



- **Rising government debt burdens in advanced economies draw scrutiny** ([link](#))
- **Markets in Argentina surge on pledge of US support** ([link](#))
- **US Treasury yields diverge from other advanced economies** ([link](#))
- **High equity index concentration is a global phenomenon** ([link](#))
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## Global markets hit record highs

**US equity indexes and the Nikkei set new records yesterday, with the the S&P 500 closing in on the 7000 level, well ahead of consensus forecasts at the start of the year.** The rally has extended to Europe, with most markets in positive territory this morning. The broader European indexes as well as the DAX and the CAC-40, among others, set new records earlier in the year. US equity index futures are flat at the moment, while US Treasuries posted modest gains. European government bond markets are mixed, with yield curves tending to flatten as shorter maturity bonds sold off more than their longer maturity counterparts. Currency markets are holding steady, with a slight bias towards dollar strength. Argentina is in the spotlight after the US pledged financial support, with market participants speculating about what forms the support might take. Local markets surged higher yesterday on the news, but the Argentine peso has given back some of its gains today. Hong Kong SAR is also in focus as its currency continues to test the strong end of its currency band versus the US dollar. Sweden's Riksbank surprised markets by cutting its policy rate by 25 bps to 1.75%, with analysts speculating that its rate cut cycle is at an end.

**Key Global Financial Indicators**

Last updated: 9/23/25 7:49 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			<b>%</b>				<b>%</b>
S&P 500		6694	0.4	1	4	17	14
Eurostoxx 50		5468	0.5	2	0	12	12
Nikkei 225		45494	1.0	2	7	20	14
MSCI EM		53	0.5	1	5	21	27
<b>Yields and Spreads</b>			<b>bps</b>				
US 10y Yield		4.12	-2.3	10	-13	37	-45
Germany 10y Yield		2.75	-0.3	5	2	59	38
EMBIG Sovereign Spread		283	-6	-6	-9	-86	-41
<b>FX / Commodities / Volatility</b>			<b>%</b>				
EM FX vs. USD, (+) = appreciation		46.0	0.0	0	0	0	7
Dollar index, (+) = \$ appreciation		97.3	0.0	1	0	-3	-10
Brent Crude Oil (\$/barrel)		67.2	1.0	-2	-1	-9	-10
VIX Index (% change in pp)		16.1	0.0	0	2	0	-1

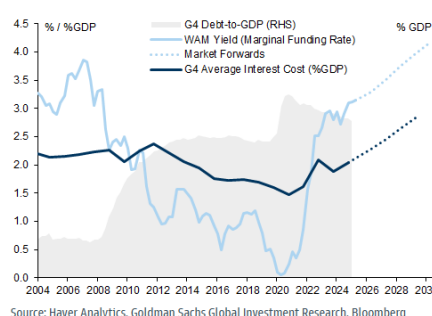
Colors denote **tightening/easing** financial conditions for observations greater than  $\pm 1.5$  standard deviations. Data source: Bloomberg.

## Advanced Economy Government Debt

**Interest costs for advanced economy governments are on the rise, even as most of their central banks are lowering their policy rates.** Historically high peacetime budget deficits will require growing volumes of new debt issuance, which could put pressure on market participants in an environment where central banks are actively reducing their bond holdings through quantitative tightening. Old debt issued after the global financial crisis and the pandemic at exceptionally low interest rates will have to be refinanced at significantly higher interest rates, increasing interest costs as a percentage of total national budgets. Interest rate forward markets are projecting much higher rates in the years ahead, underlining the challenge facing governments. Germany and other EU countries are expected to spend more on defense and infrastructure, while the US has just extended major tax cuts, so the prospects for tighter budget deficits in the near future seem limited.

