GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, SEPTEMBER 3, 2025
LEAD EDITOR: BENJAMIN MOSK

- **Japan's long bonds join global slide amidst political and fiscal risks** (link)
- **Some analysts expect European government bond yields to stabilize in the near term** (link)
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- **Market volatility drives record trading revenues for non-bank market maker** (link)
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Bond Market Bites Stock Market

Yesterday's rise in major advanced economy long-term bond yields led to a deterioration of sentiment in equity markets. Key sovereign 30-year bond yields rose between 3–7 bps—contained, yet enough to spook investors. Major equity indices declined, with the EURO STOXX index closing 1.6% lower (recovering somewhat today) and the S&P 500 down 0.7%. France acted as a catalyst, with the PM's upcoming September 8 confidence vote and elevated fiscal concerns. Still, the selloff in bonds reflects a broader trend: 30-year sovereign yields have risen significantly this year across advanced economies amid mounting debt sustainability concerns. Market pressures were compounded by heavy issuance this week, with the UK and Italy launching large, syndicated deals yesterday and France planning long-term issuance on Thursday. The US dollar strengthened against major peers (DXY +0.6%), with the British pound underperforming (-1.2%). Japanese long-term yields followed US and European moves, while some recovery has since emerged in European bond markets. Equities also clawed back part of yesterday's losses, with European indices higher and S&P 500 futures pointing to a 0.5% rebound. In US markets, with the Fed's policy outlook in mind, today's JOLTS report will attract some attention, though the greater focus is on Thursday's jobless claims and employment data, and particularly Friday's nonfarm payrolls.

Key Global Financial Indicators

Last updated: 9/3/25 8:12 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6416	-0.7	0	3	16	9
Eurostoxx 50		5334	0.8	-1	3	9	9
Nikkei 225		41939	-0.9	-1	4	13	5
MSCI EM		50	-0.1	-1	3	17	19
Yields and Spreads					bps		
US 10y Yield		4.27	1.2	4	6	44	-30
Germany 10y Yield		2.77	-1.9	7	9	49	40
EMBIG Sovereign Spread		300	2	4	-15	-88	-25
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.7	0.2	0	0	0	7
Dollar index, (+) = $ appreciation		98.3	-0.1	0	-1	-3	-9
Brent Crude Oil ($/barrel)		67.9	-1.8	0	-3	-8	-9
VIX Index (%, change in pp)		17.1	0.0	3	-3	-4	0

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

Mature Markets

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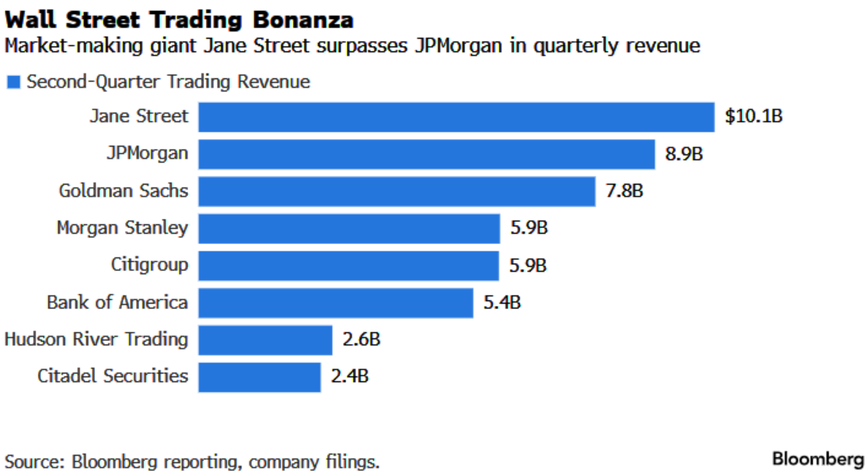
United States

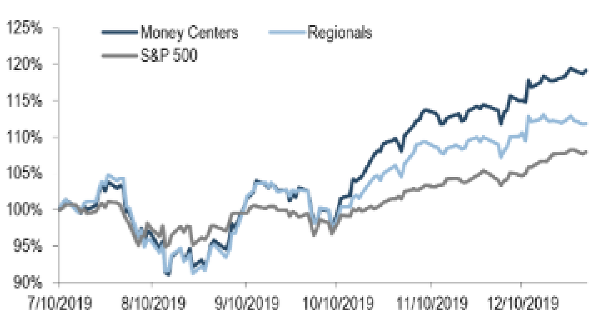
Market volatility has driven record trading revenues for non-bank market maker Jane Street. Jane Street Group, a privately owned market-making firm, posted a record $10.1 billion in trading revenues for the second quarter of 2025, beating Wall Street's largest banks. This follows close to all-time high revenues for the first half of the year by Hudson River trading and Citadel Securities. Bloomberg analysts highlight the growing relevance of these firms for market-making, a business that combines technology and risk-management skills as certain companies with fewer regulatory strictures than banks in managing their own capital seem to be taking the upper hand.



