

Market Overview

November 2025

- Global equities delivered mostly muted gains with some indices declining during November 2025, in contrast to the gains witnessed in the previous months. MSCI World rose about 0.18%, while MSCI EM declined by 2.47%. The S&P 500 gained 0.13%, the FTSE 100 has been flat with a small gain of 0.03%, and the DAX declined by 0.51%
- The U.S. 10-year Treasury yield declined by around 8 bps to 4.00%, while the 2-year declined by 6bps to 3.51%. The 2YR/10YR spread currently stands at 52bps with the potential of further steepening due to further cuts and the

possibility of higher inflation which could drive the yields of long dated treasury higher.

- The Federal Reserve open market committee is scheduled to meet on the 10th of December. Market-implied probabilities of rate move, derived from the Fed funds rate, futures are currently pricing in a cut which was priced gradually on the back of a of the job report that showed an uptick in the unemployment rate, weaker retail sales and stable inflation read from the Producer Price Index (PPI).

Key market indicators

World Bond Markets

Region	RMI	Security	Price	Chg	Yld	Chg	Yld	Low	Range	High	Hst Chg
1) Americas											
10) United States		T 4 11/15/35	99.09	-0.00+	4.088	+0.2		3.994	Avg Now	4.159	+1.1
11) Canada		CAN3 1/4 06/35	100.057c	-0.820	3.243	+10.0		3.100		3.251	+12.6
12) Brazil (USD)		BRAZIL6 5/8 35	103.567	+0.034	6.114	-0.5		6.000		6.217	+11.4
13) Argentina (USD)		ARGENT4 3/8 35	71.264c	-0.112	10.463	+3.2					
14) Mexico (USD)		MEX6 05/07/36	102.301	-0.008	5.699	+0.1		5.476		5.699	+22.3
2) EMEA											
20) United Kingdom		UKT4 1/2 03/35	100.146	-0.002	4.480	+0.0		4.386		4.600	+7.2
21) France		FRTR 3 1/2 35	100.127	-0.018	3.485	+0.2		3.375		3.487	+6.5
22) Germany		DBR 2.6 08/35	98.704	-0.040	2.753	+0.5		2.631		2.753	+12.2
23) Italy		BTPS3.6 10/35	101.316	-0.028	3.470	+0.3		3.369		3.471	+8.9
24) Spain		SPGB3.2 10/35	99.760	-0.023	3.228	+0.3		3.138		3.228	+8.8
25) Portugal		PGB3 06/15/35	99.482	-0.019	3.062	+0.2		2.976		3.062	+7.6
26) Sweden		SGB2 1/2 10/36	96.860	-0.054	2.839	+0.6		2.583		2.839	+25.7
27) Netherlands		NETHER2 1/2 35	96.751	-0.024	2.891	+0.3		2.780		2.891	+11.1
28) Switzerland		SWISS 0 1/4 35	101.291	-0.001	0.114	+0.0		.055		.118	+4.5
29) Greece		GGB3 5/8 06/35	102.160	-0.023	3.355	+0.3		3.248		3.355	+10.2
3) Asia/Pacific											
30) Japan		JGB 1.7 09/35	98.704	+0.006	1.856	-0.1		1.650		1.857	+19.9
31) Australia		ACGB 4 1/4 35	97.139c	-0.456	4.609	+5.8		4.292		4.609	+31.7
32) New Zealand		NZGB 4 1/2 35	101.143c	-0.380	4.351	+4.9		4.045		4.351	+30.6
33) South Korea		KTGB 5/8 06/35	95.438	+0.147	3.344	-1.8		3.063		3.380	+28.2
34) China		CGB1.83 08/35	99.989	-0.048	1.831	+0.5		1.788		1.840	+4.3

