GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, SEPTEMBER 2, 2026
LEAD EDITOR: TIMOTHY CHU

- **Treasury sell-off fuels demand for downside protection** (link)
- **September BOJ rate hike fully priced in; JGB term premium on the rise** (link)
- **ECB sees limited spillovers from rising US tech issuance in euro credit markets** (link)
- **China's bond sales expected to accelerate** (link)
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Markets Cautious as US-Iran Skirmishes Intensify Overnight

Global bond yields climbed higher overnight, though they retraced this morning, as US-Iran kinetic attacks over control of the Strait of Hormuz intensified. Brent oil prices were steady, declining ~1% this morning amid no clear catalyst, while front-month contracts remained around $94/bbl. Sovereign yields rose overnight in sympathy, but US Treasuries outperformed G4 peers, falling 3 bps this morning versus increases of up to 5 bps in German, French, and UK yields, led by the front end, before partially retracing at the start of the US session as oil eased. In the euro area, traders priced two full ECB rate hikes by year-end. European gas prices remain in focus, with Dutch TTF futures briefly reaching €75/MWh. In Japan, JGB yields rose by up to 7 bps in the 3yr, while OIS markets have fully priced in a September hike after hawkish comments from BOJ policymakers at the G20. This helped ease pressure on the yen, which appreciated 0.2% against the dollar after breaching 160 USDJPY this week. Although the broad dollar is still 1.7% below its July peak, it has risen 1% since its August nadir as the Middle East conflict has re-intensified. In risk markets, US futures point to a higher open, while global bourses were broadly set for a third consecutive day of losses. On the monetary policy front, the RBNZ raised policy rates by 25 bps, its second consecutive hike, while the Bank of Canada's decision is expected later today.

Key Global Financial Indicators

Last updated: 9/2/26 8:07 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7631	-0.7	-1	2	19	11
Eurostoxx 50		6355	-0.2	-2	0	20	10
Nikkei 225		64326	-2.9	-3	1	53	28
MSCI EM		67	-0.4	-1	4	34	22
Yields and Spreads					bps		
US 10y Yield		4.78	-2.2	13	4	51	61
Germany 10y Yield		3.36	2.0	13	16	58	51
EMBIG Sovereign Spread		236	2	-8	-8	-61	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.4	0.1	-1	-1	2	0
Dollar index, (+) = $ appreciation		99.8	0.1	1	0	1	1
Brent Crude Oil ($/barrel)		93.8	-0.9	7	4	36	54
VIX Index (%, change in pp)		16.4	0.0	1	0	-1	1

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: 9/2/26 8:06 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 ($/barrel)		94	-0.9	7	4	36	54
WTI Crude Oil ($/barrel)		89	-1.2	8	5	36	55
Natural Gas (Netherlands TTF)		72	-2	8	24	128	166
Breakeven Inflation		%	bps				
USD: 2Y		2.5	-0.9	11	29	-52	23
USD: 5Y		2.5	-0.8	4	12	-18	19
USD: 5Y5Y		2.4	1	1	2	-5	-1
EUR: 2Y		2.8	4.3	35	52	98	112
EUR: 5Y		2.4	1	16	25	50	60
EUR: 5Y5Y		2.2	0	2	3	4	9

