GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, SEPTEMBER 21, 2026

LEAD EDITOR: JOHANNES S. KRAMER

- **Strong US tech earnings outlook as AI infrastructure spending absorbs more cash flow** (link)
- **Investors favor short-term Treasuries as much of the expected Fed tightening priced in** (link)
- **European equities rebound after Friday's rout as oil prices and sovereign yields decline** (link)
- **Ahead of the Silver-week holiday Yen resumes depreciation despite surprise rate check** (link)
- **Colombia's fiscal adjustment plan becomes a decisive test for domestic asset prices** (link)
- **Moody's downgrades Poland to A3 with a stable outlook on large deficits and rising debt** (link)

Mature Markets | Emerging Markets | Market Tables

Markets Regain Their Footing as Oil Falls, With Yields Still Near Recent Highs

Global equities advanced and European bonds recovered as oil prices fell, partly reversing Friday's selloff. Longer-term yields remain near last week's highs, while US markets price roughly three additional quarter-point Fed hikes through 2027. Attention turns to Thursday's Trump–Xi summit after Treasury Secretary Bessent described preparatory talks as "very successful." In Germany, CDU setbacks in the Mecklenburg-Vorpommern and Berlin state elections add pressure on Chancellor Merz and his reform agenda, although the euro's response has been limited. Fiscal concerns prompted Scope to downgrade France to A+ and Moody's to cut Poland to A3, while DBRS revised France's outlook to negative. The equity rebound comes alongside weaker growth expectations in China, where government bond yields have fallen, and net withdrawals from EM funds over the latest reporting week. Those outflows were concentrated in equities and hard-currency bonds, while local-currency bond funds continued to attract inflows, underscoring differences in demand across EM asset classes.

Key Global Financial Indicators

Last updated: 9/21/26 8:48 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		7651	0.2	0	0	15	12
Eurostoxx 50		6321	1.4	1	-2	16	9
Nikkei 225		65019	1.4	2	-1	42	29
MSCI EM		67	0.2	-1	0	26	23
Yields and Spreads				bps			
US 10y Yield		4.96	-3.5	-3	23	83	79
Germany 10y Yield		3.45	-7.0	-7	19	70	59
EMBIG Sovereign Spread		172	-5	-3	-28	-43	-26
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.3	0.2	0	-1	1	-1
Dollar index, (+) = $ appreciation		100.3	0.0	1	1	3	2
Brent Crude Oil ($/barrel)		101.3	-2.5	-4	7	52	66
VIX Index (%, change in pp)		14.9	0.1	-2	0	-1	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: 9/21/26 8:48 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 ($/barrel)		101	-2.5	-4	7	52	66
WTI Crude Oil ($/barrel)		98	-2.6	-4	12	56	70
Natural Gas (Netherlands TTF)		74	-7	-5	12	128	172
Breakeven Inflation		%	bps				
USD: 2Y		2.5	-1.7	-11	5	-45	18
USD: 5Y		2.5	-1.3	-10	-3	-18	12
USD: 5Y5Y		2.4	0	-5	-5	-7	-4
EUR: 2Y		2.8	-8.3	-12	36	103	117
EUR: 5Y		2.4	-4	-8	17	56	63
EUR: 5Y5Y		2.1	-2	-2	0	5	8

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

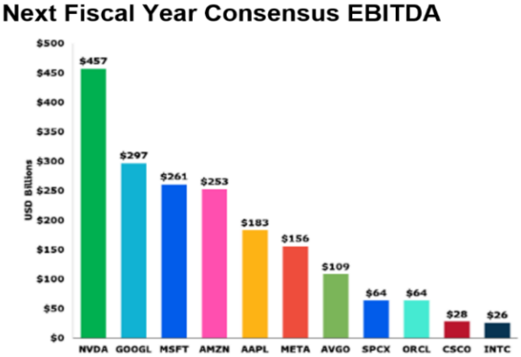
Week ahead. Central bank decisions are due in Indonesia and South Africa on Wednesday, followed by Switzerland, Sweden, Norway and Mexico on Thursday. Global flash PMIs lead the data calendar, alongside Taiwan's export orders on Tuesday and industrial production on Wednesday. Other key releases include Singapore and South African inflation on Wednesday; Germany's Ifo survey, Australian employment, Canadian retail sales and Mexico's mid-month inflation on Thursday; and Brazil's mid-month inflation and US durable goods orders and final consumer sentiment on Friday