**Exhibit 1: Interest costs rising for major governments**

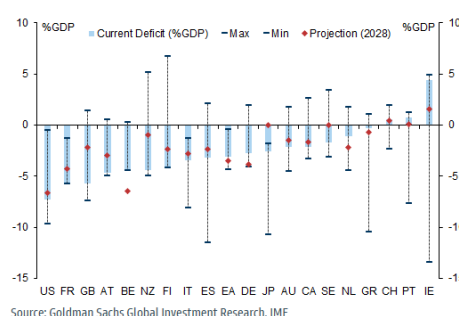
Average G4 interest costs vs marginal cost (WAM yield)



Source: Haver Analytics, Goldman Sachs Global Investment Research, Bloomberg

**Exhibit 2: DM deficits wide vs history**

Deficits as share of GDP vs non-GFC, pandemic ranges



Source: Goldman Sachs Global Investment Research, IMF

## Mature Markets

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### United States

**US Treasuries are trading near the lower end of the recent trading range, with the benchmark 10-year Treasury dipping below 4% last week and hovering around the 4.12% level this week.** It hit 4.80% in January and 4.60% in May but has remained in the 4–4.20% range over the past few weeks. US Treasuries have diverged from other advanced economies, where rates have been stickier, due to the expectation of further Fed rate cuts. Swaption markets have gradually marked up their estimates of the number of Fed rate cuts. Markets expect think that the ECB's interest rate cutting cycle has ended, and the BOE is expected to deliver just one more rate cut next year. The odds of a 25 bps December hike in Japan have risen to 80%. In contrast, the market has almost fully priced four Fed rate cuts by July 2026. Bank of America predicts that the 30-year long bond yield will fall to 4.5%.

**Exhibit 1: US 10-year yield diverged from other DM**

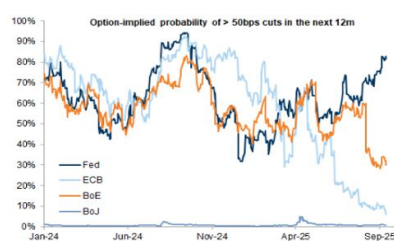
3-month rolling changes in yield



Source: Datastream, Goldman Sachs Global Investment Research

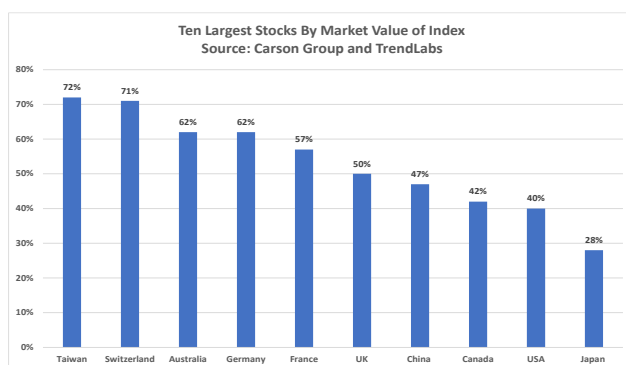
**Exhibit 2: The probability of Fed cuts increased recently**

25bps cuts. Based on the price of 1Y1M swaptions vs. O/N rate



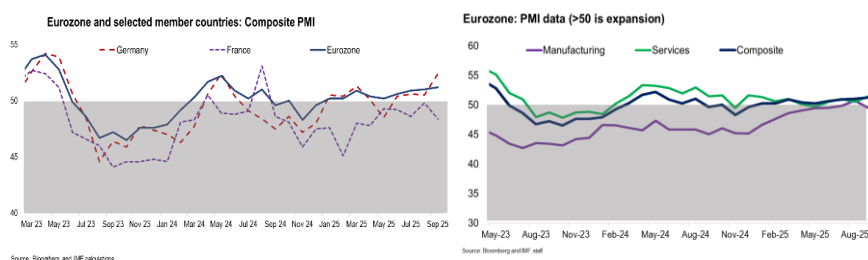
Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

Some analysts worried about the high degree of concentration within the S&P 500 where the top ten companies by market capitalization make up 40% of the value of the index. Other analysts are more sanguine, pointing out that high equity index concentration is a global phenomenon. In fact, index concentration in the S&P 500 is much lower than the levels in many other important equity markets. The top ten S&P 500 stocks attained their current share of the index by delivering 56% of the index gains since the April 8 market bottom. Their share of the index is justified by their performance as they have accounted for 31% of the revenue growth over the past 12 months, according to the FT. They have contributed 55% of the growth in net income over the same period, and 69% of the capital expenditure.