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

Mature Markets

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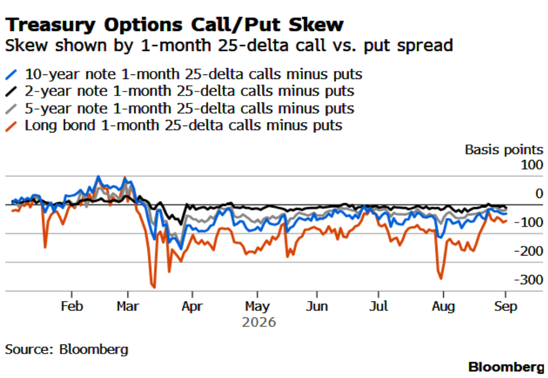
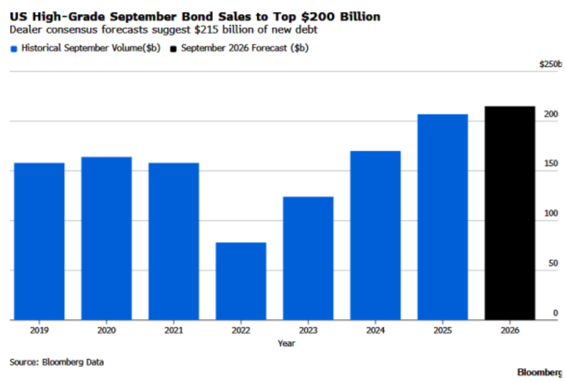
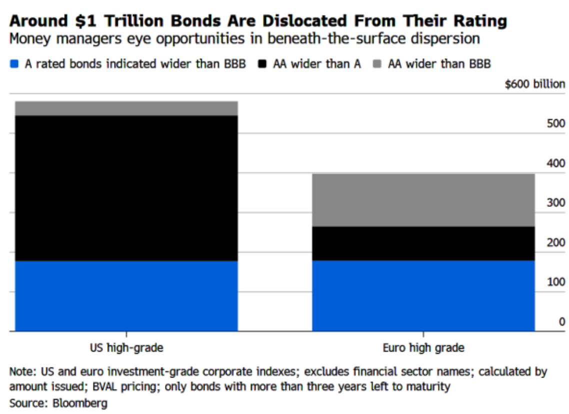
United States

Treasury sell-off fuels demand for downside protection. Treasury yields have surged toward multi-year highs, driven by a confluence of factors. These include expectations for tighter monetary policy, concerns about the fiscal trajectory, and higher oil prices fueling persistent inflation. Against this weak macro backdrop, investment-grade corporate bond issuance in September is expected to maintain the robust pace seen throughout the year, adding to concerns about market absorption. As the 10yr Treasury yield reached fresh year-to-date highs and the 30yr yield hovered near multi-decade highs, investors have increasingly sought protection against further increases in long-term rates. Options activity shows growing demand for protection against additional bond selloffs, with investors paying higher premiums for downside hedges and targeting further increases in 5-, 10-, and 30-year yields, including a $6.5 million position placed earlier this week targeting a rise in the 30yr yield to 5.7% by the end of November.





The AI investment boom is increasingly affecting corporate credit markets. While aggregate investment-grade spreads remain near historical lows, heavy debt issuance by hyperscalers is creating localized spread pressures through several channels. Greater bond supply, particularly at longer maturities and in more concentrated issuance, may require larger pricing concessions, while uncertainty surrounding the future returns on AI investments may lead investors to demand greater compensation. The effects can extend beyond the technology sector, as increased demand for tech issuance may crowd out other corporate issuers. These dynamics have contributed to a growing disconnect between credit ratings and market pricing, with



roughly $1 trillion of investment-grade bonds trading at spreads more typical of lower-rated issuers. With headline spreads remaining tight, greater dispersion creates opportunities for active investors to identify undervalued securities, although its significance remains ambiguous: it may reflect temporary mispricing or signal future credit deterioration.

Europe

European bonds and equities remained under pressure as renewed US-Iran escalation kept energy prices elevated and reinforced expectations of further rate hikes. Two full 25 bps ECB hikes are now priced in by year-end. The 10yr Bund yield rose another 5 bps this morning and is around 53 bps higher since end-June, with higher inflation breakevens accounting for around 35 bps of the increase. Bloomberg notes that European equities have remained relatively resilient, but persistently higher yields are becoming a growing headwind; the STOXX Europe 600 fell 0.45% this morning, its third consecutive daily decline. European gas prices also remain in focus, with Dutch TTF futures briefly reaching €75/MWh, their highest level since the start of the Middle East conflict. Market contacts point to low European gas inventories as a vulnerability: while price increases have so far been gradual, some express concern about a potential “winter panic” scenario in which prices could rise sharply. The euro and sterling weakened marginally against a broadly stronger US dollar in Frankfurt and London sessions.

