



- US core CPI for January reported lower than expected ([link](#))
- European bank stocks continue to outperform ([link](#))
- Riksbank extends zero rate forecast until 2024 ([link](#))
- Mexico's January inflation rises further ([link](#))
- Fitch downgrades Ethiopia to CCC on restructuring concerns ([link](#))

[US](#) | [Europe](#) | [Other Mature](#) | [Emerging Markets](#) | [Market Tables](#)

## Little change in markets, with US inflation reported below expectations

Markets are calm so far today with little news flow to drive large moves. European equity markets are little changed this morning, while Asian equities rose, led by China shares. Treasury yields gave up some early gains when the January CPI report showed prices rising below expectations. The core theme in markets has not shifted with optimism of a rebound remaining high and investors closely watching progress on vaccine rollouts and the US stimulus. Oil prices continue to edge higher with Brent pushes passing \$61 per barrel. Emerging market currencies are generally mixed this morning, with the overall dollar index little changed. Markets will also be paying attention to a speech later today by US Fed president Powell on the state the labor market.

Key Global Financial Indicators

Last updated: 2/10/21 8:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		3911	-0.1	2	2	17	4
Eurostoxx 50		3664	0.1	1	1	-3	3
Nikkei 225		29563	0.2	3	5	25	8
MSCI EM		57	1.1	3	4	31	10
<b>Yields and Spreads</b>			bps				
US 10y Yield		1.17	1.6	4	6	-40	26
Germany 10y Yield		-0.43	1.3	3	9	-2	14
EMBIG Sovereign Spread		342	2	-5	-2	37	-8
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		57.8	-0.1	1	0	-3	0
Dollar index, (+) = \$ appreciation		90.5	0.0	-1	0	-8	1
Brent Crude Oil (\$/barrel)		61.5	0.7	5	10	15	19
VIX Index (% change in pp)		21.6	0.0	-1	0	7	-1

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

## United States

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In the US, the 10-year Treasury yield declined by almost 3 bps Tuesday, likely due to the expectations for a strong 10-year Treasury auction. The USD weakened by up to 1 percent against major currencies. The S&P500 was little changed. Contacts noted somewhat stretched valuations from recent sessions. Further, some commented on potential risks around the eventual giveback from the proposed consumption-focused fiscal stimulus. Some investors have cited a potential cyclical peak in equities in 1H2021, ahead of the anticipated 2H2021 economic rebound as well as relatively bullish positioning according to prime broker reports and a significant number of recent higher revision in EPS expectations. **This morning, core CPI for January came in weaker than expected:** 1.4%/y/y vs. Bloomberg consensus 1.5%; unchanged m/m vs 0.2% expected. This gives the Fed more succor for a relatively dovish rhetoric despite strong increases in asset prices recently. The 10-year treasury had been up 2 bps on the day before the release, but moved back to unchanged after the numbers were reported.

**Exhibit 18: Peaks in equity issuance precede peaks in PE multiples**  
Initial Public Offerings (IPOs) and Secondary Equity Offerings (SEOs)



Source: BofA Research Investment Committee, Datastream, Haver Analytics

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**Exhibit 21: As good as it gets...global equity earnings revisions at record high**



Source: BofA Research Investment Committee, Datastream

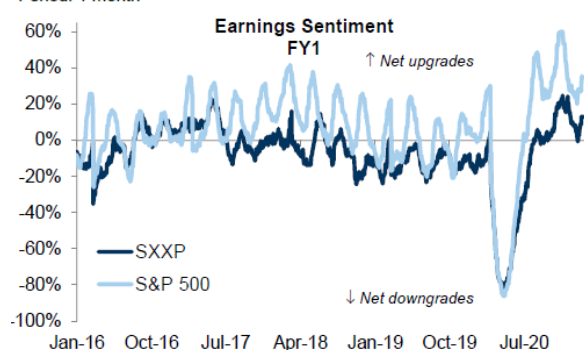
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## Europe

