



- Argentine markets gain further as US president promises support ([link](#))
- Demand for longer maturity European government bonds remains very strong ([link](#))
- Nigerian central bank lowers policy rate for first time in five years ([link](#))
- Markets expect terminal Fed rate close to 3% ([link](#))
- US mortgage rates decline to lowest level since 2022 ([link](#))
- Fall in US interest rates driven by lower real rates ([link](#))
- State-owned banks in China selling spot yuan as currency appreciates ([link](#))

[Mature Markets](#)











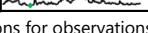
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Global markets take a break

The apparently relentless rally in global equity markets has paused over the past two days, as market participants take stock of prospects for corporate profits and the state of the global economy. Currencies and government bond yields are holding steady, with a faint current of dollar strength. Oil prices are up again, while equities in Europe are down across the board. Asia bucked the negative trend, with stocks in China leading the way on hopes of AI-related investment by companies such as Alibaba. Equity index futures in the US are slightly higher ahead of Friday's all-important PCE inflation report. Markets in Argentina held on to their gains after the US President reiterated earlier promises of support, although details were scarce. The central bank of Nigeria lowered its policy for the first time since the pandemic, citing progress on inflation and the need to stimulate the economy. Romania is seeking to diversify its international funding mix by issuing Yen denominated Samurai bonds in addition to its current euro denominated bonds, with dollar bonds potentially also on the horizon.

Key Global Financial Indicators

Last updated: 9/24/25 7:45 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6657	-0.6	1	3	16	13
Eurostoxx 50		5457	-0.3	2	-1	10	11
Nikkei 225		45630	0.3	2	7	20	14
MSCI EM		53	0.1	1	5	17	27
Yields and Spreads			bps				
US 10y Yield		4.12	1.0	3	-14	39	-45
Germany 10y Yield		2.75	-0.4	7	2	60	38
EMBIG Sovereign Spread		283	0	-4	-10	-89	-42
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.0	-0.2	0	0	-1	7
Dollar index, (+) = \$ appreciation		97.7	0.5	1	0	-3	-10
Brent Crude Oil (\$/barrel)		68.3	1.0	0	1	-9	-9
VIX Index (% change in pp)		16.3	-0.3	1	2	1	-1

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

Mature Markets

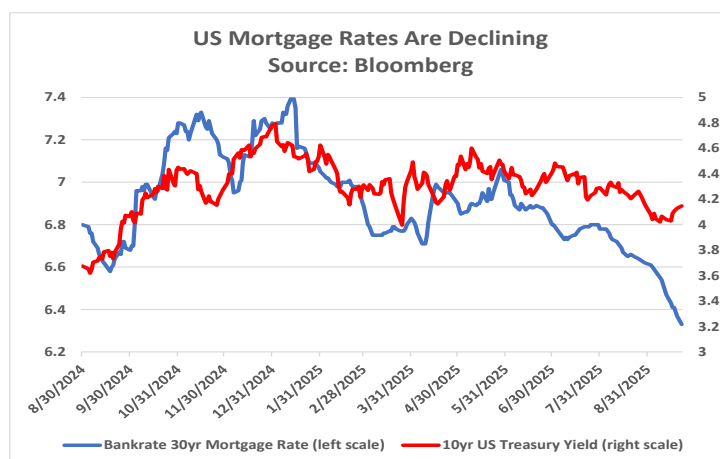
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United States

Pricing in US short term interest rate futures suggests that markets expect a terminal rate close to 3% next year. This is consistent with market behavior in 2023–24, when the forecasts of the terminal rate moved between 3% and 4%, with markets expecting it to be 4% at the start of 2025. Based on the prices of options on secured overnight funding rate (SOFR) futures, the chances of a lower terminal rate such as 2% being reached are vanishingly small, as are the odds of a terminal rate above 4% (the current level of the policy rate). Some analysts are worried that a second wave of inflation related either to tariffs or some other unforeseen factor could trigger another surge in interest rates that could upend market expectations, injecting volatility into both interest rate and equity markets. They view this possibility as more than just a tail risk.



