GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, SEPTEMBER 8, 2025

LEAD EDITOR: JEFFREY WILLIAMS

- **Soft jobs data fuel rate cut bets and offer reprieve to long-term yields** (link)
- **AI sentiment softens amid deployment uncertainty** (link)
- **Analysts expect reaction to today's confidence vote in France may be limited** (link)
- **UK wage growth for new hires rises at slowest pace in over four years** (link)
- **JGB yield curve steepens on fiscal uncertainty following Ishiba resignation** (link)
- **Bullish bets on RMB increase** (link)
- **Special Feature: Emerging Markets Issuance Monitor for August** (attached)

Mature Markets | Emerging Markets | Market Tables

Markets Rise at the Start of a Busy and Uncertain Week

European equities and US stock futures are higher this morning, even as investors await a no-confidence vote in France and digest the weekend resignation of Japan's PM. While analysts see some downside risks for today's no-confidence vote in France, it is largely believed that OAT yields already price the collapse of PM Bayrou's government so that a compromise agreement could result in a decline in the spread between OAT and Bund yields. In Japan, the resignation of PM Ishiba over the weekend has caused markets to further reduce expectations of a BOJ rate hike, helping to weaken the yen, with Japanese equities rising. The news also increased fiscal uncertainty pushing long-end JGB yields higher. In the US, markets fully price a cut at next week's FOMC meeting following Friday's non-farm payroll release, with nearly 3 full cuts priced by year-end. US inflation data later this week will offer further guidance to investors.

Key Global Financial Indicators

Last updated: 9/8/25 8:06 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6482	-0.3	0	1	20	10
Eurostoxx 50		5343	0.5	0	0	13	9
Nikkei 225		43644	1.5	3	4	21	9
MSCI EM		50	1.2	1	2	21	21
Yields and Spreads					bps		
US 10y Yield		4.07	-0.4	-16	-21	36	-50
Germany 10y Yield		2.65	-1.1	-10	-4	48	28
EMBIG Sovereign Spread		298	-2	0	-10	-90	-27
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.8	0.0	0	0	0	7
Dollar index, (+) = $ appreciation		97.7	-0.1	0	-1	-3	-10
Brent Crude Oil ($/barrel)		67.0	2.3	-2	1	-6	-10
VIX Index (%, change in pp)		15.5	0.3	0	0	-7	-2

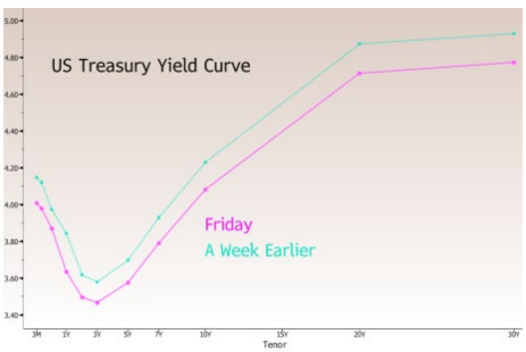
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

