GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, SEPTEMBER 8, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **Global central banks expected to turn hawkish** (link)
- **Yen rally and wage gains support policy normalization expectations** (link)
- **China's strong export growth and financial sector recapitalization support stability** (link)
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Nervous Markets Confront Multiple Challenges

Global markets face a sea of red as investors confront multiple challenges. The resurgence of the war in the Middle East has pushed the Brent oil price up to nearly $100/barrel, while global interest rates continue their march higher. The trade war between Canada and the US has escalated as Canada imposed tariffs of up to 50% on many US imports. Meanwhile, market participants are worried that a return of inflation risks could push global central banks into a more hawkish stance. So far, the rise in interest rates has been driven by real yields rather than inflation expectations, but that could change if consumer and producer costs continue to rise. This week's US inflation data will draw even more attention than usual after strong data on jobs and other economic variables raise the odds on rate hikes. The ECB is expected to hike by 25 bps on Thursday.

Key Global Financial Indicators

Last updated: 9/8/26 7:34 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7719	-0.4	0	-1	19	13
Eurostoxx 50		6401	-0.1	0	-2	19	11
Nikkei 225		65269	-1.7	-1	-1	50	30
MSCI EM		69	1.8	2	5	35	26
Yields and Spreads					bps		
US 10y Yield		4.80	1.8	0	15	76	63
Germany 10y Yield		3.38	-0.5	4	25	74	53
EMBIG Sovereign Spread		236	-3	-3	-3	-63	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.5	0.0	0	0	2	0
Dollar index, (+) = $ appreciation		99.0	-0.2	0	-1	2	1
Brent Crude Oil ($/barrel)		98.5	1.6	4	18	49	62
VIX Index (%, change in pp)		15.8	0.5	1	1	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: 9/8/26 7:35 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 ($/barrel)		99	1.6	4	18	49	62
WTI Crude Oil ($/barrel)		94	2.5	9	20	51	63
Natural Gas (Netherlands TTF)		75	2	5	35	129	177
Breakeven Inflation		%	bps				
USD: 2Y		2.5	1.3	2	27	-38	26
USD: 5Y		2.5	0.7	1	12	-10	20
USD: 5Y5Y		2.4	1	1	3	-2	0
EUR: 2Y		2.9	2.8	10	55	110	118
EUR: 5Y		2.4	1	5	25	59	63
EUR: 5Y5Y		2.2	0	1	4	7	10

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

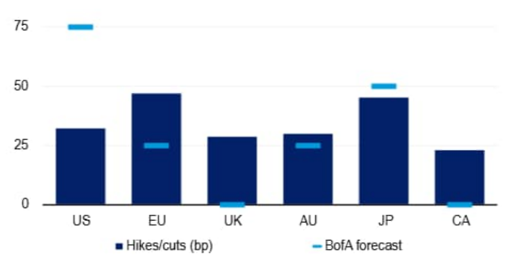
Market participants are uneasy as the continued conflicts in the Middle East and Ukraine push energy prices higher. US retail diesel prices are near record levels and Brent oil is trading near $100/barrel. The stronger than expected US jobs report raises the odds of a more hawkish Fed, increasing the scrutiny of this week's US inflation data. Meanwhile, a 25-bps hike is almost fully priced in for Thursday's ECB meeting, with the euro area GDP report the most important other event of the week. China is due to report on inflation and exports, while South Africa, South Korea, Japan, and the UK will release fresh GDP data. The central bank of Türkiye is expected to stay on hold at 37% this week, with rate cuts expected to continue in the fourth quarter. Poland is also expected to hold steady at 3.75% this week.

Mature Markets back to top

Global Central Banks

Markets expect global central banks to turn hawkish as uncertainty about the conflicts in the Middle East and Ukraine and stubbornly high inflation in many countries gradually remove any prospects of easing. Rate hikes are expected from the Fed, ECB, BOE, RBA, BOJ, and BOC, among others. Furthermore, Bank of America thinks markets underestimating the extent of Fed rate hikes. However, forward curves indicate that long rates are expected to either decline or rise modestly by the end of 2027, with Japan forecasted to be the outlier. Market participants seem to expect any rate increases to be gradual, with market conditions remaining orderly and volatility subdued. This optimistic view has enabled risk assets to retain their gains for the year, with credit spreads remaining tight and equity indexes at or close to all-time highs. An unexpected surge in long-term interest rates is probably the biggest risk facing markets for the rest of the year, although geopolitical shocks could also be potentially destabilizing.

