GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, SEPTEMBER 9, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **Higher long end Treasury yields may test US markets** (link)
- **US hyperscaler debt issuance pushing rates higher as other borrowers get crowded out** (link)
- **Yen extends gains and rising JGB yields stir debate over repatriation risk** (link)
- **Euro area bonds sell off as oil prices increase** (link)
- **EM carry trades outperform on strong local fundamentals** (link)
- **Türkiye's central bank to stay hold tomorrow despite disinflation as energy prices rise** (link)
- **UAE set for sharp contraction in 2026 but well positioned for a strong rebound in 2027** (link)

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Global Markets Remain Cautious as Interest Rates and Oil Prices Continue to Rise

US and bund rates crept higher again, moving 2–3 basis points across the curve, keeping a lid on global risk sentiment. The rise in rates in advanced economy bond markets has been significant but measured so far, but a continued increase could be challenging for markets. Traders await the announcement of the size of Treasury buybacks of 10 and 20-year Treasuries to be conducted tomorrow, a move by the authorities to reduce upward pressure on yields. Meanwhile, Middle East tensions remain front and center as Brent oil retests the $101 level. The Yen continued its rally as press reports indicated that the US Treasury Secretary "challenged traders to test his resolve on boosting Japan's currency." The currency has appreciated by nearly 6.3% to around 153.60 since July 23, when it closed at a recent low versus the dollar of 163.86. He signaled that further FX intervention would be forthcoming if required. In other news, emerging market carry trades have done better than expected in recent weeks despite the rise in global interest rates due to strong local fundamentals and elevated commodity prices.

Key Global Financial Indicators

Last updated: 9/9/26 7:17 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		7674	-0.6	0	-1	18	12
Eurostoxx 50		6287	-2.0	-1	-4	17	9
Nikkei 225		65143	-0.2	1	-1	50	29
MSCI EM		69	0.2	3	5	34	26
Yields and Spreads					bps		
US 10y Yield		4.81	1.8	3	16	72	64
Germany 10y Yield		3.41	4.4	3	28	75	56
EMBIG Sovereign Spread		236	-3	-3	-3	-63	-17
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.7	0.0	1	0	2	0
Dollar index, (+) = $ appreciation		98.8	0.0	-1	-1	1	0
Brent Crude Oil ($/barrel)		100.5	2.7	5	20	51	65
VIX Index (%, change in pp)		16.5	0.8	0	2	1	2

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: 9/9/26 7:18 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 ($/barrel)		101	2.7	5	20	51	65
WTI Crude Oil ($/barrel)		95	2.1	5	22	52	65
Natural Gas (Netherlands TTF)		79	2	10	42	141	191
Breakeven Inflation		%	bps				
USD: 2Y		2.6	0.1	8	30	-35	30
USD: 5Y		2.6	1.0	6	15	-8	23
USD: 5Y5Y		2.5	0	2	4	-1	1
EUR: 2Y		2.9	5.8	9	60	112	123
EUR: 5Y		2.4	3	5	28	60	66
EUR: 5Y5Y		2.2	0	0	4	7	10

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

Mature Markets

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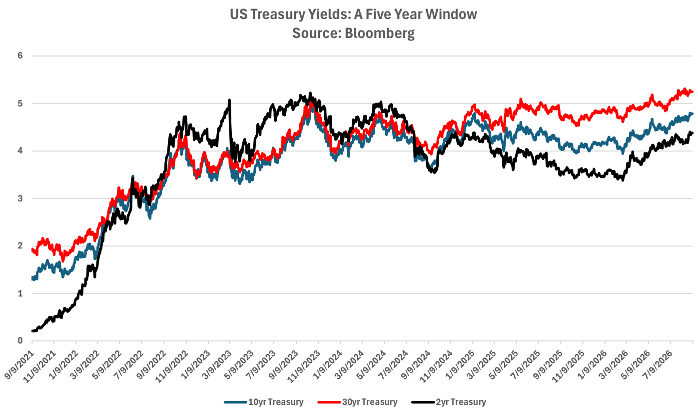
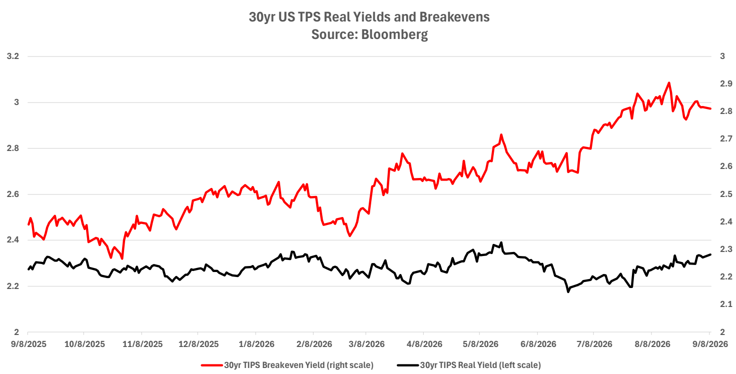
United States