Banks outperformed during the 2019 rate cuts; but recent bank outperformance raises the question of whether this can extend. According to JPMorgan analysts, when rate cuts began in 2019, banks significantly outperformed the S&P 500. In addition, absolute P/E multiples for banks improved during the 2019 mini rate cut cycle. As the yield curve steepened from a low of -67bps to +37bps, bank P/E ratios added between 2–3x in just over 5 months. Given the KBW bank index has already outperformed the S&P 500 by 8 percentage points year to date, can this outperformance continue into the second half of 2025?

Figure 3: Regionals and Money Centers Outperformed During 2019 Rate Cuts, But Regionals Lagged From Early Nov Onwards

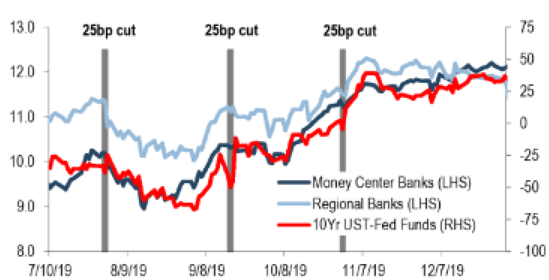
Rebased indices to 7/10/2019



Source: SNL, Bloomberg Finance L.P. and J.P. Morgan calculations.

Figure 5: Absolute P/E Multiples Rose During 2019 Rate Cuts By About 3x for Money Centers and by 2x for Regionals From Lows

Absolute P/E multiple and 10Yr UST-Fed Funds curve (basis points)



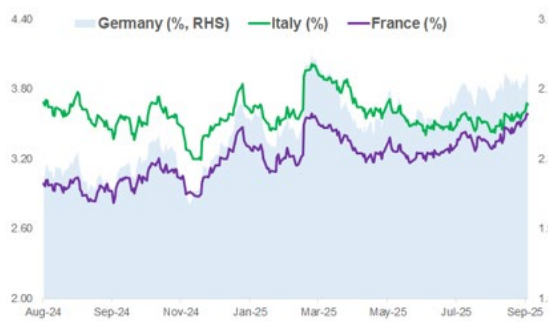
Source: Bloomberg Finance L.P. and J.P. Morgan calculations. Data through 12/31/19.

Europe

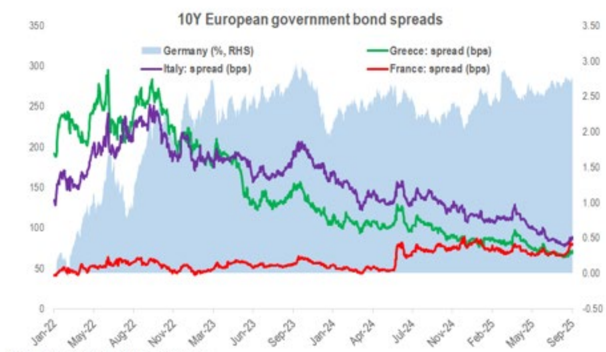
European equities traded higher today, partially reversing yesterday's losses. The Stoxx 600 index was around 0.6% higher, led by gains in the information technology (+1.7%) and consumer discretionary (+1.2%) sectors. Regional bourses were also higher, with France's CAC 40 outperforming (+1.0%). On the data front, the final eurozone composite PMI for August printed a touch below the flash estimate at 51.0 (vs 51.1). The final services PMI for August was also slightly below the flash estimate at 50.5 (vs 50.7). Meanwhile, the euro was trading firmer (+0.1%) against the dollar at 1.1653.