Exhibit 3: Pricing of hikes by YE26 (as of 3 Sep) vs BofA forecasts
BofA forecasts are only more hawkish in US vs market pricing



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 4: BofA forecasts for central bank policy rates & 10y yields
We provide forecasts up to YE27

	% EoP	2024	2025	Q3 26	YE 26	Q1 27	YE 27
US	Fed Funds	4.375	3.625	3.875	4.375	4.375	4.375
	10y USTs	4.57	4.17	4.50	4.50	4.50	4.50
EU	ECB refi rate	3.15	2.15	2.65	2.65	2.65	2.15
	10y Bunds	2.36	2.85	2.90	2.90	2.75	2.60
JP	BoJ	0.25	0.75	1.25	1.50	1.75	2.00
	10y JGBs	1.09	2.06	2.90	3.00	3.10	3.05
UK	BoE base rate	4.75	3.75	3.75	3.75	3.75	3.50
	10y Gilts	4.56	4.48	5.00	5.00	4.85	4.50
AU	RBA cash rate	4.35	3.60	4.60	4.60	4.60	4.10
	10y ACGBs	4.36	4.74	4.80	4.75	4.75	4.65
CA	Corra	2.25	2.25	2.25	2.25	2.25	2.25
	10y Canada	3.22	3.43	3.45	3.50	3.55	3.70

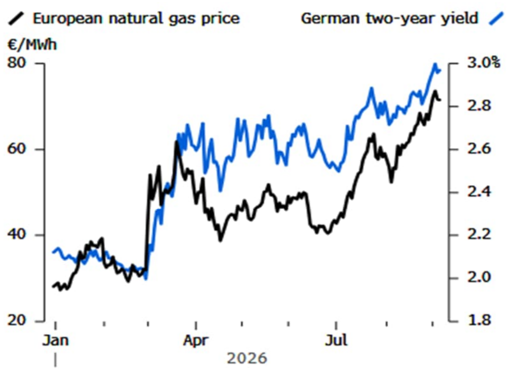
Source: BofA Global Research

BofA GLOBAL RESEARCH

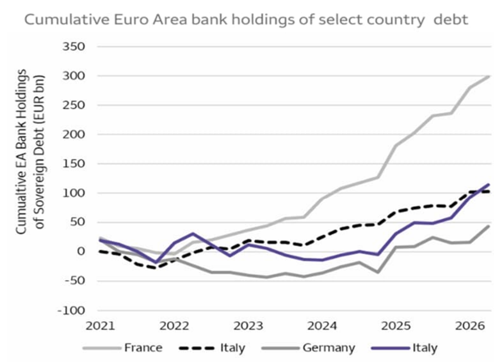
Euro Area

European stocks remained weak this morning, as energy prices continued to rise. The banking sector underperformed, with Wells Fargo noting that Euro area banks bought almost €320bn of European government bonds in the last 12 months and now hold more than 18% of supply, which revives concerns on bank-sovereign nexus risk.

Euro area sovereign spreads were broadly unchanged (10y OAT-Bund and BTP-Bund spreads at 86bps and 82bps respectively). **Deutsche Bank** (DB) argues that, while the current level of the 10y OAT-Bund spread (that rose 15bps YTD) reflects reasonable concerns on France's fiscal path and political uncertainty, the situation in France is more balanced than the market narrative suggests. DB believes that the main risk is not 2026, where budget execution through July showed little slippage, but 2027, when higher inflation can raise indexed spending adding to higher debt service if the roughly 100bps rise in French funding costs since March persists.