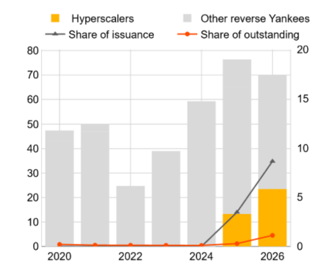
European Corporate Credit

US tech giants are becoming an increasingly important source of euro-area corporate bond supply, but the ECB sees little evidence of broader market spillovers so far. Hyperscalers now have around €40 billion euro-denominated bonds outstanding and account for almost 10% of gross euro-area non-financial corporate issuance. Despite relatively price-insensitive funding needs and some widening in long-end hyperscaler spreads as investors demand greater compensation for prospective supply, demand for other euro-area corporate bonds has remained resilient. The ECB concludes that “for the time being” spillovers to other corporate issuers remain limited, although continued large-scale issuance could eventually raise borrowing costs through greater supply, investor balance-sheet constraints, and benchmark rebalancing.

Big tech’s rising weight in the euro area corporate bond market

a) Reverse Yankee gross issuance by non-financial firms and hyperscaler share of the euro-denominated investment-grade market

(left-hand scale: EUR billions, right-hand scale: percentages)

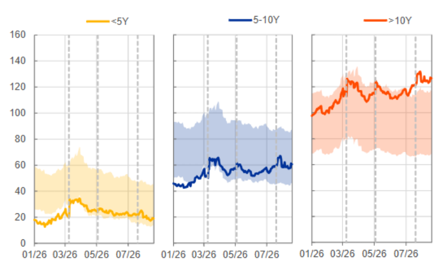


Sources: Dealogic, Bloomberg Finance L.P. and ECB calculations.

Hyperscaler euro spreads edge up even as spreads of other issuers remain stable

Average credit spread of hyperscaler euro-denominated bonds across maturities and range between average spread of AA- and BBB-rated corporate issuers excluding hyperscalers

basis points

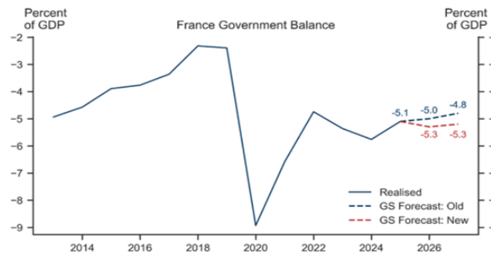


Sources: Bloomberg Finance L.P. and ECB calculations.

France

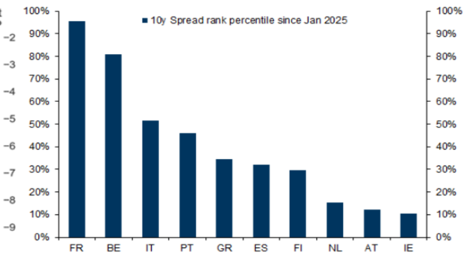
France’s weak growth and worsening fiscal outlook are keeping OATs under pressure, with political risks adding to concerns around the 2027 budget. Goldman Sachs expects growth of just 0.4% in 2026 and has raised its deficit forecasts to 5.3% of GDP in both 2026 and 2027, implying no fiscal consolidation over the next two years. GS attributes recent OAT weakness to France’s sensitivity to the global rates selloff, heightened scrutiny ahead of difficult budget negotiations, and rising election risks, with its model assigning Le Pen a 68% probability of winning the presidency and pointing to the possibility of another hung parliament. Its rates strategists see risks skewed toward wider spreads as election focus intensifies and prospects for fiscal consolidation deteriorate. This morning, the 10yr OAT-Bund spread increased by 1.5 bps to 88 bps, matching the level reached in 2024 after Michel Barnier's government was brought down by a no-confidence vote.