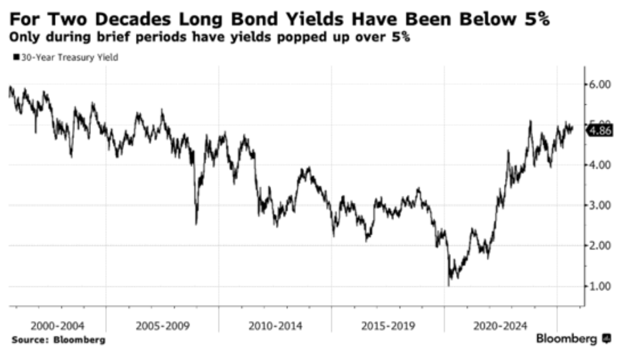
Mature Markets

back to top

United States

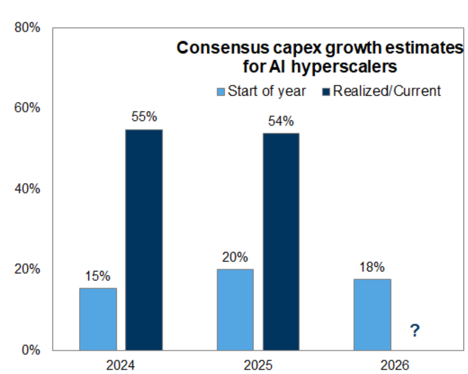
Soft jobs data fuel rate cut bets and offer reprieve to long-term yields. Friday's jobs report confirmed continued labor market softness, reinforcing expectations for a Fed rate easing cycle starting this month. Powell's dovish tone at Jackson Hole had already cemented market conviction for a September cut, and the latest employment data has further raised the likelihood of additional rate reductions in October and December, though these are not yet fully priced in. Short-term Treasury yields also declined, but the most notable moves occurred in longer maturities: after nearing 5% earlier in the week, close to levels not seen in two decades, 30-year yields fell below 4.8% by week's end. Analysts attribute the bond rally partly to fundamentals, on growth concerns amid a possible change in the reaction function of the Fed, and partly to investors locking in higher yields and profit taking. Still, they argue that persistent inflation risks, political scrutiny of the Fed, and ongoing Treasury issuance suggest that upward pressure on long-term yields will likely persist.





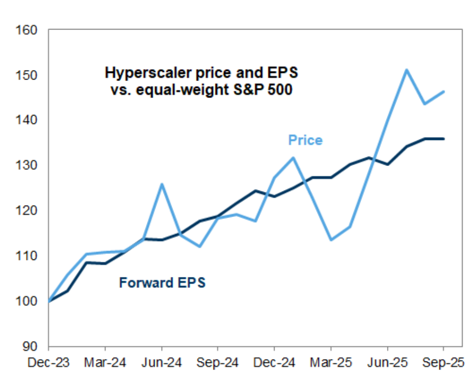
AI sentiment softens amid deployment uncertainty. Second-quarter earnings calls from S&P 500 companies suggest a modest cooling in management sentiment toward AI, with Nvidia's recent underwhelming results raising concerns that the AI-driven investment boom may be losing momentum. Analysts view this shift as part of a broader transition from the core innovation phase to real-world deployment. Goldman Sachs analysts caution that this transition may be uneven. Major hyperscalers—key providers of cloud and data center infrastructure—now represent nearly 20% of the S&P 500's market cap, highlighting the scale and importance of their AI-related investments. While infrastructure spending has so far outpaced expectations and supported valuations, a slowdown could pose risks, especially amid deployment uncertainty: Equity investors remain hesitant to pivot toward AI-enabled application companies, awaiting clearer signs of profitability and tangible earnings impact.

Exhibit 11: Growth in hyperscaler capex continues to be revised higher
aggregate of AMZN, GOOGL, META, MSFT, ORCL



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 12: Hyperscaler returns have modestly outpaced the path of earnings
equal-weighted average of AMZN, GOOGL, META, MSFT, ORCL

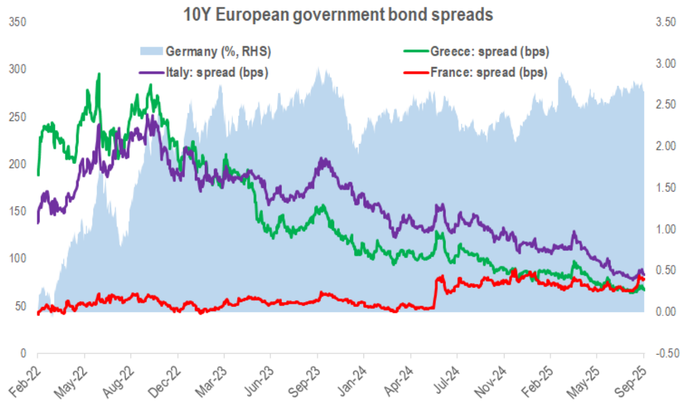


Source: FactSet, Goldman Sachs Global Investment Research

Europe

European equities were trading slightly higher, ahead of today's confidence vote in France. The Stoxx 600 index was around 0.3% higher, led by gains in the energy sector, with the European banking sector index outperforming (+1.0%). Regional bourses were also trading higher, while the euro was firmer against a broadly weaker dollar (+0.1%). On the data front, the September Eurozone Sentix investor confidence index printed at -9.2, below analysts' expectations of -2.0 and down from last month's reading of -3.7. Elsewhere, German industrial production figures for July surprised on the upside, printing at 1.3%m/m (vs 1.0% exp) with the sharp contraction in June revised away to a -0.1%m/m decline.