US mortgage rates have declined from their peak earlier in the year. The Bankrate 30-year mortgage rate, a key industry benchmark, has fallen from a peak of 7.4% to 6.33%, the lowest level since 2022. The US housing market is in a frozen state due to high mortgage rates and very high home prices. The high mortgage rates make it difficult for homeowners to sell their homes if they want to relocate, as they will have to exchange their existing mortgage with a low rate for a new mortgage with a much higher rate that may be unaffordable. The high home prices prevent many first time home buyers from getting a new house. The decline in the benchmark US 10-year Treasury yield from 4.80% in January to 4.13% has driven mortgage rates lower, and some analysts are hopeful that mortgage rates could decline further if Fed rate cuts result in lower rates at the longer end of the yield curve. Others are more cautious, pointing out that the Fed's rate cuts in 2024 had the opposite effect, with 10-year yields moving higher afterwards. Mortgage rates depend on more factors than just the level of the 10-year yield, such as the cost of construction, the availability of labor, and the risk preferences of lenders, among others.



The fall in US Treasury rates has mainly been driven by lower real interest rates, according to analysis by Bank of America. The widely followed Citi US Economic Surprise Index has decreased significantly from its peak as the latest data suggest that economy has begun to slow down, although a recession is not the base case for most market participants. The yield on the 10-year Treasury Inflation Protected Security (TIPS) is down 35 bps to 1.70%, and the five-year TIPS yield has fallen by 25 bps to 1.20% over the last few months. These real yields were as high as 2.33% and 2.05% respectively back in January. Some analysts believe that the impact of the tariffs on the economy are finally being realized, and that real yields have further to fall as the economy weakens further. The five-year TIPS breakeven yield has held steady in the 2.40–2.50% range since the summer even as real yields have declined, suggesting that markets are more concerned about an economic slowdown than with inflation.

Exhibit 2: Citi economic surprise index decreased from its recent high of about 30 on Sept 1, but remains in solid positive territory at 13
Recessionary fears have largely become a non-issue over the past two months as evidenced by the Citi surprise index, which moved from -25 in July to about 13 today



Source: Bloomberg

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Exhibit 3: Since the end of 2Q 2025, nominal 10yr Treasury yields have fallen due, almost exclusively, to falling real yields
Between the beginning of June and today real yields have fallen by about 35bp to 1.70%



Source: Bloomberg

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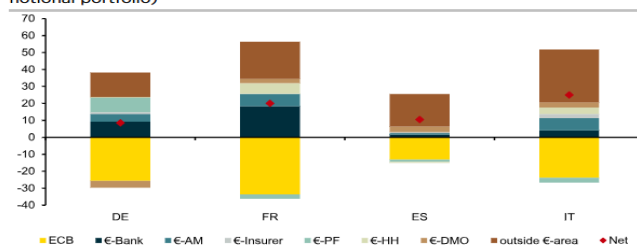
Euro Area

European equities were trading lower this morning. The Stoxx 600 index was around 0.3% lower, led by declines in the banking sector, with regional bourses also lower. The euro was around 0.5% weaker against a broadly stronger dollar to trade at 1.1750, although it has advanced close to 14% YTD against the greenback. On the data front, Germany's September IFO survey surprised on the downside. Following yesterday's better than expected flash German services and composite PMI data, today's September IFO business confidence survey surprised on the downside, printing at 87.7 against expectations of 89.4 and down from a revised 88.9 in the prior month.

Analysts noted that demand for long-end European Government Bonds remains very strong. Credit Agricole analysts note that recent long-end supply of European Government Bonds (EGBs) via syndications has been well absorbed by investors with strong bid-to-cover ratios. The analysts highlight that yesterday's dual-tranche syndication from Portugal for a 2054 maturity bond and a 2033 maturity bond received a combined bid of €81bn—with €35bn on the 30Y and €46bn on the new 8Y issue. Commerzbank analysts note that a Dutch bond maturing in 2056 received strong investor interest. According to Commerzbank EGB flow data shows that during Q2 2025 demand for EGBs, particularly Southern bonds, was strong from investors based outside the euro area. Analysts at Credit Agricole note that the recent positive ratings momentum for Spain should further support investor demand for Spanish Bonos and they expect one syndication for a 20Y bond before year-end. Euro area yields were little changed today.