World Equity Indices

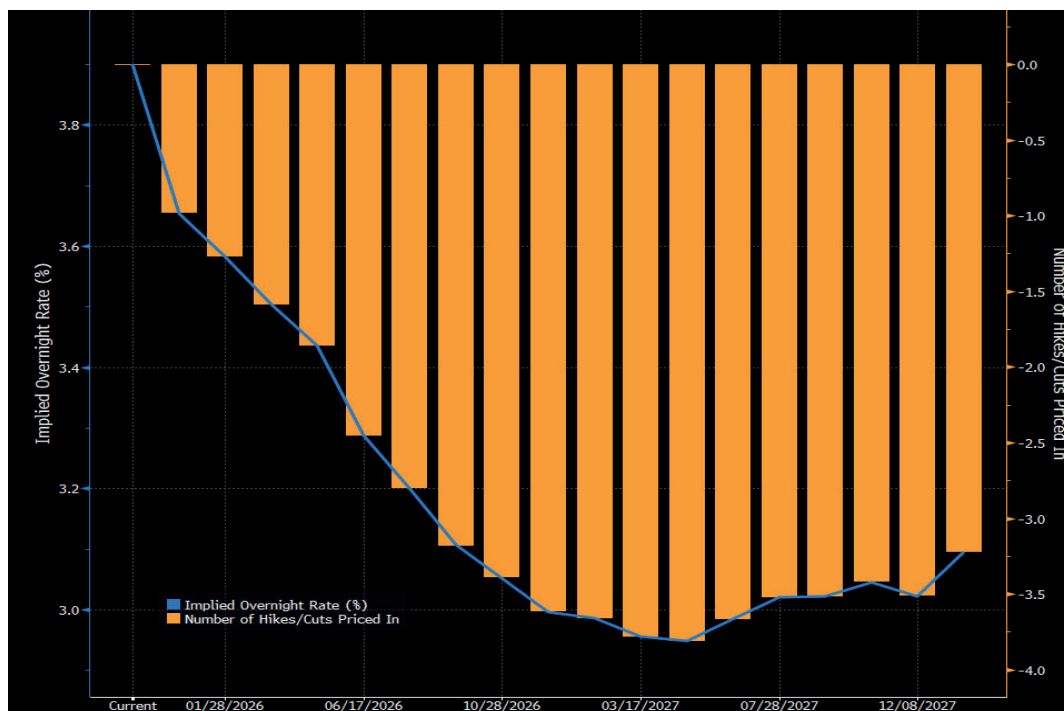
Index	RMI	2Day	Value	Net Chg	%Chg	Time	Adv/Dcl	%Mtd	%MtdCur
1) Americas									
11) DOW JONES			47289.33	-427.09	-0.90%	12/01 c	9 / 21	-0.90%	-0.90%
12) S&P 500			6812.63 d	-36.46	-0.53%	12/01 c	140 / 363	-0.53%	-0.53%
13) NASDAQ			23275.92	-89.77	-0.38%	12/01 c	966 / 2260	-0.38%	-0.38%
14) S&P/TSX Comp			31101.78 d	-281.00	-0.90%	12/01 c	73 / 137	-0.90%	-1.04%
15) S&P/BMV IPC			63551.13 d	-45.65	-0.07%	12/01 c	13 / 22	-0.07%	-0.13%
16) IBOVESPA			158611.01 d	-461.12	-0.29%	12/01 c	27 / 54	-0.29%	-0.68%
2) EMEA									
21) Euro Stoxx 50			5667.48 d	-0.69	-0.01%	12/01 c	28 / 21	-0.01%	+0.12%
22) FTSE 100			9702.53 d	-17.98	-0.19%	12/01 c	36 / 62	-0.18%	-0.33%
23) CAC 40			8097.00 d	-25.71	-0.32%	12/01 c	22 / 18	-0.32%	-0.19%
24) DAX			23589.44 d	-247.35	-1.04%	12/01 c		-1.04%	-0.91%
25) IBEX 35			16389.00 d	+17.40	+0.11%	12/01 c	16 / 19	+0.11%	+0.23%
26) FTSE MIB			43259.48 d	-97.53	-0.22%	12/01 c	16 / 23	-0.22%	-0.10%
27) OMX STKH30			2778.61	-5.92	-0.21%	11:03	15 / 14	-0.33%	-0.39%
28) SWISS MKT			12850.73 d	+16.77	+0.13%	12/01 c	7 / 13	+0.13%	+0.08%
3) Asia/Pacific									
31) NIKKEI			49303.45 d	+0.17	+0.00%	09:45 c	112 / 111	-1.89%	-1.62%
32) HANG SENG			26069.63 d	+36.37	+0.14%	10:48	53 / 34	+0.81%	+0.78%
33) CSI 300			4554.34 d	-22.15	-0.48%	10:00 c	78 / 204	+0.61%	+0.67%
34) S&P/ASX 200			8579.70	+14.50	+0.17%	09:12 c	99 / 87	-0.40%	-0.33%
4) Global									
41) BBG World L/M			2325.69	-0.64	-0.03%	11:03	741 / 818	-0.40%	-0.40%