## Euro Area

European equities traded higher this morning, with the Stoxx 600 index advancing by 0.4% and nearly all sectors in the green; retail and consumer stocks outperformed (1.1%) as the automobile sector rebounded up by 1.3%. **The euro was a touch weaker (-0.1%) against the dollar**, to trade at \$1.1795/€. **European government bond (EGBs) yields were little changed across tenors this morning.** **Today's September PMI data for Europe was a mixed bag.** The composite and services indices were in fact fractionally above expectations, printing at 51.2pts (vs. est. 51.1pts, from 51pts in August) and 51.4pts (vs. est. 50.5pts as in August) respectively, while the manufacturing PMI surprised to the downside by sliding into contractionary territory (below 50pts) to 49.5pts while consensus expected it to be unchanged from August at 50.7pts. After today's data, analysts at Bloomberg expect GDP growth in the Eurozone to remain at 0.1% in 3Q as in 2Q, given weak manufacturing, falling export orders, and the drag from US tariffs; analysts continue to see tariffs as disinflationary and expect a final 25bp rate cut by the ECB in December.



## Emerging Markets

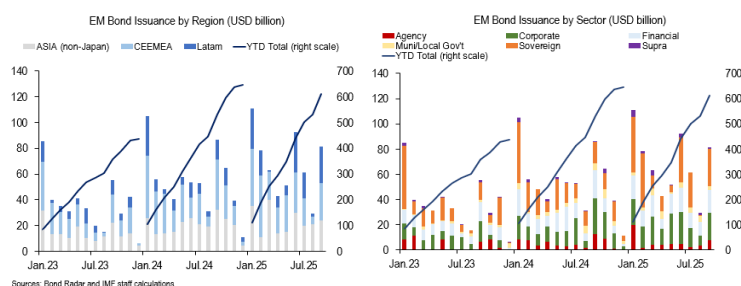
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EMEA equities and currencies were mostly trading mixed. In CEE, equities in Poland were outperforming (+0.8%) in early morning trade while those in Hungary were underperforming (-0.6%). CEE currencies were mostly rangebound against the euro. On the policy front, the National Bank of Hungary is expected to keep rates on hold at 6.5% later today. **In Latin America, the Argentine peso surged by 4.6% after the US pledge to support the country, while other regional currencies were mixed.** The stock market in Argentina soared by 7.6% on the US news, while most other bourses lost ground. Some of

the gains in the Argentine peso are being reversed today. **Asian currencies generally depreciated (EM Asia: -0.1%), with the Indian rupee weakening (-0.5%) to an all-time record low, amidst concerns over higher US tariffs and visa fees.** Asian equities advanced today (EM Asia: +0.6%), led by Taiwan POC (TAIEX: +1.4%) and Indonesia (Jakarta Composite: +1.1%).

## EM Issuance

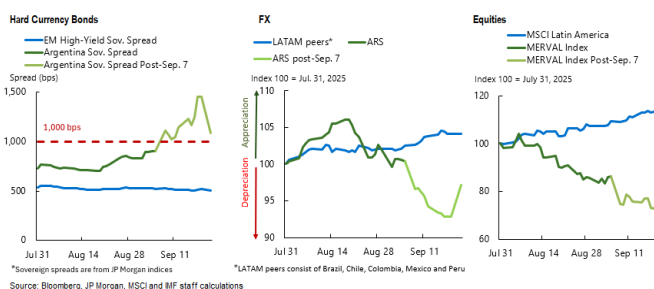
**EM issuance gained momentum after a subdued August.** In the past week, hard currency issuance rose to \$26bn (from \$24bn in the prior week), primarily from Mexico, which was also the sole sovereign issuer during the week, according to data compiled by Bond Radar. Mexico raised \$13.9bn through multi-tranche deals in dollars (\$8bn across 2031, 2033 and 2035 maturities) and euros (€5bn across 2029, 2034 and 2038 maturities). Bloomberg noted that the proceeds will be used for general budgetary purposes and to support Pemex through debt repayments, redemptions, or buybacks. Earlier this month, Pemex announced plans to repurchase \$10bn of global bonds with government financing. With its back-to-back deals last week, Mexico stands as the largest EM sovereign issuer in the hard currency markets for 2025 so far, raising more than \$41bn in total proceeds, far exceeding the second largest sovereign (Saudi Arabia) at \$19.7bn.