Mature Markets back to top

United States

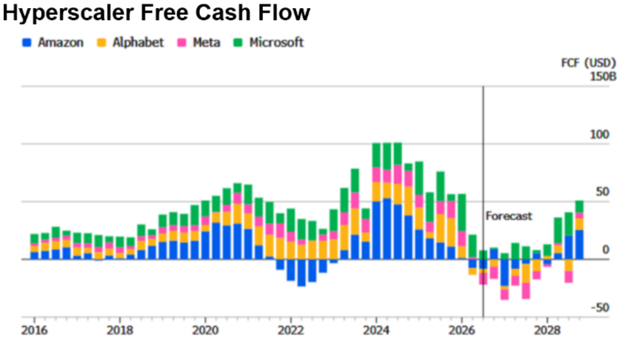
Strong earnings growth at major technology companies contrasts with cash-flow pressure from AI infrastructure spending. Analyst consensus expectations point to EBITDA growth of about 35 percent annually in fiscal years 2026–27 at the 12 largest technology companies (left chart), while Alphabet and Amazon have moved into negative free cash flow as capex has surged (right chart). Borrowing is also expanding: Allianz Research reports that long-term debt at eight major US technology companies rose by 86 percent in the year to mid-2026. According to Allianz, creditors receive limited upside from successful AI investment while facing greater downside exposure as debt and off-balance-sheet commitments accumulate. Its models indicate remote default risk for most firms based on recognized debt alone, but including off-balance-sheet commitments lowers model-implied credit quality, from Aaa to A for Microsoft and Baa to Ba for Meta. Allianz warns that credit deterioration may precede a material spread response, leaving creditors exposed to repricing as contractual obligations accumulate. These concerns echo scenario analysis in the April 2026 GFSR, which illustrated how faster obsolescence of AI capital could compress margins, increase debt-financing needs and widen credit spreads.

