



- **US payrolls disappoint as two-year yields extend their biggest two-day rally since March** ([link](#))
- **French sovereign stress spreads amid rotation into Schatz reflecting flight-to-quality bid** ([link](#))
- **Tokyo inflation supports the yen with steeper JGB curve and firmer pricing of a BoJ hike** ([link](#))
- **Hong Kong shares fall on weaker China stimulus as higher yields weigh on financials** ([link](#))
- **Romania faces a rating review after sharp leu losses, political risk and a failed auction** ([link](#))
- **Brazilian FX options price rising demand for protection before Sunday's elections** ([link](#))

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Payrolls Buy the Fed Time

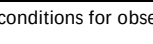
A downside payrolls surprise sent short-term US yields lower and eased pressure for another Fed hike in October. Hiring and wage growth undershot forecasts. Two-year Treasury yields fell another 10 bps to 4.69%, extending Thursday's rally as attention shifted toward a December Fed rate hike. The report weakens the case for rapid tightening without settling the question of further hikes. European sovereign stress remains a separate source of demand for safer bonds. French budget concerns have spread to Italy, where crowded positions amplified the selloff. Wider spreads alone may not bring ECB support, while a possible US diesel export ban adds inflation risks in Europe and CEEMEA. Strong Tokyo inflation supported the yen, but Hong Kong shares fell as Chinese stimulus disappointed. Romania faces a rating review after leu losses and a failed auction. Colombia's surprise hike and Brazil's election volatility add to local uncertainty.

Key Global Financial Indicators

Last updated: 10/2/26 9:10 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		7666	0.2	0	0	14	12
Eurostoxx 50		6236	1.0	-1	-2	10	8
Nikkei 225		68309	-0.9	3	5	49	36
MSCI EM		67	0.0	-1	-1	24	22
Yields and Spreads			bps				
US 10y Yield		5.18	-5.9	2	40	110	102
Germany 10y Yield		3.40	-10.4	-20	3	71	55
EMBIG Sovereign Spread		200	14	20	-1	-14	2
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.5	0.2	-1	-2	-1	-2
Dollar index, (+) = \$ appreciation		101.8	-0.3	1	2	4	4
Brent Crude Oil (\$/barrel)		99.2	-3.0	-5	4	55	63
VIX Index (% change in pp)		15.5	-0.9	1	0	-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: 10/2/26 9:10 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Oil and Gas			%				%
Brent Crude Oil (\$/barrel)		99	-3.0	-5	4	55	63
WTI Crude Oil (\$/barrel)		89	-4.2	-4	-2	47	55
Natural Gas (Netherlands TTF)		73	0	2	0	134	167
Breakeven Inflation		%	bps				
USD: 2Y		2.5	-4.0	3	1	-33	23
USD: 5Y		2.5	-2.4	0	-3	-11	15
USD: 5Y5Y		2.4	-1	-2	-3	-3	-4
EUR: 2Y		2.7	-11.7	-24	-12	98	101
EUR: 5Y		2.3	-6	-13	-7	53	55
EUR: 5Y5Y		2.1	-2	-3	-5	3	5

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

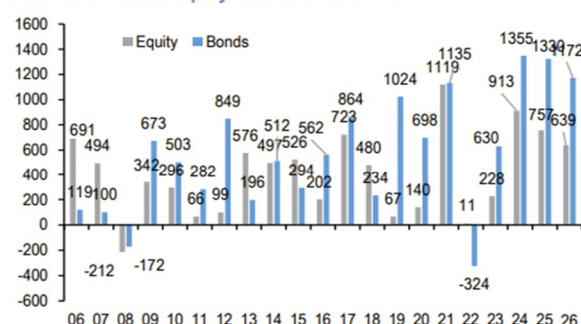
The downside payrolls surprise pushed back expectations for the next Fed hike and sent short-term Treasury yields lower. Softer hiring and wages eased pressure for an October hike, shifting attention toward December. Two-year yields fell another roughly 10 bps to 4.69%, extending what broadcast commentators described as the biggest two-day rally since March. Equity futures gained and the dollar weakened. Under the hood, the household-survey count of unemployed job losers fell to its lowest since June 2024. The rise in unemployment alongside a larger labor force therefore tempers the weaker headline. The October 14 inflation release remains the next test of hike timing.

