



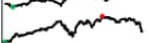
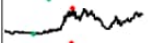
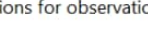
- Higher yields increasingly weigh on US equities, particularly smaller companies ([link](#))
- Growth of 144A-for-life bonds contributes to the public-to-private migration in IG credit ([link](#))
- French spreads widen as market awaits 2027 budget proposal ([link](#))
- Emerging market bond ETF posts largest weekly outflow since March ([link](#))
- Bank Indonesia is reducing its reliance on spot FX intervention ([link](#))

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Markets Stabilize as Focus Shifts to US Data

Global markets showed tentative signs of stabilization this morning as easing oil prices brought some relief to equities and bonds following yesterday's selloff. US equity futures edged higher, while Treasury yields declined slightly but remained near multi-year highs. Brent eased toward \$104/bbl as investors weighed recovering oil flows through Saudi Arabia's East-West pipeline against limited progress in US-Iran talks. European equities were trading higher, and the dollar was marginally stronger. Asian stocks were mostly lower, but Chinese property shares rallied following signals of additional targeted policy support. Nevertheless, elevated borrowing costs are raising growing concerns about US equity valuations, particularly for smaller and more leveraged companies. In Australia, the RBA raised rates by 25 bps as expected. Attention now turns to a busy US data calendar, with job openings today, inflation data tomorrow and the employment report on Friday, alongside further Fed commentary.

Key Global Financial Indicators

Last updated: 9/29/26 8:00 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		7684	-0.8	-1	0	15	12
Eurostoxx 50		6357	0.9	1	-2	15	10
Nikkei 225		65481	-0.6	2	-1	46	30
MSCI EM		67	-1.1	-2	0	26	23
Yields and Spreads			bps				
US 10y Yield		5.21	-2.7	25	49	107	104
Germany 10y Yield		3.59	-5.1	13	31	89	74
EMBIG Sovereign Spread		186	5	14	-11	-27	-12
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.8	0.3	-1	-1	0	-2
Dollar index, (+) = \$ appreciation		101.3	0.1	1	2	3	3
Brent Crude Oil (\$/barrel)		104.3	-1.0	5	17	53	71
VIX Index (% change in pp)		15.9	-0.2	2	1	0	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: 9/29/26 8:00 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas							
Brent Crude Oil (\$/barrel)		104	-1.1	5	17	53	71
WTI Crude Oil (\$/barrel)		91	-1.5	-4	9	44	59
Natural Gas (Netherlands TTF)		70	-2	-7	5	118	157
Breakeven Inflation							
		%	bps				
USD: 2Y		2.5	-1.1	5	2	-42	19
USD: 5Y		2.5	-1.2	1	-1	-16	14
USD: 5Y5Y		2.4	-2	-1	-2	-5	-4
EUR: 2Y		2.9	-7.4	6	35	103	120
EUR: 5Y		2.4	-5	2	14	54	63
EUR: 5Y5Y		2.1	-2	0	-1	4	6

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

US equities declined on Monday as geopolitical tensions weighed on risk sentiment. The S&P 500 fell 0.8%, with most sectors lower. The 10-year Treasury yield rose 7 bps as markets maintained expectations of further Fed tightening, while the dollar gained 0.2% against major currencies.

The S&P 500 earnings yield, based on blended forward 12-month earnings expectations, has fallen below the 10-year Treasury yield for the first time since early 2025 (left chart). This has pushed the earnings-yield gap, a common proxy for the equity risk premium, into negative territory. While historical evidence is mixed on whether a negative gap necessarily puts pressure on equity prices going forward, recent Fed tightening and the sharp repricing of yields also have other transmission channels to equities. Higher borrowing costs disproportionately affect smaller and more leveraged companies, which tend to have greater refinancing needs and exposure to floating-rate or shorter-maturity debt, contributing to the sharp underperformance of the Russell 2000 (right chart). The equal-weight S&P 500 has similarly underperformed the headline index, as the capital-weighted index has been supported by mega-cap technology and AI-related stocks with strong balance sheets, large cash buffers, and solid profit growth. Should rates remain elevated or rise further, they could continue to weigh on equities.