Next Fiscal Year Consensus EBITDA

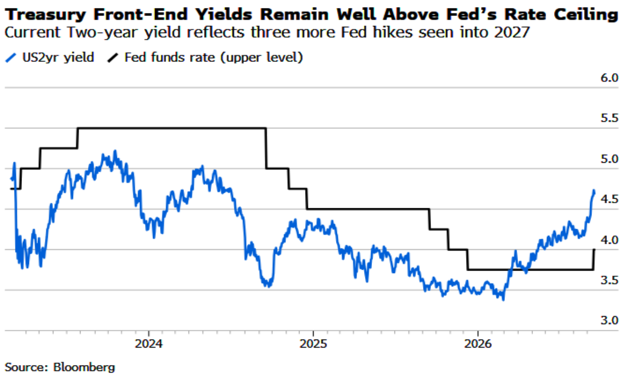


Source: Bloomberg Intelligence

Hyperscaler Free Cash Flow



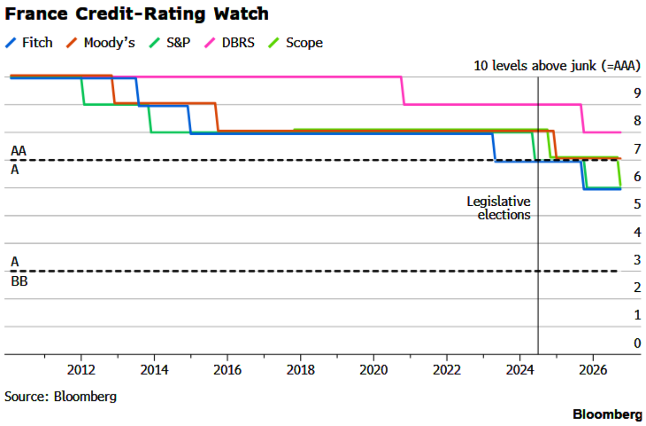
Source: Bloomberg



Some Treasury investors are adding exposure to short- and intermediate-maturity bonds, arguing that yields already reflect much of the expected Fed tightening. Two-year yields have climbed to about 4.75% following last week's rate increase, while overnight forwards price +80bps of additional tightening over the next year (see chart). Bullish bond investors see scope for a rally if inflation eases or the Fed raises rates less than expected, with shorter maturities offering their highest yields since 2024 while being less price sensitive to yield changes than longer-dated bonds. Energy shocks, persistent inflation or stronger growth could nevertheless prompt further tightening. Bank of America strategists warn that the policy rate could exceed 5%, arguing that officials may not yet regard policy as sufficiently restrictive.

Euro area

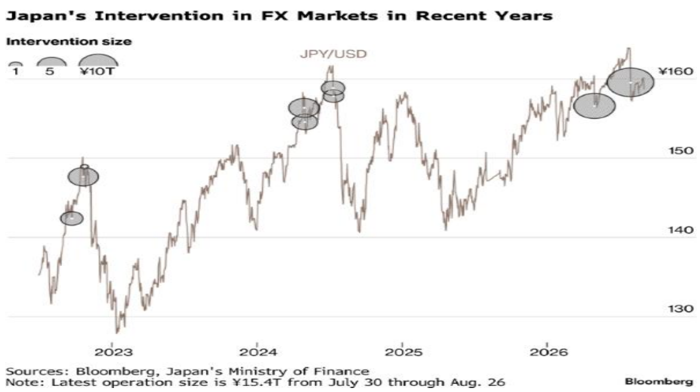
European risk assets rebounded as oil prices and sovereign yields declined after Friday's selloff. The STOXX Europe 600 (+0.5%) recovered part of Friday's decline (-1.1%), while Brent crude (-2%) fell to $102/bbl. Euro-area sovereign yields declined broadly, with the 10-year Bund yield (-5 bps) falling below 3.5%. German political developments drew attention after the CDU lost ground in two state elections, falling short of the 5% electoral threshold in Mecklenburg-Vorpommern and losing seats in Berlin. Bloomberg analysts see the euro as the main potential channel for a market response to deteriorating German political sentiment, although the currency (-0.1%) weakened only marginally against the dollar this morning. Later today, the ECB will pre-release sections of its Economic Bulletin examining the effects of higher energy prices and the Middle East conflict.



France's OAT–Bund spread narrowed after Friday's widening above 100 bps, despite adverse rating actions. The 10-year spread retraced to around 100 bps this morning from 104 bps on Friday, when it exceeded 100 bps for the first time since 2012. After markets closed, Scope Ratings downgraded France to A+ from AA-, while DBRS changed the outlook on its AA rating to negative, citing persistent deficits, rising debt and limited reform progress. The government now expects the deficit to widen to 5.4% of GDP this year and estimates that €54 billion of measures will be needed to reduce it to 5% in 2027. Scope warned that political fragmentation and polarization constrain fiscal consolidation and structural reform. Moody's next review, scheduled for October 23, follows with France rated Aa3 with a negative outlook.

Japan

The yen renewed its depreciation despite a surprise rate check late last week. The yen weakened further (-0.2%) to around ¥157.20/USD after falling as much as 1.3% intraday on Friday, following a split BOJ decision to hike the policy rate. News reports noted that BOJ officials called market participants late Friday afternoon for a rate check, often seen as a prelude to potential official currency purchases. The yen had fallen -2.1% last week, its biggest weekly decline in almost a year. Market participants noted that the yen is vulnerable to sharp moves and further depreciation this week, given reduced trading liquidity over a three-day Silver Week holiday in Japan.



