



- Lorie Logan proposes tri-party general collateral rate as new Fed operating target ([link](#))
- Indian authorities are phasing in a secured overnight financing rate ([link](#))
- Strong EM international bond issuance across sectors in September ([link](#))
- Japanese two-year yields rise to highest level since 2008 after weak auction ([link](#))
- European inflation accelerated in September ([link](#))

[Mature Markets](#)





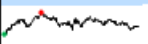
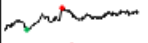




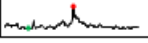
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Markets Were Subdued Ahead of Key Data and a Possible Shutdown This Week

Global equities were mixed and bond yields were little changed this morning as traders look ahead to a possible government shutdown and uncertainty about the nonfarm payrolls report. US futures were trading slightly lower, while Japanese stocks posted small losses and Europe was little changed. Early indications are that key US data releases would be delayed in the event of a shutdown tomorrow, making the path forward for markets less clear. Nonetheless, most global equity markets are closing September with strong gains. The dollar index was little changed on net in September and has been broadly range bound since late June following a steep decline in the first half of the year. On the policy front, Fed officials are having some discussions about whether to consider a new operational target—the tri-party general collateral rate—following a recent proposal by Lorie Logan. Meanwhile, in Australia, the RBA left its policy rate unchanged at 3.60% in a unanimous decision.

Key Global Financial Indicators

Last updated: 9/30/25 8:35 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6661	0.3	0	3	16	13
Eurostoxx 50		5507	0.0	1	3	10	12
Nikkei 225		44933	-0.2	-1	7	16	13
MSCI EM		53	0.9	0	7	16	27
Yields and Spreads			bps				
US 10y Yield		4.12	-1.6	2	-11	34	-45
Germany 10y Yield		2.72	0.8	-3	-1	59	35
EMBIG Sovereign Spread		283	2	0	-14	-84	-41
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.0	0.1	0	0	-1	7
Dollar index, (+) = \$ appreciation		97.8	-0.1	1	0	-3	-10
Brent Crude Oil (\$/barrel)		67.1	-1.3	-1	-1	-6	-10
VIX Index (% change in pp)		16.6	0.5	0	1	0	-1

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

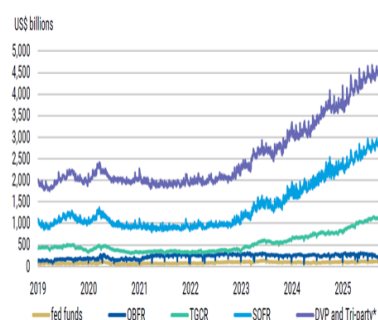
Mature Markets

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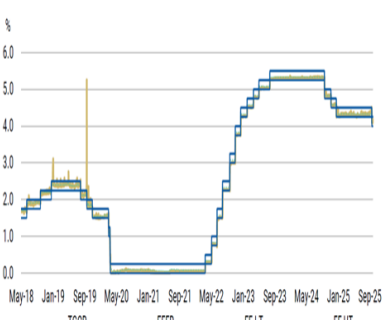
United States

Dallas Fed president Lorie K. Logan has proposed adoption of tri-party general collateral rate (TGCR) as the Fed operating target, replacing the Federal Funds Rate (FFR). The proposed move would increase the breadth of the operating target to capture a higher market share of money market transactions. Daily transaction volumes in SOFR and TGCR far surpass those in FFR (left panel). Beyond volumes, treasury repo rates—particularly TGCR—are widely used across market participants and serve as effective benchmarks for risk-free rates. Notably, TGCR has consistently operated within the FFR target range since 2020 (middle panel). While the FFR has remained broadly functional, secured rates have been more responsive to shifts in cash supply and repo demand (right panel). According to market analysts, this sensitivity in TGCR could, however, reduce the tolerance for Fed balance sheet runoff relative to the current setup, and therefore might bring an earlier end to quantitative tightening. Following her proposal, swap spreads, which capture the difference of swap rates to government bond yields, have become less negative, down from -52 bps and -81 bps to -48 bps and -79 bps for the 10-year and 30-year tenors, respectively. However, some analysts expect the repricing to fade, noting diverging views among the FOMC members and other factors.