US Equities Offer Almost No Pickup Over Bonds

Blended forward earnings yield on S&P 500 and 10-year Treasuries, weekly for 20 years

■ S&P 500 ■ 10-Year Treasuries



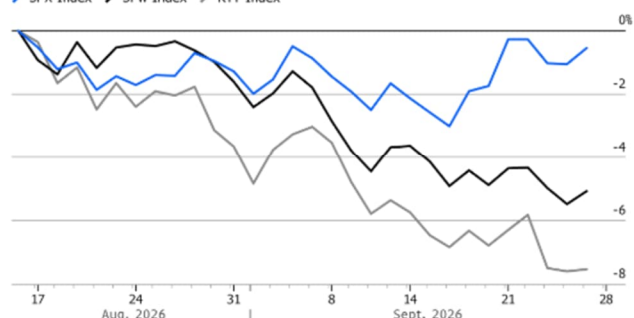
Source: Bloomberg

Bloomberg

Equal-Weight, Small Caps Take Brunt of Rate Shock

Index performance since mid-August highs

■ SPX Index ■ SPW Index ■ RTY Index



Source: Bloomberg

Bloomberg

Bloomberg has reopened consultations on including 144A-for-life bonds in its investment-grade indices. 144A-for-life bonds are privately placed with qualified institutional investors and remain unregistered with the SEC, avoiding subsequent registration and associated disclosure requirements. Their rise sits on the spectrum of a broader public-to-private migration in credit markets, sharing some features

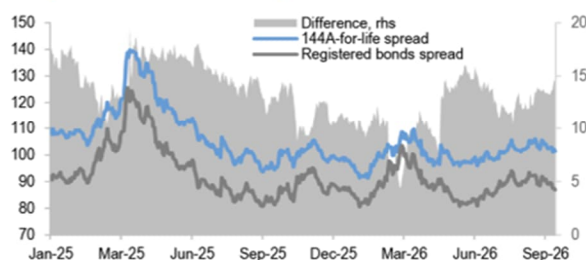
with private credit as institutional investors increasingly provide capital outside the traditional public-registration framework. The structure has been particularly attractive for AI data-center financing, where SPVs can raise debt against specific projects using bespoke collateral, covenants, and long-term tenant leases. As the left chart shows, 144A-for-life bonds have risen to 16.7% of the IG market, an 11-year high, while the right chart shows they trade 10–15 bp wider than registered bonds, partly reflecting lower liquidity. Their growing footprint raises a policy question over whether a large institutional-only credit market could behave differently from registered credit under stress, particularly with respect to dealer intermediation and liquidity. Meanwhile, market views are shifting toward index inclusion, which could trigger sizable reallocations by benchmark-tracking portfolios.

Figure 1: IG 144A debt proportion at an 11 year high



Source: J.P. Morgan.

Figure 2: The IG 144A universe trades at a 10-15bp discount to the registered bond market



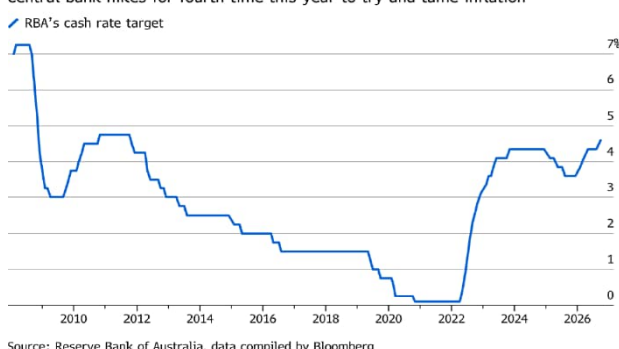
Source: J.P. Morgan.