US Treasury long-end yields are re-testing multi-year highs, potentially creating riskier conditions for asset markets. The long bond yield higher by more than 40 bps this year to reach its highest level since before the Global Financial Crisis (GFC). The benchmark 10-year Treasury yield is up more than 60 bps in 2026 to just below 4.80%, not far from the 5% post-GFC reached in 2023 when the Fed was hiking rates and stocks were in the middle of a bear market. Risk assets tend to do badly when interest rates move significantly higher, and US stocks have traded sideways over the summer as rates rose, although they remain close to all-time highs. However, risk assets have avoided a major selloff because the move in rates has been orderly and volatility has remained low.



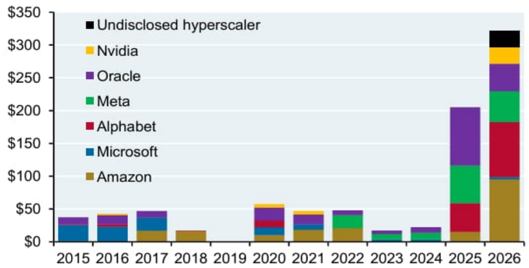
The consensus view is that rising yields have been driven by an increase in real yields, driven by the conflict in the Middle East and uncertainty about central bank policy (see chart below for 30yr Moves). Inflation expectations measured by TIPS breakeven yields have held steady while real yields have moved sharply higher. There is also intense competition from global technology companies that are raising large sums of money to fund AI and other IT investments, which is putting upward pressure on yields. However, advanced economies need to manage their fiscal policies in a manner that maintains the confidence of the market. The patience of the bond market investor could be tested if fiscal conditions deteriorate further. Analysts cite a disorderly rise in interest rates as one of the most important risks to financial stability under current circumstances.



The volume of US hyperscaler and other tech-related borrowing is pushing interest rates higher and increasing borrowing costs for other borrowers, including the Federal government. JP Morgan estimates that the debt issued by the hyperscalers and Nvidia has reached $320 bn already this year. The

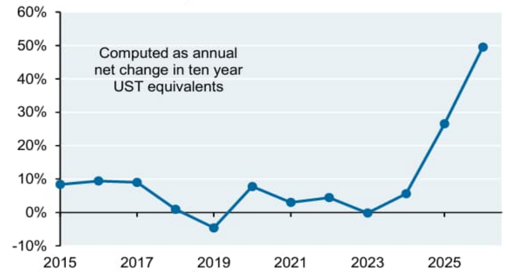
JP Morgan analysts calculate that the longer maturity component of hyperscaler issuance is equivalent to $310 bn in ten-year equivalents or about 50% of new Treasury borrowing at the long end of the curve. In addition, the intricate web of circular financing connecting the AI-related companies and the hyperscalers has revived uncomfortable memories of the dotcom crash, when similar financing measures came to grief and had an extremely negative impact on financial stability. The fact that a large amount of debt is held off the books in special purpose vehicles (SPVs) accentuates the risk. The scale of the bond issuance is raising funding costs for other issuers in the mortgage and corporate bond markets, threatening their profitability, and increasing the risk of them being crowded out. For example, the average 30-year fixed mortgage rate is near 6.85%, close to the highest level in years. However, so far, investors have eagerly snapped up all the new hyperscaler bond supply, taking advantage of the attractive yields on offer.