Who buys, who sells?

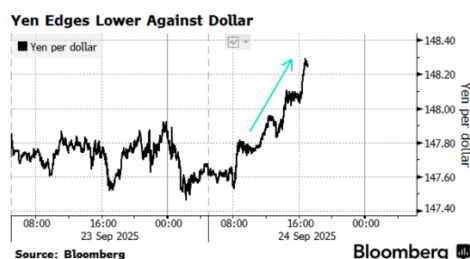
Net flow in € sovereign* bonds during Q2-2025, in €bn (from change in the notional portfolio)



Source: ECB SHSS, Commerzbank Research, *) general government

Japan

Markets are closely following the public rhetoric of the two leading contenders in the LDP leadership race scheduled for October 4. Candidate Takaichi favors a more expansionary fiscal policy along with more issuance of government bonds (JGBs). On her support for additional government bond issuance, Takaichi also said the greatest burden on future generations is not debt but the failure to generate growth and argued that the JGB market is one of the most stable in the world due to domestic ownership of over 90%. Her rival, candidate Koizumi, favors a more cautious fiscal stance. JGB yields held steady, while the yen depreciated.



Emerging Markets

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EMEA equities were mixed this morning, while currencies were mostly weaker. Equities jumped by 4.6% in Saudi Arabia after Bloomberg reported that limitations on corporate foreign ownership will be eased by the end of the year. **Asian currencies depreciated but stocks rallied**, led by a rebound in onshore and offshore Chinese equities (CSI 300: +1.0%; Hang Seng: +1.4%), with Alibaba shares rising to highest in four years on plans to boost AI investment. **Latam markets mostly rallied, led by Argentine and Brazilian markets following idiosyncratic developments.** Argentine assets continue to recover following President Trump's endorsement for supporting the nation. Brazilian assets also gained following news of a scheduled meeting between the US and Brazilian administration next week, signaling a potential thaw in bilateral tensions.

Argentina

Argentine assets kept gains after endorsement from President Trump. On the sidelines of the UN general assembly, US President Trump offered support to Argentina, remarking that "we're going to help them." While the lack of specifics troubled market participants, Grit Capital Group analysts noted that the administration's endorsement offers investors "peace of mind that at least the path is the right one." According to press reports, the World Bank said it will deploy up to \$4bn in Argentina over the coming months, as part of a pre-existing \$12bn package unveiled in April. The Inter-American Development Bank also announced that it stands "ready to significantly increase" operations in Argentina over the next 15 months, to further support the Argentine economy. Argentine assets kept recent gains from previous day, with the peso appreciating +3.2%, equities up slightly, and hard-currency spreads tightening by -71 bps. In the CDS markets, Morgan Stanley analysts also observed that spreads remain tighter compared to the 5-year average although trading volume has increased in recent weeks.

Exhibit 13: Even the 1Y CDS has been significantly wider over the past five years

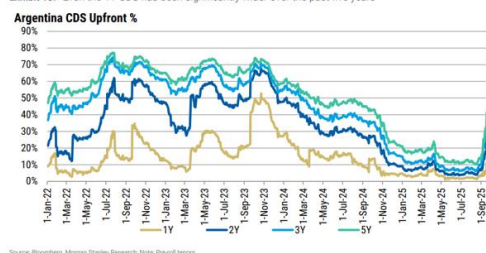
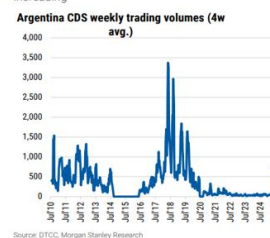