Australia

The RBA raised the cash rate by 25 bps to 4.60%, but some analysts viewed the Governor's remarks as tempering expectations of further near-term tightening. The widely expected decision took the policy rate to its highest level in 15 years. The Board noted that upside inflation risks were materializing amid persistent domestic capacity pressures and higher global energy costs, while retaining the option of further rate increases. However, RBA Governor Bullock suggested that cumulative tightening should be sufficiently restrictive to slow inflation, although uncertainty remains. The Governor also described recent bond-market moves as orderly but warned that a prolonged Middle East conflict could increase firms' pass-through of higher costs. Overall, while the formal statement retained the option of further tightening, some market analysts viewed Bullock's comments as raising doubts about the need for another near-term hike, with future decisions dependent on incoming data and the evolving assessment of the outlook and risks. The Australian dollar weakened 0.4%, while the 3-year government bond yield fell 7 bps to 4.97%.

Australian Rates At Highest Since 2011

Central bank hikes for fourth time this year to try and tame inflation

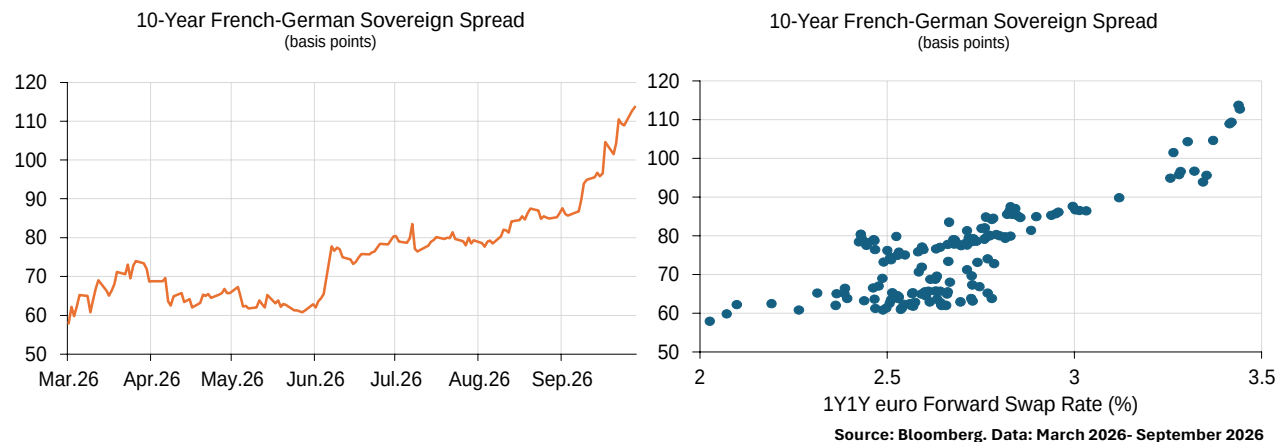


Source: Reserve Bank of Australia, data compiled by Bloomberg

Europe

The STOXX Europe 600 index rose 0.5% today, while most euro area sovereign yields edged lower. The dollar strengthened broadly, with the euro down 0.3%. Yesterday, ECB President Lagarde said higher bond yields would restrain growth and inflation and described policy rates as being at the upper end of the neutral range. Markets read the remarks as dovish, lowering the implied probability of an October hike from about 45% to 36%. Qatar's extension of its LNG force majeure prompted little reaction in European gas, which traded near €73/MWh, below its mid-September peak of €84/MWh, although storage remains low for the time of year. **UK gilt yields declined as investors awaited Prime Minister Andy Burnham's address to the Labour Party.** Bloomberg reports that Burnham may put the state pension triple lock up for discussion. Thirty-year gilt yields fell 2 bps while the pound weakened (-0.2%).

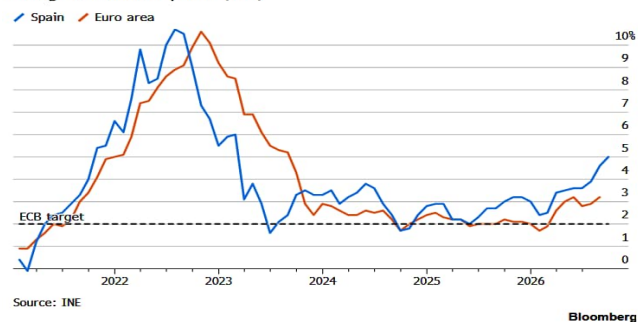
The French-German sovereign spread widened further, while French public debt was confirmed at nearly €3.6 trillion, or 119% of GDP, at end-June. The figures sharpen scrutiny of the government's draft 2027 budget, which Finance Minister Roland Lescure is scheduled to present on Thursday. Prime Minister Lecornu has proposed €54 bn in savings to bring the deficit to 5% of GDP next year, but the minority government has yet to secure parliamentary support. The 10-year French-German sovereign spread rose 2 bps to 114 bps this morning.



