2.73% (+1bp). The 30y Bund yield was steady at 3.31% after rising yesterday by 7bps on news that the German government will borrow about a fifth more than planned in 4Q to fund spending on infrastructures and defense, with issuances increasing in the 15-30y maturities bucket. The government aims to raise €90.5bn, excluding green bonds, in the October-December period, €15bn more than December's original program and after an increase of €19bn already in 3Q.

The euro lost some ground (-0.2%) against the dollar this morning, to trade at $1.1764/€, after jobless claims dropped yesterday in the US supporting the greenback. Analysts at ING continue to expect some pullback from the dollar after this week's Fed meeting, while spillover on the euro of France's debt downgrading has remained contained reinforcing expectations that the euro could climb back to the 1.1850 level in the coming days.

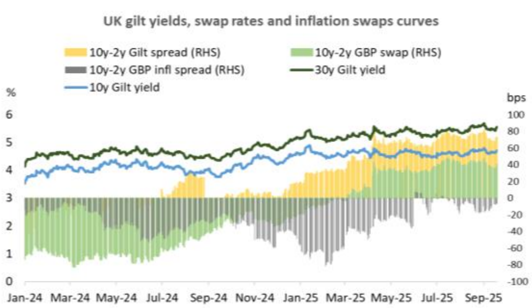
Intra-EMU government bond spreads were little changed this morning, **ahead of ratings reviews** by Fitch rating, for Italy (BBB/Positive); DBRS for France (AA(high)/negative); S&P for Ireland (AA/Positive) and Moody's for Greece (Baa3/Stable).

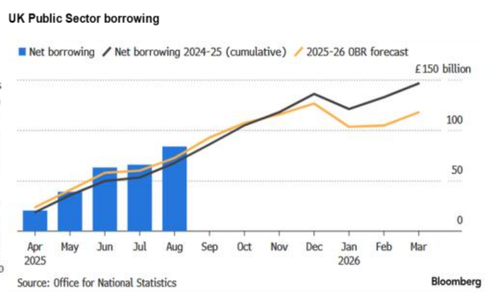




United Kingdom

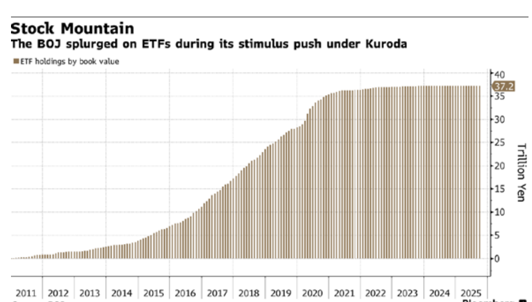
Today's data showed that UK government borrowing has been significantly higher than forecast in August, as the deficit stood at £18bn (vs. est. £12.8bn), well above the £12.5bn the Office for Budget Responsibility (OBR) had forecasted, taking the total deficit after five months of the fiscal year at £83.8bn, £11.4bn above OBR forecast and above the £67.6bn deficit in the same period a year earlier. The pound weakened (-0.4%) against the dollar this morning, trading at $1.3501/£, with gilt yields marginally higher on longer tenors (10y yield +2bps at.469%, and 30y yield +3bps at 5.53%).





Japan

The Bank of Japan (BoJ) held its policy rate steady at 0.5%, as expected, but announced plans to gradually offload its ETF and J-REIT holdings for the first time. The stock market reversed early gains and closed with a decline (Nikkei 225: -0.57%). Bloomberg estimates the BOJ's ETF holdings at around ¥37tn ($251bn) by book value, and about ¥74.5tn by market value as of March, relatively modest compared with that of domestic and foreign investors. The planned offloading pace is ¥620bn ($4.2bn) at market value per year, around 0.05% of market trading volume, implying it would take over a century to fully unwind. Governor Ueda emphasized the move is designed to avoid market disruption. Strategists caution that the announcement may trigger some profit-taking and increase selling pressure, particularly in large-cap tech stocks where BOJ holds significant stakes. Two policy board members dissented the rate pause, fueling expectations of resumed rate hikes soon. Swaps markets now price a



52% chance of an October hike, up from 34% the day before. JGB yields rose across the curve (5y: +4.6bps to 1.19%; 10y: +4.1bps to 1.638%), reflecting hawkish sentiment, while the yen held steady (+0.04%) against the dollar.

