GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, SEPTEMBER 9, 2025

LEAD EDITOR: JEFFREY WILLIAMS

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Markets Stable After French Government Loses Confidence Vote

Equity markets are slightly higher this morning following yesterday's confidence vote in France that led to the collapse of the government. As the outcome was widely anticipated, the overall market reaction was muted. French president Macron is expected to appoint a new PM in the coming days, in hopes of guiding a budget through parliament. In the US, markets will be closely watching the payroll revision data that will be released later this morning, with expectations of a fairly substantial downward revision. Regardless of the outcome, it seems unlikely to alter expectations of a rate cut at next week's FOMC meeting, where one cut is fully priced along with some possibility of a 50 bp reduction in the policy rate. In emerging markets, the weekend defeat of Argentina president Milei's party in the province of Buenos Aires sent Argentina assets sharply lower as it raises concerns for the economic reform agenda ahead of next month's midterm elections.

Key Global Financial Indicators

Last updated: 9/9/25 8:27 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6495	0.2	1	2	19	10
Eurostoxx 50		5367	0.1	1	0	12	10
Nikkei 225		43459	-0.4	3	4	20	9
MSCI EM		51	0.9	2	3	21	22
Yields and Spreads					bps		
US 10y Yield		4.06	2.1	-20	-22	36	-51
Germany 10y Yield		2.67	2.7	-12	-2	50	30
EMBIG Sovereign Spread		301	4	4	4	-87	-23
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		45.7	-0.2	0	0	0	7
Dollar index, (+) = $ appreciation		97.5	0.0	-1	-1	-4	-10
Brent Crude Oil ($/barrel)		66.7	1.0	-4	0	-7	-11
VIX Index (%, change in pp)		15.2	0.1	-2	0	-4	-2

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

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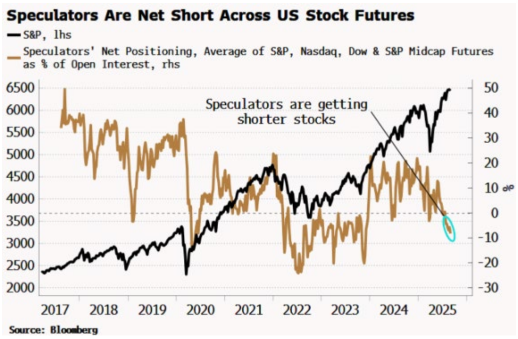
United States

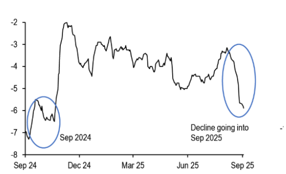
Short positioning in stocks clouds confidence in equity rally. While the debate over whether the Federal Reserve will start an easing cycle in September appears largely settled, the implications for equity markets remain far from clear. On the one hand, proponents argue that easing financial conditions and a resilient U.S. economy could extend the equity rally into year-end. On the other hand, analysts warn that rate cuts may be interpreted as a signal of economic fragility, especially if jumbo cuts are perceived as a response to labor market deterioration while inflation risks still loom large. This could trigger a "sell-the-news" reaction and undermine key pillars of market support such as corporate buybacks and retail participation. Recent data also lead to skepticism on the equity rally: Positioning data from the CFTC reveals that speculators have turned net short across major U.S. equity futures for the first time in nearly two years, suggesting a broader shift toward risk-off sentiment.



Funding pressures build ahead of mid-month liquidity frictions. SOFR has been rising steadily since early September, reflecting growing tension in repo markets ahead of the September 15 corporate tax deadline. On that day, liquidity will be drained from markets due to tax receipts and Treasury settlements, echoing the conditions that triggered the 2019 repo rate spike, which signaled the end of the Fed's quantitative tightening. Signs of funding stress are also evident in Treasury futures implied repo rates, which underscore the profitability of basis trades and raise concerns about the impact of temporary dislocations on the trade. However, there are some mitigating factors. Reserves remain well above 2019 levels, increased clearing of repo trades can support dealer intermediation, and the Fed's Standing Repo Facility (SRF) provides a backstop to meet liquidity demand.