Spain

September flash CPI inflation rose to 4.9% y/y from 4.3%, above the 4.6% consensus. Spain's EU Harmonized inflation rose to 5.0% y/y in September from 4.6%, above the expected 4.9%, while core CPI also exceeded expectations. The market implied probability of an ECB rate hike in October did not change in response to the print and even edged lower this morning, but analysts caution that it could rise if forthcoming euro area data show similar upside surprises in core inflation.

Spanish Inflation Accelerates More Than Expected



Emerging Markets

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EMEA currencies mostly weakened against a broadly stronger US dollar. The Hungarian forint fell 0.4% despite a modest rise in domestic yields. Since July, Hungary's 10-year yield has climbed about 90 bps to 5.9%, while the forint has depreciated roughly 4%. The Hungarian Treasury raised its gross debt issuance target yesterday, although Bloomberg reports that expected EU fund inflows should eliminate the need for additional Eurobond issuance. **EMEA equities lagged euro area peers, with most markets declining.** Türkiye's BIST 100 index underperformed and fell by 1.2%. Elsewhere, Bloomberg reports that Ethiopia has finalized terms to restructure its sole \$1bn Eurobond.

EM Asia equities were mostly lower (EM Asia: -0.4%), led by Malaysia (KLCI: -1.2%), as higher oil prices and US Treasury yields weighed on risk appetite. Emerging Asian currencies were little changed overall (EM Asia: +0.1%), with most trading in narrow ranges against the US dollar.

Latin American currencies weakened on Monday amid higher US yields, a stronger dollar, and renewed geopolitical concerns. The Mexican peso (-1.7%) and Colombian peso (-1.5%) led declines, followed by the Brazilian real (-0.8%) and Chilean peso (-0.6%). Equities were little changed overall, with

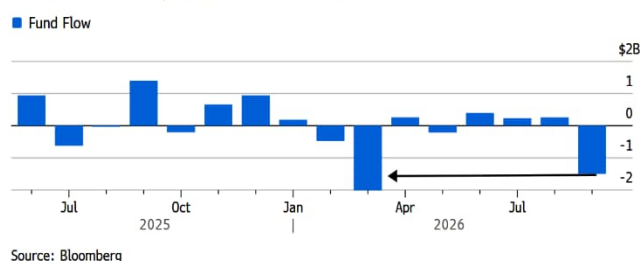
Chile (-1.1%) recording the largest decline, while Mexico, Colombia and Brazil slipped marginally. Country-specific risks remained in focus, including election-related fiscal uncertainty in Brazil and concerns over Colombia's fiscal position and financing needs.

Emerging Markets Bond ETFs

The iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB) saw \$610mn of outflows last week, the largest since March.

The withdrawals from the \$13 bn fund came amid a sharp US Treasury selloff, with the 30-year yield reaching its highest level since 2004. Market pressure continued on Monday as Brent climbed toward \$108/bbl. Despite EMB's outflows, broader US-listed EM ETFs attracted \$236.5 mn in net inflows during the week ending September 25, reversing the previous week's \$1.7 bn in outflows. Equity ETF inflows of \$516.9 mn more than offset bond ETF outflows of \$280.4 mn. YTD inflows totaled \$56.3 bn.