Emerging Markets back to top

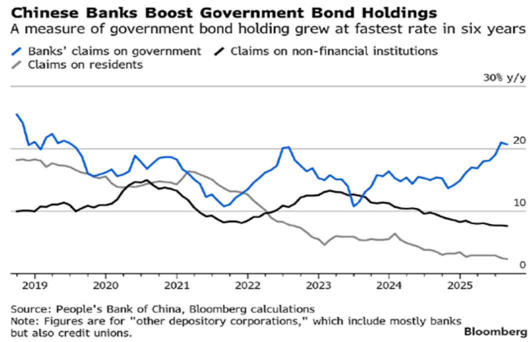
Asian stock markets largely declined (EM Asia: -0.8%), led by a tech-driven selloff, with Korea (Kospi: -0.5%) and India (Sensex: -0.4%) underperforming. EM Asian currencies mostly depreciated (EM Asia: -0.1%) against the dollar as expectations for rapid Fed rate cuts weakened, led by the Korean won (-0.6%) on strong local dollar demand and the Indonesian rupiah (-0.4%) on fiscal concerns as the legal budget deficit to be reviewed.

EMEA equities were mostly higher while currencies were trading mixed. In CEE, equities in Czechia were outperforming (+0.3%) in early morning trade while CEE currencies were generally weaker against the euro, continuing to trade in narrow ranges. In Türkiye, the lira was trading weaker (-0.3%) against the dollar at TRY41.39/$, while equities were higher (+0.8%), are up around 7.5% since last Friday as domestic political tensions eased.

Latin American equity prices mainly fell on Thursday. Stocks declined in Mexico (-0.4%), Chile (-0.7%), and Colombia (-0.6%). Currencies depreciated in Chile (-0.4%) and Colombia (-0.4%) against the US dollar.

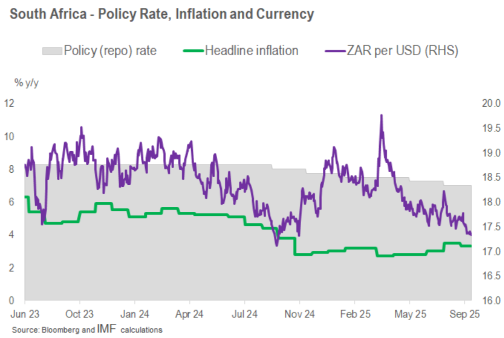
China

Chinese banks have increased government bond holdings at the fastest pace since 2019, according to a Bloomberg report. Based on PBOC data, commercial banks increased their central and local government bond holdings by over +20% y/y in each of the past two months, reaching RMB 72tn ($10tn) by August. With 10y yields up +13bps ytd to 1.8%, the rising bond exposure is weighing on banks' balance sheets, already pressured by bad loans, weak credit demand, and record-low margins. Investment income now makes up 20% of Q2 profits at state banks, according to GF Securities. At China Construction Bank, it rose to 27% of total earnings, up from 4.6% in Q1. Huayuan Securities warns that with 10y yields around 1.7%, even buy-and-hold investors risk losses if yields rise just 5bps in a quarter. Regulators have flagged interest rate risks before, and Tianfeng Securities expects banks to sell older bonds in Q4 to lock in profits. Meanwhile, local media suggest the PBOC has bigger room to ease after a Fed rate cut, with a reserve ratio cut preferred over a rate cut due to banks' margin pressure. Today, the yuan weakened slightly (-0.1%) against the dollar on a weaker fixing at 7.1128 per dollar, while the stock market gained (CSI 300: +0.08%) on hopes of easing trade tensions after the scheduled call between president Xi and US president Trump in late evening local time.