Figure 40: The spread between the overnight GC repo rate and SOFR has been drifting steadily lower in the past few weeks, indicative of increased funding pressure

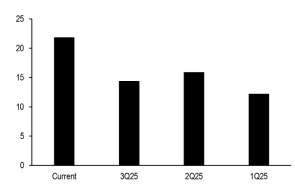
Rolling 1-month average of SOFR minus overnight GC repo rate, 9/1/2024 - Current; bp



Source: J.P. Morgan

Figure 41: Implied repo rate is higher relative to term OIS rate for this cycle, indicating that funding pressures could remain more persistent

3-month average of the TU implied repo rate minus the OIS swap rate to first delivery date of that cycle, past 4 cycles*; bp



*Past 4 cycles include the current cycle, 3Q25, 2Q25, and 1Q25 (TUZ5, TUU5, TUM5, and TUH5 contracts respectively); current cycle is an average of three days only

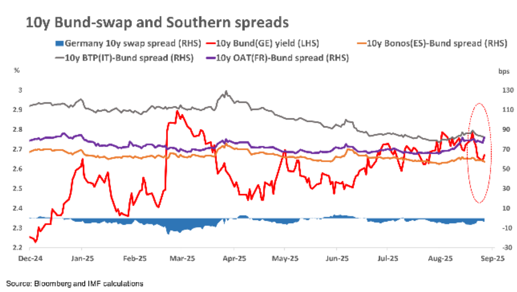
Source: J.P. Morgan

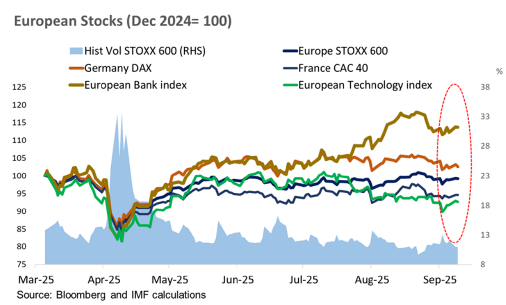
Europe

European equities opened the day higher but later pared gains as political uncertainty in France, continues to weigh on sentiment. The Stoxx 600 index was little changed, with gains in the energy (0.5%) and materials (0.4%) sectors, offset by losses in the industrial (-0.5%) and information technology (-0.5%) sectors. The materials sector outperformed on headlines of mining company Anglo American Plc (+8%)

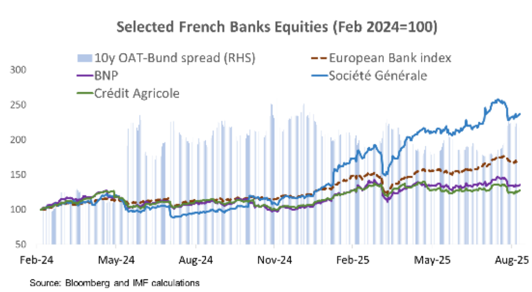
agreeing to merge with Canada's Teck Resources Ltd. European bourses pared earlier gains through the morning, with the Dax underperforming (-0.5%) in Germany, the Italian FTSE MIB up by 0.2% and the CAC 40 edging higher (+0.4%) after today's data showed industrial production declining by less than expected in July in France (-1.1%m/m, vs. est. -1.4%). The euro was little changed against the dollar this morning. Analysts at ING believe that the drop in short-term US rates has brought dollar hedging costs for euro area-based investors in US assets down to 2.12% per annum, which may encourage fixed-income investors to raise their dollar hedge ratios and pressure the dollar exchange rate.