Exhibit 11: Trading volumes in Argentina CDS increasing

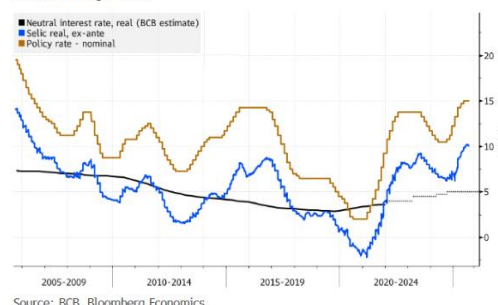


Brazil

Policy meeting minutes reaffirmed the central bank's hawkish stance.

The September 17 meeting minutes reiterated the hawkish tone of the post-meeting statement, citing above-target inflation and elevated expectations, and underscoring the need for contractionary monetary policy over a prolonged period given the “challenging” inflation outlook. At the same time, officials acknowledged signs of moderating economic activity and improving inflation dynamics. The decision to hold the policy rate at 15% was unanimous, with the minutes noting “a gradual moderation in ongoing activity, a certain decrease in current inflation, and some reduction in inflation expectations.” Goldman Sachs analysts highlighted that the central bank remains committed to being “very patient,” potentially holding rates until the first half of 2026. Bloomberg analysts, meanwhile, expect rates to stay on hold through year-end, with possible easing in first quarter next year, noting that the ex-ante real policy rate estimated at around 10%, double the 5% level the central bank views as neutral.

Brazil Policy Rates



Source: BCB, Bloomberg Economics

China

Yuan remains relatively stable as implied volatilities reached 8-year lows. Bloomberg reported today that Chinese state-owned banks are selling the yuan in the spot market and offsetting their trades in the currency swap market. Although the two positions should ultimately balance each other out, traders see the strategy as frontloading yuan selling pressure, which could help curb rapid yuan appreciation. It reverses a previous strategy used by banks for much of the past two years, when lenders were mostly borrowing dollars via swaps. Traders also said the shift in strategy is behind the narrowing of the onshore CNY 12-month swap points, now at their least negative since 2022, and above the offshore CNH equivalents.

China's Onshore Dollar-Yuan Swap Points Surge

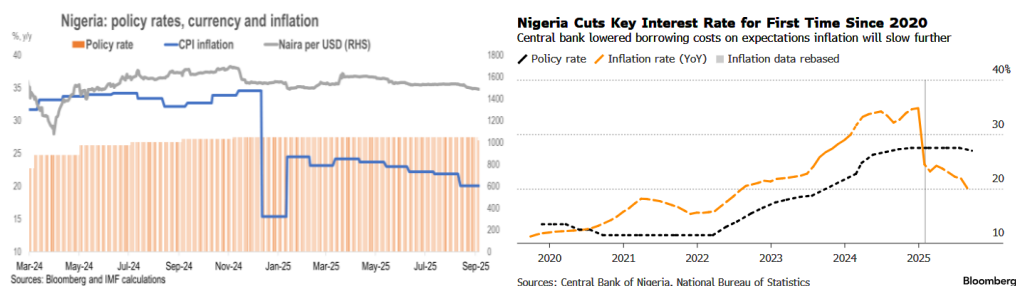


Source: Bloomberg

Bloomberg

Nigeria

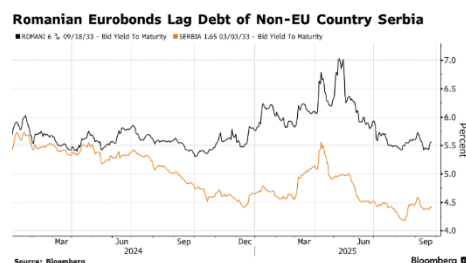
The naira traded steady against the dollar at around NGN1490.50/\$, with the stock market down by -0.4%, **after the central bank of Nigeria cut yesterday its policy rate by 50bps for the first time in five years to 27%, in line with expectations.** Governor Olayemi Cardoso cited progress on inflation and the need to support the economy. Nigeria has undertaken reforms to strengthen economic resilience and gain investors' trust, including allowing the naira to float against the dollar and phasing out fuel subsidies. The naira has appreciated by 3.5% against the dollar YTD (2.8% QTD), helping lower inflation that is expected to decline further in the coming months due to lower food price pressures during the harvesting season. Analysts at Bloomberg expect the central bank to cut rates again in November and to continue through 2026. JP Morgan sees opportunities in naira assets but cautions on Nigeria's external bonds; the 10y USD CDS of Nigeria rose by 30bps WTD to 483bps after rallying last week.