5 hyperscalers + NVDA new investment grade debt + SPVs
Billion US$



Source: Bloomberg, JPMAM, August 31, 2026

Hyperscaler + NVIDIA 10 yr+ debt issuance (incl. SPVs) as a percent of Treasury bond issuance, Percent



Source: Bloomberg, JPMAM, September 2, 2026

Euro Area

Euro area equities are in full retreat this morning, with the Stoxx 50 down by nearly 2% and the Euro Stoxx 600 down nearly 1.5%, underperforming US equity index futures, which have opened with smaller losses. Local euro area government bond yields are also ticking higher, further dampening the mood. The 10-year bund yield is up another 4 bps to 3.51% and spreads to bunds are wider in other EU countries. The rise in energy prices is turning into a major headwind for euro area markets, as the data show that local euro area government bond prices are highly correlated with oil prices. Surging prices for diesel and natural gas are not helping the situation. Higher energy prices fueled inflation expectations, with **money markets adding 5bps to a total of 83bps of implied ECB tightening by July 2027** (more than fully pricing-in three 25bps hikes to the current 2.25% policy deposit rate).

Oil Risk Is Biggest for Commodity Importing Bonds

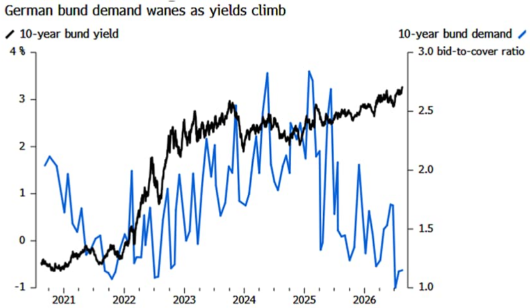
	Current Correlation	July Low	May Average
Eurostoxx Ex-UK	-0.21	0	-0.65
S&P 500	-0.23	-0.15	-0.58
US 10Y	0.45	0.26	0.6
EU 10Y	0.63	0.43	0.69
UK 10Y	0.64	0.31	0.62
US 2Y	0.29	0.18	0.63
EU 2Y	0.55	0.28	0.69
UK 2Y	0.57	0.28	0.65

Note: Correlation is 5 day rolling on 30 min interval prices. Bond correlations are on yield.
Source: Bloomberg

Bloomberg

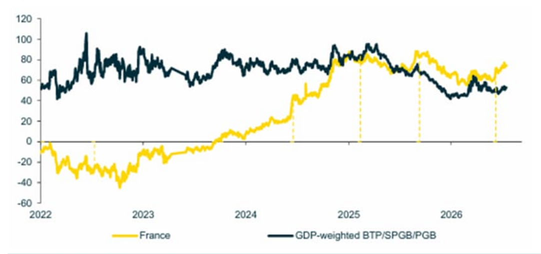
Commerzbank notes that the 10y OAT z-spread (in the range of 75-80bps) is now almost 30bps wider than the GDP-weighted average of Italian BTPs, Spanish Bonos and Portuguese government bonds, although this is at a record high analysts expect further OAT underperformance into year-end 2026.

German bund demand wanes as yields climb



Source: Bloomberg

French underperformance vs. periphery continues
10y OAT z-spread vs. 10y GDP-weighted BTP, SPGB and PGB z-spread, dashed lines indicate new 10y OAT benchmarks, in %

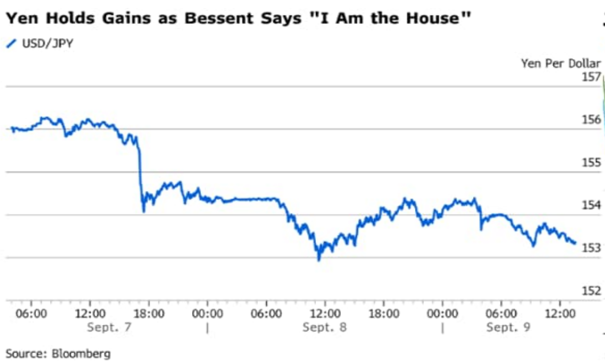


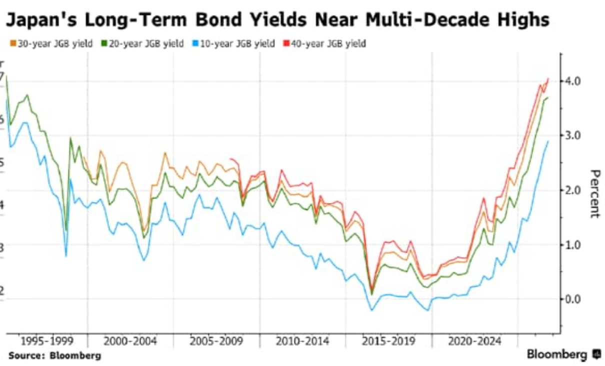
Source: Bloomberg, Commerzbank Research

Japan

The yen appreciated a further 0.2% to around ¥153.6/$, supported by expectations of higher BOJ rates and comments from U.S. Treasury Secretary Bessent signaling continued support for a stronger Japanese currency. Japanese media reported that the BOJ is set to raise its policy rate by 25 basis points at its September 17–18 meeting, while swap markets had almost fully priced two 25-basis-point increases by year-end. Strong investor offers in the BOJ's 1-to-3-year bond-purchase operation indicated continued selling pressure on short-dated JGBs ahead of the policy meeting.