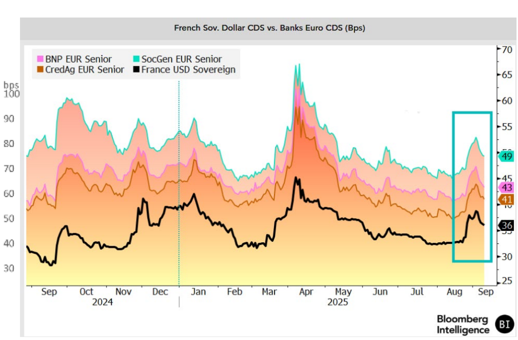
European government bonds (EGB) were rangebound, with the Bund yield curve fractionally steeper as the 10y yield is 2bp higher, while the 2y yield is 1bp higher at 1.93%. The 10y OAT-Bund spread widened by 4bp to reach 81bp, after French PM Bayrou lost a confidence vote yesterday. Analysts widely expect President Macron to appoint a new PM within days to push a deficit-cutting budget through the divided French parliament and avoid snap elections. Deutsche Bank sees limited macro effects on France ahead of the ratings update by Fitch at the end of the week, as downgrade risk is already embedded in OATs pricing and the move to a single A rating (currently AA-) would unlikely trigger further selling. HSBC argues that a further structural move to wider OAT risk premia may come in November after the EC's reassessment of France's fiscal path. Analysts at ING see the OAT-Bund spread subject to significant upside risk, as it is still 10bp tighter than its November peak when the previous government fell, although they believe that spillovers to the broader Euro area remain limited for now. UBS believes that softer budget consolidation measures than those proposed by Bayrou (tightening deficit to around 5% in 2026) could still be acceptable by the EC, but stresses that without consolidation efforts, debt/GDP would rise to about 118.4% in 2026.





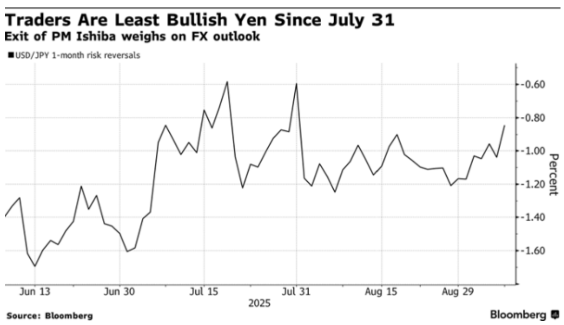
French banks are outperforming the overall European banking sector today (-0.2%), with the shares of BNP up by 0.7% and those of Credit Agricole up by 0.4%, while Societe Generale are lower (-1%). Analysts at Bloomberg believe that the drag of OAT losses on banks' capital (CET1 ratios) remains limited, but French bank bonds and especially subordinated debt (Tier 2) and CDS spreads could be impacted by Fitch's rating review on Friday. Bloomberg highlights that the 5y French sovereign CDS spread has tightened over the past few days and still trades well inside April's levels; French banks' senior CDS have consistently traded wide of the French sovereign CDS but the gap is now quite narrow at just 5–15 bp.





Japan

The yen strengthened (+0.4%) against the dollar on a BOJ report hinting at tighter monetary policy but remains under pressure (3m implied vol: +11bps to 9.8%) following the prime minister's resignation. The Liberal Democratic Party will hold a leadership election on Oct. 4, prompting speculation around the successor's policy stance. Strategists at Goldman Sachs and Bank of America favor the Swiss franc over the yen, citing reduced safe-haven appeal due to political uncertainty. UBS sees limited near-term downside for the yen despite less bullish positioning, with one-month USD/JPY risk reversals at 0.9%, down from over 1% last week. CFTC data shows non-commercial yen positioning near neutral, highlighting a divergence between fast and real money investors. Leveraged funds hold the largest net short yen position since July 2024, while asset managers, reflecting longer-term views, remain long yen—though at just 60% of this year's peak. Today, the stock market pared earlier gains on profit-taking (Nikkei 225: -0.4%), led by bank stocks.



Emerging Markets

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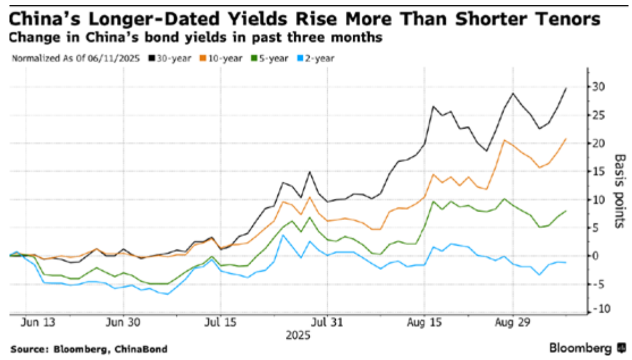
EM Asian equities mostly advanced (EM Asia: +1.9%) on Fed rate cut optimism, lifting tech stocks. EM Asian currencies were mixed against the dollar: the Philippine peso weakened (-0.4%) amid ongoing efforts to secure US tariff exemptions, while the Malaysian ringgit strengthened (+0.2%) on record-high FX reserves. **EMEA equities and currencies are mixed this morning.** In CEE, equities in Czechia were outperforming (+0.7%) while those in Poland were underperforming (-0.6%). CEE currencies continued to trade in narrow ranges against the euro. Equities in Türkiye were recovering from yesterday's sharp losses. **In Latin America, stock markets in Argentina, Brazil and Chile posted losses Monday**, while equities slightly increased in Colombia, Mexico, and Peru. Major economies experienced mixed currency movements, with the Colombian peso and Peruvian sol appreciating, while the Argentina peso led the depreciation among other countries.