Romania

Romania is reportedly planning liability management, targeting Eurobond buybacks and new issuance. The government has already borrowed 209bn lei this year against an estimated gross funding need of 250–260 bn lei to cover a budget deficit of around 8% of GDP, above the initial 7% forecast. The planned operations include Eurobond longer-term replacements, and issuance of yen-denominated Samurai bonds to diversify funding, with possible sales of dollar-denominated bonds.

Yields on 10-year euro notes have fallen by more than one percentage point since May's election but remain the EU's highest, above Serbia's Eurobonds, due to political tensions caused by the need for pension and fiscal reforms to reduce the deficit. Rating agencies have warned that fiscal consolidation is crucial for sustaining market confidence and maintaining Romania's rating at an investment grade. Romania's 10y EUR government bond yield rose by 15bps on the week to 5.88%.



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

9/24/25 7:52 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,657	-0.6	0.8	2.9	16.1	13
Europe		5,457	-0.3	1.6	-0.6	10.4	11
Japan		45,630	0.3	1.6	6.6	20.5	14
China		4,566	1.0	0.3	2.2	34.2	16
Asia Ex Japan		91	-0.3	-0.3	4.6	17.7	26
Emerging Markets		53	0.1	0.5	5.3	17.1	27
Interest Rates			basis points				
US 10y Yield		4.1	1	3	-14	39	-45
Germany 10y Yield		2.7	0	7	2	60	38
Japan 10y Yield		1.6	-1	5	2	83	55
UK 10y Yield		4.7	-1	5	-2	73	11
Credit Spreads			basis points				
US Investment Grade		116	1	-1	-2	-13	-4
US High Yield		326	3	-10	-12	-35	-2
Exchange Rates			%				
USD/Majors		97.7	0.5	0.9	0.0	-2.7	-10
EUR/USD		1.18	-0.5	-0.5	1.1	5.1	13
USD/JPY		148.4	0.5	1.0	0.4	3.6	-6
EM/USD		46.0	-0.2	-0.2	0.1	-0.8	7
Commodities			%				
Brent Crude Oil (\$/barrel)		68.3	1.0	0.5	1.6	-6.0	-5
Industrials Metals (index)		143.0	-0.5	-1.3	1.1	-4.9	2
Agriculture (index)		53.8	0.0	-2.5	-3.9	-6.6	-6
Gold (\$/ounce)		3768.5	0.1	3.0	12.0	41.8	44
Bitcoin (\$/coin)		113082.4	1.0	-2.0	0.3	76.1	21
Implied Volatility			%				
VIX Index (% change in pp)		16.3	-0.3	0.6	2.1	0.9	-1.0
Global FX Volatility		7.2	0.0	-0.4	-0.4	-1.1	-2.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		68	2	2	3	-31	-18
Italy		81	2	2	1	-52	-34
France		83	1	2	13	6	0
Spain		55	1	0	-3	-23	-14