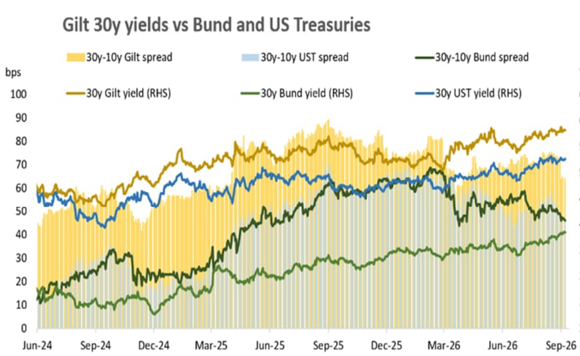
Source: Bloomberg



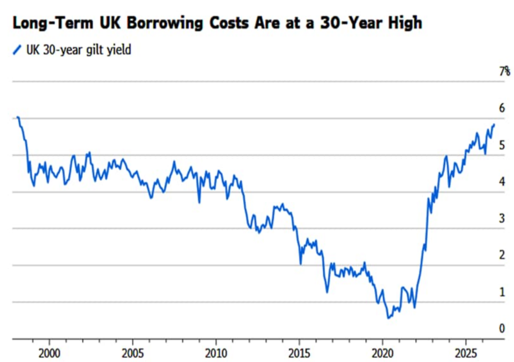
Source: ECB, Wells Fargo Macro Strategy

United Kingdom

Bloomberg notes that the UK is paying the highest gilt borrowing cost since the Debt Management Office was created in 1998, with today's sale of £4.25bn January 2056 gilts closing with a yield of 5.83%, and that higher yields have halved the government's fiscal headroom to about £12bn from £23.6bn in the spring. Bloomberg is of the view that the Bank of England's caution could worsen gilt pricing if inflation risks persist. Money markets are pricing in 75bps of tightening by July 2027, and a policy-error premium could further steepen the curve before the October 28 Budget.



Source: Bloomberg and IMF calculations

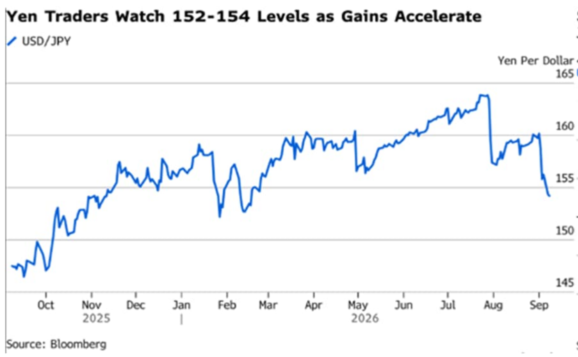


Source: Bloomberg

Japan

The yen has strengthened by 1.2% since last Friday, briefly breaking below ¥153/$ on Tuesday before closing the Japanese session near 154.20, its strongest level since February. FM Katayama reiterated that Japan's currency policy stance remains unchanged, and that the authorities will continue to promote orderly FX markets. Analysts noted that the break below the ¥155/$ level could accelerate further short-covering and carry-trade unwinds, with JPY potentially testing the ¥152/$ area if next week's BOJ meeting delivers a sufficiently hawkish message. Two-week implied volatility in dollar-yen has surged to its highest since May 2025, a sign of how sharply the rally has upended market expectations.

Japan's wage data also reinforced expectations of further monetary normalization. Nominal wages rose 4.7% y/y in July, the strongest increase since 1997, while real wages increased 2.4%, supported by robust corporate profits and a tight labor market. Together with stronger-than-expected second-quarter GDP growth of 1.4% (annualized), the data strengthened the case for a widely anticipated BOJ rate hike at the September 17–18 meeting. However, analysts remain cautious about extrapolating a more aggressive tightening cycle, noting that household spending declined for an eighth consecutive month and consumption remained flat in Q2.