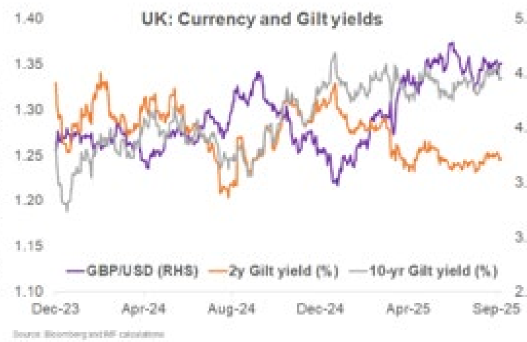
Some analysts expect limited market reaction to today's confidence vote in France. Analysts at Credit Agricole expect a new Prime Minister and French government to be appointed after this afternoon's vote. In such an outcome, the analysts expect the 10Y OAT-Bund spread to decrease slightly towards the 70bp mark, although this will depend on President Macron's choices regarding ministerial appointments and political alliances. Alternatively, the analysts note that if elections are called, resulting in another coalition government, the 10Y OAT-Bund spread would likely increase further to around 85bp or possibly higher. Similarly, analysts at Citi note that OATs are largely priced for the collapse of the Bayrou government. A compromise deal with the Parti Socialiste (PS), which would avoid a snap election, could see the 10Y-Bund spread stabilize or tighten slightly towards the 75bp mark. However, persistent fiscal risk would likely see French OATs underperform. Alternatively, if an agreement with the PS can't be reached, a snap election could see OAT-Bund spreads widen towards 90bp according to Citi. This morning, French government bond yields were broadly steady across all tenors. The 10Y OAT-Bund spread was fractionally tighter at 78bp while the 10Y BTP-OAT spread was 1bp tighter at 5bp. Meanwhile, Frech equities were trading 0.2% higher, underperforming German equities, where the DAX was around 0.6% higher in early morning trade.



Source: Bloomberg and IMF calculations

United Kingdom

UK wage growth for new hires rises at its weakest pace in over four years. Data released this morning showed wages for new hires in the UK rose at their weakest pace in over four years, a sign that Bloomberg analysts say suggests that the labor market is cooling. The REC survey showed that starting pay growth in August slowed to levels last seen in March 2021. At the same time, the survey showed that demand for workers declined while the number of people seeking employment has risen. Analysts at Deutsche Bank note that while today's data suggests there is more slack in the labor market, the BoE will be encouraged to see pay growth slowing which should give policymakers confidence that wage settlements will decline towards target-consistent levels for 2026. Money markets expect the BoE to keep rates on hold at next week's meeting with around 12bp of easing priced through the end of this year. Elsewhere, pound sterling was steady against the dollar this morning while gilt yields were around 1bp higher across all tenors with 2Y gilts at 3.92% and 10Y gilts at 4.65%. 30Y gilt yields were relatively steady at 5.50%, down around 13bp relative to last Monday.



Japan

The JGB yield curve steepened amid fresh fiscal uncertainty following Ishiba's resignation. The yield on the 30-year JGB rose as much as 6 bp intraday before setting at 3.28% (+3 bp), close to last week's record high as investors assess the pool of likely candidates to succeed PM Ishiba following his resignation last Friday. Investors expect potential candidates to increase government stimulus going forward and thus drive long-end yields higher. Meanwhile, yields on shorter-dated bonds could fall as investors pare BOJ rate hike expectations amid policy uncertainty over the coming weeks, until the Liberal Democratic Party chooses a successor. By Reuters' assessment, the process to select Japan's next leader is more complicated than in the past as both the LDP, PM Ishiba's Party, which has ruled Japan for most of the post-war period, and its junior coalition partner, lost their majorities in both houses of parliament during PM Ishiba's tenure. Overnight index swaps are now pricing in a 21% probability of an interest rate hike in October, compared to more than 50% last week. The 5-30 year yield spread for JGBs, at about 220 bp, is among the steepest in advanced markets

Emerging Markets

back to top

Asian currencies were mixed against the dollar, with the Thai baht outperforming (+1.1%). Investor optimism that new PM Anutin Charnvirakul's cabinet will be filled with seasoned professionals has boosted the baht for a fourth day. In equities, Asian stocks rose as traders boosted bets on Federal Reserve interest-rate cuts. **EMEA equities edged higher this morning while currencies were little changed.** In CEE, equities were in the green across the region and outperformed in Poland (1.1%), where the zloty was little changed against the euro and government bond yields steady. Fitch lowered its outlook on Poland's rating (A-) from stable to negative over the weekend. In Türkiye, the stock market was down by 2% on headlines of escalating political tensions in the country over the weekend. **Latin American stock markets largely rose Friday.** Most major Latin American currencies appreciated, except for the Argentine peso, which experienced a slight depreciation.