South Africa

Reserve Bank of South Africa kept the policy rate unchanged yesterday, in line with expectations. Yesterday, the Reserve Bank of South Africa (SARB) paused its easing cycle and kept the policy rate unchanged at 7.0%. The decision was a split vote (4–2) with two members of the MPC voting in favor of a -25bp rate cut. The accompanying statement suggested that the MPC wants to see the full impact of the 125bp of rate cuts that have already been delivered over the past year, as well as how inflation and inflation expectations evolve before proceeding with further policy easing. Following yesterday's decision, and the SARB's more hawkish leaning tone, analysts at Goldman Sachs note their confidence in further near-term rate cuts is reduced. The analysts continue to expect a cut at the November MPC meeting followed by cuts at alternating meetings to take the policy rate down to 5%, but they see risks of a prolonged pause and more backloaded cuts following yesterday's decision. This morning, the South African rand was trading a touch firmer against the dollar at 17.32/$ with the currency up close to 9% YTD.



Argentina

Argentina's central bank reportedly sold $379 million to keep the peso within the trading band, compared to $53 million the day prior. In addition, bonds sold off on growing investor concerns about President Javier Milei's ability to advance his economic reform agenda amid rising disapproval ratings and a contracting economy. Argentina's S&P Merval index fell by 4.7%. The peso closed at 1,474.5 per dollar, just under the upper band limit.

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.

Global Financial Indicators

9/19/25 8:28 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,641	0.5	0.9	3.6	16.2	13
Europe		5,467	0.2	1.4	-0.3	10.6	12
Japan		45,046	-0.6	1.5	5.7	19.4	13
China		4,502	0.1	-0.4	2.8	40.6	14
Asia Ex Japan		92	-0.4	1.3	6.6	23.8	27
Emerging Markets		53	-0.2	1.6	6.6	21.4	27
Interest Rates					basis points		
US 10y Yield		4.1	2	7	-18	42	-44
Germany 10y Yield		2.7	1	2	-1	54	37
Japan 10y Yield		1.6	4	5	4	79	54
UK 10y Yield		4.7	3	4	-3	82	14
Credit Spreads					basis points		
US Investment Grade		115	0	-3	-3	-15	-4
US High Yield		325	-1	-11	-12	-33	-3
Exchange Rates					%		
USD/Majors		97.7	0.4	0.2	-0.6	-2.9	-10
EUR/USD		1.17	-0.5	0.0	0.7	5.1	13
USD/JPY		148.1	0.1	0.3	0.3	3.8	-6
EM/USD		46.0	-0.2	0.1	0.5	-0.5	7
Commodities					%		
Brent Crude Oil ($/barrel)		67.2	-0.4	0.3	2.9	-6.6	-7
Industrials Metals (index)		144.1	-0.1	-0.9	3.2	-2.2	3
Agriculture (index)		54.8	-0.2	-1.8	0.5	-2.4	-4
Gold ($/ounce)		3648.6	0.1	0.2	10.0	41.1	39
Bitcoin ($/coin)		116271.2	-1.1	0.4	2.4	84.4	24
Implied Volatility					%		
VIX Index (%, change in pp)		15.5	-0.2	0.7	-0.1	-0.9	-1.9
Global FX Volatility		7.4	0.0	0.0	0.0	-1.0	-1.8
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		66	0	0	1	-33	-19
Italy		80	0	-1	-1	-56	-36
France		81	0	2	13	8	-2
Spain		55	-1	-2	-2	-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: 9/19/2025 8:27 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		7.12	-0.1	0.1	0.9	-0.8	2.6		1.9	1	-3	1	-7	17
Indonesia		16588	-0.5	-1.3	-2.1	-8.1	-2.9		6.1	-5	-19	-24	-47	-91
India		88	0.0	0.2	-1.3	-5.0	-2.8		6.9	2	2	7	-1	-47
Philippines		57	-0.1	0.0	0.0	-2.7	1.3		4.7	0	-4	0	-7	-14
Thailand		32	-0.2	-0.4	2.1	3.9	7.0		1.5	-3	9	6	-105	-83
Malaysia		4.21	-0.2	-0.1	0.4	0.0	6.3		3.4	0	-2	2	-30	-42
Argentina		1474	0.0	-2.9	-12.3	-34.7	-30.1		62.8	1171	1481	2422	2292	3365
Brazil		5.33	-0.3	0.4	3.3	1.8	15.9		13.7	3	-12	-13	162	-228
Chile		952	-0.4	1.1	1.2	-2.1	4.5		5.4	0	-2	-1	26	-29
Colombia		3895	-0.4	-0.1	3.1	7.4	13.1		11.3	3	4	-41	145	-54
Mexico		18.46	-0.5	-0.1	1.9	4.7	12.8		8.6	-7	-1	-43	-64	-170
Peru		3.5	-0.2	0.1	1.7	7.7	7.4		6.1	-1	12	-15	-10	-50
Uruguay		40	0.1	0.6	0.8	3.6	10.2		8.0	0	-1	9	-215	-167
Hungary		333	-0.8	0.0	1.5	6.0	19.3		6.6	0	-10	-4	64	20
Poland		3.64	-0.6	-0.3	0.2	5.3	13.6		4.9	-1	3	7	-6	-68
Romania		4.3	-0.5	-0.7	0.4	3.0	11.1		7.3	-2	-21	-9	72	2
Russia		83.4	-0.2	0.0	-3.3	10.8	36.2							
South Africa		17.4	-0.3	-0.1	1.6	0.5	8.3		9.6	2	-16	-36	-57	-85
Türkiye		41.40	-0.3	-0.1	-1.2	-17.8	-14.6		32.0	27	-94	23	235	227
US (DXY; 5y UST)		98	0.4	0.2	-0.6	-2.9	-9.9		3.69	2	5	-14	20	-69