The latest BOJ rate hike disappointed those that had expected a faster pace of BOJ tightening. The September policy statement described an economy that is expected to continue to grow "moderately" with underlying inflation rising above 2% only in an upside risk scenario. The probability of a rate hike in October is now less than 20%, according to overnight forwards; an increase is nearly priced in for December with a 90% probability.

Emerging Markets

back to top

This morning, Turkish equities extended their selloff, while the rand strengthened and the koruna weakened. Turkish stocks (-4%) fell further following last week's fund-driven selling, while the South African rand (+0.2%) outperformed the Czech koruna (-0.2%) against the dollar. Ahead of this week's South African Reserve Bank decision, expectations point to a 25 bps hike to 7.25%, with Bloomberg anticipating that energy and food-price pressures linked to the Iran conflict will keep African central banks cautious. Of 11 interest decisions in Africa due over the next two weeks, seven are expected to be holds and three hikes. South Africa, Eswatini and Lesotho may each hike by 25 bps, with the latter two expected to follow South Africa because their currencies are pegged to the rand.

Asian equities advanced alongside higher bond yields, while the Korean won outperformed otherwise little-changed regional currencies. The won strengthened (+0.96%) after Korea reported record exports for the first 20 days of September, with working-day-adjusted shipments rising 89.8% year over year, supported by demand for AI-related semiconductors. Meanwhile, the RMB is little changed after the PBOC set a stronger daily fixing for a ninth consecutive session, with investors focusing on the outcome of the US-China summit.

On Friday, Latin American currencies were broadly weaker, while equities declined across most markets. The Colombian peso (-0.9%) underperformed regional peers as higher US rates continued to pressure high-carry currencies, while the Mexican peso (-0.4%), the Brazilian real (-0.3%) and the Peruvian sol (-0.1%) also weakened against the dollar. Stock markets were mostly lower, led by Argentina (-1.3%), Peru (-0.8%), and Brazil (-0.4%) while Colombia (+1.0%) was the notable exception.

EM Fund Flows

EM fund outflows accelerated due to weaker equity and hard-currency bond demand, with combined outflows totaling $2.3bn, down from the $77mm combined inflows the previous week. Bond funds recorded outflows of $320mn, as hard-currency fund outflows (-$542mn) more than offset continued inflows into local-currency funds (+$221mn). Within local-currency funds, EM ex-China remained the primary recipient of inflows (+$204mn), while China-focused funds returned to positive territory (+$18mn). Equity fund outflows materially increased to $2.0bn from inflows of $340mn the previous week, driven by a reversal in ETF demand and continued weakness in non-ETF funds (-$1.9bn). Regionally, Asia ex-Japan funds led equity outflows (-$1.1bn), while LATAM funds remained one of the few areas attracting inflows (+$34mn).

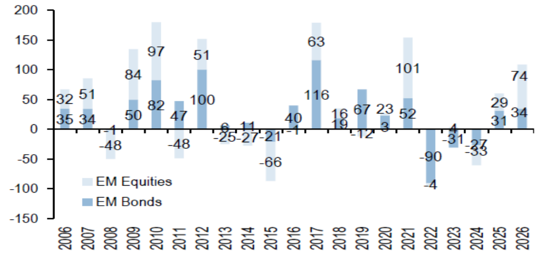
Figure 1: Weekly cross-asset flows

USD billion

Fund Flows	Asset	8w flows (8w ago ⟶ current)	This wk	YTD
	EM Bonds and Equities		-2.3	108.8
	EM Bonds		-0.3	34.4
	Hard Ccy		-0.5	15.6
	Local Ccy^		0.2	18.8
	o.w. EM ex-China		0.2	17.5
	o.w. China		0.0	-1.0
	EM Equities		-2.0	74.4
	US HG		0.2	253.4
	US HY		-1.9	5.5
	Global Equities		62.1	434.0
	EM Bond and Equity ETFs		-0.4	117.8
	EM Bond ETFs		-0.3	6.0
	EM Equity ETFs		-0.1	111.8
	Non-resident EM flows*		-20.0	-164.9