Longer-term JGB yields remain near multi-decade highs, although the 10-year yield declined 1.2bps on the day to 2.879%, after reaching 3% last week for the first time since 1996. With dollar-hedging costs near 3%, currency-hedged 10-year U.S. Treasuries yield about 2% in yen terms, roughly 1 percentage point less than comparable JGBs, according to Bloomberg-compiled data. Speculation has consequently increased that GPIF could raise its domestic-bond allocation, although the fund has not announced any change and available flow data show little evidence of broad repatriation so far. BlackRock cautioned that faster BOJ tightening could eventually draw Japanese capital home, reduce demand for overseas sovereign debt, and put upward pressure on global yields. Separately, JPMorgan strategists argued that continued yen appreciation could ease upward pressure on JGB yields by moderating imported inflation and tightening expectations.





Emerging Markets

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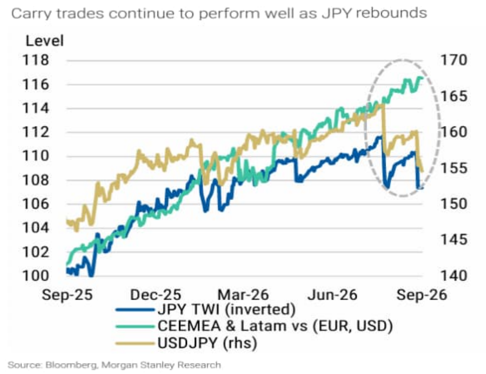
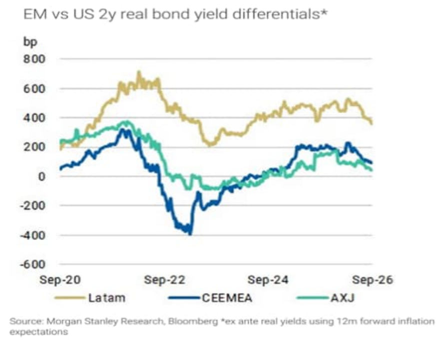
EMEA markets were mixed as Brent crude breached $100/bbl amid renewed escalation in the US-Iran war. Currencies were relatively stable against the dollar, with most weakening only marginally. Equities were mostly lower, led by South Africa (-1.2%), while Türkiye outperformed (+1.0%). **EM Asian equities advanced modestly (EM Asia: +0.5%), led by gains in Korea (KOSPI: +1.75%), while Indian equities declined (SENSEX: -0.8%).** Technology shares outperformed amid continued investor interest in AI-related companies. **Latin American markets mostly rallied as investors weighed the prospect of higher-for-longer commodity prices.** Currencies were generally stronger and the MSCI Latam equity index gained 1.4%.

EM Carry Trade

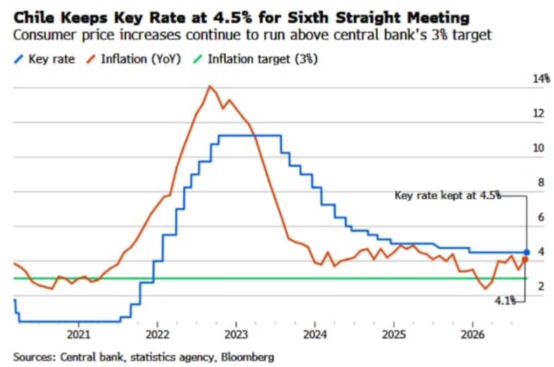
EM carry trades proved resilient despite recent JPY strength. Morgan Stanley analysts observed that major EM currencies funded in USD and EUR have performed relatively well (*left chart*) despite higher core yields, elevated oil prices, and recent JPY strength. They attribute the resilience of EM carry trades to supportive global growth, strong global equity performance, and solid bottom-up fundamentals across major EMs, which they view as more important drivers of EM carry performance than JPY movements. The correlation between EM carry trades and JPY performance has been volatile in recent years, suggesting that JPY strength has become a less reliable signal for EM carry performance. The analysts also observed that EM bonds have outperformed the US despite the recent rise in core yields, with a compression observed in EM-US yield differentials (*right chart*). Against this backdrop, the analysts remain constructive on EM carry trades, although cautioning that a significant "scare" to global growth or a sharp rise in market volatility could trigger a reassessment of EM carry positions.