## Argentina

**Argentine assets rallied after the US pledged financial support.** Bloomberg reported that the US Treasury Secretary vowed to provide “all options for stabilization,” which could include, but are not limited to, currency swap lines, direct currency repurchases and dollar-denominated debt (borrowing) from the US Treasury’s Exchange Stabilization Fund. A direct loan from the US treasury to a foreign country is not unprecedented, with the US extending a \$20bn loan to Mexico from the fund in 1995 as part of a peso rescue package. However, Secretary Bessent noted that details of potential aid are only likely to be available after a meeting between the two administrations later Tuesday. The announcement calmed markets in Argentina, with its hard currency bonds spreads tightening over -300 bps, FX gaining +4.6% and the benchmark equity index rising +7.6%. Despite the rally, asset prices have yet to return to levels seen prior to the Buenos Aires provincial elections on September 7. Bloomberg analysts also suggested that the central bank did not intervene in the FX market on Monday after selling over \$1bn in the past week. In addition, the government temporarily suspended agricultural export tariffs to encourage local farmers to sell dollar proceeds, which may have further supported the peso.

Argentine assets rebounded on Monday although asset prices remain weaker compared to pre-Sep. 7 levels

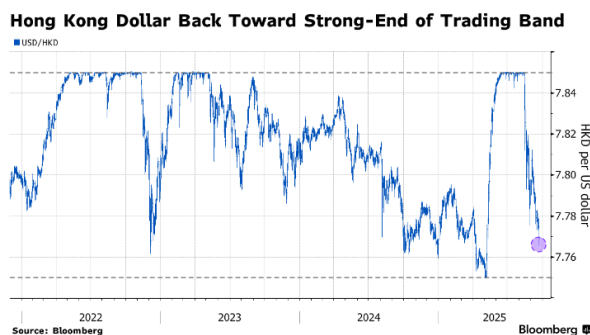


## China

**The People's Bank of China reiterated that monetary policy remains data-driven and guided primarily by domestic factors.** At a joint press conference on Monday, Governor Pan Gongsheng also emphasized the central bank's commitment to deploy a comprehensive mix of monetary policy tools, in the pursuit of goals such as ensuring "ample liquidity," supporting consumption recovery and keeping the yuan's exchange rate "broadly stable at an appropriate and balanced level." The public remarks followed the PBOC's decision Monday to leave the one-year and five-year loan prime rates (LPRs) unchanged, signaling a cautious near-term stance. However, Shanghai Securities News reported today that analysts still believe there is room for both policy rates and LPRs to decline before year-end to support domestic demand and stabilize the property market. Meanwhile, PBOC data compiled by Bloomberg indicates that year-on-year growth in bank assets continues to lag that of liabilities, a trend viewed by some market participants as supportive of Beijing's pivot from tolerating deflation to active reflation.