Emerging Bond ETF Eyes Worst Monthly Outflow Since March
EMB recorded over \$600 million in withdrawals last week alone

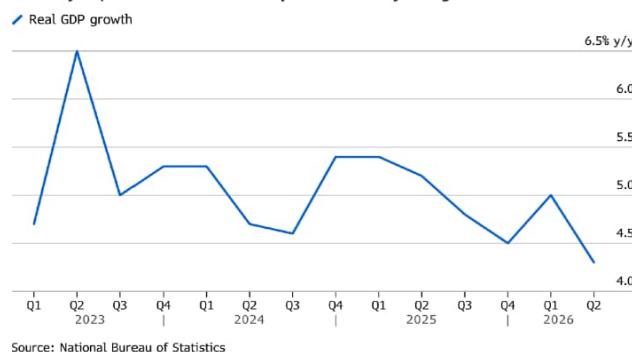


China

Chinese property shares rallied and the renminbi strengthened after the State Council signaled greater urgency to support growth with additional, targeted measures.

Following its September 28 meeting, the State Council called for stronger countercyclical policies to meet this year's economic targets. Priorities include accelerating government bond issuance and infrastructure investment, making better use of fiscal resources, expanding targeted central bank lending facilities, and exploring additional measures to stabilize the property market and support domestic demand. The announcement did not specify the size or timing of the additional support, suggesting a targeted approach rather than a broad stimulus package. A Bloomberg index of Chinese developers gained more than 4%, while the CSI 300 was little changed. The onshore and offshore renminbi appreciated around 0.1% to approximately 6.71/\$, while the 10-year government bond yield remained broadly unchanged at 1.67%.

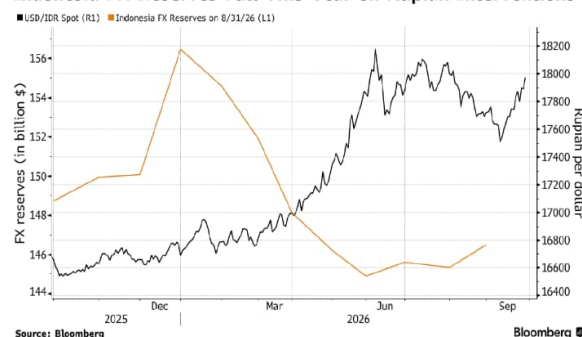
China's GDP Growth Slips Below Official Target Range
Economy expanded 4.3% in second quarter from a year ago



Indonesia

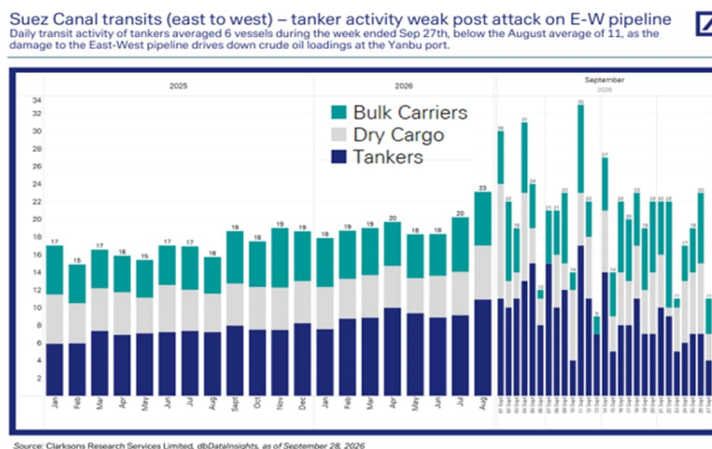
Bank Indonesia is reducing its reliance on spot FX intervention to preserve FX reserves. According to Governor Damayanti's parliamentary remarks on September 28, spot transactions now account for around 30% of BI's FX intervention, with greater use of domestic non-deliverable forwards (DNDFs) and offshore non-deliverable forwards (NDFs). Bank Indonesia's official policy statement confirms that it intervenes through offshore NDFs, domestic spot transactions and DNDF transactions and that rupiah stability remains a policy priority. According to market analysts, greater reliance on forwards may preserve headline reserves in the near term but is unlikely to remove depreciation pressures from higher US yields, elevated oil prices and domestic fiscal concerns.