Market-Implied Probability of a December Rate Cut & Key Implications

Market-implied probability measures including Bloomberg's **WIRP** (World Interest Rate Probabilities) and CME Fed Watch now assign an estimated **98% probability** that the Federal Reserve will cut the federal funds rate by **25 bps at December 10, 2025, FOMC meeting**.

This shift reflects a combination of softer macro data, dovish communication from Federal Reserve officials, and accelerated positioning in fed-funds futures. Financial markets have already begun adjusting through lower short-term yields and a weaker U.S. dollar.

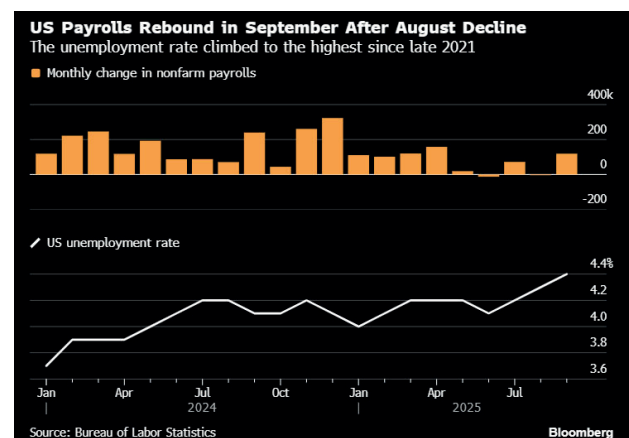
Implied Overnight Rate & Number of Hikes/Cuts



1. Why Markets Expect a December Cut

a. Softer Labor-Market & Macro Indicators

Recent data releases and regional Federal Reserve commentary signaled easing labor demand and slower real activity with unemployment rate increasing to 4.4% as of September 2025, the highest it's been in four years. These developments reduce the perceived economic risk of easing policy before year-end.



2. Market Implications of a December Cut

a. Rates & Fixed Income

- Short-term Treasury yields would likely decline further.
- A bull curve steeper as a result of lower short term rate and stable yields in the long end is possible if markets price additional cuts into 2026.
- Duration-sensitive fixed-income assets would benefit.

b. FX Market

- A cut biases the U.S. dollar weaker, particularly against high-carry or cyclical currencies.
- Emerging markets may see improved capital flow dynamics as USD pressures ease.

c. Equities

- Equity markets generally react positively to lower discount rates.
- Growth and longer-duration sectors (Tech, Communication Services) would likely outperform, though sentiment remains dependent on near-term inflation prints.

d. Financial Institutions & Borrowers

- Banks: Potential mild compression in net interest margins if deposit rates lag policy reductions.
- Consumers & corporates: Lower variable borrowing costs and improved refinancing conditions.

3. Risks to the Outlook

- Data dependency: Inflation and payroll readings before December could alter expectations rapidly.
- Upside inflation surprise: Would reduce cut probabilities sharply and strengthen the USD.

- Fed communication uncertainty: Any hawkish shift in messaging could reprice markets abruptly.