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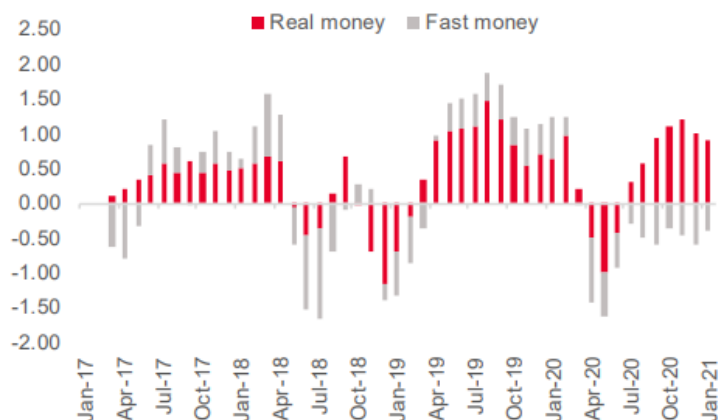
European bank stocks (+0.8%) continue to outperform on better-than-expected quarterly earnings and no material misses on net interest income and fees. **Bank stocks have gained almost 12% in February (compared to 5% for the index).** Better earnings have not been limited to banks. Dutch payments platform Adyen rose +10% on better-than-expected results today, reaching a new record high. **German 10-yr bund yields (at -0.44%) and the euro are little changed.**

**Earnings sentiment has turned positive**  
(number of analyst upgrades - downgrades) / total number of estimates;  
Period: 1 month



**Italian 10-yr yield is steady at a record low of 0.50% as Draghi remains on track to form a government backed by a broad coalition.** Yesterday, Lega leader Salvini said that his party will enter the broad coalition government. M5S founder Beppe Grillo also announced that M5S will join the coalition. SocGen points out that the net foreign purchases of Italian bonds continue to be driven by real money flows with hedge funds turning less negative in January.

#### Italy: Net foreign purchases of Italian bonds (SG proprietary index)



Source: SocGen

**In Sweden, the koruna (+0.1%) edged higher against the euro after the Riksbank left its QE program unchanged** (to total SEK700 bn by the end of 2021) and extended the zero rate path for its repo rate another quarter to 2021Q4 when inflation is expected to reach the 2% target.

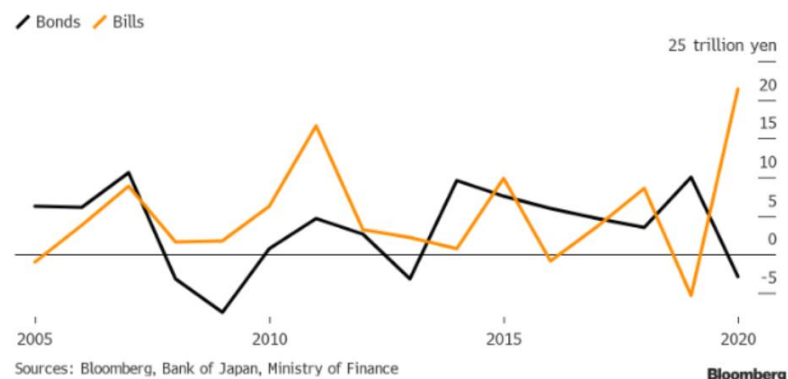
## Other Mature Markets

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### Japan

**Equities rose 0.3%, erasing earlier losses to post a fourth consecutive day of gains.** The Bank of Japan (BOJ)'s newest board member Nakamura said that the upcoming policy review will examine how purchases of assets including ETFs impact market functioning. He said that ETF purchases are a necessary tool to remove some of the deflationary mindset arising from stock market instability. Separately, in 2020 **foreign investors bought ¥21.4 tn (\$204 bn) of Japanese T-bills in 2020 while net selling government bonds for the first time since 2013.** They also purchased more than ¥3 tn of bonds issued by government agencies, local governments and other entities, according to Bloomberg. **10-year JGB yield rose 0.7bps while the yen was little changed.**

Global funds buy record amount of Japan's T-bills while selling government bonds





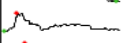

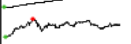
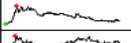
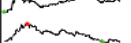
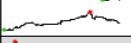
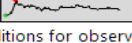