Overnight funding market transaction volumes over the past five years



TGCR and EFR relative to the fed funds target range



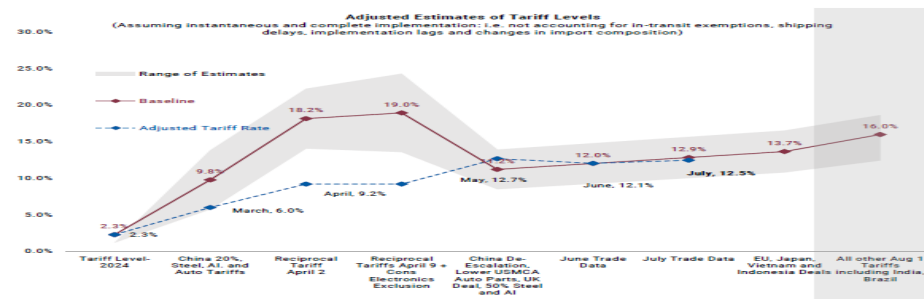
IOFR-FF, IOFR-TGCR (%)



Sources: Federal Reserve, Bloomberg, Morgan Stanley, Nomura

Some analysts believe US tariffs are likely to impact domestic growth and prices with a lag. A recent market report highlights that while the estimated effective tariff rate based on country-level tariffs and the 2024 US import composition stands at around 16%, actual tariffs have been lower, due to factors such as trade diversion and preferential treatment for certain imports, including AI-related IT hardware. Nevertheless, US import tariffs have been trending upward, reaching 13% in July, with expectations of further increases in the coming months. The transmission of tariffs into broader economic indicators has been gradual and the inflationary impact has more muted than initially feared.

Exhibit 5: The tariff rate is beginning to approach the 16% tariff rate in our baseline outlook



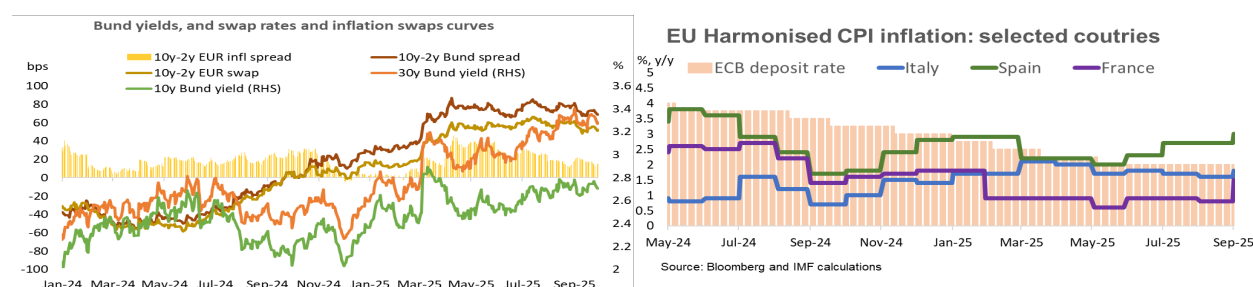
Source: BLS, Haver Analytics, Morgan Stanley Research

Europe

European equities were marginally lower this morning (-0.1%), with gains in the banking sector (0.4%) offset by losses in the consumer discretionary (-0.5%) and energy sector (-1.3%). Spain outperformed (IBEX 35 +0.3%), in contrast to France (CAC 40 -0.4%). The euro edged higher against the dollar, trading at \$1.1746/€, with analysts highlighting a modest impact from the potential US shutdown.

Inflation accelerated in France, Italy, and Germany. Italian harmonized CPI printed at 1.8% y/y (vs 1.7% expected, 1.6% previous). In France, harmonized CPI came in at 1.1% y/y (vs 1.3% expected, 0.8% previous). In Germany, harmonized CPI came in at 2.4% y/y (vs 2.2% expected, 2.1% previous). Nevertheless, ECB Chief Economist Philip Lane said yesterday that the inflation outlook “is reasonably benign at this point”, while ECB Vice President Guindos added “The ECB’s rates level at 2% is adequate under the current circumstances”. European government bond (EGB) yields were little changed with the 10y Bund yield up 1 bps to 2.71%.

Analysts estimated that 85% of the record high EGP issuance for 2025 has already been funded. Fourth quarter gross supply should slow to €80–90 bn per month in October and November, and to €25 bn in December, implying small negative net issuance, with total annual issuance expected to reach €1.38 tn. JP Morgan analysts noted that defense outlays are back-loaded, while EU SAFE loans and the use in Germany of NEC special off-budget funds should temper near-term supply. Bloomberg highlighted that potential pharmaceutical tariffs, weaker activity data, and further disinflation would weigh on yields, especially if the ECB cuts further in response.



