GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, SEPTEMBER 4, 2026

LEAD EDITOR: FABIO CORTES

- **Investors pare near-term Fed hike expectations on dovish comments by Governor Waller** (link)
- **US Treasury yields jump on a stronger-than-expected nonfarm payrolls report** (link)
- **Dollar bearishness grows as currency hedging continues to decline** (link)
- **Markets may be overpricing the ECB hiking cycle beyond September** (link)
- **Yen tests 155 threshold as carry-trade unwind gathers momentum; JGB yield curve flattens** (link)
- **Kazakhstan's central bank cut rates by more than expected** (link)

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A Tale of Two Halves

Commentary from Fed officials drove financial markets this week, with an initial risk-off tone following Fed Chair Kevin Warsh's hawkish speech at Jackson Hole giving way to a more constructive risk-on tone after dovish comments from Fed Governor Christopher Waller pared near-term Fed rate hike expectations. Global equities sold off earlier in the week before catching a bid yesterday, while advanced economy sovereign bond yields fell toward the end of the week after a sustained selloff. Nevertheless, 10-year US Treasury and bund yields were up +4 and +7 bps, respectively, over the past week, amid elevated oil prices as the US and Iran intensified tit-for-tat military strikes in recent days. The conflict has pushed energy prices higher, with Brent trading at around $95 a barrel this morning, up +7% over the past week. Just before publication this morning, Treasury yields jumped after a stronger-than-expected US nonfarm payrolls report, with the 2-year yield rising +7 bps immediately after the release. Elsewhere, most emerging market currencies benefited from a moderately weaker dollar over the past week.

Key Global Financial Indicators

Last updated: 9/4/26 8:15 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7748	1.1	0	0	19	13
Eurostoxx 50		6385	0.0	-2	-2	19	10
Nikkei 225		65021	1.3	-2	2	53	29
MSCI EM		67	0.5	0	2	35	23
Yields and Spreads					bps		
US 10y Yield		4.76	-0.6	4	15	60	60
Germany 10y Yield		3.35	0.9	7	25	63	50
EMBIG Sovereign Spread		236	-3	-3	-3	-63	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.6	0.0	1	0	2	0
Dollar index, (+) = $ appreciation		99.1	0.2	-1	-1	1	1
Brent Crude Oil ($/barrel)		95.2	-0.4	7	20	42	56
VIX Index (%, change in pp)		14.2	-0.1	0	-2	-1	-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: 9/4/26 8:15 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas			%				%
Brent Crude Oil ($/barrel)		95	-0.4	7	20	42	56
WTI Crude Oil ($/barrel)		91	-0.7	9	20	43	58
Natural Gas (Netherlands TTF)		71	0	7	28	119	163
Breakeven Inflation		%	bps				
USD: 2Y		2.5	0.1	9	35	-43	23
USD: 5Y		2.5	0.0	5	17	-13	19
USD: 5Y5Y		2.4	0	1	5	-4	-1
EUR: 2Y		2.8	-1.5	32	60	101	112
EUR: 5Y		2.4	0	13	30	53	60
EUR: 5Y5Y		2.2	0	2	5	5	9