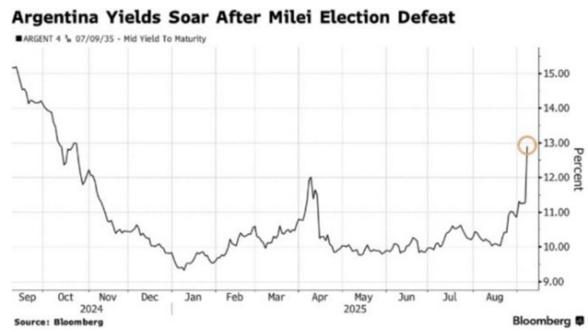
China

ChinaBond data shows a steepening yield curve, with the 30y yield up +2bp to 2.1%, the highest since December. Bloomberg economists attribute the steepening to fund flows from bonds to equities, expectations of higher inflation, and a scaled-back outlook for rate cuts. Today, the onshore yuan appreciated (+0.1%) to a 10-month high on a stronger PBOC fixing at 7.10008 per dollar. FX strategists interpret the stronger rate as a signal that the PBOC is guiding yuan appreciation, potentially aiding trade negotiations with the US. Meanwhile, onshore equities declined (CSI 300: -0.7%), while offshore markets gained (HSCEI: +1.3%), led by property stocks, which surged 5.1%—the biggest one-day gain in nearly two months—on housing purchase relaxation and mortgage easing in three tier-1 cities.



Argentina

Argentina's currency, bonds, and stocks slumped as President Milei's party suffered a significant defeat in the province of Buenos Aires. The government's dollar bonds led emerging market losses on Monday. Yields soared to around 13%. The Argentine peso tumbled as much as 7% at the local market open, before recovering some of those losses. It was trading at 1,419 per US dollar, within 4% of the upper level of a trading range set by policymakers. The benchmark Merval stock index fell more than 13%. While investors had anticipated some negative market reactions to the defeat, the magnitude of the selloff exceeded expectations. The sharp market downturn has heightened investors' concerns over the administration's ability to advance its economic reform agenda.

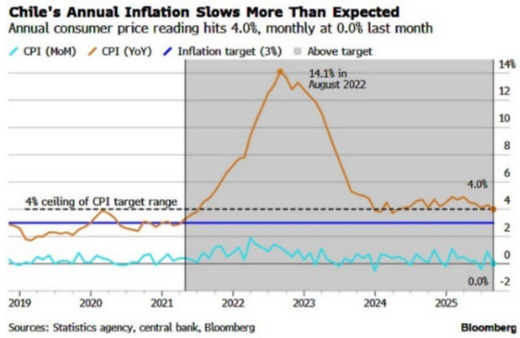


Indonesia

The abrupt replacement of the finance minister has heightened fiscal uncertainty, weighing on markets. The stock market declined (JCI: -1.7%), the rupiah weakened (-1.1%) against the dollar, and sovereign yields rose (5y: +11bp; 10y: +6bp; 5y CDS: +3bp to 72bp). Former finance minister, Indrawati, was widely respected for her fiscal prudence, but speculation over her resignation had grown amid the president's push for expansive welfare spending and 6% growth. The new finance minister has pledged to maintain fiscal discipline, aiming to keep the budget deficit below the 3% of GDP legal cap. Bank Indonesia (BI) has reportedly intervened in the FX and bond markets to stabilize the rupiah. MUFG strategists warn the leadership change could lead to further currency weakness, with the rupiah already having depreciated 2.2% ytd, a regional underperformer. Citi economists expect BI to pause rate cuts this month to prioritize FX stability. Bank stocks fell over 3%, on concerns that increased government spending and pressure for higher loan growth could hurt asset quality and credit ratings, given their sovereign-linked exposure.