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

Emerging Market Financial Indicators

Last updated: 9/24/2025 7:53 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		7.13	-0.2	-0.3	0.4	-1.3	2.4		1.9	2	3	5	-4	21		
Indonesia		16685	0.0	-1.5	-2.6	-9.0	-3.3		6.1	1	-7	-17	-33	-88		
India		89	0.1	-1.0	-1.3	-5.7	-3.5		6.9	-1	3	2	-8	-47		
Philippines		57	-0.3	-1.0	-1.3	-2.1	0.9		4.8	1	-2	0	-13	-11		
Thailand		32	-0.6	-0.7	1.3	2.0	7.2		1.5	2	-13	4	-105	-85		
Malaysia		4.21	-0.4	-0.6	-0.2	-1.3	6.1		3.4	1	3	5	-29	-38		
Argentina		1366	3.2	7.5	-0.7	-29.3	-24.5		54.5	-319	532	768	1492	2532		
Brazil		5.28	1.0	0.3	2.5	4.8	16.9		13.7	-9	4	-20	116	-224		
Chile		952	-0.3	-0.2	1.3	-4.4	4.7		5.4	1	2	2	30	-26		
Colombia		3857	-0.3	0.3	4.4	7.8	14.2		11.3	-1	3	-32	138	-51		
Mexico		18.41	-0.3	-0.5	1.5	5.0	13.1		8.7	-2	-8	-31	-63	-169		
Peru		3.5	0.1	-0.6	0.9	7.9	7.3		6.1	-1	-7	-13	-14	-50		
Uruguay		40	0.0	0.4	0.2	5.3	9.5		8.0	1	0	11	-224	-167		
Hungary		333	-1.0	-0.9	2.6	5.9	19.3		6.6	1	-6	-11	57	16		
Poland		3.63	-0.8	-0.9	0.9	4.8	13.7		4.9	-1	-2	7	-12	-70		
Romania		4.3	-0.5	-0.8	0.7	3.0	11.2		7.3	3	0	-4	84	6		
Russia		83.7	-0.1	-0.1	-3.6	11.0	35.6									
South Africa		17.3	-0.4	0.5	1.7	-0.3	8.8		9.5	-5	-12	-39	-60	-94		
Türkiye		41.45	-0.1	-0.4	-1.1	-17.7	-14.7		31.8	28	6	9	297	207		
US (DXY; 5y UST)		98	0.5	0.9	0.0	-2.7	-9.9		3.68	1	3	-8	21	-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		4,566	1.0	0.3	2.2	34.2	16.0		110	-2	1	-14	14			
Indonesia		8,127	0.0	1.3	2.5	5.0	14.8		93	0	9	-8	2			
India		81,716	-0.5	-1.2	0.1	-4.1	4.6		90	-1	1	-19	4			
Philippines		6,109	-0.2	-1.6	-2.8	-17.0	-6.4		71	-1	-1	-14	-8			
Thailand		1,278	0.4	-2.2	1.2	-12.5	-8.7									
Malaysia		1,600	-0.2	-0.7	-0.2	-4.4	-2.6		62	0	-1	-21	-8			
Argentina		1,815,382	0.2	1.5	-13.8	2.3	-28.3		1025	-147	249	-286	388			
Brazil		146,425	0.9	1.6	6.1	10.8	21.7		190	-3	-14	-32	-57			
Chile		9,147	0.3	0.6	3.3	41.8	36.3		96	-7	-8	-24	-17			
Colombia		1,871	0.0	2.0	0.7	40.2	35.7		246	-6	-39	-67	-80			
Mexico		62,368	0.6	0.4	5.3	16.2	26.0		215	-3	-25	-100	-97			
Peru		2,255	-0.5	1.5	8.2	18.3	33.0		94	-4	-10	-46	-47			
Hungary		98,662	-0.1	-0.7	-6.5	34.1	24.4		130	-8	-8	-24	-25			
Poland		105,206	-0.6	-0.4	-2.3	26.3	32.2		95	4	-2	-17	-17			
Romania		20,788	0.7	-0.4	0.5	17.8	24.3		199	-1	-10	3	-36			
South Africa		106,693	0.0	1.7	3.6	24.1	26.9		256	-3	-31	-32	-37			
Türkiye		11,304	-0.2	1.2	-0.6	12.7	15.0		266	-4	-8	-20	7			
EM total		53	-0.4	0.5	5.3	17.1	27.5		347	-9	2	-49	-17			

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

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