Figure 2: EM bond and equity fund flows

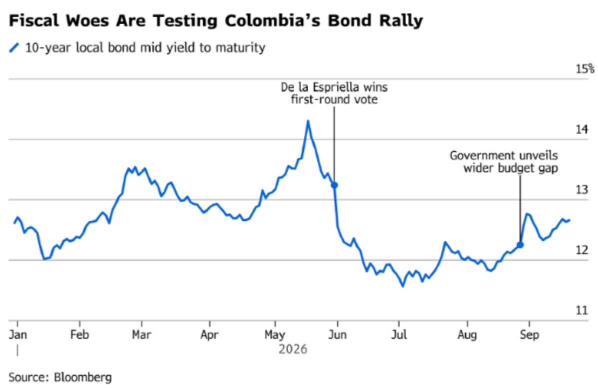
USD billion



*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.
Sources for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

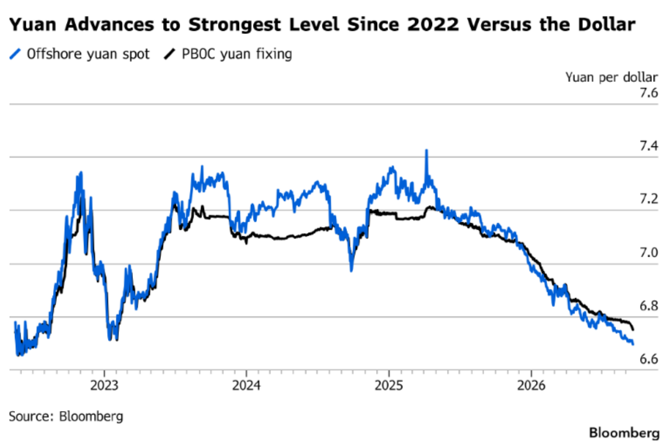
Colombia

Fiscal adjustment becomes the key test for Colombian assets. Colombian officials sought to reassure investors in New York last week that the government's external financing needs for 2027 could be significantly lower than indicated in the budget, while expressing confidence that Congress will approve a fiscal adjustment plan aimed at gradually reducing the deficit by 2030. Investor attention has increasingly shifted toward the administration's ability to deliver on promised spending cuts after the budget projected a wider fiscal deficit than previously expected. The focus follows a strong rally in Colombian assets this year, supported by high yields and optimism following the presidential elections, with the peso among the best performing emerging market currencies



China

The RMB reached its strongest level against the dollar since 2022 as investors focus on the upcoming US-China summit. The PBOC strengthened its daily fixing for the RMB for a ninth consecutive session and pushed the yuan to its strongest level since 2022. The upcoming summit between Presidents Trump and Xi on the 24th is focusing market attention. Investors generally expect trade discussions to be featured prominently, including reciprocal tariff relief, progress on investment and greater clarity on technology restrictions. News that negotiations between Chinese trade delegation led by Vice Premier He Lifeng and US officials led by Treasury Secretary Bessent was "very successful" boosting market sentiment and expectations for the summit.



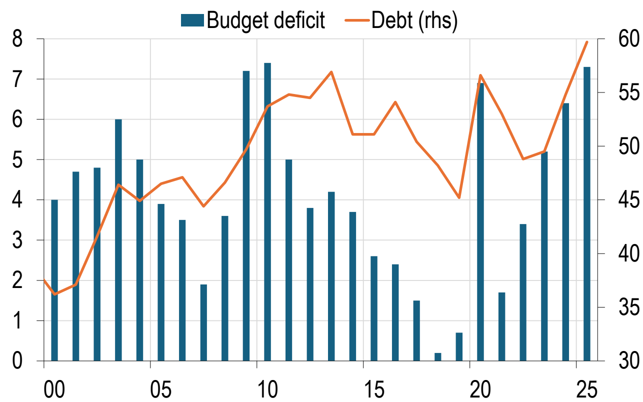
Meanwhile, Chinese Government Bonds (CGBs) are pricing in expectations of further growth downturn. The 30-year CGB yield has fallen by about 3 bps since last week to 2.11%, its lowest level in a year while the 2-year note, at 1.24%, is hovering near its yearly low. Analysts from CICC noted that recent weak data, including weak August credit data and softer-than-expected retail and investment indicators strengthened the case for policy support, with yields likely to fall further.