Japan

JGB auction received weak demand amid expectations for rate hikes and revives some market concerns about investor appetite for Japanese debt. The latest auction for 2y government bonds received a bid-to-cover ratio of 2.81x, the weakest since 2009, compared with 2.84x at the previous auction and a 12-month average of 3.79x. Traders attributed weak demand to expectations for a BOJ rate hike in the coming months and the desire for risk compensation. Others noted that supply dynamics could have also played a role. In November, the Ministry of Finance proposed to increase issuance of JGBs with maturities of over one year but less than five years. The 2y JGB yield rose 2 bps following the auction to 0.94%, the highest since 2008. Meanwhile, economic data underscored growth challenges. Industrial production in August fell for a second month (-1.3% y/y), compared to -0.4% previously and the median forecast of -0.9% y/y. Retail sales also declined (-1.1%), compared to expectations for a 1.2% gain. The yen ended the day 0.5% stronger.

Japan's Two-Year Bond Yield Has Reached Fresh 2008 High



Emerging Markets

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EMEA equities and currencies were mixed, but markets were fairly quiet. Polish equities underperformed (-0.8%), while Romanian stocks were up 0.5%. Regional currencies were little changed, with the Hungarian forint up 0.2% against the euro. **Asian currencies were mixed and regional equity markets were subdued.** The Thai baht underperformed, down 0.5%. **Latin American equity markets mostly gained (MSCI Latam +0.9%) on Monday, with Chile underperforming.** On the currency front, most regional currencies strengthened against the dollar, while the Argentinean peso and Colombian peso depreciated amid further political and economic uncertainty and short-term volatility from geopolitical tensions, respectively.

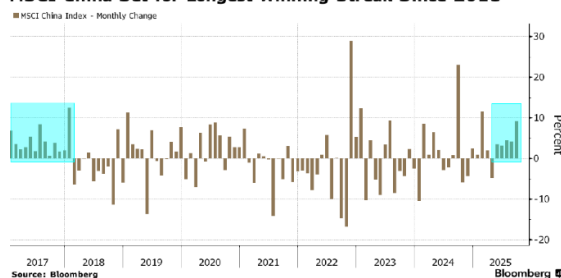
Chile

Chile's state-owned copper producer CODELCO issued \$1.4 bn in dollar denominated bonds for its second issuance of the year. The issuance comes amid a rebound in copper prices, fueled by recent supply disruptions in Indonesia and Peru. The offering was evenly split between two tranches: \$700 million in 2035 notes yielding 5.39% (125 basis points over Treasuries), and \$700 million in 2055 notes yielding 6.23% (152 basis points over Treasuries).

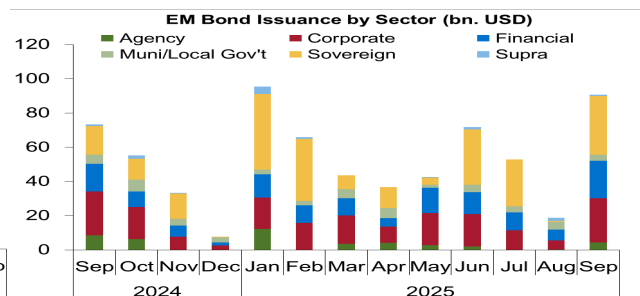
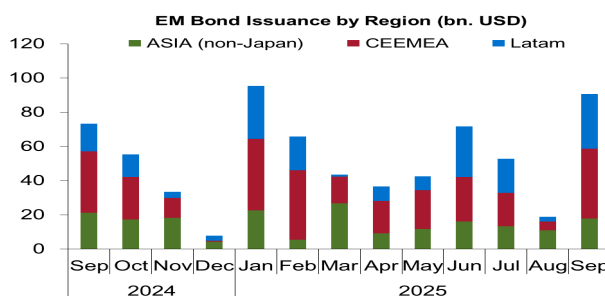