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

Mature Markets

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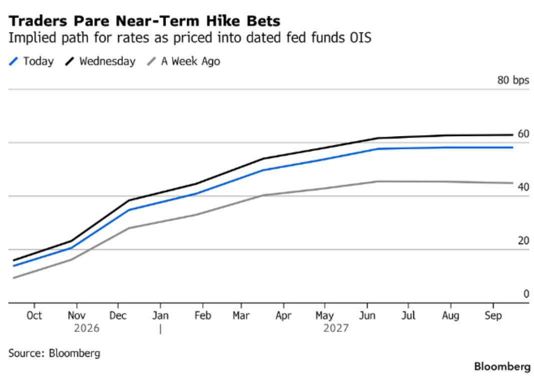
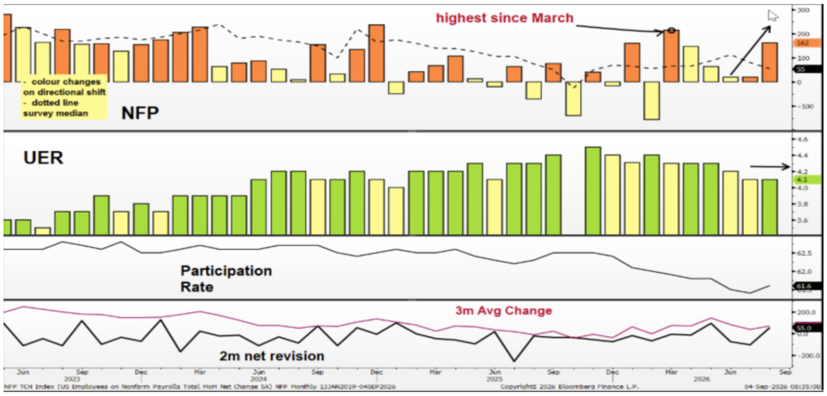
United States

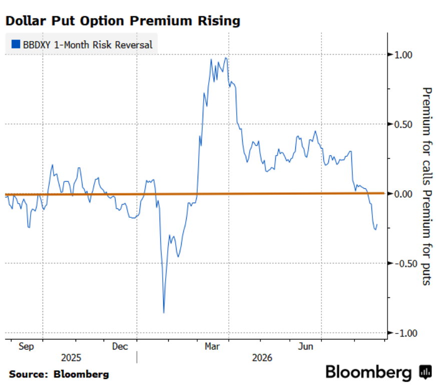
Investors pared near-term rate hike expectations after Fed Governor Waller appeared open to keeping rates unchanged if next week's CPI confirms continued disinflation. The remarks triggered a sharp dovish repricing early in the session, driving Treasury yields lower and reducing expectations of a near-term Fed hike. The Treasury curve bull-steepened, with front-end Treasury yields falling as much as 7 bps as investors moved closer to pricing September as a 50/50 decision. However, much of the rally faded by the close, leaving longer-dated yields little changed on the day. Equities, by contrast, held and extended gains throughout the session, with major indexes largely recovering the losses incurred during the post-Jackson Hole hawkish repricing. All eyes now turn to next week's CPI as a decisive input for the Fed's September decision.

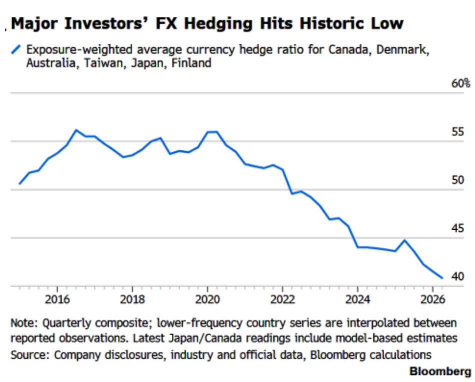


This morning, **Treasury yields jumped after a stronger-than-expected US nonfarm payrolls report**, with the 2-year rising +7 bps immediately after the release. Nonfarm payrolls rebounded by 162k in August, significantly exceeding expectations (+55k), while July's reading was revised up to 21k, largely reversing the previously reported 23k decline. The unemployment rate remained unchanged at 4.1%, but the reading is strong enough to support a decline in unemployment on the way forward. Monthly earnings accelerated as expected to +0.3% maintaining some pressure on inflation concerns. The robust employment report is likely to strengthen the hand of policymakers favoring tighter policy and may shift the macro narrative ahead of the September FOMC meeting, leaving next week's CPI release as the key data point for assessing the policy outlook.