Poland

Moody's downgraded Poland by one notch to A3, citing persistently large deficits and rapidly rising debt, and assigned a stable outlook. Moody's projects budget deficits of 7.1% of GDP in both 2026 and 2027, reflecting elevated defense, healthcare, investment and social spending without a credible consolidation plan. The credit analysis argues that procyclical fiscal policy and limited willingness or capacity to rebuild buffers have weakened fiscal policy effectiveness. It also warns that Poland's national fiscal framework has become less effective as more debt accumulates outside the national debt rule, including through the state-owned development bank. Despite the fiscal pressures, Bloomberg analysts report that Prime Minister Donald Tusk's government plans tax relief and fuel-price support ahead of the late-2027 parliamentary election.

Poland's Government Debt & Deficit

(% of GDP)



Source: Bloomberg

This monitor is prepared under the guidance of Jason Wu (Assistant Director), 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), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), 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.

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

Last updated: 9/21/26 8:48 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,689	0.2	0.9	0.2	15.4	12
Europe		6,321	1.4	1.0	-2.2	15.8	9
Japan		65,019	1.4	1.6	-0.8	42.5	29
China		4,540	0.7	1.3	-1.7	0.4	-2
Asia Ex Japan		116	0.2	-1.2	-0.1	27.6	25
Emerging Markets		67	0.2	-1.2	-0.1	26.4	23
Interest Rates					basis points		
US 10y Yield		5.0	-3	-3	23	83	79
Germany 10y Yield		3.4	-7	-7	19	70	59
Japan 10y Yield		3.0	0	-2	10	134	92
UK 10y Yield		5.2	-8	-15	16	50	74
Credit Spreads					basis points		
US Investment Grade		111	-1	-5	-7	-9	-2
US High Yield		301	0	-3	-12	-30	-39
Exchange Rates					%		
USD/Majors		100.3	0.0	0.9	1.5	2.7	2
EUR/USD		1.15	0.0	-0.5	-1.7	-2.7	-2
USD/JPY		157.3	0.3	1.9	-1.0	6.5	0
EM/USD		46.3	0.2	0.1	-1.2	0.6	-1
Commodities					%		
Brent Crude Oil ($/barrel)		101.3	-2.5	-4.2	9.3	56.1	68
Industrials Metals (index)		182.0	0.8	3.7	1.1	26.3	11
Agriculture (index)		63.0	0.9	-1.2	1.3	15.8	18
Gold ($/ounce)		4357.3	-0.5	1.3	-5.3	16.3	1
Bitcoin ($/coin)		85196.2	5.1	11.9	9.9	-26.2	-3
Implied Volatility					%		
VIX Index (%, change in pp)		14.9	0.1	-2.2	-0.3	-0.6	-0.1
Global FX Volatility		6.8	0.0	-0.3	0.3	-0.5	-0.1
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		75	-4	1	5	10	16
Italy		87	-5	0	4	8	17
France		100	-5	4	12	19	29
Spain		45	-3	-1	0	-9	2