Emerging Markets

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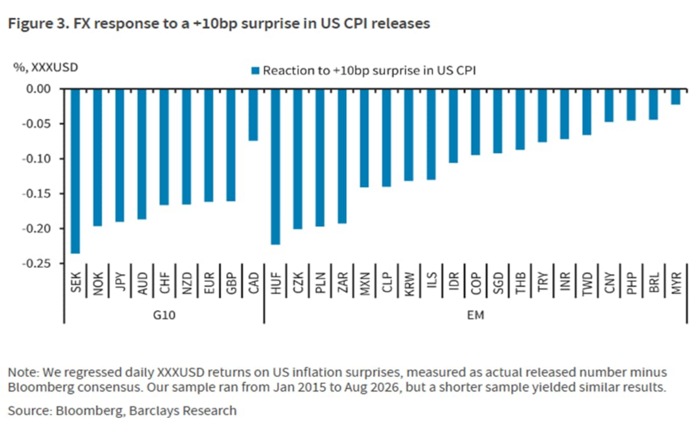
EMEA risk assets were mixed but relatively resilient despite deteriorating global risk sentiment as Brent approached $100/barrel (trading around $99 this morning). Oil prices rose after Saudi Arabia reported attacks that halted operations at several energy facilities, adding to expectations that disruptions from the Middle East conflict could persist. **EM Asia currencies were broadly unchanged on average (EM Asia: -0.05%), with modest depreciation in the Indian rupee, Malaysian ringgit, and Thai baht.** Regional equities edged lower (EM Asia: -0.4%), although Indonesian stocks advanced. **Latin American markets traded mixed amid thin trading volumes due to the U.S. holiday.** The Colombian peso edged up 0.15%, while the Mexican peso weakened 0.17%. Equity markets were similarly mixed, with Colombia gaining 0.8%, while Mexico's MEXBOL slipped -0.2%. Brazil markets were closed in observance of Independence Day.

CEEMEA FX

US CPI is a key near-term risk for EMEA FX, particularly through its impact on Fed expectations and US rates. Barclays finds that upside US inflation surprises have historically strengthened the dollar broadly, with CEEMEA currencies among the more sensitive globally; the effect can be considerably larger when the surprise materially shifts expected US policy rates. This makes Friday's CPI particularly consequential, as even a modest upside surprise could reinforce expectations of a

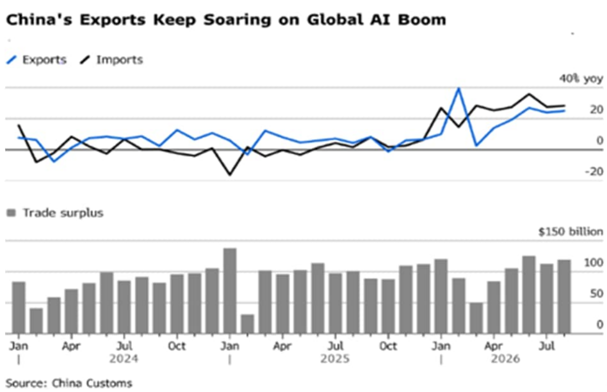


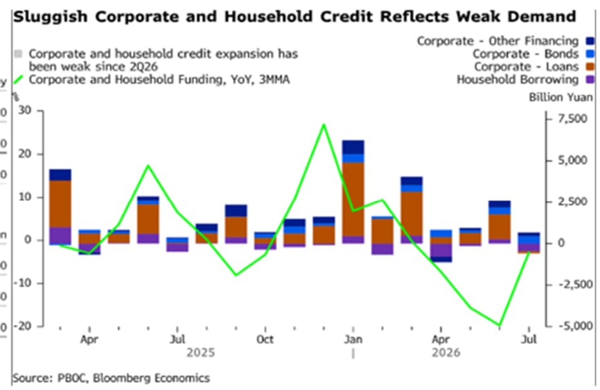
September Fed hike and weigh on EMEA FX. Within the region, ZAR is especially exposed to global USD and US-rate moves, while PLN already faces domestic fiscal and monetary-policy headwinds.

China

China's August trade data showed continued strength in external demand, with exports rising 25% y/y after nearly 24% growth in July, while imports increased 28.2%. The monthly trade surplus widened 6% to US$119.1 bn, lifting the year-to-date surplus to nearly US$806 bn. AI-related demand remained a key driver, with integrated circuit exports surging nearly 130% y/y and high-tech exports increasing almost 57%. Bloomberg Economics estimates that high-tech shipments contributed more than half of headline export growth in August. Many expect another record trade surplus this year.

