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- Some analysts expect OAT-Bund spreads to tighten in the near-term ([link](#))
- Average UK house prices reach a record high in August ([link](#))
- Japan's wages rose the most in seven months, but rate hike probability does not rise ([link](#))
- China bonds saw renewed selloff despite healthy demand in 30-year auction ([link](#))

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## Weak US jobs report drives yields lower

Today's non-farm payroll report for August sent US treasury yields lower on increased expectations for rate cuts this year. The report showed 22k jobs were created in August, compared to expectations of 75k. The yield on the 2-year treasury is 8 bp lower following the release and the yield on the January 2026 Fed Funds future contract is 9 bp lower. Equity markets also edged higher following the report. Immediately preceding the data release, equities and the dollar declined on nervousness regarding technical difficulties, with the Bureau of Labor Statistics website reporting that data retrieval tools were not immediately available. Earlier in the morning, markets had been positive with European equities in positive territory and bond yields largely holding steady. Overnight, Chinese equity markets rebounded with the CSI 300 gaining over 2%. In Japan, wage data showed the strongest growth in wages in 7 months, but despite the release, market expectations for a rate hike by the BOJ dipped somewhat.

Key Global Financial Indicators

Last updated: 9/5/25 8:17 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6502	0.8	0	3	18	11
Eurostoxx 50		5361	0.3	0	2	11	9
Nikkei 225		43019	1.0	1	3	18	8
MSCI EM		50	-0.3	0	2	17	19
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.14	-2.3	-9	-7	41	-43
Germany 10y Yield		2.70	-1.9	-2	8	49	33
EMBIG Sovereign Spread		299	0	3	-11	-104	-25
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.7	0.1	0	0	0	7
Dollar index, (+) = \$ appreciation		97.9	-0.4	0	-1	-3	-10
Brent Crude Oil (\$/barrel)		66.4	-0.8	-2	-2	-9	-11
VIX Index (% change in pp)		15.3	0.0	1	-3	-5	-2

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

## Mature Markets

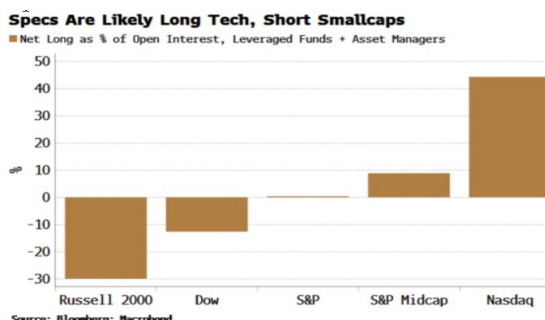
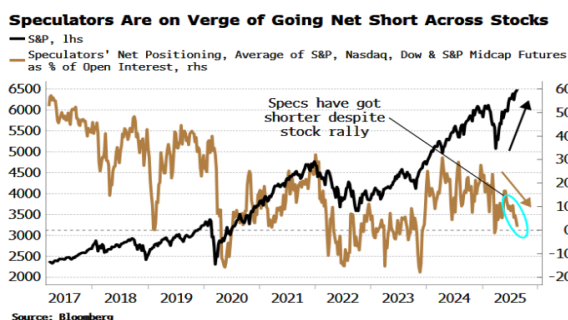
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### United States

**Nonfarm payrolls of 22k came significantly below estimates of 75k hinting at a weaker labor market than believed.** The two-month net revisions of -21k were of less importance than previous months (prior -258k). The unemployment rate of 4.3% came in line with forecasts. S&P 500 mini-futures traded up by 0.3% at 8:35am after an initial drop, the UST 10-year yields fell by 5bp, and the Dollar index weakened (DXY -0.4%). Market commentary pointed towards stronger confidence that the Federal Reserve will cut rates (60bp were priced in by year end before the print).

	Actual	Estimate	Prior
<b>Nonfarm payrolls</b>	22k	75k	79k
<b>Two-month payroll net revision</b>	-21k		-258k
<b>Unemployment rate</b>	4.3%	4.3%	4.2%

**Enthusiasm for US stocks is diminishing.** While the recent rally has driven stocks back to all-time highs, enthusiasm seems to be diminishing as leveraged funds' net long position in futures across the S&P, Nasdaq, Dow Jones and Midcap has fallen to almost flat, a multi-year low. When including asset managers, investors seem to differentiate among the key indices, with long exposures to the S&P MidCap and the Nasdaq while being short the Russell 2000 and the Dow Jones. Given the relatively flat positioning for the S&P 500, Bloomberg analysts believe this signals an overall diminishing enthusiasm for US stocks.