EM Fund Flows

EM bond funds see faster momentum with seven straight weeks of inflows. Weekly EM bond flows were +$938mn (from +$680mn), while equity flows were +$1.2bn (from +$85mn) for the week ending September 5. Hard currency bond fund flows accelerated to +$877mn this week (from +$280mn), while local currency fund inflows declined to $61mn (from +$400mn). ETF inflows rose to $409mn (from $100mn) and non-ETF inflows were $529mn (from +580mn). Within equity funds, ETFs saw increased inflows (+$1.5bn, from +$367mn), while non-ETFs had increased outflows (-$315mn, from -$281mn). Among regional funds, Asia ex-Japan saw increased inflows of $431mn (from -$92mn); EMEA had inflows ($32mn) and Latam also had inflows ($64mn). Finally, among non-resident portfolio flows, EM local bonds saw net outflows, led by Hungary (-$573mn). EM equities saw net outflows, mainly from India (-$1.4bn).

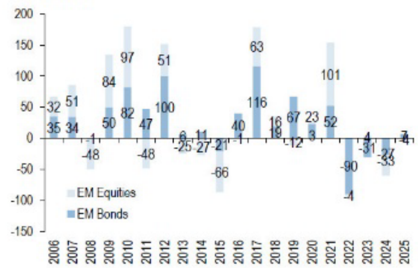
Figure 1: Weekly cross-asset flows

USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
EM Bonds and Equities		2.1	2.8
EM Bonds		0.9	7.0
Hard Ccy		0.9	0.2
Local Ccy^		0.1	6.8
o.w. EM ex-China		0.1	5.0
o.w. China		0.0	-1.7
EM Equities		1.2	-4.2
US HG		7.9	134.5
US HY		0.9	19.6
Global Equities		6.3	17.4
EM Bond and Equity ETFs		1.9	40.8
EM Bond ETFs		0.4	0.1
EM Equity ETFs		1.5	40.7
Non-resident EM flows*		-0.8	-16.2

Figure 2: EM bond and equity fund flows

USD billion

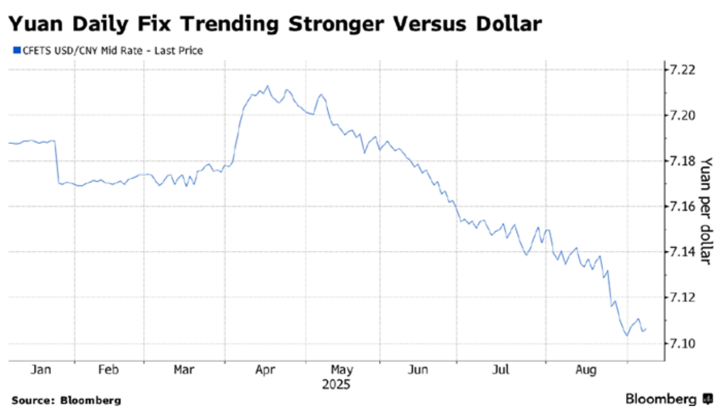


*High-frequency non-resident EM portfolio flow data where available. ^Local ccy split is retail only.

Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

China

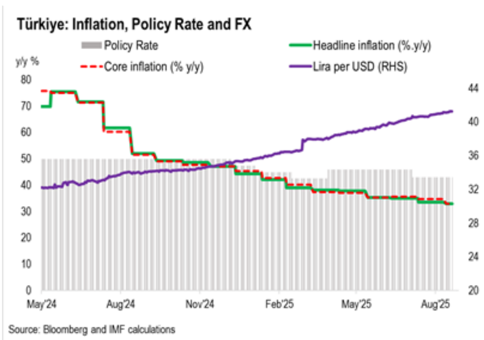
Hedge funds add to bullish RMB bets. The premium on options that bet on a strengthening offshore RMB against the US dollar has increased to its highest level since last August as the policy outlook in China diverges from the US. Expectations for monetary policy easing in China have waned as the Chinese equity market rallied. By comparison, recent data reinforced Fed rate cut expectations. Meanwhile, the RMB's daily fixing for the day was set at its strongest level since November. Expectations for the RMB to strengthen below the RMB 7/USD level have been building. Trades with the largest notional values on the offshore RMB versus the dollar are put options set around the RMB 6.90/USD level, according to data from the Depository Trust & Clearing Corporation data. The volume of option bets on RMB strength also increased recently, particularly around the 3-month time frame, according to Societe Generale SA.