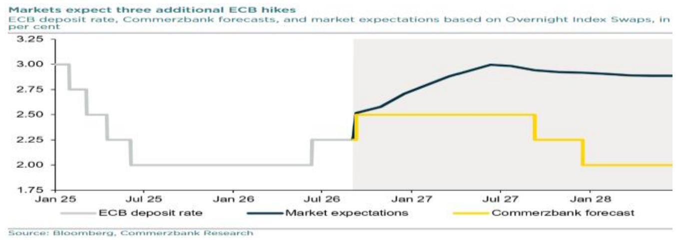
A wave of dollar-bearish sentiment is gripping markets. Be it due to interventions in the yen market, or with the Treasury's more aggressive approach to containing rising US yields, the dollar has failed so far to strengthen. The Bloomberg Dollar Spot Index has weakened 3% since its June peak and almost 10% since early 2025. The more recent spout of dollar pessimism is reflected in FX options, with the premium to hedge dollar downside over the next month rising to its highest level since February, alongside broader demand for dollar downside hedges after the Treasury buyback announcement. **Foreign institutional investors, however, remain heavily exposed to a weaker dollar because they have historically low levels of currency hedging.** A review from Bloomberg analysts of filings from pension funds and insurers globally reveals that some of the world's largest holders of US assets have reduced their protection against a weaker dollar. Across markets including Japan, Canada, and Taiwan POC, these investors hedged just 41% of their foreign-currency exposure as of June 30, the lowest level since at least 2015. With dollar sentiment turning negative, and foreign investors holding very large amounts of dollar assets, modest increases in hedge ratios could generate substantial FX flows. Bloomberg estimates that a 5 ppt increase in hedging by investors in the sampled countries would translate into roughly $230 bn of additional dollar selling via derivatives markets, which would amplify downside pressure on the dollar.





Euro area

Markets may be overpricing the ECB hiking cycle beyond September, with global rates partly doing the tightening for it. A 25 bps hike next week is effectively fully priced, but both Commerzbank and Morgan Stanley expect the ECB to pause thereafter, compared with roughly two additional hikes priced by mid-2027. The recent repricing partly reflects higher energy prices, but Morgan Stanley also points to sizeable spillovers from US rates, with Warsh's hawkish Jackson Hole speech adding further upward pressure to yield curves in the euro area. Still, the domestic case for sustained tightening looks less compelling: there is little evidence of second-round inflation effects, while higher long-term yields are tightening financial conditions. Morgan Stanley sees December as the next plausible decision point if inflation pressures prove more persistent. Commerzbank also highlights considerable disagreement within the Governing Council over where neutral lies, although most estimates cluster between 2% and 2.5%, implying that next week's hike would already put rates at or near the top of neutral for much of the Council. With doves retaining a clear majority, Commerzbank sees further hikes as possible but unlikely.



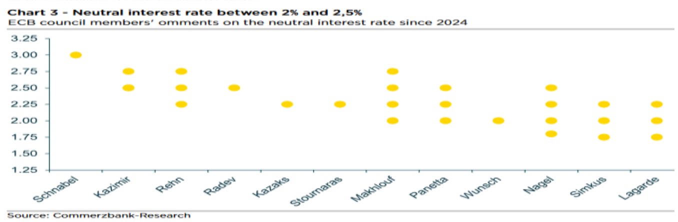
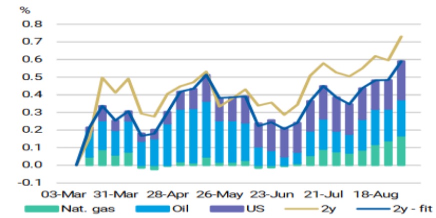


Exhibit 22: Last Friday, US rates move added further upward pressure to EUR front-end rates

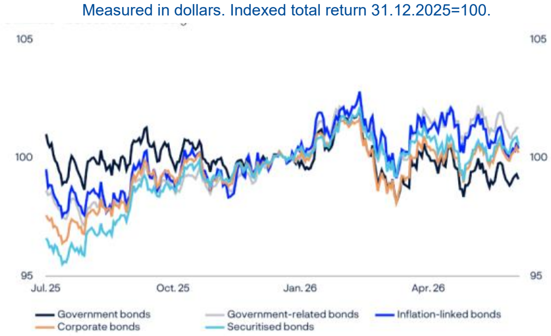


Source: Bloomberg, Morgan Stanley Research. Note: The 2-year model estimate is based on a linear regression of daily data (27 February 2026 - 18 Jun 2026) using the average Brent crude and natural gas futures prices across contracts from May 2026 to June 2027, as well as the 2y USD SOFR swap. Exhibit shows weekly cumulative changes in 2y, 2y fit and the single variable contributions