Some analysts expect European government bond yields to stabilize in the near-term. Analysts at Commerzbank note that while a "structural increase in risk premia has pushed real yields higher" recently, the elevated European government bond (EGB) supply in the Euro Area, alongside hawkish commentary from ECB Executive Board member Schnabel. The analysts note that several factors could lend support to long-end EGB yields in the near-term, citing strong duration demand at yesterday's 30Y BTP syndication which saw the orderbook reach €108bn for a €5bn bond issuance. In addition, some investors find the current level of real yields attractive and amidst a wider risk-off sentiment and equity markets declining, the analysts believe EGBs may find support and stabilize in the near-term. This morning, German bund yields were broadly unchanged across all tenors with the 10Y bund yield at 2.78% and the 30Y at 3.40%. Meanwhile, intra-EMU government bond spreads were fractionally tighter with the 10Y Bund-BTP spread at 88bp and the 10Y OAT-Bund spread steady at 80bp.

Europe: Selected 10-yr sovereign bond yields (%)



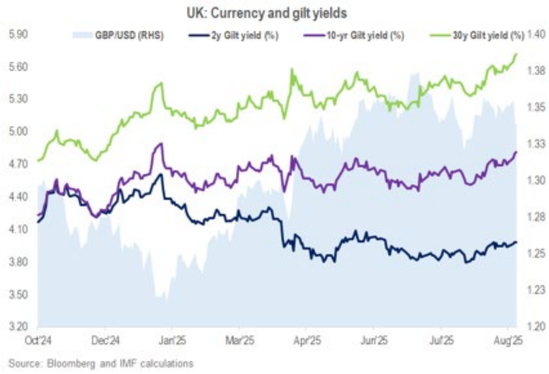
Source: Bloomberg and IMF staff calculations

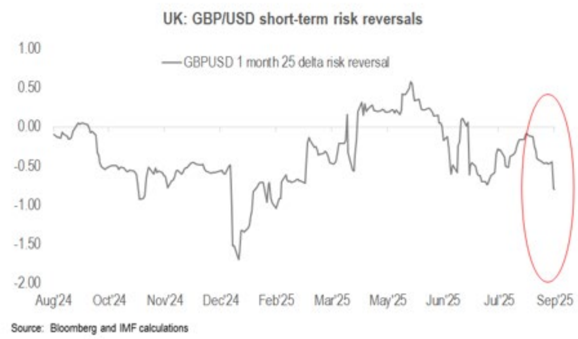


Source: Bloomberg and IMF calculations

United Kingdom

UK gilts and the pound sterling stabilized after the Autumn Budget date announcement. UK gilt yields were initially higher across the curve this morning, led by the long end with the 30Y gilt yield up around 5bp in early morning trade at 5.74%, the highest level since the late 1990s, but retraced the move in later trade. YTD, the 30Y gilt yield is around 55bp higher; the rise has primarily been attributed to fiscal concerns ahead of the Autumn Budget, which will be announced on November 26, in addition to a fall in demand for such long-dated securities from traditional buyers, including defined-benefit pension schemes. Some analysts note that the rise in the 30Y gilt yield is unlikely to have an impact on the UK economy given household mortgages are around 2-5years in maturity and corporate loans are generally floating rate based with a sub-10-year maturity. According to analysts at ING, a 10Y gilt (syndicated) auction yesterday attracted strong demand, raising a record £14bn which they argue suggests that fiscal concerns alone are not the main driver for the higher yields. Instead, ING believe that higher inflation and a hawkish repricing of Bank of England rate expectations rather than fiscal worries have been weighing on gilts. Meanwhile, FX option market positioning suggests that investors are expecting further weakness in sterling with one-month risk reversals at 80bp, puts over calls. This morning, Sterling reversed earlier declines against the dollar to trade at 1.3408, having declined by over 1% yesterday.





Japan

Yen pares losses while long JGBs remain under pressure after prime minister Ishiba met with Bank of Japan Governor Ueda to exchange views on the economy and financial markets. After the meeting, Ueda said he intends to monitor foreign exchange market movements while maintaining communications with the government. When asked by reporters, Ueda repeated his existing stance that the BOJ will raise rates if there are improvements in growth and prices in line with BOJ's outlook. Yen weakened by as much as 0.4% but pared losses in the afternoon session, closing (-0.2%) at $/148.63. However, long JGB yields continued to rise, 20y +5bp to 2.69% and 30y +7bp to 3.30% respectively, on global fiscal concerns and domestic political uncertainty. The 30y JGB auction on Thursday will be closely watched by investors. Japanese banking stocks fell the most in a month (TOPIX Banks: -3.2%) on expectations that political uncertainty will delay the BOJ's next rate hike.