**Disconnect between soft and hard data widens cross-asset divergence.** US economic data is giving mixed signals. Survey data shows resilience while hard data points to deterioration in the labor market. Equity markets seem to be riding the strong economy wave, hovering around all-time highs, while Treasuries and the dollar have taken more interest in negative news around the labor-market. Bloomberg economists believe that this partially reflects differing views about the rate path for the Federal Reserve but could also be explained by the impact of AI. For example, Challenger data shows 30k job cuts in 2025 are related to automation and AI; painful for the labor market but positive for productivity and profits.

#### Soft vs Hard Data

Survey data strength contrasts with weak hard data like labor indicators

Economic Data	Latest Reading	2025 Average	Gap
Payrolls	73.00	115.00	-42.00
Retail Sales	0.50	0.24	0.26
Durable Goods	-2.80	0.91	-3.71
Conference Board Confidence	97.40	98.35	-0.95
ISM Manufacturing	48.70	49.20	-0.50
Manufacturing PMI	53.00	51.05	1.95
ISM Services	52.00	51.69	0.31
Services PMI	54.50	53.53	0.98

Source: Bloomberg  
Note: Missing August data uses July instead

Bloomberg

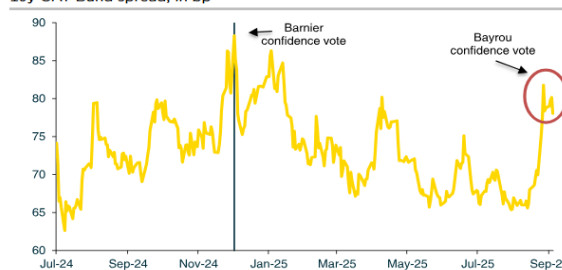
## Europe

**European equities were trading slightly higher ahead of today's US non-farm payrolls report.** The Stoxx 600 index was around 0.3% higher, with regional bourses also in positive territory. Meanwhile, the euro was firmer against a broadly weaker dollar (+0.4%). On the data front, the final print for Q2 euro area GDP showed output rose by 0.1% q/q, in line with the earlier flash estimate.

### Some analysts expect OAT-Bund spreads to tighten in the near-term.

Commerzbank analysts, in line with other commentators, expect that the French government will fall next week, but do not expect elections to be called. The analysts expect President Macron will appoint a new center-left prime minister who may succeed in passing a budget with some concessions. Such an outcome would reduce near-term political uncertainty, while the fiscal issues would remain. However, the analysts note that previous political episodes, including the failed confidence vote in December saw spreads widen ahead of the vote, but tighten substantially after the vote. They therefore expect a similar spread reaction next week, assuming that President Macron will not step down, and project the 10Y OAT-Bund spread could tighten towards 70bp over the coming two weeks. In addition, the analysts believe that the risk of an imminent downgrade to single-A territory remains relatively muted, and an unchanged rating from Fitch (AA-/negative) next week may further provide some temporary relief. This morning, European government bonds yields were relatively rangebound ahead of US data, although yields on Italian BTPs and French OATs were 1–2bp lower across all tenors, outperforming German bunds. The 10Y bund was trading at 2.71%, while the 10Y OAT-Bund spread was fractionally tighter at 76bp and the 10Y BTP-Bund spread 2bp tighter at 83bp.

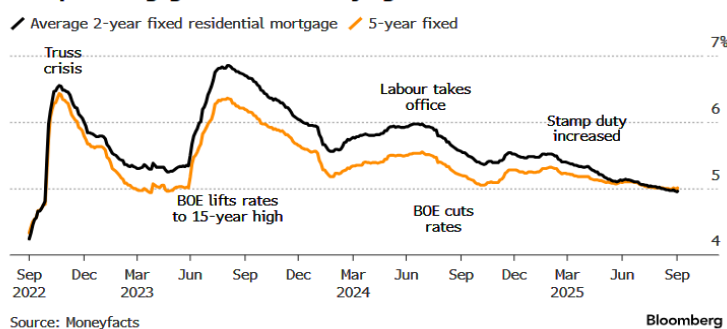
Scope for tactical OAT longs!  
10y OAT-Bund spread, in bp