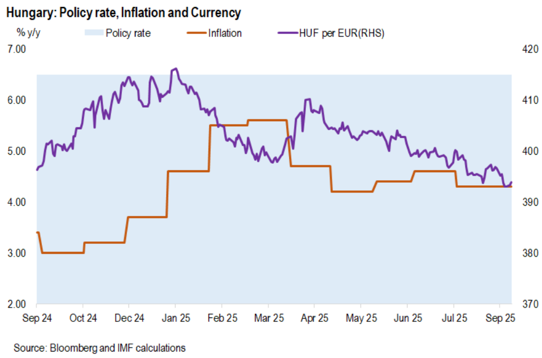
Chile

Chile's monthly consumer prices rose less than expected last month, increasing the chance of an interest rate cut by the central bank. August's monthly consumer price index came in below analysts' median forecast of a 0.2% rise. Annul inflation eased to 4%, the lowest since April 2024. While the slowdown in inflation has added uncertainty to policymakers' rate decision, analysts highlighted that inflation remains close to the upper end of the target range and that domestic demand is still robust. Many expect the central bank to keep its policy rate unchanged at the upcoming meeting.



Hungary

August headline inflation remained unchanged in Hungary. Data released this morning showed headline inflation remained unchanged at 4.3% y/y in August, in line with consensus expectations. At the August MPC meeting, the National Bank of Hungary (NBH) kept the policy rate unchanged at 6.50% and noted that "a patient approach to monetary policy remains necessary" citing risks to inflation as well as external developments including trade policy and geopolitical tensions. Policymakers expect inflation to remain above the NBH's 3.0% +/- 1pp target for the remainder of the year. Analysts at Goldman Sachs expect inflation to moderate on lower commodity prices but expect the NBH to maintain a cautious stance. Goldman analysts expect one rate cut from the NBH this year to take the policy rate to 6.25% and project a terminal rate of 4.0%. This morning, the Hungarian forint was trading slightly weaker (-0.1%) against the euro although the currency has appreciated by around 4.6% YTD.