	Actual	Consensus	Prior	Revised
Change in Nonfarm Payrolls	29k	90k	162k	133k
Change in Private Payrolls	46k	81k	127k	89k
Change in Manufact. Payrolls	9k	10k	16k	15k
Average Hourly Earnings MoM	0.1%	0.3%	0.3%	
Average Hourly Earnings YoY	3.0%	3.1%	3.1%	
Unemployment Rate	4.2%	4.1%	4.1%	

US Treasury yields fell as Fed guidance and European sovereign stress supported demand for safer assets. On Thursday, two- and ten-year yields declined (-10 bps and -5 bps, respectively), after Fed Vice Chair Jefferson signaled that policymakers could take more time before deciding on another rate move. Desk commentary also linked the rally to widening European sovereign spreads, with shorter maturities leading as investors reassessed the policy outlook. The S&P 500 rose (+0.2%) after a volatile session, while the dollar strengthened (+0.6%) against major currencies despite lower Treasury yields. Higher oil prices and renewed French fiscal uncertainty supported demand for the dollar.

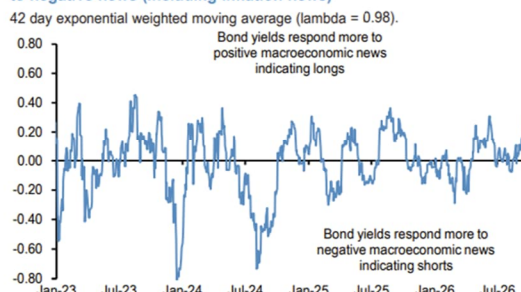
Strong bond-fund inflows have provided limited support to longer-term yields. JPMorgan argues that some inflows reflect portfolio rebalancing after equity gains, rather than a fresh appetite for interest-rate exposure (left chart). Bond ETF inflows have also favored shorter maturities: after adjustment for empirical duration, cumulative 2026 inflows are running at about half the unadjusted pace. This indicates less duration demand per dollar invested, rather than net sales of long bonds. Ten-year Treasury and Bund yields have become more sensitive to positive than negative economic surprises (right chart). JPMorgan interprets that asymmetry as evidence that investors already hold more duration than they want after the repricing of central-bank policy, limiting their willingness to add longer bonds.

Chart A1a: Global equity & bond fund flows



Source: ICI, LSEG Lipper, Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

Figure 14: Difference in the beta of the average of 10y UST and 10y Bund yields to positive US and Euro area economic news minus beta to negative news (including inflation news)

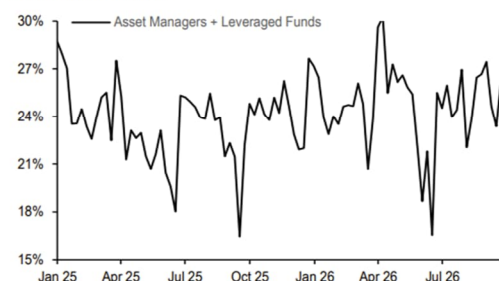


Source: Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

US equity positioning has rebuilt much of the exposure shed earlier this summer. Asset-manager and leveraged-fund positions in US equity futures have rebounded from June lows toward their 2026 highs (left chart). JPMorgan's broader equity positioning monitor reached about the 80th percentile in September, near peaks seen in August 2025 and early 2026 (right chart). Readings have since eased, but elevated positioning leaves equities more exposed to forced selling if volatility rises. The measures describe positioning, rather than observed liquidation or a forecast of an imminent selloff.

Figure 1: Positions in US equity futures by Asset managers and Leveraged funds

CFTC positions in US equity futures by Leveraged funds and Asset managers (as % of open interest). It is an aggregate of the S&P500, Dow Jones, NASDAQ and their Mini futures contracts.