## United Kingdom

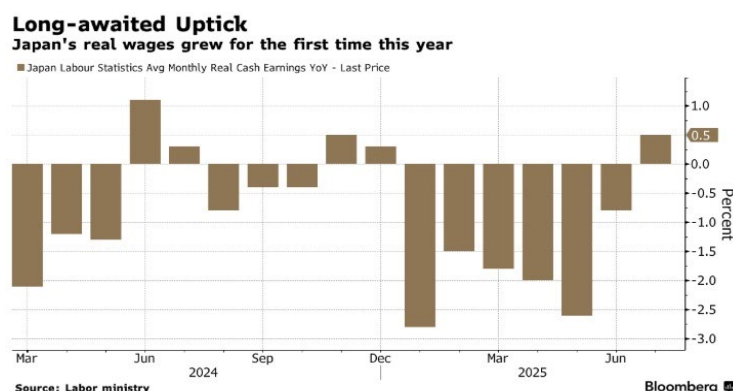
**Average UK house prices reach a record high in August.** Data released this morning showed UK house prices climbed for a third consecutive month to reach a record high. According to Halifax, the average price of a UK home rose 0.3% in August to £299,331, following a rise of 0.4% in the prior month. Falling mortgage rates and rising real wages have supported demand resulting in a slight improvement in affordability. Data released by the Bank of England earlier in the week also showed an increase in mortgage approvals, which climbed to 65.4K in July. Separately, headline retail sales volumes rose by 0.6% m/m in July, above consensus expectations of a 0.2% increase, however revisions to previous data to correct for seasonal adjustment factors implied notably weaker levels of sales growth in the first half of the year than previous figures had suggested. Pound sterling was trading firmer (0.4%) against the dollar this morning at 1.3484 ahead of US payrolls data while gilt yields were easing led by the 30Y which was 2bp lower at 5.55%.

### Cheaper Mortgages Make Homebuying More Affordable



## Japan

**Japanese workers' nominal pay rose at the fastest pace in seven months.** In July, nominal wages increased 4.1% y/y (June: +3.1%), while real cash earnings also advanced for the first time in seven months, rising 0.5% (consensus: -0.6%). Strategists view the data as indicative of continued wage growth momentum, which would increase confidence that domestic demand will remain solid even if some external shock occurs going forward. However, overnight index swaps are now pricing in only a 51% probability of a rate hike by end-December, down from 53% yesterday and 67% a week ago. A former BOJ chief economist argues that market speculation over a potential rate hike is underestimating the degree of uncertainty brought on by the US tariff campaign. Market players are also monitoring the political situation, where the ruling Liberal Democratic Party will vote next Monday whether to bring forward a leadership election, which would call for the resignation of prime minister Ishiba, who seems to have been supportive of the Bank of Japan normalization policy. Today, Ishiba reiterated his intention to remain as leader after securing lower US auto tariffs. The yen continued to rebound (+0.2%) to \$/148.16 today, while benchmark yields fell for a second consecutive day (2y -1bp to 0.84%; 10y -2bp to 1.58%; 30y -2bp to 3.25%).