Norway

Norway's sovereign wealth fund proposed cutting government bonds to 50% (from 70%) in its bond benchmark, arguing that a smaller allocation would still meet liquidity needs while allowing greater exposure to other fixed-income risk premia. While this may result in a decline in the exposure to US Treasuries, estimated at almost $80 bn, this is not a targeted move away from US assets, with much of the proceeds expected to shift to other US fixed income, particularly agency MBS.

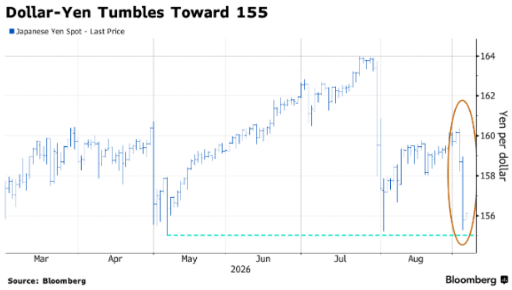
Price developments in fixed-income sectors.
Measured in dollars. Indexed total return 31.12.2025=100.

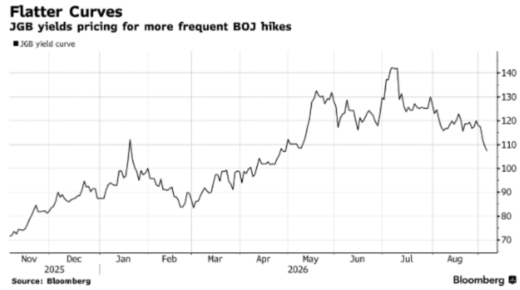


Source: Bloomberg, Norges Bank Investment Management

Japan

The JGB yield curve continued to flatten amidst intensifying expectations of further BOJ tightening. Yen weakened today (-0.3%) to 156.33/$, after having touched 155.3 once yesterday and once early this morning. Investors continued to unwind yen-funded carry trades as hawkish remarks from BOJ Governor Ueda fueled expectations of a faster normalization cycle further. JGBs yields fell further today, tracking the US Treasuries overnight (10-year -4 bps to 2.91%; 30-year -9 bps to 3.97%), with the yield curve continuing to flatten. Strategists commented on the risk of further yen strength. JP Morgan estimated that substantial (JPY16-17 tn) short-yen positions remain outstanding and argued that a decisive break below 155/$ could trigger additional short covering. Bank of America added that Japanese exporters have stepped up sales of dollars for yen. Nomura noted markets are increasingly entertaining the possibility of two or three consecutive BOJ hikes. On the other hand, SocGen said the current trend may reverse and that a significant dose of hawkishness from BOJ is needed to get yen appreciation durably.