Source: CFTC, Bloomberg Finance L.P. and J.P. Morgan Flows & Liquidity.

Figure 2: Broad equity positioning proxy from our cross-asset positioning monitor

Composite percentile since 2016.



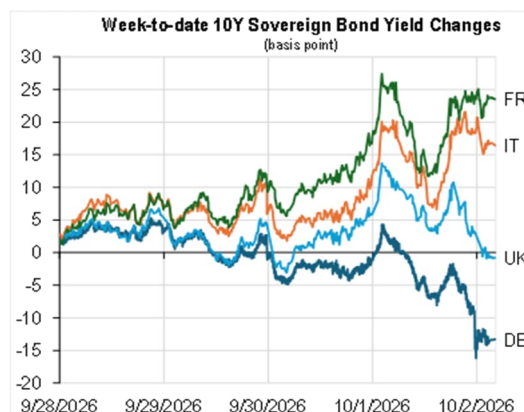
Source: J.P. Morgan Flows & Liquidity.

Europe

European equities rebounded this morning while sovereign spreads continued to widen. Most government-bond yields declined, with France the exception, as investors favored short-dated German and Dutch debt in a flight-to-quality bid. The rebound followed Thursday's equity losses (-1.3%), led by banks (-3.7%). September euro area flash inflation rose to 3.8% y/y (exp. 3.7% from 3.2%); while core inflation reached 2.5% (exp. 2.5% from 2.4%), with services accelerating to 3.2% from 3.0% and non-energy goods easing to 1.1% from 1.2. The combination of persistent inflation and tighter financing conditions complicates the ECB's response to sovereign-market pressure.

French fiscal concerns are spilling into other euro area sovereign markets.

The ten-year OAT–Bund spread reached 147 bps early Friday, almost 40 bps wider over the week, before subsequent desk quotes have put it above 150 bps. Italian, Belgian and Greek ten-year spreads widened (+10–15 bps) on Thursday, according to Commerzbank, even though Italy's improving fiscal position had previously supported tighter spreads. London market contacts cited crowded Italian positions, stop-loss selling of short-dated carry trades and possible hedging of French exposure through more liquid BTP cash bonds and futures. Other contacts saw a broader retreat from credit risk; no single explanation commanded agreement. Germany and the Netherlands attracted demand as French and Italian bonds underperformed (chart). Barclays expects a modified French budget to pass but forecasts a 2027 deficit of 5.5% of GDP, above the government's 5% target, owing to optimistic growth assumptions, higher borrowing costs and likely political concessions.

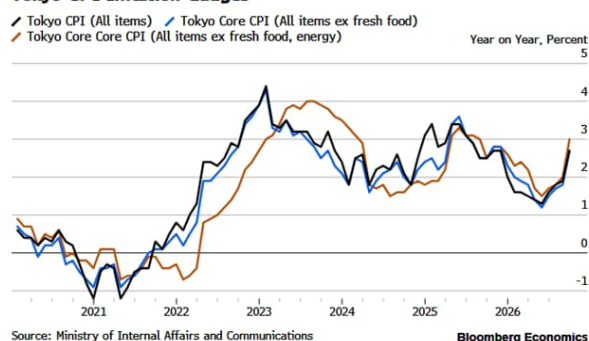


Analysts see a high bar for targeted ECB support despite widening sovereign spreads. BofA, Commerzbank and Crédit Agricole judge that intervention would require disorderly dynamics threatening monetary-policy transmission, with both the speed and size of moves relevant. BofA favors guidance and a less aggressive rate path as initial responses; Citi argues that continued contagion could prompt reconsideration of quantitative tightening. France's excessive deficit procedure does not automatically exclude it from the Transmission Protection Instrument if effective corrective action is taken, although fiscal slippage could jeopardize eligibility. TPI purchases focus on one- to ten-year maturities; Outright Monetary Transactions focus on one to three years and require an ESM program with strict conditionality. These limits leave the longest-dated OATs without direct coverage under the existing purchase parameters.