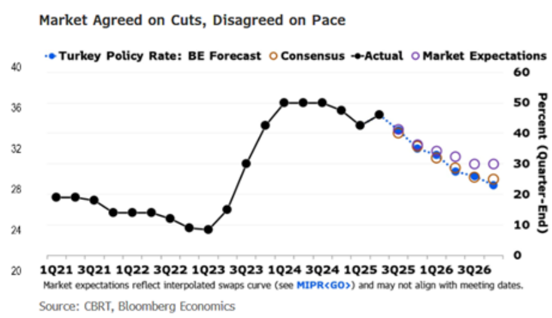


Türkiye

Equities continued to fall in Türkiye (-2%) **on headlines of escalating political tensions in the country,** and after the government cut yesterday its 2025 and 2026 growth forecast as part of its revised Medium-Term Program. GDP is now expected to grow by 3.3% in 2025, from 4%, and by 3.8% in 2026 compared to 4.5% in the previous program, with the budget deficit also revised higher to 3.6% of GDP in

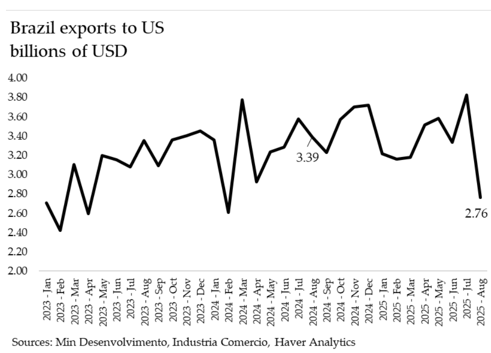
2025 (prior 3.1%) and 3.5% in 2026 (prior 2.8%). Government bond yields edged higher this morning, with the 2y yield on domestic bonds up by 9bp. Consensus continues to expect the central bank (TCMB) to cut its policy repo rate by 200bp to 41% on Thursday, although inflation slowed less than expected in August to 32.95%y/y compared to the TCMB end-year projection of 25%-29%. Analysts at Bloomberg note the possible drag on further easing posed by the recent decline of FX reserves, but they continue to expect the TCMB to lower the policy rate to 35% by the end of the year.





Brazil

Brazil's exports to the United States plunged by 18.5 percent in August, compared to the same period last year. This followed US President Trump's implementation of a 40 percent tariff on many Brazil-imports starting August 6, which, combined with reciprocal tariffs, amounted to a total tariff rate of 50 percent on Brazilian goods such as steel and aluminum. Despite the drop in exports to the US, the country's overall trade performance in August showed resilience, with total exports rising by 3.9 percent. Strong growth was recorded in exports to China and Mexico, which grew 31 percent and 44 percent, respectively.



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.

Global Financial Indicators

9/8/25 8:06 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,493	-0.3	0.5	1.6	20.1	10
Europe		5,343	0.5	-0.4	-0.1	12.8	9
Japan		43,644	1.5	3.4	4.4	20.5	9
China		4,468	0.2	-1.2	8.8	39.9	14
Asia Ex Japan		87	1.3	0.7	2.3	23.8	20
Emerging Markets		50	1.2	0.7	2.0	20.8	21
Interest Rates					basis points		
US 10y Yield		4.1	0	-16	-21	36	-50
Germany 10y Yield		2.7	-1	-10	-4	48	28
Japan 10y Yield		1.6	-1	-6	8	72	47
UK 10y Yield		4.6	-1	-11	4	75	7
Credit Spreads					basis points		
US Investment Grade		121	0	-2	-1	-17	1
US High Yield		342	-5	4	1	-45	14
Exchange Rates					%		
USD/Majors		97.7	-0.1	-0.1	-0.5	-3.5	-10
EUR/USD		1.17	0.1	0.2	0.8	6.3	13
USD/JPY		147.8	0.3	0.4	0.0	3.2	-6
EM/USD		45.8	0.0	0.0	-0.1	0.3	7
Commodities					%		
Brent Crude Oil ($/barrel)		67.0	2.3	-1.7	1.6	-4.1	-7
Industrials Metals (index)		142.2	0.3	-0.2	0.4	3.0	1
Agriculture (index)		54.6	0.3	-1.9	2.4	0.7	-4
Gold ($/ounce)		3620.1	0.9	4.1	6.5	44.4	38
Bitcoin ($/coin)		112023.3	0.6	-0.2	-4.2	106.0	20
Implied Volatility					%		
VIX Index (%, change in pp)		15.5	0.3	0.1	0.3	-6.9	-1.9
Global FX Volatility		7.8	0.0	0.1	-0.1	-0.9	-1.4
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		67	-3	-2	2	-38	-19
Italy		83	-2	-4	4	-63	-33
France		77	-2	-2	11	6	-6
Spain		58	-1	-2	1	-24	-11