## Emerging Markets

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**Asian equities rose +0.9% on net, led by North Asia.** Hong Kong SAR (+1.9%) and China (Shanghai +1.4%; Shenzhen +1.8%) outperformed while Singapore (-0.3%) fell. **Regional currencies appreciated, driven by Korean won outperformance (+0.9%).** The strength in Korean markets was despite a weakening labor market. The unemployment rate rose to its highest level in two decades of 5.4% in January from December's 4.5%. Employment declined 982k in January compared to last year, the most since the Asian Financial Crisis, driven by retail and hotels/restaurants. **EMEA equities were mostly trading higher** with South Africa (+1.1%) outperforming. **EMEA currencies also edged higher against the dollar**, except for the Polish zloty (-0.2%). **Markets in LatAm were mixed Tuesday.** While equities in Mexico (1.9%), Peru (+1.7%) and Chile (+1.2%) were up, Brazil and Colombia were down 0.2%. On Tuesday, Peru started its COVID-19 vaccination drive using vaccines from China's Sinopharm laboratory. According to a Bloomberg report, a recent survey estimated nearly half of the country's population is against inoculation even as the number of daily new cases remain high. Government bonds in Ecuador continued to fall on Tuesday as the nation heads for a second round of elections on April 11. Ecuador's 2040 USD bonds fell 2.8 points on Tuesday.

Key Emerging Market Financial Indicators

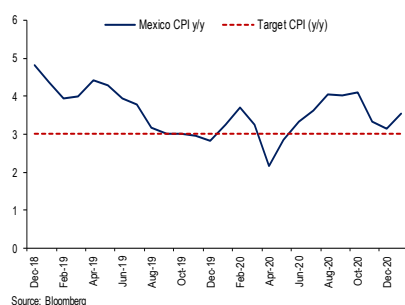
Last updated: 2/10/21 8:11 AM	Level	Change	YTD
	Last 12m index	1 Day 7 Days 30 Days 12 M	
<b>Major EM Benchmarks</b>		%	%
MSCI EM Equities	 56.94	0.8 3 4 31	10
MSCI Frontier Equities	 29.11	0.0 0 -1 -3	3
EMBIG Sovereign Spread (in bps)	 342	2 -5 -2 37	-8
EM FX vs. USD	 57.78	-0.1 1 0 -3	0
<b>Major EM FX vs. USD</b>		%, (+) = EM currency appreciation	
China Renminbi	 6.45	-0.2 0 0 8	1
Indonesian Rupiah	 13983	0.1 0 1 -2	0
Indian Rupee	 72.85	0.1 0 1 -2	0
Argentine Peso	 88.35	-0.1 -1 -3 -31	-5
Brazil Real	 5.42	-0.7 -1 2 -20	-4
Mexican Peso	 20.11	0.0 0 0 -7	-1
Russian Ruble	 73.85	0.1 3 1 -13	0
South African Rand	 14.72	0.0 2 5 2	0
Turkish Lira	 7.05	0.2 1 6 -15	5
EM FX volatility	 9.84	0.0 -0.3 -0.8 3.0	-0.9

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

## Mexico

**Eyes on the Central Bank's (Banxico) meeting tomorrow as inflation surprises on the upside.** Mexico's January inflation came in at 3.54% y/y, which is higher than the median consensus estimate of 3.45% y/y and December inflation of 3.15% y/y. This implies that the gap between actual headline inflation and the target set by Banxico has widened. However, market analysts believe Banxico might yet announce a rate cut on Thursday as core inflation has largely remained flat, 3.84% y/y in January vis-à-vis 3.80% y/y in December.

Inflation deviates further away from Banxico's target.



## China

**Equities (Shanghai +1.4%; Shenzhen +1.8%) gained ahead of the upcoming Lunar New Year holidays.** Producer prices rose for the first time in a year, increasing +0.3% y/y in January, on rising commodity costs. Consumer prices reversed into negative territory, falling -0.3% y/y in January. Core inflation also fell at the same rate, marking the first decline since 2009. Separately, **the central bank's director of the research bureau said that the financial situation of coal companies is worth paying attention to.** He mentioned that some companies have started to lower emissions and climate risks are manageable. The People's Bank of China has started conducting stress tests on the financial risks of coal-fired power plants in 2017. Regulators are considering the systemic impact from climate-related risks. **The RMB and 10-year bond yields were little changed.**