## Emerging Markets

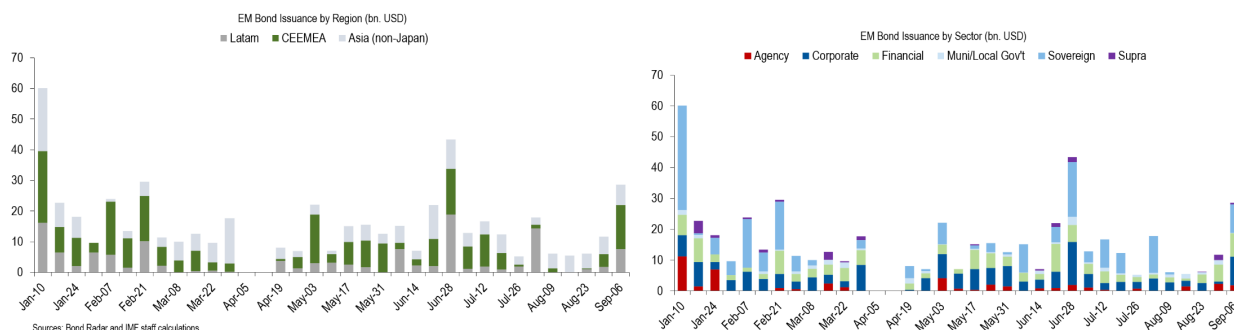
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**Asian currencies mostly appreciated versus the US dollar today** (EM Asia: +0.2%), led by the Thai baht (+0.4%) as political turmoil eased after Anutin was elected as prime minister. Asian equities broadly advanced today (EM Asia: +1.3%), supported by a rebound in Chinese equities (CSI 300: +2.2%; Hang Seng +1.4%) as well as positive sentiment around a finalized US-Japan trade deal. **EMEA equities and currencies traded mixed this morning.** In CEE, equities outperformed in Poland (0.4%) with Czechia (0.3%) and Romania (0.3%) also in the green while stocks partly retraced (-0.5%) from yesterday's gains in Hungary. CEE currencies were steady against the euro. In Türkiye, the stock market was down by 0.3% and the lira 0.3% weaker against the dollar, trading at TRY41.25/\$, after central bank Governor Karahan provided an optimistic view on Türkiye's inflation outlook despite worse-than-expected August data. In South Africa the rand regained ground (0.6%) on the dollar, while equities gained 0.8%. **Latin American equities advanced Thursday**, with Colombia and Chile each up 1%, Brazil rising 0.8%, and Mexico posting smaller gains. Currencies were mixed as the Colombian peso strengthened, while the Mexican peso, Chilean peso, and Brazilian real weakened.

## EM Bond Issuance

**EM bond issuance surged to \$28.6bn in the week of September 5<sup>th</sup>**, more than doubling the prior week's \$11.7bn and lifting the YTD amount to \$537bn. Corporates led with \$9.3bn, while sovereigns issued \$7.2bn. Saudi Arabia raised the most, issuing \$5.5bn in dollar bonds maturing in 2030 and 2035. Brazil followed with \$1.7bn in dollar bonds, reopening 2030s and adding a new 2056 maturity.

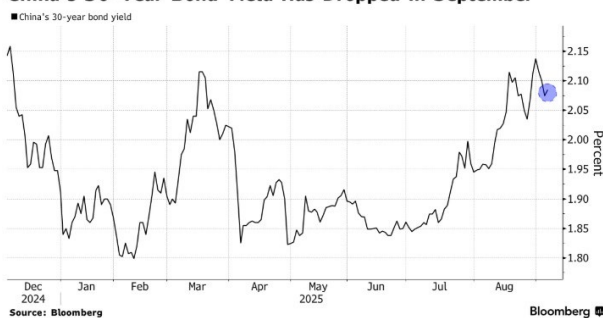
## Largest Issuers: Saudi Arabia and Corporates



## China

**Chinese government bonds declined Friday as equities extended gains, despite signs of improved demand in a 30-year bond auction.** The Ministry of Finance sold CNY 82bn in 30-year notes at 2.11%, below the previous auction's 2.15% but above secondary market levels. The bid-to-cover ratio rose to 3.02 from 2.89 in the prior auction. China also sold CNY 157bn one-year government bonds at an average yield of 1.35%, compared with 1.33% in the last auction on August 6. Today, 10-yr sovereign yield rose 2bp to 1.77%. Also today, the People's Bank of China (PBOC) infused CNY 1tn (\$140 bn) of liquidity via a three-month outright reverse repurchase agreement, matching maturities, while draining a net CNY 595bn of short-term cash, the most since August 1. Market sentiment remains cautious amid quarter-end liquidity concerns, with expectations for increased support from the People's Bank of China (PBOC). Traders are also watching for further equity strength, which could accelerate the rotation out of low-yielding bonds. A rare joint meeting of fiscal and monetary officials has sparked speculation of upcoming easing, with analysts anticipating looser monetary policy and more proactive fiscal measures. According to newspaper Shanghai Securities News, analysts expect China's financial market liquidity to remain "reasonably ample", supported by rising fiscal expenditures and targeted central bank operations including outright reverse repos and medium-term lending facility (MLF) injections later this month. Today, both onshore (CSI 300: +2.2%) and offshore (Hang Seng: +1.4%) equities rebounded, while both onshore CNY and offshore CNH strengthened 0.1% with fixing slightly weaker at 7.1064.