Japan

Stronger Tokyo inflation supported the yen while Japan's bond curve steepened. September core CPI rose to 2.7% y/y (exp 2.3% from 1.8%), while inflation excluding fresh food and energy reached 3.0% (exp. 2.5% from 2.0%). Expiring childcare and water-fee subsidies and holiday travel contributed to the surprise, limiting what one release establishes about persistent inflation (left chart). Overnight indexed swaps priced a 90% probability of a BoJ hike by December. The yen strengthened (+0.3%) to ¥157.58/\$ (right chart). Two- and ten-year JGB yields fell (-3 bps each) to 1.91% and 3.08%, while the 30-year yield rose (+1 bp) to 4.19%, as longer-term inflation and supply concerns persisted. Details of the government's ¥370 tn investment strategy also reinforced expectations of stronger medium-term investment.

Tokyo CPI Inflation Gauges



Yen Hovers Near 158 Per Dollar



Emerging Markets

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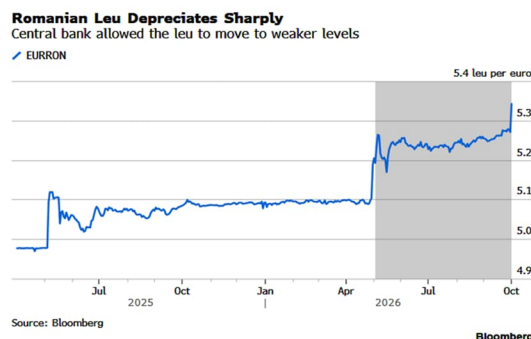
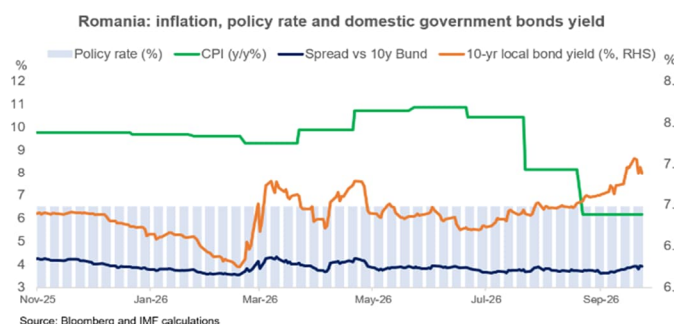
This morning, CEEMEA equities recovered while most regional currencies remained under pressure. Poland led CEE equity gains; Polish ten-year yields fell (-8 bps), while Hungarian yields declined (-4 bps) as the government reported financing ahead of plan. Turkish and South African equities rose (+0.8% and +0.6%), but the lira and rand weakened (-0.1% and -0.2%) against the dollar; Bloomberg reported \$359 mn of net foreign purchases of Turkish shares last week.

Asian currencies strengthened while equities retreated, led by Hong Kong's selloff. EM Asian currencies gained (+0.2%) against the dollar, led by the won (+0.8%) and Taiwan dollar (+0.5%), while regional equities declined (-0.3%). Higher borrowing costs weighed on equities as markets headed for their weakest week since mid-July.

Yesterday, Latin American currencies weakened while Brazil's equity gains contrasted with losses elsewhere. Brazilian shares rose (+0.5%), while Colombian, Mexican and Chilean equities fell (-0.8%, -0.6%, and -0.6%). The Mexican and Chilean pesos and Brazilian real weakened (-1.3%, -1.2%, and -0.8%) against the dollar; the Colombian peso was little changed.