China

Chinese equities recorded a strong September, with the MSCI China index up nearly 9% for its fifth consecutive monthly gain. Since April, when the index bottomed, it has gained nearly 40%, outpacing the rebound in the S&P500 and MSCI Asia. The domestic onshore benchmark CSI300 has diverged somewhat but is still up close to 4% for the month and nearly 30% since the April low. Although the fundamental outlook regarding the Chinese economy is little changed, analysts noted that optimism over AI, easing trade tension between the US and China, and expectations of policy support heading into the upcoming Five-Year Plenum have boosted sentiment. Moreover, many international investors who were severely underweight China exposure have been renewing their interest. Recent gains have pushed valuations above historical averages. The MSCI China gauge is currently trading at 13 times its forward earnings estimates, above the 5-year average of around 11, but below the 23x for the S&P500. Despite the market optimism, **the September NBS manufacturing PMI edged higher from August but remained below 50 for the sixth consecutive month**, while the services PMI weakened in September, from 50.5 in August to 50 currently.

MSCI China Set for Longest Winning Streak Since 2018**China's Manufacturing Activity Improves But Slump Persists**
Private poll shows better results than official PMI survey**EM International Bond Issuance**

Emerging market issuance reached \$21 billion last week, with over half originating from Central and Eastern Europe, the Middle East, and Africa (CEEMEA). Total September issuance totaled \$32 billion, up 24% y/y and bringing the YTD total to \$518 billion. Notable sovereign issuers from the CEEMEA region included Latvia and the United Arab Emirates. Sector-wise, the financial industry led with \$8.4 billion (41% of weekly volume), followed by corporate issuers at \$5.7 billion (28%) and government entities at \$6.1 billion (30%). US dollar-denominated bonds comprised 66% of the weekly total, while euro-denominated bonds accounted for 30%. Approximately 94% of the bonds issued carried fixed rates. Yields ranged from 7.7% to 13% for high-yield bonds with maturities between 2 and 11 years, and from 2.5% to 5.5% for investment-grade bonds with similar tenors.

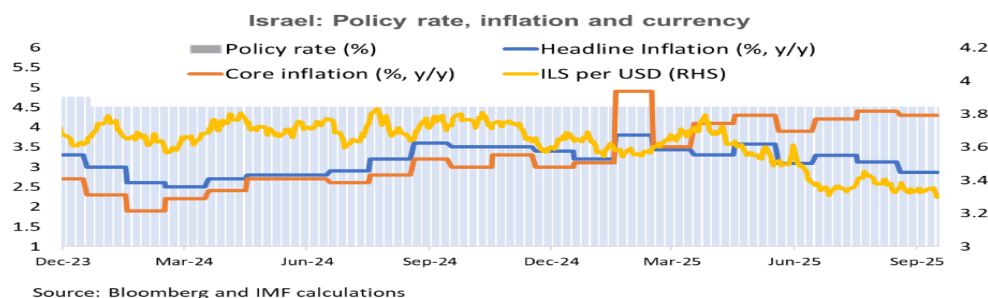
**India****Indian authorities are phasing in a secured overnight financing rate to underpin funding markets.**

India's financial benchmark administrator (FBIL) and the RBI are phasing in the Secured Overnight Rupee Rate (SORR) to replace the Mumbai Interbank Outright Rate (MIBOR). MIBOR underpins almost \$1 tn in interest-rate swaps, by Bloomberg's estimate, and has historically been used to set the rates on products including bank deposits, swaps, and some consumer loans. However, it is based on unsecured bank trades, only about 2% of India's funding market, and has been more volatile than desired. The SORR rate, which has been published since July, has been about 10 bps below the MIBOR rate on average and is seen as more representative of the broader financial system. The RBI indicated that the move to SORR will depend on sufficient liquidity developing in the SORR swaps market and a shift to SORR is not yet mandatory.

Analysts are divided over the outcome of the RBI policy decision tomorrow. A Bloomberg survey of economists shows that a majority (24 out of 38) of respondents expect the RBI to hold its policy rate unchanged at 5.5%, with the remainder expecting a 25 bp cut, citing a weakening growth outlook and inflation near the lower end of the RBI tolerance band. However, some analysts cited concerns about the rupee, which is at record lows close to INR88.8/USD. The RBI has lowered rates by 100 bps this year but paused at its last meeting in August.