## China's 30-Year Bond Yield Has Dropped in September

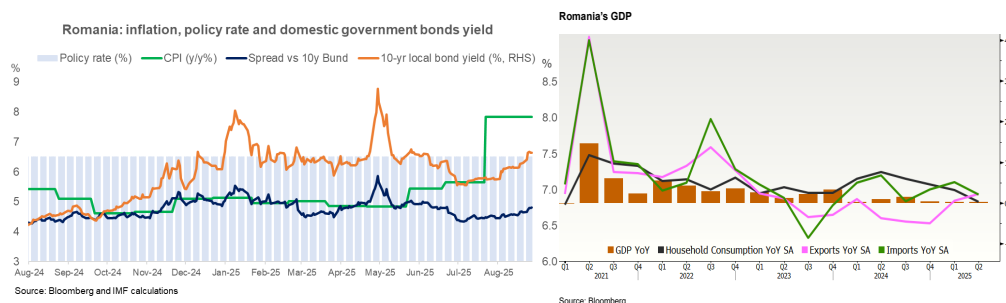


## Romania

**The stock market traded in the green (+0.3%) this morning in Romania after 2Q GDP data confirmed the economy grew by 0.3% y/y.** The leu was steady against the euro, with government bond yields also little changed. Romania's coalition government came under renewed strain at the beginning of the week, facing political resistances to pursue a further 10% cut to administrative expenses as part of the broader fiscal reform package. Political tensions pushed the 10y government bond yield 10bp higher to 7.56% on Wednesday. That move has largely retraced as of this morning with the yield at 7.48% today. The central






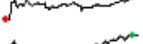





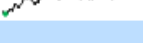














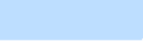
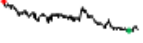

bank kept its policy rate unchanged at 6.5% in August after inflation surprised in July, jumping to 7.8%y/y (from 5.6% in June), with consensus expecting inflation to further increase to 9% for August.



*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

9/5/25 8:17 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,519	0.8	0.3	3.5	18.5	11
Europe		5,361	0.3	0.2	2.1	11.3	9
Japan		43,019	1.0	0.7	2.9	18.2	8
China		4,460	2.2	-0.8	8.7	38.0	13
Asia Ex Japan		86	-0.5	-0.2	2.1	20.0	19
Emerging Markets		50	-0.3	-0.1	2.1	17.1	19
<b>Interest Rates</b>			basis points				
US 10y Yield		4.1	-2	-9	-7	41	-43
Germany 10y Yield		2.7	-2	-2	8	49	33
Japan 10y Yield		1.6	-2	-2	11	70	48
UK 10y Yield		4.7	-3	-3	18	78	12
<b>Credit Spreads</b>			basis points				
US Investment Grade		120	-1	-3	-4	-16	0
US High Yield		342	1	4	-7	-36	14
<b>Exchange Rates</b>			%				
USD/Majors		97.9	-0.4	0.1	-0.8	-3.1	-10
EUR/USD		1.17	0.4	0.1	1.1	5.3	13
USD/JPY		148.1	-0.3	0.7	0.3	3.2	-6
EM/USD		45.7	0.1	-0.1	0.2	-0.2	7
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		66.4	-0.8	-1.5	-0.8	-6.4	-8
Industrials Metals (index)		142.9	0.9	1.2	2.8	2.1	2
Agriculture (index)		54.9	0.3	-0.7	3.3	-0.8	-4
Gold (\$/ounce)		3552.0	0.2	3.0	5.1	41.1	35
Bitcoin (\$/coin)		112512.3	1.9	3.1	-1.0	100.6	20
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		15.3	0.0	0.8	-2.6	-4.6	-2.1
Global FX Volatility		7.8	0.0	0.1	-0.2	-0.9	-1.4
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		68	0	-2	1	-35	-18
Italy		84	-1	-2	4	-59	-32
France		77	0	-2	11	7	-6
Spain		58	0	-2	0	-23	-11