GS: We Are Raising Our Deficit Forecast to 5.3% of GDP in 2026 and 2027



Source: Goldman Sachs Global Investment Research, Haver Analytics

GS: France and, to a lesser extent, Italy have been penalised in the current environment



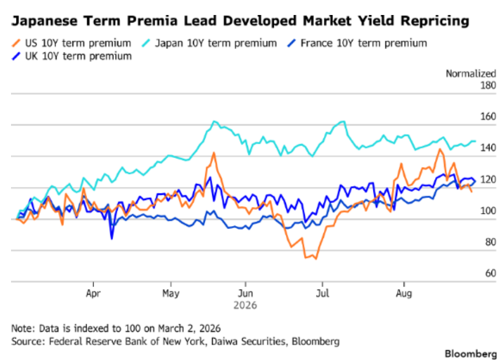
Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

Israel

The Bank of Israel (BoI) yesterday cut its policy rate by 25 bps to 3.25%, its third consecutive cut, as lower inflation, reduced risk premia, and improved fiscal dynamics provided room for further easing; Barclays expects the BoI to remain on hold through the October election. The shekel weakened around 1.4% against the US dollar yesterday before stabilizing this morning.

Japan

BOJ rate hike in September fully priced in. In comments made following the G20 meeting, BOJ Governor Ueda noted that the BOJ Policy Board would deliberate with "upside price risks" in mind. His comments were seen as suggesting a near certainty of a rate hike when the authorities meet later in September. Meanwhile, BOJ Board Member Takata, viewed as one of the more hawkish members of the Board, indicated at a press conference in Sapporo, Hokkaido, that "the size and frequency [of policy rate hikes] may change as circumstances evolve." His comments were interpreted as suggesting a potentially faster pace of tightening. Overnight index swaps have fully priced in a September hike, particularly as neither Governor Ueda nor Board Member Takata pushed back against such expectations.



Meanwhile, **the 10yr JGB term premium has risen amid a changing investor composition**. Based on the ACM model from the New York Fed, Japan's 10yr term premium now stands at around 185 bps, exceeding those of France, the UK, and the US (*note: the chart below shows normalized estimates*). Analysts find that this increase in the JGB term premium partly reflects the changing ownership structure of JGBs. With the BOJ scaling back its holdings, private investors now absorb a larger share of supply and have demanded greater compensation for holding duration risk. JGB yields extended their recent increases on the day. The 20yr bond yield rose 1.5 bps to 3.895%, the highest since 1996, while the 10yr yield increased by another 1.5 bps from yesterday's level to 3.005%. The yen gained 0.2% on the day to ¥159.83/$.

New Zealand

The Reserve Bank of New Zealand (RBNZ) hiked its key rate by 25 bps to 2.75%, its second straight hike, as markets had expected. The New Zealand dollar depreciated against the US dollar, however, after traders perceived the outcome as slightly more dovish than anticipated. While the

RBNZ's new forecasts indicate the possibility of one further hike by year-end, traders viewed the tone of the press conference as less urgent in moving the cash rate toward neutral. Contacts interpreted the meeting outcome as a dovish hike, with some now believing the RBNZ's tightening cycle is over. The NZD/USD fell by 0.8% to 0.5843 in overnight trading.

Emerging Markets back to top

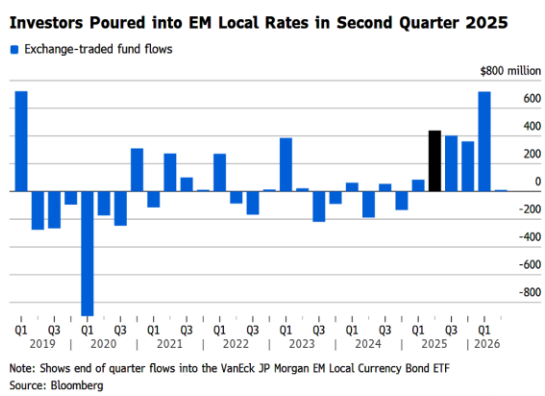
EMEA equities and currencies remained under pressure this morning amid the renewed escalation in the Middle East, higher oil prices, and the continued global bond sell-off. In CEE, equities edged lower, led by Hungary (-0.6%), where the forint weakened further 0.3% to HUF369.57/€. Government bonds underperformed, with Poland's 10y domestic yield up 10bps to 6.16% and more than 30bps higher since last week. The rand was little changed around ZAR16.16/$ after slipping 0.4% yesterday, while South African equities fell 0.8% as gold prices declined 3.2% WtD. Turkish equities dropped 2%, while the lira remained rangebound at TRY48.29/$ as the 37% benchmark rate continued to attract carry inflows. Bloomberg estimates foreigners have put $75bn into lira-denominated derivatives and money market funds, while policymakers weigh how to limit short-term speculative flows without weakening currency support. Gulf stocks also declined, led by Qatar (-1%).