Emerging Markets back to top

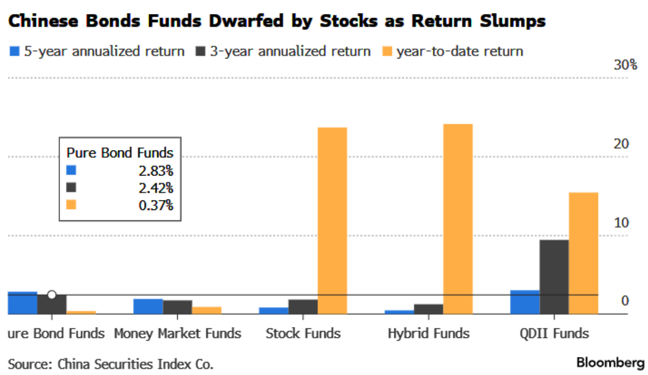
EMEA equities and currencies traded mostly higher this morning on revived sentiment with investors focused on US jobs data later today. In CEE, equities tried a rebound from yesterday trading in the green across the region with stocks outperforming (+1.1%) in Poland, while currencies regained ground against the euro, with the forint up by +0.5% to trade at HUF393.15/€ and the zloty higher by +0.2% at PLN4.25/€ ahead of the decision of the central bank of Poland later today where it is expected to cut its policy rate by 25bps to 4.75%. The South African rand advanced (+0.3%) against the dollar, to trade at ZAR17.63/$.

Asian currencies were mixed today (EM Asia: flat), with Korean won (+0.4%) appreciating on upward GDP revision. Asian equities were mixed today (EM Asia: -0.2%), with China (CSI 300: -0.7%) and the Philippines (PSEi: -0.7%) offsetting continued rebounds in Indonesia (Jakarta Composite: +1.1%) and Thailand (SET: +0.8%).

Latin American equities were mixed yesterday, with Mexico (+1.5%) and Chile (+0.8%) posting gains while Colombia (-0.7%) and Brazil (-0.7%) declined. Currencies weakened broadly as the Chilean peso (-0.8%), Brazilian real (-0.5%), and Mexican peso fell, while the Colombian peso edged higher. Brazil GDP growth came in higher than expected at 0.4% q/q (vs 0.3%) and has now expanded for 16-straight quarters.

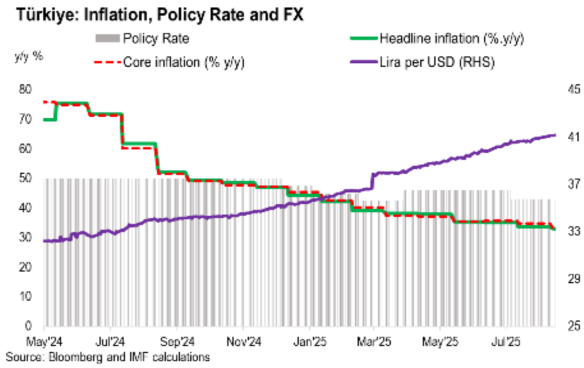
China

In July and August, Chinese onshore bond funds saw the largest number of days of withdrawals in a two-month period since 2022, according to a widely followed industry gauge. While this measure does not represent the entire market, the flows are the latest piece of evidence that the rotation from domestic bonds to stocks has yet to run its course. Investors have turned neutral on debt after being excessively overweight—investors' holdings of interbank bonds climbed 77% to CNY48 tn ($6.7 tn) in the last five years. Benchmark yields are "still not attractive," with the year-to-date high of 1.82% 10y yield still below the five-year average of 2.58%. Local bond funds have delivered a return of 0.4% so far this year, versus a five-year average of 2.8%. Analysts believe the reallocation from bonds to stocks will last at least through year-end, supported by insurers and pension funds given domestic equity valuations remain relatively low. Bloomberg also reported today that China's high net-worth investors are again pouring money into "snowball" derivatives for higher returns, a year after the regulator curbed the product that was blamed for exacerbating a stock rout. Snowballs grant investors bond-like coupons as long as the stock index they reference stays within a predetermined range—typically between 75% and 105% of the starting level. Today, yuan was fixed weaker again at 7.1108, and both onshore CNY and offshore CNH weakened (-0.1%) for a third consecutive day.