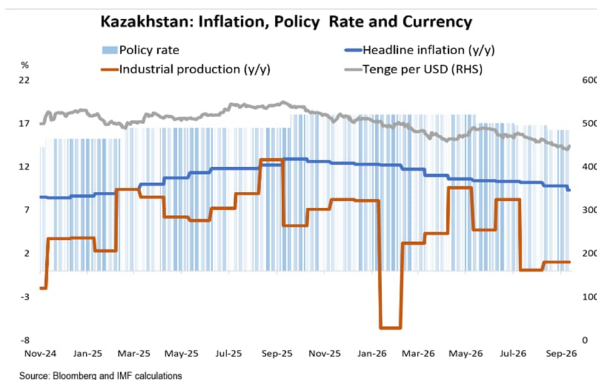
Romania

Romania's leu stabilized after a sharp decline ahead of today's S&P rating review. The currency was little changed this morning near RON5.34/€ after weakening (-1.7%) on Thursday (right chart). Bloomberg cited the central bank's explanation of domestic political uncertainty and broader geopolitical risks. September foreign-exchange reserves fell by €4.5 bn, partly reflecting support for the leu, and weak demand prompted the finance ministry to reject all bids at a RON500 mn auction. A second attempt to form a government failed on September 30. Ten-year yields rose about 50 bps in September; the London update put them near 7.46% this morning (left chart). S&P's rating is BBB- with a negative outlook. BofA expects a downgrade to below investment grade to be deferred until 2027H1, a forecast rather than a confirmed review outcome.



Kazakhstan

The tenge weakened despite planned foreign-currency sales. It depreciated (-1.0%) this morning to KZT447.35/\$, while remaining 11.8% stronger against the dollar this year. Bloomberg reported that the central bank plans KZT907 bn (\$2.05 bn) of Q4 foreign-currency sales linked to gold purchases, after operations were postponed in September owing to excess FX supply. These sales would ordinarily support the tenge; the timing alone does not establish that they caused its decline. September inflation slowed to 9.3% y/y from 9.8%, but exceeded the 8.5%



forecast. JPMorgan expects a 25 bps rate cut later in October, with risks of a 50 bps reduction, and inflation near 9.1% at year-end.

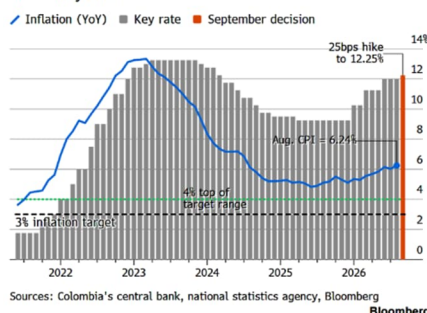
Colombia

Colombia's central bank unexpectedly raised rates as inflation remained above target.

The September 30 increase (+25 bps) brought the policy rate to 12.25%, its highest since early 2024; only two of 29 surveyed analysts expected a hike. Four board members backed the increase, two preferred a hold, and one favored 50 bps. August inflation reached 6.2% y/y, above the 2–4% target range (left chart). The real policy rate, adjusted for one-year inflation expectations, rose to 6.9%, compared with a 3.1% neutral estimate (right chart). On the following day, one-year swap rates rose (+14 bps) to 12.5% and two-year government-bond yields increased (+8 bps) to 12.7%.

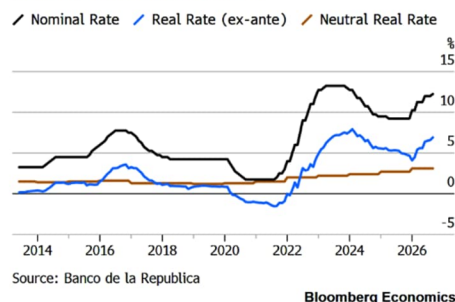
Colombia Delivers Surprise Quarter-Point Hike to 12.25%

Increase raises central bank's key interest rate to highest since early 2024



Colombia Policy Already Tight, With More Hikes Likely

Nominal and Real Policy Rates

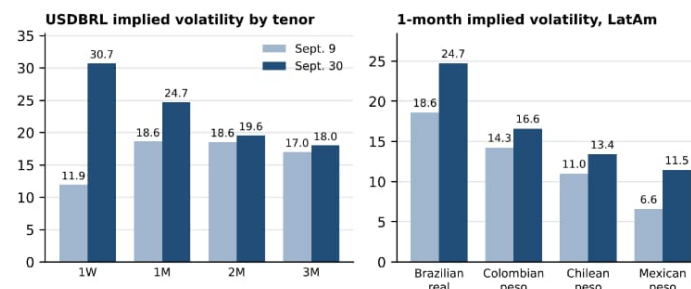


Brazil

Brazilian real options price large moves around Sunday's presidential election.