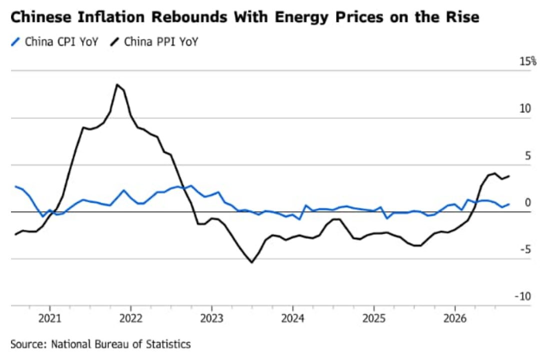
Chile

Policymakers kept policy rate unchanged at 4.5% in a unanimous vote. The statement noted the "higher-than-usual" uncertainty on macroeconomic outlook, weighed by the risks associated with the persistence of the Middle East conflict while current weakness in the economy could be more persistent-than-anticipated, despite some expectations for a rebound next year. Bloomberg analysts also observed that authorities must also consider the potential for accelerating inflation, with its August print exceeding analysts' estimates. The central bank statement concludes that the future path of policy rate will be assessed on a meeting-by-meeting basis while reiterating its objective of ensuring that projected inflation is at 3% over a two-year period.



China

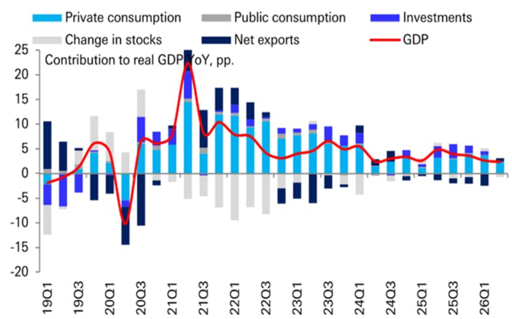
China's inflation picked up in August, with headline CPI rising 0.8% y/y, from 0.5% in July, while core CPI accelerated to 1.0% and PPI inflation increased to a stronger-than-expected 3.8%, from 3.5%. Energy prices contributed 0.28 percentage point to headline CPI inflation, while seasonal and weather-related increases in some food prices also added to consumer price pressures. Higher commodity, energy, and electronics prices contributed to the increase in producer prices. Bloomberg Economics assessed the overall inflation pickup as predominantly supply-driven, reflecting higher energy and AI-related electronics costs rather than a broad strengthening in domestic demand. Market reaction was limited, with the yuan little changed near its strongest level since early 2023 and the 10-year government bond yield steady at 1.68% following the release.



Türkiye

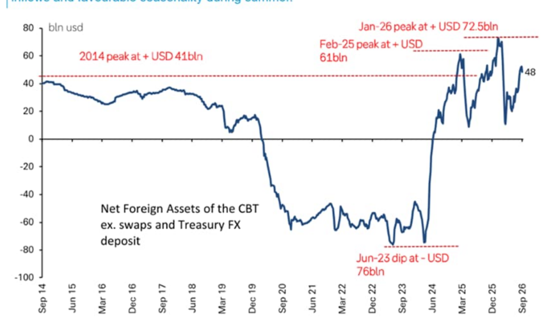
Türkiye's softer domestic demand and continued disinflation support further monetary easing but rising energy prices argue for caution in September. Q2 growth of 2.3% y/y masked weakening domestic demand, while August inflation eased to 31.5% and underlying inflation remains on a gradual downward trend. Deutsche Bank expects the CBT to hold rates at 37% tomorrow, primarily because higher energy prices and geopolitical uncertainty risk renewed inflation pressure, before resuming easing with 100bp cuts in October and December to 35% by year-end. Active rebuilding of reserves, containing dollarization and continued foreign inflows provide additional policy room, although sizeable foreign carry positions remain a vulnerability.