Asian sovereign bonds extended their selloffs, while equities suffered broad-based losses as rising bond yields were expected to weigh on share valuations. The MSCI Asia Pacific Index fell as much as 2.1% intraday, ending a six-day rally, with technology leading broad declines. South Korea's Kospi fell about 4%, and Japan's Nikkei 225 lost nearly 3%. Equity benchmark indices in Taiwan, Hong Kong, and China each fell 1% to 1.5%.

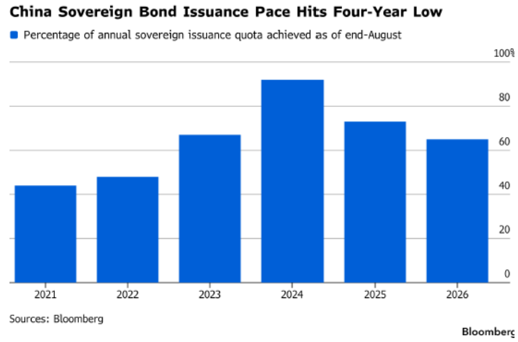
Latin American equities were mixed, with markets in Colombia (+1.9%) and Brazil (+1.3%) rising, while Mexico (-1.4%) lagged. The Colombian peso (+1.8%) and Brazilian real (+0.6%) firmed, while the Mexican and Chilean pesos were little changed. The Chilean stock market was closed on Tuesday.

EM Local Currency Bonds

Emerging market local currency bonds have gained 3.3% YTD, outperforming developed market peers (-1.9%), as the dollar has weakened over the past year. Fund managers attribute the divergence (left chart) to a revived "dollar debasement trade," citing concerns over the US's $40 tn debt load and viewing EM central banks' inflation-targeting discipline as more credible than that of their developed market counterparts. The VanEck JPM EM Local FX Bond ETF drew $719.7 mn in 2026Q1, the largest quarterly inflow since 2019Q1 (right chart). Risks include US 10yr yields at 4.8%, approaching 5%, which could restore the dollar's relative yield appeal and pull flows back.