Emerging Markets

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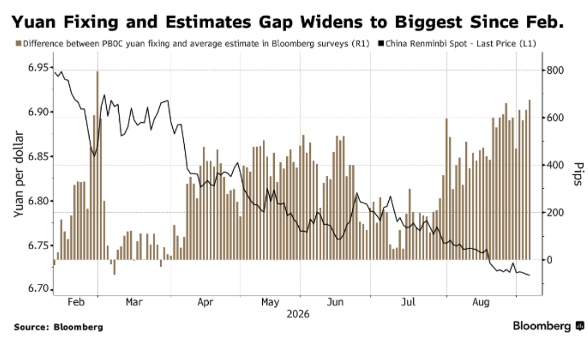
In **Asia**, currencies mostly strengthened this morning while equities advanced sharply as fears over a Fed rate hike this month eased. Hong Kong SAR (Hang Seng: +1.7%) and Taiwan POC (TAIEX: +1.5%) rose the most. In **EMEA**, assets were mostly firm this morning. In CEE, equities outperformed in Poland (+0.6%) but slid in Czechia (-0.2%), where today's data showed inflation rising in August to 1.9% y/y (from prior 1.7%), in line with expectations. The **Hungarian forint** underperformed (-0.3% to the euro, at HUF363/€) other CEE currencies this morning, retracing part of yesterday's surge (+1.5% to the euro) when Bloomberg reported speculation that the National Bank of Hungary would be set to pause its easing cycle on September 22, keeping the policy rate to 5.5% while lowering its inflation target from 3% to 2.5%. Hungary's 10-year domestic government bonds rallied on the news and extended gains this morning (10-year yield -7 bps to 5.42%). Stocks extended gains in the Gulf region, with Dubai in the lead (+0.8%) this morning. Elsewhere, North Macedonia announced today plans to issue €1.3 bn Eurobonds in 2027, to refinance approximately €1.1 bn of maturing Treasury bills and fund a budget deficit projected at 3.5% for GDP. In **Latam**, equities were mixed yesterday, with Colombia (+1.8%) outperforming while Chile (-0.7%) slipped and Brazil was little changed. Currencies strengthened, led by the Chilean (+0.8%) and Colombian pesos (+0.5%).

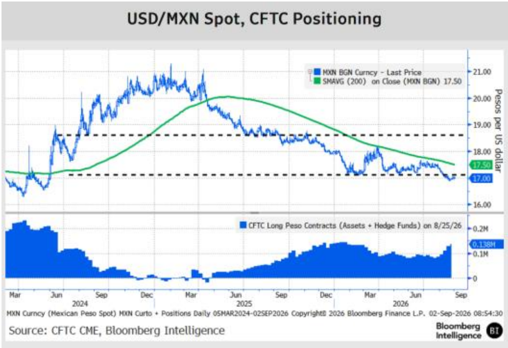
China

The People's Bank of China set the daily fixing on a 6.77 handle for the first time in more than three years. Both onshore CNH and offshore CNY strengthened modestly (+0.1%) today, after yuan was fixed stronger at 6.7787/$. Investors interpreted the move as a signal that Beijing is not seeking competitive depreciation, particularly ahead of an expected Trump-Xi meeting later this month. Together with recent comments from PBOC Governor Pan Gongsheng that China has neither the need nor intention to gain trade advantages through currency weakness, the stronger fixing encouraged expectations of further yuan appreciation, although such expectations remain centered on a gradual path. **Meanwhile, Chinese media reports today continued to focus on policy support through targeted investment and credit channels.** Shanghai Securities News wrote that China has begun deploying the first tranche of its new CNY800 bn policy-backed financing instrument, which analysts estimate could ultimately mobilize up to CNY10 tn in project investment. China Securities Journal highlighted continued momentum in technology bond issuance, which has exceeded CNY1.3 tn this year, supported by ample liquidity and low borrowing costs.



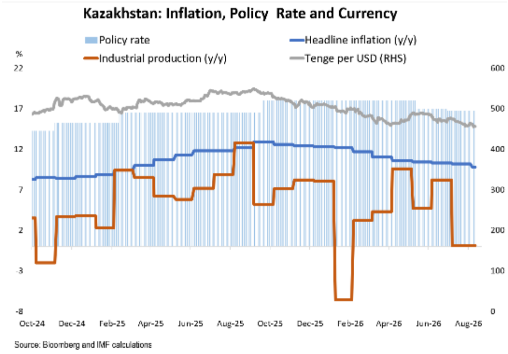
Mexico

The Mexican peso's long positioning is building toward levels last seen before the US-Iran conflict began. According to CFTC, net longs of asset managers and leveraged funds approach 138,000 contracts as the USD/MXN is trading below the 17.00 mark. With long positioning having greatly recovered and less room left for further position-building, the peso may need fresh catalysts to break this level. Fed Chair Warsh's hawkish Jackson Hole tone remains a key driver, while Mexico's CPI print on September 9 offers the next local read on Banxico's stance. Regional rotation out of Brazilian equities amid election risk remains a bullish offset, keeping the peso among the region's carry trade leaders.