Figure 1: Q2 saw visible slowdown in domestic consumption while net exports turned supportive



Source: Deutsche Bank, Haver Analytics

Figure 6: Strong recovery in reserves is supported by low domestic dollarisation, strong foreign inflows and favourable seasonality during summer.

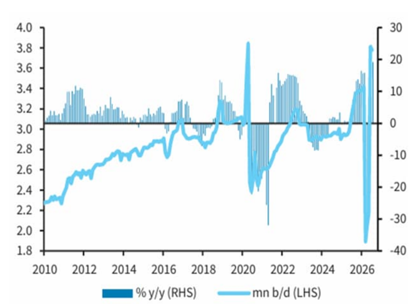


Source: Deutsche Bank, Haver Analytics

United Arab Emirates

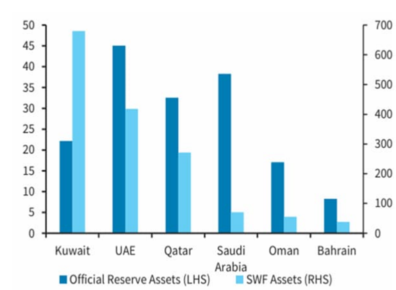
The UAE economy is set for a sharp 2026 contraction but remains comparatively well positioned to absorb the US-Iran war shock, with a strong rebound expected in 2027. Barclays forecasts GDP to contract 1.0% this year as the closure of the Strait of Hormuz weighs on oil activity, tourism, aviation, and trade, while inflation rises to 5.0%. Oil production initially collapsed from around 3.4mn b/d before the war to below 2mn b/d but has since rebounded above pre-war levels following the UAE's exit from OPEC+; nevertheless, disrupted export routes and the earlier production losses have weighed on hydrocarbon revenues. Substantial fiscal and external buffers provide resilience, although the war has prompted a sizeable drawdown in official reserves, which have fallen by around 15% since the conflict began. Assuming de-escalation and a gradual reopening of Hormuz, Barclays expects GDP growth to rebound sharply to 10.3% in 2027, driven by higher oil production and recovering non-oil activity.

FIGURE 1. UAE crude oil production



Source: OPEC, Haver Analytics, Barclays Research

FIGURE 11. GCC central bank official reserve assets and sovereign wealth fund assets (% of GDP)



Source: Sovereign Wealth Fund Institute, IMF, Haver Analytics, Barclays Research

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Global Financial Indicators

Last updated: 9/9/26 7:27 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		7,674	-0.6	-0.2	-1.1	17.8	12
Europe		6,296	-1.8	-1.0	-3.5	17.3	9
Japan		65,143	-0.2	1.3	-0.7	49.9	29
China		4,573	0.3	0.5	-2.6	3.1	-1
Asia Ex Japan		120	0.0	2.3	5.3	35.1	28
Emerging Markets		69	0.2	2.7	4.9	34.5	26
Interest Rates					basis points		
US 10y Yield		4.8	2	2	16	71	64
Germany 10y Yield		3.4	5	4	28	75	56
Japan 10y Yield		2.9	-1	-14	8	131	82
UK 10y Yield		5.2	5	-1	30	60	74
Credit Spreads					basis points		
US Investment Grade		117	2	2	0	-10	4
US High Yield		308	8	6	-11	-41	-32
Exchange Rates					%		
USD/Majors		98.8	0.0	-0.9	-0.8	1.0	0
EUR/USD		1.16	0.2	0.5	0.9	-0.5	-1
USD/JPY		153.4	-0.4	-3.4	-3.7	4.0	-2
EM/USD		46.7	0.0	0.7	-0.2	2.1	0
Commodities					%		
Brent Crude Oil ($/barrel)		100.7	2.8	5.3	23.3	53.8	67
Industrials Metals (index)		183.4	-0.4	2.0	2.2	29.1	12
Agriculture (index)		64.5	0.5	-2.4	9.5	17.7	21
Gold ($/ounce)		4408.9	1.2	0.6	0.4	21.6	2
Bitcoin ($/coin)		78934.6	0.6	-1.0	21.2	-29.2	-10
Implied Volatility					%		
VIX Index (%, change in pp)		16.3	0.7	0.0	1.4	1.3	1.3
Global FX Volatility		7.0	0.0	0.3	0.4	-0.8	0.0
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		70	2	1	3	3	11
Italy		84	2	0	7	2	14
France		89	2	1	10	8	18
Spain		45	1	0	2	-14	2