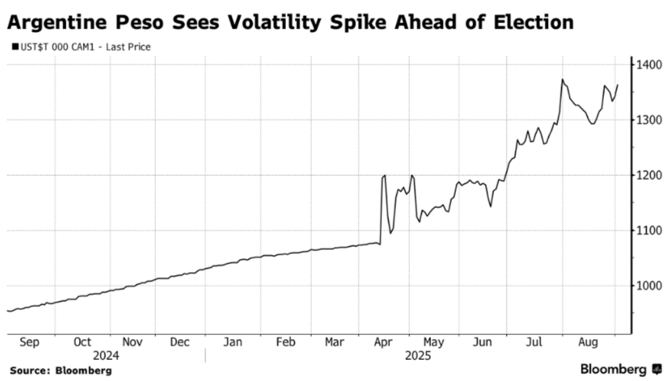
Türkiye

Inflation slowed less than expected in Türkiye in August. Equities edged lower (-1.7%), with the banking sector down the most, and domestic government bond yields rose across tenors (2y yield +57bps at 37.03% and 10y yield +13bps at 30.33%). The lira was little changed (-0.1%) against the dollar. Headline inflation printed at 32.95%y/y (vs. est. 32.59%, down from 33.52% in July) with momentum nearly unchanged in August (2.04%m/m, vs. est. 1.75%m/m, from prior 2.06%m/m); core inflation was at 33%y/y (from prior 34.7%) as expected. Today's inflation data came after the political upheaval triggered yesterday by a court ordering the removal of the main opposition party's local officials in Istanbul, which sent government bond yields higher, with the 10y Turkish USD Eurobond yield at 6.93% today (+10bps from Friday). The central bank (TCMB) surprised in July by cutting its policy rate by 300bps to 43%, warning however that it was not on "autopilot" and citing estimates of inflation in the range of 25–29% by the year-end. Analysts at RBC Bluebay see the TCMB having less room to further ease in the short term as inflation risks are tilted to the upside give resurfacing political tensions and a possible sharper slide of the lira, that has depreciated by -3.4% against the dollar QtD. JP Morgan continues to expect the TCMB to lower its policy rate to 36% by year-end but warns on upside risks given strong demand (GDP +4.8%y/y, vs. est. 4.1%, from prior 2.3%y/y) and inflation projected at around 36%, only gradually softening into 2026.



Argentina

Argentina's National Treasury reportedly stated on Tuesday that it will "participate in the free exchange market," amid rising FX volatility linked to political uncertainty. The move follows recent measures, including liquidity restrictions on banks and rolling over short-term local debt at yields as high as 76% to attract local currency investment, Bloomberg reports. Markets reacted with dollar bonds due 2035 dropping -3.3% while the peso gained 1.2%.



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Global Financial Indicators

9/3/25 8:13 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,451	-0.7	-0.2	3.4	16.7	10
Europe		5,334	0.8	-1.1	3.3	8.6	9
Japan		41,939	-0.9	-1.4	4.1	13.2	5
China		4,460	-0.7	1.7	9.6	37.1	13
Asia Ex Japan		86	0.0	-1.1	3.6	20.1	19
Emerging Markets		50	-0.1	-1.0	3.4	17.2	19
Interest Rates					basis points		
US 10y Yield		4.3	1	4	6	44	-30
Germany 10y Yield		2.8	-2	7	9	49	40
Japan 10y Yield		1.6	1	0	7	71	53
UK 10y Yield		4.8	-2	4	25	79	21
Credit Spreads					basis points		
US Investment Grade		123	-1	2	-1	-13	3
US High Yield		342	-4	8	-14	-35	14
Exchange Rates					%		
USD/Majors		98.3	-0.1	0.1	-0.9	-3.5	-9
EUR/USD		1.17	0.1	0.1	0.7	5.5	13
USD/JPY		148.6	0.2	0.8	1.0	2.2	-5
EM/USD		45.7	0.2	-0.2	0.4	-0.2	7
Commodities					%		
Brent Crude Oil ($/barrel)		67.9	-1.8	0.7	-1.2	-4.5	-6
Industrials Metals (index)		143.1	-0.1	0.8	2.7	1.1	2
Agriculture (index)		55.1	-0.1	-0.7	3.6	0.2	-3
Gold ($/ounce)		3546.1	0.4	4.4	5.1	42.2	35
Bitcoin ($/coin)		111618.0	0.2	3.5	-2.5	91.7	19
Implied Volatility					%		
VIX Index (%, change in pp)		17.1	0.0	2.5	-3.2	-3.6	-0.2
Global FX Volatility		7.8	0.0	0.1	-0.2	-0.8	-1.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		70	-2	-2	2	-35	-15
Italy		87	-2	0	4	-59	-28
France		80	0	-2	13	7	-3
Spain		60	-1	-2	2	-23	-9