Yen Carry Trade

The Japanese yen carry trade—borrowing yen at low interest rates to invest in higher-yielding global assets—remains a central macro theme in global markets. Historically, the strategy has thrived on Japan's ultra-low interest rates and structural stagnation, which made the yen one of the world's cheapest funding currencies. The core logic is straightforward: capture the interest-rate differential, provided the yen does not appreciate significantly during the holding period.

However, the carry landscape has shifted meaningfully in late 2025. The Bank of Japan (BOJ) raised its policy rate to 0.5%, marking a clear departure from decades of near-zero yields. On 27 November 2025, BOJ board member Asahi Noguchi signaled support for further gradual rate increases, warning that prolonged real-rate suppression could exacerbate yen weakness and inflation. Markets interpreted his comments as signaling potential additional tightening in the months ahead.

Recent Data and Market Behavior

As of late November 2025, USD/JPY trades near ¥156, extending months of yen depreciation. The interest-rate differential between Japan and the U.S. remains wide—Japan at 0.5% versus U.S. short-term yields around 3.5–4.0%—supporting ongoing carry demand. Yet volatility has increased, with Japanese authorities repeatedly warning of potential intervention to curb excessive yen weakness, highlighting rising policy sensitivity. Economic data has further complicated expectations. Weak GDP readings have undermined confidence in sustained

BOJ tightening, while persistent inflation and currency weakness are fueling domestic pressure for normalization. These conflicting forces create a nuanced backdrop: wide rate spreads still favor carry positions, but policy uncertainty and FX volatility significantly raise risk. Today's carry trade therefore hinges not only on yield differentials but also on timing, policy direction, and currency stability—unlike prior periods of predictable ultra-loose Japanese policy.

Illustrative Scenario Outcomes for Yen Carry Positions

Scenario	JPY Funding Rate	Foreign Yield	Yield Spread	FX Move (USD/JPY)	Net After FX
Base / Stable	0.50%	4.50%	4.00%	Stable (0%)	4.00%
Tightening	1.50%	4.50%	3.00%	Yen +2%	≈ +1.0%
Risk-Off / Yen Strength	0.50%	4.50%	4.00%	Yen +10%	≈ -6.0%
Best Case	0.50%	6.50%	6.00%	Stable (0%)	6.00%

Carry Trade Dynamics and Outlook

Even a modest yen rebound can erase carry gains, while larger FX swings or policy surprises can trigger rapid position unwinds. Conversely, if the BOJ maintains a gradual tightening path and the yen remains relatively stable, carry strategies can continue to deliver attractive returns.

The outlook for the yen carry trade now depends on several interlinked forces:

- **BOJ rate path:** Further hikes would narrow interest differentials and raise funding costs.

- **FX volatility and intervention risk:** Japanese authorities have already expressed concern over rapid yen moves, signaling a low tolerance for disorderly depreciation.
- **Global risk sentiment:** Carry trades tend to unwind abruptly during risk-off episodes.

- **Relative yield levels:** Opportunities will hinge on spreads across U.S., emerging market, and credit assets. Overall, the carry trade remains viable but far more conditional than in previous years. It is no longer a one-directional bet—it is increasingly sensitive to macro catalysts, policy communication, and cross-border capital flows.

Impact of U.S. Yields and Fed Policy

U.S. monetary policy continues to be a key determinant of the yen carry trade's sustainability. Earlier expectations for aggressive Federal Reserve rate cuts in 2025 have moderated as U.S. economic data remains resilient. Consequently, Treasury yields have stayed elevated, with the 10-year holding near recent highs—tightening global financial conditions.

This yield strength has widened the U.S.–Japan rate gap, supporting dollar-funded carry positions and sustaining flows into higher-yielding assets. However, if the Fed begins cutting rates in late 2025 or early 2026, the differential will narrow, reducing the appeal of the trade. Historically, sharp U.S. yield compressions have led to rapid yen appreciation as leveraged carry positions unwind—amplifying volatility across FX, equities, and global risk assets.