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

## Emerging Market Financial Indicators

Last updated: 9/5/2025 8:18 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		7.14	0.1	-0.1	0.7	-0.7	2.3		1.8	0	-3	6	-22	13
Indonesia		16433	0.0	0.4	-0.3	-6.3	-1.8		6.3	0	7	-18	-38	-72
India		88	-0.1	-0.1	-0.5	-4.9	-3.0		6.8	-2	-4	16	-15	-51
Philippines		57	0.2	0.4	1.3	-1.2	1.8		4.8	0	1	0	-33	-11
Thailand		32	0.4	0.5	0.6	4.5	6.8		1.4	0	-4	-22	-123	-95
Malaysia		4.23	0.0	-0.1	0.0	2.6	5.7		3.4	-6	-3	-3	-39	-46
Argentina		1363	-0.1	-2.0	-0.3	-30.0	-24.3		49.9	160	182	1475	850	2071
Brazil		5.42	0.4	0.1	1.6	2.8	13.9		13.9	-1	12	0	192	-201
Chile		972	-0.3	-0.5	-0.6	-3.0	2.5		5.4	2	3	6	11	-23
Colombia		3988	0.5	1.0	2.8	4.7	10.5		11.7	0	15	-5	148	-13
Mexico		18.67	0.4	-0.1	0.4	6.4	11.6		8.9	-2	-5	-27	-86	-146
Peru		3.5	0.2	0.4	1.1	7.6	6.5		6.2	-4	-11	-17	-36	-45
Uruguay		40	0.0	-0.2	0.2	0.8	9.0		8.1	-1	9	-27	-153	-159
Hungary		336	0.5	1.1	2.5	5.5	18.4		6.8	0	5	8	76	37
Poland		3.63	0.5	0.4	1.9	6.1	13.7		4.9	0	1	8	-9	-65
Romania		4.3	0.4	0.1	1.0	3.1	10.7		7.5	0	11	26	98	21
Russia		81.6	-0.4	-0.7	-2.0	8.1	39.1		6.7					
South Africa		17.7	0.6	0.0	1.4	0.3	6.7		10.0	0	4	5	-49	-47
Türkiye		41.25	-0.2	-0.3	-1.4	-17.7	-14.3		33.0	-6	166	141	371	333
US (DXY; 5y UST)		98	-0.4	0.1	-0.9	-3.2	-9.7		3.62	-3	-8	-16	8	-76

	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		4,460	2.2	-0.8	8.7	38.0	13.4		116	2	5	-10	20	
Indonesia		7,867	0.0	-1.1	4.4	1.9	11.1		92	5	-2	-24	1	
India		80,711	0.0	1.1	1.1	-0.6	3.3		96	3	-2	-16	10	
Philippines		6,149	0.7	-0.1	-3.0	-11.3	-5.8		76	3	-6	-24	-3	
Thailand		1,265	1.0	2.3	0.5	-11.4	-9.7							
Malaysia		1,578	0.0	-0.6	1.4	-4.5	-3.9		67	1	-5	-19	-3	
Argentina		1,990,320	2.9	-0.4	-15.2	12.7	-21.4		910	64	141	-558	273	
Brazil		140,993	0.8	0.0	5.9	3.3	17.2		205	0	-12	-30	-42	
Chile		9,175	1.2	3.1	12.0	44.2	36.7		105	-1	-6	-24	-8	
Colombia		1,854	1.4	0.4	5.2	38.2	34.4		279	3	-32	-50	-47	
Mexico		59,868	0.4	1.2	4.9	15.9	20.9		232	-10	-20	-102	-80	
Peru		34,938	0.3	0.3	3.9	23.4	20.6		105	-3	-12	-46	-36	
Hungary		103,878	-0.6	1.3	2.1	43.4	31.0		145	3	-11	-17	-10	
Poland		106,778	0.7	1.9	0.6	28.0	34.2		106	5	1	-9	-6	
Romania		20,655	0.8	0.5	1.6	16.5	23.5		219	3	1	5	-16	
South Africa		101,644	1.2	-0.2	2.0	23.7	20.9		290	-1	-18	-21	-3	
Türkiye		10,768	-0.6	-4.6	-0.8	8.4	9.5		287	6	-2	-29	28	
EM total		50	1.3	-0.1	2.1	17.1	19.2		361	9	-1	-54	-3	

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

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