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

Emerging Market Financial Indicators

Last updated: 9/3/2025 8:13 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		7.15	-0.1	0.1	0.5	-0.3	2.2		1.8	0	1	7	-23	14
Indonesia		16415	-0.1	-0.3	-0.2	-5.4	-1.9		6.3	-3	1	-24	-37	-74
India		88	0.1	-0.4	-0.5	-4.7	-2.8		6.9	-1	3	23	-18	-44
Philippines		57	0.4	-0.2	0.1	-1.2	0.9		4.8	1	2	-1	-29	-11
Thailand		32	0.1	0.4	0.3	5.8	5.4		1.4	-2	-3	-24	-123	-95
Malaysia		4.23	0.1	0.2	0.2	3.4	5.8		3.4	1	2	1	-36	-41
Argentina		1360	1.2	-0.3	-0.1	-30.0	-24.2		46.5	152	-94	1067	559	1733
Brazil		5.46	0.1	-0.7	0.8	3.4	13.2		14.0	12	5	-6	176	-198
Chile		973	-0.5	-0.8	-0.7	-5.7	2.2		5.5	3	3	5	1	-22
Colombia		4003	0.3	1.3	2.4	4.1	10.1		11.7	4	14	-16	157	-14
Mexico		18.70	0.1	-0.2	1.0	5.8	11.4		8.9	3	-3	-26	-88	-141
Peru		3.5	-0.1	0.3	0.8	6.5	5.7		6.2	-1	-5	-23	-31	-38
Uruguay		40	0.1	-0.1	0.4	0.7	9.9		8.1	7	15	-28	-151	-159
Hungary		337	0.7	0.9	2.2	5.8	17.8		6.8	3	11	4	69	36
Poland		3.65	0.4	0.5	1.3	6.3	13.2		4.9	0	11	4	-24	-66
Romania		4.4	0.2	-0.1	0.6	3.4	10.3		7.4	4	9	23	95	17
Russia		81.4	-0.9	-1.3	-2.1	6.6	39.4							
South Africa		17.6	0.3	0.3	1.7	2.0	6.9		10.0	5	5	5	-63	-48
Türkiye		41.17	-0.1	-0.3	-1.2	-17.4	-14.1		32.7	111	111	92	399	296
US (DXY; 5y UST)		98	-0.1	0.1	-0.8	-3.5	-9.4		3.74	2	4	-2	10	-64

	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		4,460	-0.7	1.7	9.6	37.1	13.3		114	3	5	-10	18
Indonesia		7,886	1.1	-0.6	5.6	2.8	11.4		87	4	-10	-13	-4
India		80,568	0.5	-0.3	-0.6	-2.2	3.1		94	4	2	-19	8
Philippines		6,083	-0.7	-3.0	-4.2	-11.6	-6.8		69	-3	-17	-18	-10
Thailand		1,259	0.8	0.9	2.4	-7.8	-10.1						
Malaysia		1,579	0.1	-0.2	3.4	-5.5	-3.9		67	4	-6	-17	-3
Argentina		1,975,730	1.9	-2.8	-13.3	13.9	-22.0		906	47	127	-532	269
Brazil		140,335	-0.7	1.9	6.0	4.5	16.7		201	-5	-19	-20	-46
Chile		8,992	0.8	1.9	10.2	40.8	34.0		103	0	-10	-14	-10
Colombia		1,829	-0.7	-0.8	4.4	35.7	32.6		280	-10	-42	-32	-46
Mexico		59,748	1.5	2.8	5.0	15.8	20.7		234	-10	-25	-86	-78
Peru		34,938	0.3	0.9	5.3	24.4	20.6		105	1	-16	-32	-36
Hungary		102,985	0.2	-1.2	2.5	41.1	29.8		141	3	-16	-7	-14
Poland		105,041	1.1	-1.7	-0.6	23.9	32.0		98	1	-10	-3	-14
Romania		20,590	1.5	-0.3	2.3	13.7	23.1		217	8	-2	20	-18
South Africa		101,564	0.4	-0.4	3.9	23.6	20.8		288	1	-21	-4	-5
Türkiye		10,697	-1.7	-5.8	-0.5	6.7	8.8		282	7	-13	-17	23
EM total		50	0.8	-1.0	3.4	17.2	19.1		360	8	-6	-40	-4

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

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