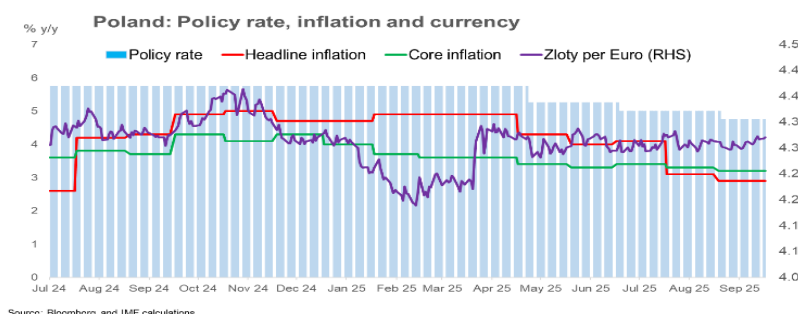
Israel

The Israeli shekel declined today (-0.2%) after gaining 1.7% yesterday when the central bank (BoI) kept its policy rate unchanged at 4.5%, in line with expectations. Israeli government bond yields have fallen by as much as 11 bps across the last two days, while equities traded higher today (1.5%). The BoI noted that while “economic activity recovered following the military operation against Iran,” inflation has only “declined slightly”, staying at the upper end of the target range. However, the BoI cuts its growth forecast for 2025 from 3.3% to 2.5%, while raising its inflation forecast to 3% (from 2.6%) in 2025 and 2.2% (from 2.0%) in 2026. Analysts at Citibank continue to expect the next rate cut in February, with the BoI taking the policy rate to 3.25% by year-end 2026.



Poland

Polish inflation surprised to the downside at 2.9% y/y (vs 3% expected), with yields falling 2–4 bps. Deutsche Bank expects Poland's inflation to remain near 2.9% in the fourth quarter before easing to 2.5% in early 2026 on the back of slower food prices and a stronger currency. Deutsche Bank expects the NBP to keep rates on hold in the near term amid sticky services inflation and uncertainty around fiscal measures, especially changes in administered energy prices and indirect taxes.



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

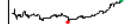













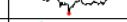
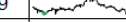
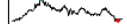





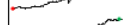

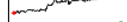

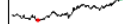
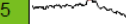

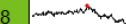

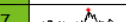


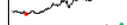
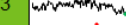
9/30/25 8:36 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,659	0.3	0.0	3.1	15.6	13
Europe		5,507	0.0	0.6	2.9	10.1	12
Japan		44,933	-0.2	-1.2	6.5	16.2	13
China		4,641	0.4	2.7	4.6	17.3	18
Asia Ex Japan		91	1.0	-0.6	5.9	15.9	26
Emerging Markets		53	0.9	-0.2	6.7	16.0	27
Interest Rates			basis points				
US 10y Yield		4.1	-2	2	-11	34	-45
Germany 10y Yield		2.7	1	-3	-1	59	35
Japan 10y Yield		1.6	1	-1	5	79	55
UK 10y Yield		4.7	1	3	-1	71	14
Credit Spreads			basis points				
US Investment Grade		114	0	-2	-8	-15	-6
US High Yield		329	2	3	-10	-25	0
Exchange Rates			%				
USD/Majors		97.8	-0.1	0.5	0.0	-3.0	-10
EUR/USD		1.17	0.1	-0.7	0.2	5.4	13
USD/JPY		148.0	-0.4	0.2	0.5	3.0	-6
EM/USD		46.0	0.1	-0.3	0.3	-0.6	7
Commodities			%				
Brent Crude Oil (\$/barrel)		67.1	-1.3	-0.8	-0.5	-5.1	-7
Industrials Metals (index)		147.0	-0.4	2.2	3.1	-4.4	5
Agriculture (index)		53.9	-0.1	0.2	-3.2	-7.5	-5
Gold (\$/ounce)		3814.7	-0.5	1.3	9.7	44.8	45
Bitcoin (\$/coin)		113189.2	-1.0	3.7	3.7	77.5	21
Implied Volatility			%				
VIX Index (% change in pp)		16.6	0.5	-0.1	1.2	-0.1	-0.8
Global FX Volatility		7.3	0.0	0.0	-0.5	-1.3	-1.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		68	0	2	-1	-31	-17
Italy		83	0	3	-4	-50	-33
France		82	0	1	4	3	0
Spain		55	-1	0	-6	-25	-14

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

Data source: Bloomberg.