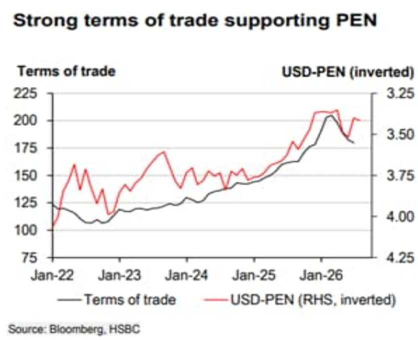
On September 7, China's Ministry of Finance officially announced that it would issue RMB 300 bn ($44 bn) of special treasury bonds to replenish the Core Tier 1 capital of eight centrally administered financial institutions. This capital injection comes at a time when the sector's balance sheets are already viewed as sound by most observers. The industry-wide core tier-1 capital adequacy ratio stands at a robust 10.7%, above the regulatory minimum. Market analysts argue that the measure appears primarily aimed at strengthening financial-sector balance sheets and preserving financial stability rather than providing significant near-term economic stimulus, as the constraint on bank lending is weak borrowing demand rather than a lack of bank lending capacity.

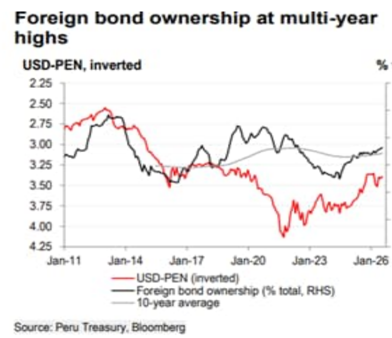




Peru

PEN's strength supported by strong external accounts and portfolio inflows. Unlike regional peers where currency strength has been driven largely by relatively high carry, HSBC analysts noted that the sol's appreciation has been underpinned by



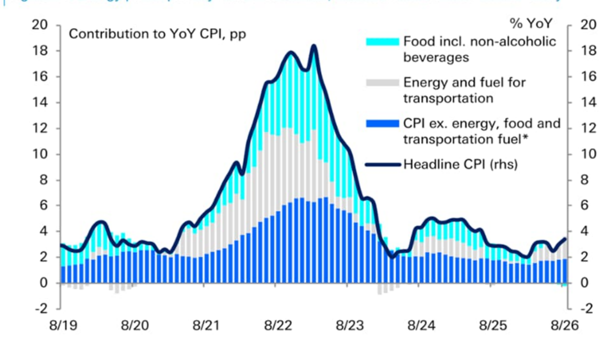


Peru's strong external position. The country's terms of trade are near multi-year highs (*left chart*), supported by elevated copper and gold prices, with mining accounting for around 65% of total exports. The sol has also benefited from sustained nonresident portfolio inflows, particularly into the local bond market, with foreign ownership of local government bonds approaching a four-year high (*right chart*). Looking ahead, analysts remain constructive on the currency, noting that sentiment has improved following the recent presidential elections and that rising business expectations could see a notable increase in FDI.

Poland

Poland faces a worsening combination of inflation and fiscal risks, although near-term NBP hikes remain unlikely, Deutsche Bank writes. Headline inflation surprised higher at 3.4% y/y in August (3.1% expected), driven largely by fuel prices. Deutsche Bank nevertheless sees rate hikes this year as extremely unlikely. Tomorrow, in addition to the ECB, the National Bank of Poland will announce its policy rate decisions, whereby the NBP is expected to hold at 3.75%. Fiscal risks are growing, as the government projects the deficit widening to 7.1% of GDP in 2027, with little expenditure consolidation and continued high infrastructure, defense, and debt-servicing costs. Political obstacles to planned tax increases add further downside risk, and with little prospect of near-term consolidation, Deutsche Bank sees continued risk of a sovereign downgrade despite Fitch recently affirming Poland's A rating with a negative outlook.