One-week implied volatility, spanning the October 4 first round, rose to 31% on September 30 from 12% on September 9, while two- and three-month volatility increased by about 1 ppt (left chart). One-month volatility approached 25%, near its 2022 election peak and the highest in Latin America (right chart). Risk reversals doubled to 2.0 over the same period, indicating greater demand for protection against a weaker real. The currency was little changed over September and remained 6% stronger against the dollar this year, despite Thursday's decline. The contrast points to concentrated event risk in options rather than a comparable month-long spot-currency selloff.

Brazil: Option Pricing Concentrates Around the Election



Note: At-the-money implied volatility, in percent. Source: Bloomberg Finance L.P.

This monitor is prepared under the guidance of Jason Wu (Assistant Director), 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), Harrison Kraus (Research Analyst), Mindaugas Leika (Senior Financial Sector Expert), 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), Juan Vera-Fernandez (Research Analyst), 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.

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Global Financial Indicators

Last updated: 10/2/26 9:10 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		7,721	0.2	-0.3	0.7	15.0	13
Europe		6,236	1.0	-1.1	-2.0	10.5	8
Japan		68,309	-0.9	2.9	5.1	49.2	36
China		4,358	0.3	-4.1	-4.4	-6.1	-6
Asia Ex Japan		117	0.4	-0.3	0.1	25.9	26
Emerging Markets		67	0.0	-0.7	-0.5	23.6	22
Interest Rates			basis points				
US 10y Yield		5.2	-6	2	40	110	102
Germany 10y Yield		3.4	-10	-20	3	71	55
Japan 10y Yield		3.1	-3	1	7	143	103
UK 10y Yield		5.3	-8	-5	8	60	84
Credit Spreads			basis points				
US Investment Grade		122	1	5	6	3	9
US High Yield		352	-3	26	50	16	12
Exchange Rates			%				
USD/Majors		101.8	-0.3	0.8	2.2	4.0	4
EUR/USD		1.13	0.1	-1.2	-2.9	-4.0	-4
USD/JPY		157.3	-0.5	0.0	-0.9	6.8	0
EM/USD		45.5	0.2	-0.9	-2.1	-1.0	-2
Commodities			%				
Brent Crude Oil (\$/barrel)		99.2	-3.0	1.8	7.8	55.7	65
Industrials Metals (index)		174.4	0.4	-3.7	-2.8	16.8	7
Agriculture (index)		61.4	0.3	-2.2	-6.0	13.1	15
Gold (\$/ounce)		4203.3	0.6	-1.9	-4.1	9.0	-3
Bitcoin (\$/coin)		86748.6	2.5	2.6	12.1	-28.1	-1
Implied Volatility			%				
VIX Index (%, change in pp)		15.5	-0.9	0.6	0.3	-1.1	0.6
Global FX Volatility		7.3	0.0	0.2	0.7	0.2	0.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		113	8	34	44	46	54
Italy		126	8	35	43	44	57
France		153	12	44	65	71	82
Spain		70	7	22	24	15	26