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Global Financial Indicators

9/9/25 8:27 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities			%				%
United States		6,504	0.2	1.4	1.8	18.9	11
Europe		5,367	0.1	1.4	0.4	12.3	10
Japan		43,459	-0.4	2.7	3.9	20.2	9
China		4,436	-0.7	-1.2	8.1	38.8	13
Asia Ex Japan		88	1.0	2.3	3.4	23.6	22
Emerging Markets		51	0.9	2.1	3.0	20.8	22
Interest Rates			basis points				
US 10y Yield		4.1	2	-20	-22	36	-51
Germany 10y Yield		2.7	3	-12	-2	50	30
Japan 10y Yield		1.6	0	-5	8	67	47
UK 10y Yield		4.6	1	-19	1	76	5
Credit Spreads			basis points				
US Investment Grade		122	0	-1	1	-15	2
US High Yield		341	-3	-4	0	-43	13
Exchange Rates			%				
USD/Majors		97.5	0.0	-0.9	-0.7	-4.0	-10
EUR/USD		1.17	-0.2	0.8	1.1	6.4	13
USD/JPY		146.9	-0.4	-1.0	-0.9	2.6	-7
EM/USD		45.7	-0.2	0.2	-0.2	0.3	7
Commodities			%				
Brent Crude Oil ($/barrel)		66.7	1.0	-3.6	1.1	-4.9	-8
Industrials Metals (index)		141.9	-0.2	-0.9	0.2	2.1	1
Agriculture (index)		55.0	-0.1	-0.3	3.0	0.3	-4
Gold ($/ounce)		3648.8	0.4	3.3	9.2	45.6	39
Bitcoin ($/coin)		112749.1	0.7	2.1	-3.5	97.7	20
Implied Volatility			%				
VIX Index (%, change in pp)		15.2	0.1	-2.0	0.1	-4.3	-2.2
Global FX Volatility		7.7	0.0	-0.1	-0.2	-0.7	-1.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		67	0	-5	3	-38	-19
Italy		82	-1	-7	3	-63	-34
France		81	4	1	15	9	-2
Spain		58	0	-3	2	-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: 9/9/2025 8:28 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		7.12	0.1	0.2	0.9	-0.1	2.5		1.9	2	2	11	-17	17
Indonesia		16482	-1.0	-0.4	-1.2	-6.2	-2.1		6.3	-2	-4	-11	-36	-74
India		88	0.2	0.0	-0.5	-4.7	-2.8		6.8	0	-8	12	-14	-51
Philippines		57	-0.5	0.9	0.1	-1.0	1.7		4.8	1	1	1	-17	-11
Thailand		32	0.0	2.1	2.4	6.8	8.3		1.4	0	-3	-20	-123	-96
Malaysia		4.21	0.3	0.6	0.7	4.0	6.3		3.4	1	1	4	-34	-41
Argentina		1419	-3.8	-3.0	-6.6	-32.5	-27.3		52.4	499	744	1435	1299	2325
Brazil		5.43	-0.2	0.7	0.3	2.9	13.7		13.8	-3	-3	-6	189	-214
Chile		968	0.2	0.6	0.2	-2.4	2.9		5.4	-2	-3	-2	13	-27
Colombia		3941	0.5	1.9	2.8	7.7	11.8		11.6	-4	-3	-3	154	-21
Mexico		18.63	0.2	0.5	0.2	6.8	11.8		8.8	-3	-12	-33	-87	-156
Peru		3.5	0.3	0.7	0.3	8.7	7.0		6.1	-1	-19	-19	-40	-56
Uruguay		40	0.0	0.0	0.0	1.0	9.2		8.0	0	5	0	-171	-161
Hungary		335	-0.3	1.4	1.7	7.3	18.6		6.7	0	-2	12	76	32
Poland		3.62	-0.4	1.0	1.2	6.9	14.0		4.9	-1	-6	3	-11	-72
Romania		4.3	-0.2	1.0	0.9	4.3	11.1		7.5	4	8	26	97	22
Russia		83.8	-1.4	-3.8	-5.1	8.0	35.4							
South Africa		17.5	0.0	1.1	1.5	2.2	7.7		9.9	-1	-2	-4	-44	-54
Türkiye		41.28	-0.1	-0.3	-1.6	-17.5	-14.3		33.2	46	169	165	397	354
US (DXY; 5y UST)		97	0.0	-0.9	-0.7	-4.0	-10.1		3.59	2	-14	-25	10	-80

	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		4,436	-0.7	-1.2	8.1	38.8	12.7		113	0	5	-12	17
Indonesia		7,629	-1.8	-1.4	1.3	-1.7	7.8		99	14	13	-14	8
India		81,101	0.4	1.2	1.6	-1.0	3.8		94	2	0	-18	8
Philippines		6,123	0.3	-0.1	-3.4	-12.3	-6.2		76	6	1	-22	-3
Thailand		1,276	0.8	2.2	1.4	-10.6	-8.9						
Malaysia		1,587	0.1	0.7	1.9	-4.4	-3.4		66	1	-4	-20	-4
Argentina		1,732,924	-13.3	-10.7	-24.7	-0.3	-31.6		1114	276	373	-373	477
Brazil		141,792	-0.6	0.4	4.3	5.2	17.9		208	7	7	-29	-39
Chile		9,089	-1.3	1.1	6.7	45.8	35.5		110	7	3	-18	-3
Colombia		1,871	0.4	2.3	3.8	41.6	35.6		264	-16	-39	-68	-62
Mexico		60,650	0.3	3.0	4.4	18.6	22.5		232	-7	-19	-103	-80
Peru		34,938	0.3	0.0	2.7	23.5	20.6		106	3	-3	-43	-35
Hungary		102,849	-0.1	0.0	-1.4	42.7	29.7		146	6	9	-15	-9
Poland		106,610	-0.8	2.6	-3.9	30.1	34.0		105	6	13	-6	-7
Romania		20,629	-0.3	1.7	-1.2	18.0	23.4		219	6	19	8	-16
South Africa		103,594	0.8	2.4	2.7	27.2	23.2		289	1	-8	-22	-4
Türkiye		10,553	1.0	-3.0	-3.8	8.8	7.4		290	13	15	-20	31
EM total		51	0.8	2.1	3.0	20.8	21.7		369	15	25	-45	5

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

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