Indonesia FX Reserves Fall This Year on Rupiah Interventions



Saudi Arabia

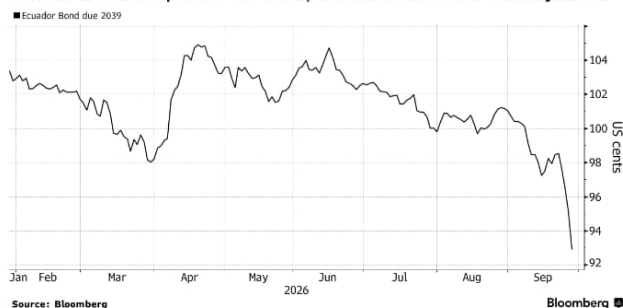
Oil flows through Saudi Arabia's East-West pipeline have risen to about 3.5 million barrels a day. However, the recovery is not yet reflected in Deutsche Bank's shipping data: westbound Suez tanker volumes averaged 620,000 deadweight tons a day in the week to September 27, down from about 1.1 million in August as Yanbu loadings weakened.



Ecuador

Ecuadorian bonds extended their losses following an unexpected change in finance minister, adding to concerns over the country's fiscal outlook. Bonds maturing in 2039 fell 2.3 cents to 92.9 cents on the dollar yesterday after President Noboa replaced Finance Minister Sariha Moya with Bernardo Cordovez. The selloff added to recent pressure from higher fuel subsidies and El Niño-related risks, which have complicated fiscal consolidation. According to Bloomberg, Ecuadorian bonds have lost 4.5% this month, among the largest declines in EM sovereign debt.

Ecuador Selloff Deepens as Noboa Replaces Finance Minister
Debt has come under pressure as El Niño, fuel subsidies threaten fiscal adjustment



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.

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Global Financial Indicators

Last updated: 9/29/26 8:01 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,703	-0.8	-0.8	-0.1	15.6	13
Europe		6,356	0.9	0.5	-2.0	15.4	10
Japan		65,481	-0.6	2.1	-1.3	45.7	30
China		4,345	0.1	-4.3	-6.1	-6.4	-6
Asia Ex Japan		117	-1.0	-2.1	0.3	28.9	26
Emerging Markets		67	-1.1	-2.4	0.1	26.3	23
Interest Rates			basis points				
US 10y Yield		5.2	-3	25	49	107	104
Germany 10y Yield		3.6	-6	13	31	88	73
Japan 10y Yield		3.1	-1	11	16	145	103
UK 10y Yield		5.4	-7	12	29	66	88
Credit Spreads			basis points				
US Investment Grade		118	1	7	4	-1	5
US High Yield		335	0	34	34	4	-5
Exchange Rates			%				
USD/Majors		101.3	0.1	0.7	1.6	3.5	3
EUR/USD		1.14	-0.1	-0.8	-2.3	-3.2	-3
USD/JPY		157.2	-0.2	-0.2	-1.6	5.8	0
EM/USD		45.8	0.3	-1.1	-1.2	-0.3	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		104.2	-1.0	5.0	18.3	58.8	73
Industrials Metals (index)		178.4	-0.1	-2.1	-0.8	20.9	9
Agriculture (index)		62.1	-0.1	-1.7	-4.9	14.9	16
Gold (\$/ounce)		4155.3	1.0	-4.7	-6.4	8.4	-4
Bitcoin (\$/coin)		84375.0	1.0	0.0	8.0	-26.2	-4
Implied Volatility			%				
VIX Index (% change in pp)		15.9	-0.2	1.7	1.5	-0.2	1.0
Global FX Volatility		7.1	0.0	0.3	0.5	-0.2	0.2
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		83	1	6	15	15	24
Italy		96	1	6	14	13	26
France		115	3	11	31	33	44
Spain		51	1	5	6	-4	8