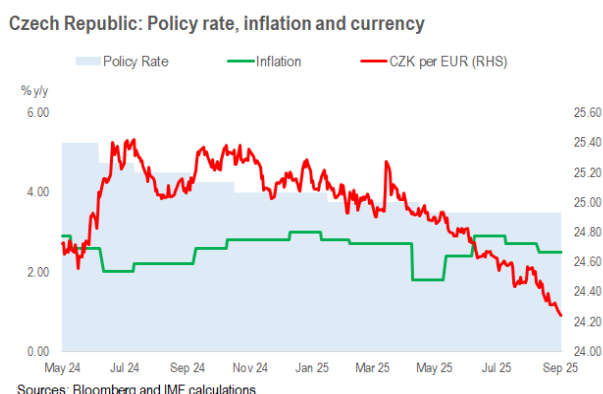
**The Hong Kong dollar slightly retreated to 7.7732 versus the dollar today, a day after posting the strongest 30-day gain since 2003.** The aggregate balance—the total amount of funds held in the clearing accounts of banks with the Hong Kong Monetary Authority (HKMA)—has been at HKD 54bn (\$7bn), 70% down from the 2025 peak. Strong demand for local stocks and tentative signs of a rebound in loan demand have contributed to higher funding costs. Today, HIBOR rates extended their peaks since early-May (1-month +30bp to 3.91%; 3-month +18bp to 3.74%). Analysts are expecting the currency to eventually advance to the strong end of its trading band at 7.75 given the higher funding costs, while others consider the inversion in 1-month versus 3-month HIBORs as indicative of a possible near-term peak.



## Czechia

**The Czech National Bank (CNB) is expected to keep rates on hold at 3.5% tomorrow.** Analysts at JP Morgan expect a unanimous vote in favor of a hold citing still elevated inflation, strong domestic demand, and wage growth as reasons for the hawkish bias to persist. Meanwhile analysts at Goldman Sachs note that at 3.5%, the policy rate is close to the level that the CNB Board considers to be neutral, suggesting that the bar for rate changes in either direction is high. In addition, the analysts note that recent

communications from CNB board members suggest that rates will likely remain on hold for an extended period. This morning, the Czech koruna was trading relatively steady against the euro at 24.24/€ and is around 4% firmer YTD against the common currency.



*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.*

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## Global Financial Indicators

9/23/25 7:50 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		6,694	0.4	1.2	3.5	17.1	14
Europe		5,468	0.5	1.8	-0.4	11.9	12
Japan		45,494	1.0	1.6	6.7	19.9	14
China		4,520	-0.1	-0.1	3.2	34.8	15
Asia Ex Japan		91	0.4	0.7	4.9	22.5	27
Emerging Markets		53	0.5	1.2	5.2	21.0	27
<b>Interest Rates</b>			basis points				
US 10y Yield		4.1	-2	10	-13	37	-45
Germany 10y Yield		2.7	0	5	2	59	38
Japan 10y Yield		1.7	0	5	3	80	55
UK 10y Yield		4.7	-3	4	-2	76	11
<b>Credit Spreads</b>			basis points				
US Investment Grade		115	0	-2	-3	-14	-5
US High Yield		323	-3	-11	-15	-38	-5
<b>Exchange Rates</b>			%				
USD/Majors		97.3	0.0	0.7	-0.4	-3.5	-10
EUR/USD		1.18	-0.1	-0.6	1.5	6.2	14
USD/JPY		147.8	0.0	0.9	0.0	2.9	-6
EM/USD		46.0	0.0	-0.4	0.1	-0.2	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		67.2	1.0	-1.8	0.0	-6.1	-7
Industrials Metals (index)		143.4	-0.2	-2.1	1.3	-2.0	2
Agriculture (index)		53.5	-0.6	-5.0	-4.5	-6.6	-6
Gold (\$/ounce)		3782.6	1.0	2.5	12.4	43.9	44
Bitcoin (\$/coin)		113066.3	0.2	-3.8	-1.9	78.6	21
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		16.1	0.0	-0.3	1.8	0.2	-1.3
Global FX Volatility		7.3	0.0	-0.4	-0.3	-1.1	-1.9
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		66	0	1	1	-34	-19
Italy		80	0	1	-1	-55	-36
France		81	0	2	11	3	-2
Spain		55	0	-1	-3	-25	-14