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

Emerging Market Financial Indicators

10/2/2026 9:20 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		6.71	0.0	0.1	0.2	6.2	4.2		1.7	0	2	-1	-17	-19
Korea*		1347	1.0	0.9	0.9	4.4	6.9		4.5	2	1	-1	163	119
Indonesia		17875	0.4	0.1	-0.6	-7.2	-6.6		7.1	5	5	7	93	110
India		96	-0.5	-0.4	-1.4	-7.9	-6.7		8.4	0	-12	40	152	128
Philippines		63	0.4	-0.1	0.0	-7.1	-6.0		6.1	0	1	4	132	141
Thailand		34	0.4	-0.6	-0.8	-3.6	-6.1		2.4	1	3	16	87	68
Malaysia		4.08	0.0	-0.3	-0.9	3.0	-0.6		4.0	-3	4	8	57	50
Argentina		1525	0.0	0.0	-0.9	-6.5	-4.8		0.0	0	0	0	-5699	-3237
Brazil		5.22	-0.1	-0.8	-2.5	2.3	4.9		14.1	7	-1	-30	28	49
Chile		983	0.3	-2.2	-4.5	-2.2	-8.4		6.0	-7	14	39	61	73
Colombia		3307	0.2	0.1	-4.4	17.5	14.2		13.0	-4	13	24	161	9
Mexico		18.18	0.6	-2.8	-6.7	1.3	-1.0		9.4	-9	5	18	67	44
Peru		3.5	-0.6	-1.1	-2.7	1.1	-2.6		6.6	0	-3	32	61	86
Uruguay		40	-0.4	-0.4	-0.5	-1.4	-3.7		7.8	0	15	15	-19	28
Hungary		328	0.0	-2.2	-3.3	1.2	-0.3		5.7	-5	-8	15	-84	-80
Poland		3.89	0.0	-1.4	-4.0	-6.6	-7.8		5.8	-4	-2	33	89	122
Romania		4.8	-0.2	-2.8	-4.8	-8.8	-9.0		7.4	4	3	52	8	69
Russia		83.5	0.6	1.0	4.6	-1.4	-5.7							
South Africa		16.7	0.2	-2.0	-3.6	3.9	-0.5		9.2	11	18	15	-39	58
Türkiye		49.14	-0.1	-0.5	-1.8	-15.3	-12.6		34.6	-10	-4	69	298	502
US (DXY; 5y UST)		102	-0.2	0.9	2.3	4.1	3.6		4.96	-5	-3	42	129	123

	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		4,358	0.0	-4.1	-4.4	-6.1	-5.9		3	1	-2	-6	-4	
Korea*		7,004	0.5	-1.1	4.7	97.3	66.2		24	1	3	1	2	
Indonesia		6,037	0.5	-3.3	-9.0	-25.6	-30.2		104	13	6	21	29	
India		71,910	0.5	-2.3	-6.0	-11.4	-15.6		94	8	9	19	18	
Philippines		5,629	0.0	-3.4	-7.6	-7.9	-7.0		94	15	11	34	32	
Thailand		1,572	0.5	-2.2	-1.5	21.5	24.8							
Malaysia		1,631	0.0	-2.4	-4.5	-0.3	-2.9		60	4	3	2	3	
Argentina			-2.1	-4.7	-11.2	52.5	-9.6		649	40	142	-524	83	
Brazil		187,672	0.5	2.3	1.3	30.4	16.5		178	10	1	-13	-21	
Chile		5,540	-0.6	-2.0	-4.8	19.6	2.1		101	10	12	2	11	
Colombia		2,530	-0.8	-2.1	1.6	36.8	22.3		236	24	32	-31	-42	
Mexico		63,829	-0.6	-0.7	-1.6	2.6	-0.7		216	11	17	3	-3	
Peru		3,523	-0.2	-0.2	0.5	48.1	36.3		118	8	9	-4	-11	
Hungary		141,112	0.9	-6.7	-3.9	41.6	27.1		115	13	15	-11	-17	
Poland		153,964	-0.5	-2.0	1.2	43.0	31.3		112	17	16	20	24	
Romania		32,529	2.4	2.5	-5.3	51.1	33.1		206	23	27	5	36	
South Africa		108,664	0.8	-2.0	-5.6	0.5	-6.2		225	25	37	-30	10	
Türkiye		12,326	0.6	-4.4	-12.3	11.2	9.5		267	23	29	17	48	
EM total		67	1.9	-0.7	-0.5	23.6	22.1		200	20	-1	-14	2	

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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