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

Emerging Market Financial Indicators

9/29/2026 8:02 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	0.1	0.0	0.2	6.3	4.3		1.7	1	-1	-2	-18	-20
Korea*		1354	0.3	0.2	1.1	3.4	6.3		4.6	11	6	18	177	130
Indonesia		17975	0.0	-0.6	-1.4	-7.2	-7.1		7.1	6	7	17	89	108
India		96	0.0	-0.4	-0.8	-7.5	-6.4		8.4	-11	5	58	154	136
Philippines		63	0.0	0.2	-0.5	-7.1	-6.0		6.1	1	5	14	129	141
Thailand		34	0.0	-1.2	-1.3	-4.0	-6.2		2.4	4	9	21	85	69
Malaysia		4.08	0.0	-0.3	-1.4	3.3	-0.6		4.1	7	17	21	62	57
Argentina		1525	0.0	-0.7	-0.8	-10.9	-4.8		0.0	0	0	0	-5131	-3237
Brazil		5.21	0.3	-2.1	-0.4	2.2	5.1		14.1	8	14	-35	32	51
Chile		963	0.5	-1.7	-3.0	0.3	-6.5		6.0	12	16	39	58	72
Colombia		3361	-1.6	-4.8	-4.7	16.6	12.4		12.9	3	16	31	148	5
Mexico		17.89	0.6	-3.3	-5.0	2.7	0.7		9.5	12	24	37	79	52
Peru		3.4	-0.7	-2.5	-2.4	1.1	-2.3		6.7	0	20	46	62	93
Uruguay		40	0.2	-0.5	0.0	-1.0	-3.3		7.7	5	8	13	-24	20
Hungary		323	0.0	-2.0	-2.6	3.4	1.4		5.9	9	17	38	-70	-65
Poland		3.84	0.0	-1.1	-3.0	-5.3	-6.6		5.9	10	31	60	99	137
Romania		4.6	-0.1	-0.9	-2.6	-6.8	-6.8		7.5	13	44	70	19	80
Russia		84.1	0.3	0.0	2.3	-1.5	-6.4							
South Africa		16.4	0.3	-1.1	-1.5	5.5	1.2		9.2	11	25	30	-39	60
Türkiye		49.00	0.0	-0.4	-1.5	-15.1	-12.3		34.9	13	46	88	281	532
US (DXY; 5y UST)		101	0.1	0.7	1.6	3.5	3.0		5.04	-3	21	56	131	132

	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		4,345	0.1	-4.3	-6.1	-6.4	-6.1		1	0	-1	-7	-6	
Korea*		6,871	-0.3	-0.3	0.7	100.6	63.0		24	1	2	-1	2	
Indonesia		6,122	-0.4	-2.5	-6.2	-24.1	-29.2		94	3	1	12	19	
India		72,529	-0.4	-2.7	-5.8	-9.6	-14.9		84	2	3	9	8	
Philippines		5,738	-0.9	-1.3	-3.7	-3.6	-5.2		81	5	5	25	19	
Thailand		1,594	-0.5	-0.6	-0.1	25.1	26.6							
Malaysia		1,644	-1.6	-2.3	-4.7	2.0	-2.2		56	3	0	-3	-1	
Argentina		2,798,925	-3.3	-6.7	-6.1	56.1	-8.3		626	72	109	-497	60	
Brazil		182,991	-0.3	-1.9	4.2	25.0	13.6		172	10	-5	-12	-27	
Chile		5,592	-1.1	-2.5	-3.0	19.4	3.1		94	7	6	-4	4	
Colombia		2,579	-0.2	-0.4	4.9	37.6	24.7		218	14	29	-48	-60	
Mexico		64,944	-0.1	2.2	-0.8	3.7	1.0		211	18	15	-2	-8	
Peru		3,575	-0.4	2.2	1.8	50.8	38.4		112	7	6	-8	-17	
Hungary		148,490	-0.4	-1.9	-1.4	49.6	33.7		106	10	11	-18	-26	
Poland		156,468	-0.3	-1.4	3.0	46.9	33.5		97	6	10	7	9	
Romania		30,548	-1.5	-5.0	-12.7	43.5	25.0		190	21	18	-11	20	
South Africa		109,613	0.5	-3.1	-7.2	2.2	-5.4		207	16	24	-45	-8	
Türkiye		12,357	-1.9	-6.4	-15.6	11.8	9.7		251	17	21	2	32	
EM total		67	1.0	-2.4	0.1	26.3	22.8		186	14	-11	-27	-12	

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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