	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		4,502	0.1	-0.4	2.8	40.6	14.4		110	-3	1	-15	14
Indonesia		8,051	0.5	2.5	2.4	4.0	13.7		86	-10	9	-13	-5
India		82,626	-0.5	0.9	1.6	-2.3	5.7		89	-2	4	-21	3
Philippines		6,264	0.5	2.5	-0.3	-13.6	-4.0		65	-11	0	-20	-14
Thailand		1,293	-0.3	-0.1	3.1	-11.0	-7.7						
Malaysia		1,598	0.0	0.5	0.0	-4.2	-2.7		62	-6	0	-24	-8
Argentina		1,695,530	-4.9	-6.1	-19.0	-8.2	-33.1		1459	406	745	97	822
Brazil		145,499	-0.1	1.6	8.2	9.3	21.0		190	-3	-4	-28	-57
Chile		9,007	-0.7	0.4	1.7	42.2	34.2		95	-9	-2	-26	-18
Colombia		1,823	-0.6	-1.2	-1.6	38.1	32.2		250	8	-32	-65	-76
Mexico		61,324	-0.4	1.4	4.9	15.9	23.9		214	-2	-19	-104	-98
Peru		2,178	-2.7	0.1	7.1	19.9	28.5		92	-6	-7	-48	-49
Hungary		99,454	-0.2	-1.7	-6.7	36.1	25.4		127	-13	-3	-28	-28
Poland		105,689	0.1	-0.7	-5.0	27.0	32.8		92	-11	1	-18	-20
Romania		20,870	-0.2	0.2	1.2	18.4	24.8		192	-13	-6	-9	-43
South Africa		105,264	-0.2	0.8	4.0	25.7	25.2		246	-28	-31	-46	-47
Türkiye		11,140	0.8	7.4	1.6	11.7	13.3		264	-15	1	-25	5
EM total		53	-0.3	1.6	6.6	21.4	27.0		367	14	33	-28	3

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

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