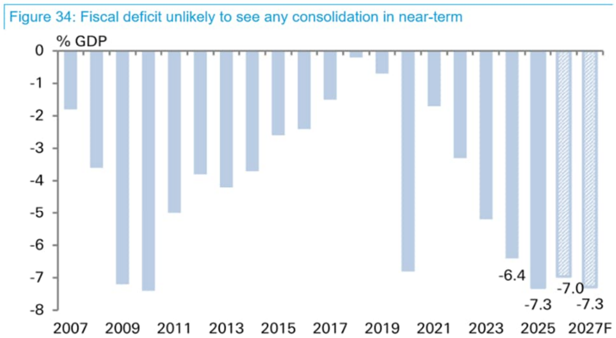
Figure 31: Energy prices primary driver of headline, but core inflation also remains sticky



*estimated

Source: Haver Analytics, Deutsche Bank Research

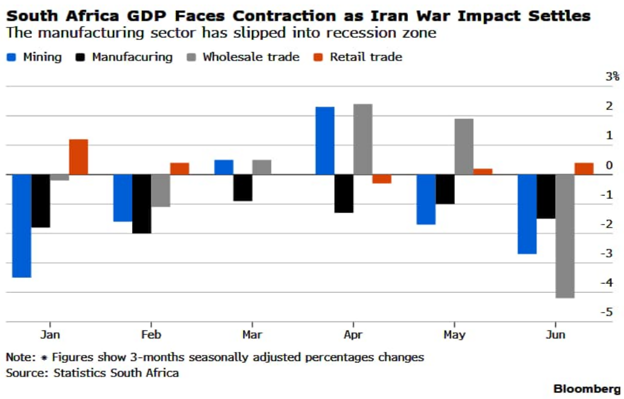
Figure 34: Fiscal deficit unlikely to see any consolidation in near-term



Source: Haver Analytics, Deutsche Bank Research; *shaded bars represent DB forecasts

South Africa

South African growth disappointed in Q2, adding to concerns about the impact of the war on the economy. GDP grew 0.9% y/y, below the 1.2% expected and down from 1.9% previously, while output contracted 0.2% q/q s.a. Retail sales rose only 0.4% and wholesale trade fell 4.2% in Q2. Looking ahead, the conflict is expected to weigh on export-oriented sectors and household incomes, while elevated uncertainty and financing costs could keep investment and sentiment subdued, Bloomberg writes.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (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), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (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), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

Last updated: 9/8/26 7:37 AM	Level Last 12m	Latest	Change 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,719	-0.4	0.4	-0.5	18.8	13
Europe		6,401	-0.1	0.5	-1.9	19.4	11
Japan		65,269	-1.7	-1.4	-0.5	49.6	30
China		4,559	-0.4	-1.1	-2.9	2.0	-2
Asia Ex Japan		120	2.0	2.3	5.3	36.1	28
Emerging Markets		69	1.8	2.3	4.7	34.9	26
Interest Rates					basis points		
US 10y Yield		4.8	2	0	15	76	63
Germany 10y Yield		3.4	-1	4	25	74	53
Japan 10y Yield		2.9	-3	-11	10	133	83
UK 10y Yield		5.2	1	-4	26	58	71
Credit Spreads					basis points		
US Investment Grade		115	-1	1	-2	-11	3
US High Yield		301	-9	0	-18	-51	-40
Exchange Rates					%		
USD/Majors		99.0	-0.2	-0.5	-0.6	1.6	1
EUR/USD		1.16	-0.1	0.2	0.6	-1.2	-1
USD/JPY		154.2	-0.1	-3.7	-3.2	4.6	-2
EM/USD		46.5	0.0	0.3	-0.5	1.6	0
Commodities					%		
Brent Crude Oil ($/barrel)		98.5	1.6	4.1	20.6	51.2	64
Industrials Metals (index)		183.7	1.4	2.0	2.4	29.1	12
Agriculture (index)		64.3	0.2	-1.5	9.1	16.9	20
Gold ($/ounce)		4404.8	0.0	1.8	0.3	21.1	2
Bitcoin ($/coin)		78455.0	-1.0	-3.7	20.6	-29.9	-10
Implied Volatility					%		
VIX Index (%, change in pp)		15.8	0.5	0.8	0.9	0.7	0.8
Global FX Volatility		6.9	0.0	0.5	0.4	-0.8	0.0
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		69	1	0	2	2	10
Italy		83	1	0	6	0	13
France		87	1	1	9	10	16
Spain		44	0	-1	1	-15	0