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

Emerging Market Financial Indicators

Last updated: 9/8/2025 8:09 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		7.13	0.0	0.1	0.7	-0.2	2.4		1.8	2	-1	8	-19	15
Indonesia		16310	0.8	0.7	-0.1	-5.2	-1.1		6.3	0	2	-17	-36	-72
India		88	-0.1	-0.1	-0.5	-4.9	-3.0		6.8	0	-7	15	-14	-51
Philippines		57	0.4	0.9	0.7	-0.5	2.2		4.7	-1	0	0	-19	-13
Thailand		32	1.0	1.7	1.8	6.6	8.1		1.4	-1	-6	-23	-124	-96
Malaysia		4.22	0.3	0.2	0.6	3.6	6.0		3.4	-5	-3	0	-39	-46
Argentina		1365	-0.2	-1.5	-1.9	-30.1	-24.5		47.4	-245	79	1198	717	1825
Brazil		5.41	0.1	0.6	0.5	3.3	14.2		13.8	-9	-1	-15	193	-210
Chile		964	0.2	0.5	0.2	-2.0	3.4		5.4	-3	-1	3	11	-25
Colombia		3960	0.7	1.5	3.3	5.0	11.3		11.6	-4	7	10	146	-17
Mexico		18.66	0.3	-0.1	-0.4	6.6	11.6		8.8	-7	-10	-33	-90	-153
Peru		3.5	0.1	0.3	0.9	7.6	6.7		6.1	-1	######	-17	-42	-55
Uruguay		40	0.1	0.1	0.3	0.9	9.2		8.0	-2	5	-9	-160	-161
Hungary		335	0.0	0.6	1.2	7.2	18.5		6.7	-5	-1	3	75	32
Poland		3.62	0.1	0.5	0.7	7.0	14.0		4.9	-7	-8	1	-15	-71
Romania		4.3	0.2	0.2	0.7	4.2	11.1		7.5	-3	7	22	94	18
Russia		82.1	-0.6	-1.6	-2.5	10.3	38.3							
South Africa		17.6	0.1	0.3	1.0	1.8	7.3		10.0	-6	-3	-7	-47	-53
Türkiye		41.26	-0.1	-0.4	-1.4	-17.4	-14.3		32.8	-25	135	108	351	307
US (DXY; 5y UST)		98	-0.1	-0.1	-0.5	-3.5	-10.0		3.57	-1	-12	-26	9	-81

	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		4,468	0.2	-1.2	8.8	39.9	13.5		113	0	4	-13	17
Indonesia		7,767	-1.3	-0.8	3.1	0.8	9.7		93	8	2	-23	2
India		80,787	0.1	0.5	1.2	-0.9	3.4		92	0	-4	-20	6
Philippines		6,102	-0.8	-0.6	-3.7	-12.6	-6.5		76	6	-4	-25	-3
Thailand		1,266	0.1	1.7	0.6	-11.5	-9.6						
Malaysia		1,586	0.5	-0.1	1.8	-4.0	-3.5		67	2	-4	-19	-3
Argentina		1,997,624	0.4	0.6	-13.2	16.0	-21.2		914	76	163	-544	277
Brazil		142,640	1.2	0.9	4.9	6.0	18.6		204	3	-11	-32	-43
Chile		9,211	0.4	3.2	8.1	47.5	37.3		109	6	-3	-19	-4
Colombia		1,863	0.5	1.1	3.3	40.2	35.0		266	-14	-45	-62	-60
Mexico		60,480	1.0	3.0	4.1	18.4	22.1		231	-8	-23	-101	-81
Peru		34,938	0.3	0.0	2.7	24.5	20.6		106	3	-13	-44	-35
Hungary		102,995	-0.2	-0.7	-1.2	42.5	29.8		145	5	-8	-19	-10
Poland		107,010	1.4	3.0	-3.5	30.9	34.5		104	5	0	-12	-8
Romania		20,716	-0.3	1.9	-0.8	19.1	23.9		216	3	2	3	-19
South Africa		102,558	1.0	0.6	1.7	26.0	22.0		290	2	-16	-20	-3
Türkiye		10,454	-2.6	-7.3	-4.7	7.0	6.3		282	5	-3	-30	23
EM total		50	0.9	0.7	2.0	20.8	20.6		358	4	-1	-56	-6

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

back to top