Emerging Market Financial Indicators

Last updated: 9/30/2025 8:34 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		7.12	0.0	-0.1	0.3	-1.4	2.5		1.9	1	5	8	-13	24	
Indonesia		16665	0.1	0.0	-1.5	-9.2	-3.4		6.2	-4	5	-9	-30	-83	
India		89	0.0	0.0	-0.7	-5.6	-3.6		6.9	-1	0	-2	-6	-46	
Philippines		58	-0.1	-1.6	-1.7	-3.7	-0.6		4.7	-6	0	0	8	-13	
Thailand		32	-0.5	-1.8	-0.3	-0.7	5.2		1.6	0	11	14	-97	-76	
Malaysia		4.21	0.2	-0.2	0.4	-2.0	6.3		3.4	-2	1	4	-28	-38	
Argentina		1358	-2.1	3.8	-1.0	-28.7	-24.1		51.1	-22	-658	446	1060	2193	
Brazil		5.31	0.3	-0.4	2.5	2.7	16.4		13.8	6	4	-2	140	-211	
Chile		965	0.2	-1.6	0.4	-6.8	3.1		5.4	0	4	2	49	-23	
Colombia		3919	-0.5	-1.9	2.5	7.3	12.4		11.4	-5	6	-19	134	-43	
Mexico		18.33	0.2	0.1	1.7	7.4	13.6		8.7	3	5	-19	-67	-161	
Peru		3.5	0.4	0.7	1.5	6.5	7.5		6.1	-1	-4	-19	-14	-53	
Uruguay		40	0.2	0.1	0.4	4.9	10.2		8.0	1	1	-1	-189	-167	
Hungary		333	0.3	-0.8	1.5	7.2	19.5		6.6	-1	1	-17	71	16	
Poland		3.64	0.0	-0.9	0.0	5.8	13.5		4.9	-1	5	-1	4	-64	
Romania		4.3	0.1	-0.7	0.0	3.2	11.0		7.3	-2	-2	-11	80	0	
Russia		82.4	0.7	1.5	-2.0	12.9	37.8								
South Africa		17.3	-0.1	-0.2	1.9	-0.1	9.0		9.6	-2	-2	-41	-51	-91	
Türkiye		41.58	0.0	-0.4	-1.1	-17.8	-15.0		32.1	-5	56	63	315	235	
US (DXY; 5y UST)		98	-0.1	0.5	0.0	-3.0	-9.9		3.71	-2	4	2	15	-67	

	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		4,641	0.4	2.7	4.6	17.3	17.9		105	-5	-8	-20	9
Indonesia		8,061	-0.8	-0.8	4.2	5.5	13.9		90	3	5	-11	-1
India		80,268	-0.1	-2.2	-0.1	-4.7	2.7		87	-2	-5	-18	1
Philippines		5,953	-0.7	-2.7	-3.0	-19.3	-8.8		66	1	-4	-19	-13
Thailand		1,274	-1.1	0.1	2.4	-13.0	-9.0						
Malaysia		1,612	0.1	0.5	2.3	-2.7	-1.9		61	0	-4	-21	-9
Argentina		1,793,185	0.1	-1.0	-9.7	5.6	-29.2		1119	24	281	-196	482
Brazil		146,337	0.6	0.8	3.5	11.0	21.7		190	0	-11	-31	-57
Chile		8,997	-0.3	-1.6	1.1	38.6	34.1		98	3	-5	-20	-15
Colombia		1,875	0.6	0.2	1.6	43.4	35.9		263	16	-17	-56	-63
Mexico		62,610	0.5	1.0	6.6	19.3	26.5		212	-3	-27	-96	-100
Peru		2,370	2.3	4.6	13.3	24.2	39.8		97	4	-6	-39	-44
Hungary		98,920	-0.3	0.1	-3.5	33.9	24.7		129	1	-11	-26	-26
Poland		106,116	-0.4	0.2	1.3	27.4	33.3		95	4	-4	-20	-17
Romania		21,331	0.2	3.3	3.8	21.1	27.6		204	9	-9	6	-31
South Africa		107,260	0.0	1.2	5.3	23.9	27.5		259	7	-29	-21	-34
Türkiye		10,968	-0.7	-3.2	-2.8	13.5	11.6		263	3	-14	-19	4
EM total		53	0.2	-0.2	6.7	16.0	27.2		351	0	-3	-45	-13

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

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