Kazakhstan

The tenge continued to strengthen (+0.3% today, +5% quarter-to-date), to trade at KZT455.12/$, with equities also in the green (+0.6%) in Kazakhstan, where the **central bank** (NBK) **surprised this morning by cutting its policy rate by -50 bps to 16.25%**, while consensus expected only -25 bps. This third consecutive cut came after data released on Tuesday showed inflation slowing in August to 9.8% y/y (vs. est. 10%) from a prior 10.2%. **JP Morgan** sees Kazakhstan's inflation further declining to 9.6% by end-2026 and 7.7% by end-2027, while warning that higher 2027 fiscal transfers could slow disinflation as the government plans to boost withdrawals from the oil fund to KZT4.4 tn ($9.6 bn) in 2027 from KZT2.77 tn this year. **Bloomberg** noted that NBK stressed that room for further easing is limited, as inflation remains well above the 5% medium-term target and 2027 inflation risks have risen. **Goldman Sachs** sees the policy rate falling to 15% by end-2026 amid stronger tenge and subdued food inflation.



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Global Financial Indicators

Last updated: 9/4/26 8:14 AM	Level Last 12m	Level Latest	Change 1 Day	Change 7 Days	Change 30 Days	Change 12 M	YTD
Equities					%		%
United States		7,748	1.1	0.2	0.1	19.2	13
Europe		6,385	0.0	-1.6	-1.6	19.4	10
Japan		65,021	1.3	-2.1	1.7	52.7	29
China		4,548	-0.1	-1.3	-1.1	4.2	-2
Asia Ex Japan		117	0.4	-0.2	2.6	36.6	26
Emerging Markets		67	0.5	-0.2	2.2	35.3	23
Interest Rates					basis points		
US 10y Yield		4.8	-1	4	15	60	60
Germany 10y Yield		3.4	1	7	25	63	50
Japan 10y Yield		2.9	-4	-1	6	132	85
UK 10y Yield		5.1	1	9	25	43	67
Credit Spreads					basis points		
US Investment Grade		115	0	1	-2	-12	3
US High Yield		301	-2	-6	-14	-44	-39
Exchange Rates					%		
USD/Majors		99.1	0.2	-0.6	-0.8	0.8	1
EUR/USD		1.16	-0.1	0.3	0.7	-0.3	-1
USD/JPY		156.4	0.4	-2.3	-0.9	5.3	0
EM/USD		46.6	0.0	0.6	-0.2	2.1	0
Commodities					%		
Brent Crude Oil ($/barrel)		95.2	-0.4	8.0	22.1	45.0	58
Industrials Metals (index)		180.4	-0.3	0.3	0.5	27.4	10
Agriculture (index)		64.7	0.1	-0.8	10.9	18.3	21
Gold ($/ounce)		4471.0	0.0	0.4	9.6	26.1	4
Bitcoin ($/coin)		81062.0	-0.5	3.1	26.1	-26.6	-8
Implied Volatility					%		
VIX Index (%, change in pp)		14.2	-0.1	-0.2	-2.3	-1.1	-0.8
Global FX Volatility		6.9	0.0	0.4	0.4	-0.9	0.0
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		67	0	0	1	-1	9
Italy		82	0	0	6	-3	12
France		86	0	1	8	9	15
Spain		43	-1	-2	1	-15	0