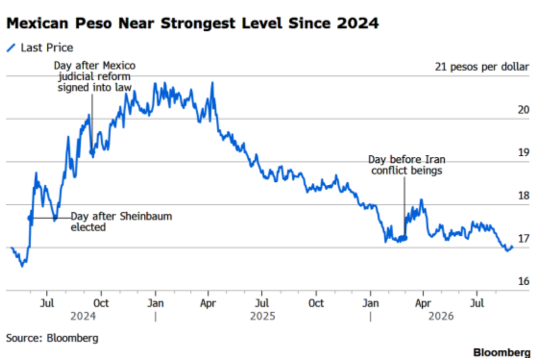
China

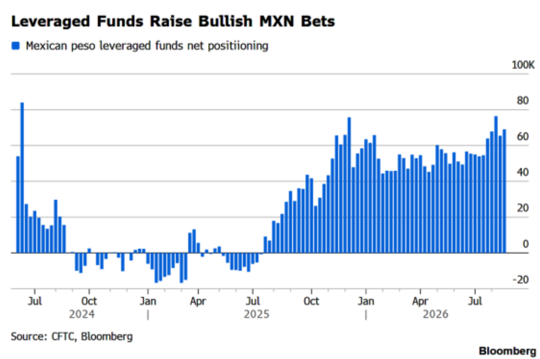


China's government bond sales are expected to accelerate as authorities seek to boost support for the economy. Both the central and local governments are behind on their annual bond sales quotas compared with last year and are expected to ramp up issuance accordingly. According to Bloomberg calculations, the authorities used up about 68% of the year's quota in the first eight months, compared with 76% over the same period a year earlier. Notably, sovereign bond issuance currently stands at 65% of quota, the slowest pace since 2022. With new bond issues potentially flooding the market later in the year, investors are expected to focus on the PBOC's response in managing market liquidity. Meanwhile, **US Treasury and CGB yield spreads are approaching a historic high amid divergent outlooks.** As the benchmark 10yr Treasury yield has risen, comparable 10yr CGB yields have held steady at 1.69%, with the yield spread between the two widening to 312 bps; the historic high was about 315 bps, set early last year, according to Bloomberg data. The RMB is little changed on the day, trading around RMB 6.72 per dollar both onshore and offshore, lingering near its strongest level since early 2023. The RMB has gained about 4% so far this year, making it one of the outperformers, second only to the Korean won.

Mexico

The Mexican peso was Latin America's best-performing currency in August, appreciating 1.93% against the dollar and modestly outpacing the MSCI EM FX Index's 1.87% gain. The Colombian peso rallied nearly 6% intramonth before giving it all back on August 28, the day Fed Chair Warsh's hawkish Jackson Hole remarks sent the 2yr Treasury yield up 11 bps, leaving COP up just 0.27% for the month. The Mexican peso also weakened that session, by more than double its recent average daily move, though it still ended the month near its strongest level since 2024 (left chart). Leveraged funds have steadily built bullish MXN bets since mid-2025, recently pulling back from a two-year high (right chart).





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: 9/1/26 7:47 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,686	-0.3	0.4	2.6	19.0	12
Europe		6,379	-0.6	-1.2	0.3	18.9	10
Japan		66,215	-0.1	0.5	2.9	56.5	32
China		4,611	-0.3	1.3	0.5	2.7	0
Asia Ex Japan		117	-0.1	2.1	5.5	36.0	25
Emerging Markets		67	-0.2	1.4	4.6	34.4	23
Interest Rates					basis points		
US 10y Yield		4.8	3	15	4	55	61
Germany 10y Yield		3.3	2	14	14	60	49
Japan 10y Yield		3.0	5	10	20	138	94
UK 10y Yield		5.2	16	23	17	47	74
Credit Spreads					basis points		
US Investment Grade		114	0	-3	-4	-13	1
US High Yield		301	0	-14	-17	-42	-40
Exchange Rates					%		
USD/Majors		99.6	0.2	0.7	-0.3	1.9	1
EUR/USD		1.16	-0.2	-0.7	0.7	-1.0	-1
USD/JPY		160.1	0.2	0.5	1.8	8.8	2
EM/USD		46.4	-0.1	-1.0	-0.5	1.3	0
Commodities					%		
Brent Crude Oil ($/barrel)		91.8	1.4	5.2	8.5	38.5	53
Industrials Metals (index)		179.6	-0.3	-1.2	1.6	26.0	10
Agriculture (index)		65.3	-0.1	4.6	12.4	17.1	22
Gold ($/ounce)		4385.7	-1.2	-5.8	8.2	26.2	2
Bitcoin ($/coin)		78110.7	-0.9	-2.5	24.8	-28.3	-11
Implied Volatility					%		
VIX Index (%, change in pp)		15.8	0.8	0.3	-0.2	-0.4	0.8
Global FX Volatility		6.5	0.0	0.1	0.0	-1.2	-0.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		68	0	1	-3	-1	9
Italy		83	0	3	1	-3	13
France		86	0	1	6	7	15
Spain		45	0	0	0	-15	2