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

Emerging Market Financial Indicators

9/21/2026 8:55 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	0.0	0.2	0.4	6.3	4.4		1.7	-1	-1	1	-12	-19
Korea*		1372	1.1	-1.8	1.0	1.4	4.9		4.5	-2	-10	-5	184	122
Indonesia		17838	-0.5	-1.1	-0.8	-6.9	-6.4		7.0	-5	-5	-6	93	101
India		96	0.1	-0.3	-0.1	-7.8	-6.2		8.4	-2	10	63	155	134
Philippines		63	-0.1	0.1	-1.8	-9.1	-6.3		6.0	0	4	10	131	136
Thailand		33	0.2	-0.1	-1.8	-4.4	-5.3		2.3	-5	-2	13	84	61
Malaysia		4.08	0.1	0.0	-1.0	3.1	-0.4		4.0	2	-21	18	57	46
Argentina		1514	-0.3	-0.4	-1.3	-2.6	-4.1		0.0	0	0	0	-6281	-3237
Brazil		5.12	0.4	0.6	0.4	4.2	6.9		14.1	-2	1	-55	41	49
Chile		957	0.4	0.1	-4.3	-0.1	-5.9		5.9	0	14	27	49	58
Colombia		3179	-0.5	-3.0	-2.6	22.5	18.8		12.8	11	27	68	152	-7
Mexico		17.19	0.2	-0.3	-1.6	6.8	4.8		9.3	2	-4	24	67	33
Peru		3.4	-0.1	0.1	0.2	3.7	0.1		6.6	2	9	34	46	82
Uruguay		40	0.0	0.1	0.5	-0.7	-3.0		7.7	0	-1	10	-33	13
Hungary		316	0.5	0.3	-1.6	4.4	3.7		5.7	9	16	33	-87	-78
Poland		3.79	0.3	-0.8	-2.6	-4.8	-5.3		5.8	18	13	45	85	119
Romania		4.6	0.0	-0.7	-1.9	-6.2	-5.5		7.0	9	15	26	-29	32
Russia		83.9	0.7	0.3	-1.2	-0.2	-6.1							
South Africa		16.3	0.0	0.0	-1.5	6.6	1.9		9.0	5	-7	10	-62	41
Türkiye		48.80	0.0	-0.4	-1.6	-15.2	-12.0		34.6	0	72	-27	262	499
US (DXY; 5y UST)		100	0.0	0.9	1.5	2.7	2.0		4.83	-3	0	40	115	110

	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		4,540	0.7	1.3	-1.7	0.4	-2.0		1	0	-2	-9	-6
Korea*		7,008	1.6	4.8	1.4	102.0	66.3		23	2	1	2	1
Indonesia		6,385	-0.9	-2.3	-2.2	-20.6	-26.2		89	-5	-5	9	14
India		74,859	-0.9	0.1	-3.5	-8.9	-12.2		83	1	0	7	7
Philippines		5,844	-0.2	-3.8	-6.3	-6.0	-3.5		75	-6	-3	18	13
Thailand		1,598	0.9	0.4	-1.0	24.6	26.9						
Malaysia		1,667	0.1	-1.2	-4.0	4.0	-0.8		54	-2	-2	-5	-3
Argentina		3,021,926	-1.3	-2.5	3.7	79.5	-1.0		525	30	14	-927	-41
Brazil		185,229	-0.4	-1.1	8.3	27.0	15.0		162	0	-19	-24	-37
Chile		5,701	0.0	0.1	-0.2	21.6	5.1		88	0	-1	-8	-2
Colombia		2,548	1.1	-1.5	3.6	37.1	23.2		207	5	15	-44	-71
Mexico		63,376	-0.8	-1.1	-3.6	3.6	-1.4		191	-6	-7	-27	-28
Peru		3,460	-0.8	0.7	-3.8	56.3	33.9		106	-1	-5	-12	-23
Hungary		153,085	0.2	0.9	3.0	52.9	37.9		97	-2	1	-28	-35
Poland		157,627	1.7	2.2	4.0	49.6	34.4		90	-3	1	2	2
Romania		32,082	-2.1	-2.8	-12.0	55.4	31.3		168	-1	-3	-26	-2
South Africa		114,396	1.2	0.8	-2.8	7.8	-1.2		194	-1	4	-49	-21
Türkiye		13,180	-0.8	-7.4	-9.2	16.7	17.0		242	3	9	-6	23
EM total		67	2.4	-1.2	-0.1	26.4	22.5		172	-3	-28	-43	-26

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

*Not an EM Under IMF Classification.

back to top