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

Emerging Market Financial Indicators

9/9/2026 7:28 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		6.71	0.0	0.2	0.6	6.2	4.2		1.8	0	0	-1	-11	-18
Korea*		1338	0.2	1.6	6.0	3.8	8.0		4.5	0	1	12	173	121
Indonesia		17511	0.7	1.4	1.4	-5.9	-4.7		7.0	-1	-2	-19	77	101
India		95	-0.3	-0.1	0.2	-7.4	-5.5		8.1	12	18	39	131	106
Philippines		63	0.2	0.1	-2.8	-8.8	-5.7		6.0	1	-6	-1	124	131
Thailand		33	0.1	0.9	0.4	-3.5	-4.2		2.3	1	4	11	92	55
Malaysia		4.07	-0.2	-0.6	0.5	3.3	-0.2		4.1	1	18	38	71	60
Argentina		1511	0.0	0.1	-0.9	-6.1	-4.0		0.0	0	0	0	-5240	-3237
Brazil		5.09	0.8	1.3	0.5	6.6	8.1		13.9	-20	-44	-37	12	35
Chile		925	1.1	1.3	-0.8	4.9	-2.6		5.7	1	1	8	25	35
Colombia		3114	0.4	1.7	0.8	26.6	21.2		12.4	4	-31	37	79	-47
Mexico		16.91	0.0	0.4	1.4	10.2	6.5		9.2	4	-1	20	44	24
Peru		3.4	0.2	0.2	0.6	4.7	0.2		6.4	0	4	19	27	58
Uruguay		40	0.0	0.0	0.0	-0.6	-2.7		7.6	0	-1	9	-40	12
Hungary		313	0.1	1.5	1.0	7.5	4.7		5.4	3	-14	12	-129	-109
Poland		3.71	0.1	0.8	0.5	-2.2	-3.2		5.5	-2	6	50	64	94
Romania		4.5	0.1	0.4	0.6	-4.0	-4.0		6.8	0	-1	3	-66	16
Russia		85.6	0.6	2.1	-3.6	-2.1	-8.0							
South Africa		16.0	-0.2	0.1	1.0	9.4	3.2		9.0	6	-3	33	-94	40
Türkiye		48.48	0.0	-0.4	-1.6	-14.9	-11.4		33.8	4	-10	-115	59	423
US (DXY; 5y UST)		99	0.0	-0.9	-0.8	1.0	0.5		4.59	3	6	24	97	86

	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		4,573	0.3	0.5	-2.6	3.1	-1.2		87	-4	-3	-26	12
Korea*		7,052	1.4	7.4	12.7	116.3	67.3		21	0	-1	3	0
Indonesia		6,678	-0.1	1.2	4.2	-12.5	-22.8		106	-1	-10	15	20
India		74,764	-0.1	-2.4	-4.8	-7.8	-12.3		92	0	-2	-2	2
Philippines		6,117	0.2	1.0	-2.8	-0.1	1.1		89	-3	-10	17	14
Thailand		1,618	-0.2	2.7	0.4	26.8	28.4						
Malaysia		1,714	0.0	0.3	-1.2	8.0	2.0		60	-1	0	-6	1
Argentina		3,075,982	1.4	0.9	-0.3	78.0	0.8		501	-17	81	-401	-68
Brazil		187,367	1.2	5.6	8.6	32.3	16.3		180	-4	-4	-23	-23
Chile		11,315	-1.1	0.0	2.7	26.8	8.0		90	-4	-4	-14	-1
Colombia		2,569	0.2	3.2	9.3	37.6	24.2		208	11	8	-71	-69
Mexico		65,066	0.5	0.9	-2.8	7.2	1.2		196	1	-4	-36	-21
Peru		3,526	1.3	2.0	0.4	64.8	36.5		89	-1	0	-16	-20
Hungary		147,854	-0.7	0.7	-0.5	44.0	33.2		106	-3	-5	-38	-33
Poland		155,351	-0.9	2.1	2.4	45.7	32.5		97	3	5	-5	6
Romania		34,176	-0.5	-0.5	-3.7	66.1	39.8		181	-2	12	-37	6
South Africa		116,035	-1.2	0.8	-1.3	12.4	0.2		193	-5	-13	-97	-25
Türkiye		14,556	1.0	3.6	5.6	38.8	29.3		244	-5	-14	-38	10
EM total		69	-0.6	2.7	4.9	34.5	25.8		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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