Japanese Yen vs US Dollar vs 30 Year Japanese Yen bond



Illustrative Scenario Outcomes for Yen Carry Positions

Issuer	Country	Size (\$ million)	Initial Spread/Yield	Final Spread/Yield	Coupon/ Profit Rate	Type	Maturity	Rating
Avi Lease	Saudi Arabia	850	UST + 140 bps	UST + 110 bps / 4.874%	4.750%	Senior Sukuk	12-Nov-30	Baa2/BBB
Gulf International Bank	Saudi Arabia	500	6.875%	6.625%	6.625%	Tier 1 Bond	Perpetual	Unrated
Alinma Bank	Saudi Arabia	500	UST + 240 bps	UST + 210 bps	5.375%	Tier 2 Bond	10-Nov-35	BBB
Sharjah Islamic Bank	UAE	500	UST + 115 bps	UST + 95 bps / 4.651%	4.625%	Senior Sukuk	12-Nov-30	A-/BBB+
State of Qatar	Qatar	1,000	UST + 45 bps	UST + 15 bps / 3.759%	4.250%	Senior Sukuk	10-Nov-28	Aa2/AA/AA
State of Qatar	Qatar	3,000	UST + 55 bps	UST + 20 bps / 4.308%	3.875%	Senior Sukuk	12-Nov-35	Aa2/AA/AA
Ittihad International Investments	UAE	500	7.875%	7.375%	7.375%	Senior Sukuk	13-Nov-30	BB-/BB-
National Bank of Kuwait	Kuwait	300	UST + 190 bps	UST + 150	5.750%	Tier 2 Bond	10-Feb-36	A-
Qatar International Islamic Bank	Qatar	500	UST + 85 bps	UST + 85 bps / 4.548%	4.500%	Senior Sukuk	13-Nov-30	A2/A
Kingdom of Jordan	Jordan	700	6.375%	5.95%	5.750%	Senior Bond	12-Nov-32	Ba3/BB-
Dubai Islamic Bank	UAE	1,000	UST + 120 bps	UST + 90 bps	5.109%	Senior Sukuk	19-Nov-30	A3/A
National Bank of Oman	Oman	450	7.125%	6.625%	6.625%	Tier 1 Bond	Perpetual	Unrated
KFH	Kuwait	500	6.625%	6.25%	5.875%	Tier 1 Sukuk	Perpetual	Unrated
MAF	UAE	500	6.375%	5.750%	5.750%	Subordinated Bond	Perpetual	BB+/BB+
Bank of Sharjah	UAE	500	UST + 175 bps	UST + 145 bps	5.109%	Senior Bond	19-Nov-30	BBB+
First Abu Dhabi Bank (EUR)	UAE	750	MS + 100 bps	MS + 70 bps	3.120%	Senior Bond	20-Feb-31	Aa3/AA-/AA-
Emirate of Sharjah	UAE	750	UST + 145 bps	UST + 110 bps	5.250%	Senior Sukuk	25-May-36	Ba1/BBB-
First Abu Dhabi Bank	UAE	1,000	6.375-6.50%	5.875%	5.875%	Tier 1 Bond	Perpetual	Baa3
Arabian Centres	Saudi Arabia	500	9.38%	9.13%	9.125%	Senior Sukuk	04-Dec-30	B+/BB
Saudi National Bank (SGD)	Saudi Arabia	425	3.700%	3.400%	3.400%	Tier 2 Bond	01-Dec-35	BBB

From euphoria to agony: The Austrian Century Bond Collapse

In June 2020, the Republic of Austria issued a €5.8 billion century bond at mid-swaps plus 125 basis points, offering a coupon rate of just 0.85%. The issue drew exceptional demand, reflecting the market's eagerness to lock in yield amid an era of ultra-low interest rates. By late 2020, the bond traded at a yield of 0.37% and a cash price of €139 — valuations that, in hindsight, signaled investor complacency toward duration risk.

With duration exceeding 70 years, the bond was highly sensitive to rate movements. As global yields normalized, its value collapsed — with yields widening to around 3.20% and the price plunging by over 78%. The episode underscores how yield-chasing behavior and market exuberance during periods of monetary excess can lead to severe mark-to-market losses once rates revert toward equilibrium.



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