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

Emerging Market Financial Indicators

9/2/2026 8:04 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		6.72	0.0	0.0	0.5	6.2	4.0		1.8	-1	1	-1	-8	-18
Korea*		1362	0.8	1.6	5.1	2.4	5.7		4.5	9	1	11	173	120
Indonesia		17760	-0.2	-0.3	1.3	-7.7	-6.0		7.1	9	9	-21	74	103
India		95	0.0	0.5	0.4	-7.2	-5.4		8.0	4	20	9	105	88
Philippines		63	-0.3	-1.5	-2.6	-8.1	-6.0		6.0	7	14	-7	131	137
Thailand		33	-0.2	-1.7	0.1	-2.8	-5.4		2.3	4	4	6	85	52
Malaysia		4.05	-0.2	-0.5	1.2	4.5	0.3		3.9	2	10	21	52	42
Argentina		1512	-0.2	-0.1	-1.2	-9.0	-4.0		0.0	0	0	0	-4497	-3237
Brazil		5.15	0.0	-0.1	-1.3	6.0	6.2		14.4	-9	4	-3	53	79
Chile		937	-0.3	-2.4	-1.3	3.4	-3.9		5.6	-1	2	1	21	34
Colombia		3163	1.9	-2.3	2.2	27.0	19.4		12.7	-4	50	52	108	-15
Mexico		17.00	0.0	-0.2	2.0	10.1	5.9		9.2	5	18	13	32	25
Peru		3.4	0.3	-0.6	1.1	5.2	0.1		6.3	0	9	25	7	54
Uruguay		40	0.0	-0.1	0.0	-0.6	-3.2		7.6	0	8	14	-34	13
Hungary		318	0.0	-2.1	-0.4	6.9	3.0		5.6	7	18	8	-117	-95
Poland		3.74	0.1	-1.0	0.3	-2.0	-3.9		5.4	3	22	28	52	89
Romania		4.5	-0.1	-0.6	0.4	-3.9	-4.5		6.8	4	13	16	-56	17
Russia		87.1	-0.5	-3.3	-7.5	-7.4	-9.6							
South Africa		16.1	0.5	-0.8	2.7	9.9	2.9		9.0	8	19	9	-92	43
Türkiye		48.30	0.0	-0.4	-1.6	-14.8	-11.1		33.9	-6	-10	-164	238	433
US (DXY; 5y UST)		100	0.1	0.6	-0.2	1.4	1.5		4.54	-2	17	9	81	81

	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		4,548	-1.4	-0.9	0.1	2.0	-1.8		85	-8	-4	-28	10
Korea*		6,563	-4.0	-3.6	4.9	106.1	55.7		22	0	-1	2	0
Indonesia		6,596	-0.1	3.0	5.8	-16.4	-23.7		103	-10	-12	18	17
India		76,570	-0.1	-1.2	-2.6	-5.0	-10.2		90	-8	-4	-2	0
Philippines		6,053	-0.7	-2.2	-4.4	-0.5	0.0		88	-10	-7	18	13
Thailand		1,575	-0.9	-1.7	-2.9	25.1	25.0						
Malaysia		1,709	0.5	-1.6	-1.0	8.2	1.7		60	-1	-2	-5	1
Argentina		3,049,455	0.5	1.3	-7.3	54.3	-0.1		509	-13	69	-329	-60
Brazil		179,722	1.3	2.9	1.0	28.1	11.5		182	-7	-4	-19	-21
Chile		11,315	-1.1	-1.2	2.7	26.8	8.0		91	-6	-6	-12	0
Colombia		2,470	1.9	-1.4	3.3	35.0	19.5		209	9	2	-71	-68
Mexico		64,514	-1.4	-2.7	-3.6	8.0	0.3		196	-4	-11	-43	-21
Peru		3,458	-0.9	-5.1	1.4	62.7	33.9		88	-7	-3	-15	-21
Hungary		147,141	-1.0	-2.4	0.3	43.1	32.5		103	-9	-10	-37	-36
Poland		152,200	0.3	-0.8	3.3	46.4	29.8		94	-4	0	-5	3
Romania		34,670	1.7	-3.4	-4.1	70.9	41.9		180	-4	1	-33	4
South Africa		115,254	-0.5	-1.3	3.4	13.9	-0.5		191	-15	-17	-97	-27
Türkiye		13,942	-2.0	-4.6	3.6	28.2	23.8		241	-13	-20	-36	7
EM total		67	-1.6	-0.7	4.2	34.0	22.0		265	-11	-13	-89	-6

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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