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

Emerging Market Financial Indicators

9/4/2026 8:05 AM	Exchange Rates: Level Last 12m	Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level Last 12m	Latest	Change (in basis points) 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.71	0.1	0.3	0.5	6.4	4.1		1.8	-1	-1	-2	-7	-18
Korea*		1351	0.4	1.9	5.8	3.2	6.9		4.5	-4	13	11	169	121
Indonesia		17642	0.2	0.3	2.2	-6.9	-5.5		7.1	-5	10	-21	77	104
India		94	0.0	0.9	0.9	-6.7	-4.9		8.0	6	21	16	117	94
Philippines		63	-0.2	-0.6	-2.3	-8.9	-5.9		6.0	0	4	-7	123	131
Thailand		33	0.0	0.6	1.0	-1.9	-4.3		2.3	-2	7	9	90	54
Malaysia		4.04	0.0	-0.5	1.3	4.6	0.4		3.9	2	8	22	54	44
Argentina		1508	0.2	0.3	-1.0	-9.7	-3.7		0.0	0	0	0	-4827	-3237
Brazil		5.11	-0.3	1.0	-0.4	6.7	7.6		14.1	-10	-18	-12	20	57
Chile		931	0.8	-0.5	-0.7	4.0	-3.3		5.7	0	3	2	22	35
Colombia		3143	0.5	0.4	2.9	27.5	20.1		12.5	-11	15	31	78	-40
Mexico		16.90	0.1	0.8	2.1	10.9	6.5		9.2	0	12	13	27	21
Peru		3.4	0.1	-0.4	1.1	5.1	0.1		6.3	-1	7	14	11	54
Uruguay		40	0.0	0.1	0.0	-0.4	-2.7		7.6	0	6	11	-43	11
Hungary		312	-0.4	0.9	0.3	8.0	4.8		5.5	-14	3	4	-131	-106
Poland		3.71	0.1	1.0	0.3	-1.8	-3.4		5.5	-3	20	40	55	92
Romania		4.5	0.0	0.4	0.7	-3.6	-4.1		6.8	-6	6	15	-66	13
Russia		86.5	0.1	-0.8	-6.8	-6.0	-9.0							
South Africa		16.0	0.1	1.2	2.5	11.2	3.6		8.9	-7	8	11	-107	35
Türkiye		48.44	-0.2	-0.4	-1.9	-15.0	-11.3		33.8	-14	-26	-148	68	418
US (DXY; 5y UST)		99	0.2	-0.6	-0.8	0.8	0.8		4.52	0	4	19	87	79

	Equity Markets: Level Last 12m	Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level Last 12m	Latest	Change (in basis points) 7 Days	30 Days	12 M	YTD
								basis points					
China		4,548	-0.1	-1.3	-1.1	4.2	-1.8		87	-4	-3	-26	12
Korea*		6,687	1.6	-1.5	5.2	108.9	58.7		22	0	-1	2	0
Indonesia		6,636	-0.5	1.8	5.0	-15.6	-23.3		106	-1	-10	15	20
India		76,515	-0.5	-1.0	-2.4	-5.2	-10.2		92	0	-2	-2	2
Philippines		6,091	0.3	1.4	-3.3	-0.3	0.6		89	-3	-10	17	14
Thailand		1,596	1.2	0.5	-1.3	27.4	26.7						
Malaysia		1,708	-0.4	-1.9	-1.4	8.2	1.7		60	-1	0	-6	1
Argentina		3,058,093	-1.5	1.9	-4.1	53.6	0.2		501	-17	81	-401	-68
Brazil		185,188	0.0	5.7	4.1	31.3	14.9		180	-4	-4	-23	-23
Chile		11,315	-1.1	-1.4	2.7	26.8	8.0		90	-4	-4	-14	-1
Colombia		2,534	1.8	3.1	6.7	36.7	22.6		208	11	8	-71	-69
Mexico		65,436	0.9	-0.6	-2.1	9.3	1.8		196	1	-4	-36	-21
Peru		3,507	0.0	-2.2	0.6	63.0	35.8		89	-1	0	-16	-20
Hungary		147,688	-0.4	-2.0	-0.9	41.4	33.0		106	-3	-5	-38	-33
Poland		153,041	0.6	0.7	1.0	44.4	30.5		97	3	5	-5	6
Romania		34,602	-0.5	-1.2	-4.6	68.9	41.6		181	-2	12	-37	6
South Africa		117,594	0.8	-0.5	2.9	17.1	1.5		193	-5	-13	-97	-25
Türkiye		13,964	0.2	-4.6	2.0	29.0	24.0		244	-5	-14	-38	10
EM total		67	1.0	-0.2	2.2	35.3	23.3		263	-6	-8	-97	-9

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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