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

Emerging Market Financial Indicators

9/8/2026 7:42 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	0.0	0.2	0.6	6.3	4.2		1.8	0	-1	-1	-9	-19
Korea*		1342	0.3	2.4	5.6	3.3	7.7		4.5	1	10	12	172	121
Indonesia		17632	0.0	0.6	0.7	-7.5	-5.4		7.0	-2	8	-18	75	102
India		95	-0.4	0.1	0.5	-6.9	-5.2		8.0	2	10	27	119	95
Philippines		63	0.0	-0.4	-3.0	-9.5	-5.9		6.0	-1	0	-2	124	130
Thailand		33	-0.1	1.2	0.3	-3.7	-4.3		2.3	1	6	10	91	54
Malaysia		4.06	-0.4	-0.6	0.7	3.8	-0.1		4.1	7	19	36	70	59
Argentina		1512	-0.2	-0.2	-0.8	-6.1	-4.0		0.0	0	0	0	-4741	-3237
Brazil		5.13	-0.4	1.3	0.0	6.2	7.1		14.1	0	-34	-17	29	55
Chile		931	0.4	0.6	-1.5	4.2	-3.3		5.6	0	-1	7	22	35
Colombia		3127	0.0	3.1	1.0	26.0	20.7		12.4	-2	-40	32	71	-51
Mexico		16.95	-0.2	0.2	1.1	10.1	6.2		9.2	0	0	16	36	21
Peru		3.4	0.1	0.3	0.6	4.5	0.1		6.4	3	5	18	29	57
Uruguay		40	0.0	0.1	0.1	-0.6	-2.7		7.6	0	0	10	-40	12
Hungary		313	-0.3	1.4	0.7	6.6	4.4		5.4	2	-9	10	-131	-111
Poland		3.72	-0.2	0.6	0.3	-2.8	-3.4		5.5	6	10	52	66	97
Romania		4.5	-0.1	0.3	0.5	-4.6	-4.1		6.8	3	3	3	-62	16
Russia		86.4	-0.4	0.3	-4.5	-4.3	-8.9							
South Africa		16.0	-0.2	0.9	1.1	9.2	3.4		8.9	5	-1	27	-101	34
Türkiye		48.46	-0.1	-0.4	-1.6	-14.9	-11.4		33.8	0	-20	-119	101	419
US (DXY; 5y UST)		99	-0.2	-0.5	-0.6	1.5	0.6		4.57	2	1	21	101	84

	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		4,559	-0.4	-1.1	-2.9	2.0	-1.5		87	-4	-3	-26	12
Korea*		6,955	-0.6	1.7	11.1	116.0	65.0		21	0	-1	3	0
Indonesia		6,686	1.0	1.3	4.3	-13.9	-22.7		106	-1	-10	15	20
India		75,578	1.0	-1.8	-3.7	-6.4	-11.3		92	0	-2	-2	2
Philippines		6,106	0.4	0.2	-2.9	0.1	0.9		89	-3	-10	17	14
Thailand		1,622	0.2	2.1	0.6	28.1	28.8						
Malaysia		1,714	0.0	0.8	-1.2	8.1	2.0		60	-1	0	-6	1
Argentina		3,034,599	-0.5	0.0	-1.7	75.1	-0.6		501	-17	81	-401	-68
Brazil		185,147	0.0	5.4	7.3	30.6	14.9		180	-4	-4	-23	-23
Chile		11,315	-1.1	0.0	2.7	26.8	8.0		90	-4	-4	-14	-1
Colombia		2,566	0.8	3.9	9.1	37.1	24.1		208	11	8	-71	-69
Mexico		64,728	-0.2	-1.1	-3.3	6.7	0.7		196	1	-4	-36	-21
Peru		3,481	-0.2	-0.2	-0.9	59.8	34.7		89	-1	0	-16	-20
Hungary		147,734	0.1	-0.6	-0.6	43.5	33.1		106	-3	-5	-38	-33
Poland		155,878	0.8	2.7	2.7	45.0	33.0		97	3	5	-5	6
Romania		34,336	-0.3	0.7	-3.3	65.9	40.5		181	-2	12	-37	6
South Africa		116,981	0.0	1.0	-0.5	13.8	1.0		193	-5	-13	-97	-25
Türkiye		14,132	-0.1	-0.7	2.6	35.2	25.5		244	-5	-14	-38	10
EM total		69	0.0	2.3	4.7	34.9	25.6		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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