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

## Emerging Market Financial Indicators

Last updated: 9/23/2025 7:59 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.11	0.0	0.0	0.6	-0.8	2.6		1.9	-1	0	3	-6	19
Indonesia		16688	-0.5	-1.5	-2.6	-8.9	-3.3		6.1	2	-10	-18	-33	-89
India		89	-0.5	-0.8	-1.3	-5.9	-3.5		6.9	1	2	3	-7	-46
Philippines		57	-0.4	-0.6	-1.0	-2.3	1.2		4.7	1	0	-1	1	-13
Thailand		32	-0.2	-0.5	1.9	3.4	7.9		1.5	-2	-14	2	-108	-87
Malaysia		4.20	0.0	0.1	0.2	0.1	6.5		3.4	-1	1	4	-29	-39
Argentina		1410	4.6	4.0	-6.2	-31.5	-26.9		57.7	-949	680	1087	1674	2851
Brazil		5.34	-0.2	-0.3	1.7	3.8	15.7		13.8	11	7	-12	137	-215
Chile		955	0.1	-0.8	1.0	-3.4	4.3		5.4	2	0	1	28	-27
Colombia		3847	0.5	1.5	4.3	8.1	14.5		11.3	1	-2	-31	146	-49
Mexico		18.34	0.1	-0.3	1.8	5.9	13.5		8.7	-1	-6	-29	-61	-166
Peru		3.5	-0.2	-0.4	0.4	7.8	7.2		6.1	-1	0	-12	-10	-49
Uruguay		40	-0.1	0.6	0.3	5.3	9.5		8.0	-2	-1	10	-229	-168
Hungary		330	-0.2	-0.6	3.6	7.6	20.4		6.6	-4	-10	-12	53	15
Poland		3.61	-0.1	-0.8	1.6	6.5	14.4		4.9	-3	0	8	-11	-69
Romania		4.3	-0.1	-0.9	1.0	4.0	11.6		7.3	-2	-4	-7	81	3
Russia		83.7	0.0	-0.5	-3.5	11.2	35.7							
South Africa		17.3	0.0	0.1	1.7	0.2	8.8		9.6	-3	-5	-34	-59	-89
Türkiye		41.41	-0.1	-0.4	-1.0	-17.6	-14.6		31.5	-25	-69	-19	248	180
US (DXY; 5y UST)		97	0.0	0.7	-0.4	-3.5	-10.3		3.68	-2	9	-8	17	-70

	Equity Markets						Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	7 Days	30 Days	12 M		
								basis points						
China		4,520	-0.1	-0.1	3.2	34.8	14.9		110	-2	1	-14	14	
Indonesia		8,125	1.1	2.1	3.4	4.5	14.8		87	-5	3	-13	-4	
India		82,102	-0.1	-0.3	1.0	-3.3	5.1		89	-3	0	-20	3	
Philippines		6,119	-1.5	-0.5	-2.6	-17.7	-6.3		65	-7	-7	-19	-14	
Thailand		1,273	-0.7	-2.7	1.6	-12.9	-9.1							
Malaysia		1,604	0.0	0.2	0.4	-4.0	-2.4		61	-4	-2	-22	-9	
Argentina		1,811,039	7.5	3.6	-14.0	1.2	-28.5		1095	-142	319	-220	458	
Brazil		145,109	-0.5	1.1	5.2	11.1	20.6		190	-7	-14	-30	-57	
Chile		9,117	1.2	1.4	3.0	43.0	35.9		95	-9	-9	-24	-18	
Colombia		1,872	0.7	1.8	0.7	41.5	35.7		247	0	-38	-65	-79	
Mexico		62,004	1.3	0.3	4.7	18.3	25.2		215	-3	-25	-101	-97	
Peru		2,266	2.3	1.9	8.8	23.9	33.7		93	-5	-11	-47	-48	
Hungary		98,545	-0.8	-1.3	-6.6	34.9	24.2		128	-10	-10	-24	-27	
Poland		105,758	0.4	-0.2	-1.8	29.1	32.9		91	-9	-6	-19	-21	
Romania		20,747	-0.2	0.3	0.3	17.9	24.1		195	-6	-13	0	-40	
South Africa		106,440	0.5	1.5	3.6	25.6	26.6		252	-12	-35	-33	-41	
Türkiye		11,354	-1.0	1.5	-0.2	14.8	15.5		260	-12	-14	-22	1	
EM total		53	0.4	1.2	5.2	21.0	27.4		352	-9	6	-42	-12	

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

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