Chinese stock index is at its highest level since 2008



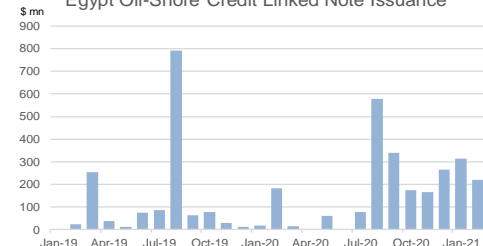
While consumer prices return to deflation



## Egypt

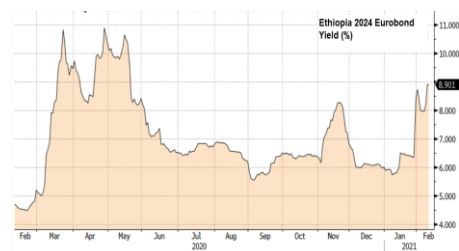
**Inflation slows more than expected in January to 4.3% yoy.** The sharp slowdown from 5.4% in December comes largely on the back of food prices although core inflation came also at 3.6%, with both measures below the Bank of Egypt 5-9% target band. The central bank reduced its policy rate by 400 bps to 8.25% in 2020 and analysts expect another 100 bps of cuts in 2021. The demand for local government securities remains solid as projected by steady off-shore bond-linked note issuance through international dealers. Contacts see further **inflow potential from the on-going discussions on Egypt's inclusion to JP Morgan EM Bond Index** as the government has indicated that it has so far met all the requirements.

Egypt Off-Shore Credit Linked Note Issuance



## Ethiopia

**Fitch downgraded Ethiopia to from B to CCC on G-20 Common Framework related uncertainty.** S&P and Moody's currently rate Ethiopia B and B2 respectively. The yield on the 2024 Eurobond increased by 80 bps as contacts reported investors attempts to further reduce exposure amid thin market liquidity. There were no further spillovers to other regional securities.



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## Global Financial Indicators

Last updated: 2/10/21 8:08 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>							
			%				%
United States		3913	-0.1	2	2	17	4
Europe		3664	0.1	1	1	-3	3
Japan		29563	0.2	3	5	25	8
China		3655	1.4	4	2	26	5
Asia Ex Japan		100	1.1	3	5	39	12
Emerging Markets		57	1.1	3	4	31	10
<b>Interest Rates</b>							
			basis points				
US 10y Yield		1.17	1.6	4	6	-40	26
Germany 10y Yield		-0.43	1.3	3	9	-2	14
Japan 10y Yield		0.08	1.0	3	5	14	6
UK 10y Yield		0.49	2.6	12	20	-7	29
<b>Credit Spreads</b>							
			basis points				
US Investment Grade		89	-0.1	-3	-6	-17	-6
US High Yield		350	-1.1	-11	-21	-79	-29
Europe IG		47	-0.5	-1	-2	4	-1
Europe HY		245	-2.0	-4	-9	31	2
EMBIG Sovereign Spread		342	2.0	-5	-2	37	-8
<b>Exchange Rates</b>							
			%				
USD/Majors		90.46	0.0	-1	0	-8	1
EUR/USD		1.21	0.0	1	0	11	-1
USD/JPY		104.8	-0.2	0	0	5	-1
EM/USD		57.8	-0.1	1	0	-3	0
<b>Commodities</b>							
			%				
Brent Crude Oil (\$/barrel)		62	0.7	5	10	15	19
Industrials Metals (index)		140	1.2	5	2	33	5
Agriculture (index)		51	-1.3	0	3	28	5
<b>Implied Volatility</b>							
			%				
VIX Index (% change in pp)		21.6	0.0	-1.3	0.1	6.6	-1.1
US 10y Swaption Volatility		61.0	-0.1	0.1	0.1	-11.7	0.9
Global FX Volatility		7.2	0.0	-0.3	-0.6	1.7	-0.8
<b>EA Sovereign Spreads</b>							
			10-Year spread vs. Germany (bps)				
Greece		121	-1.2	10	9	-23	1
Italy		94	-1.8	-11	-11	-42	-17
Portugal		52	1.5	0	3	-18	-8
Spain		58	0.8	-1	2	-9	-3

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

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## Emerging Market Financial Indicators

Last updated: 2/10/2021 8:11 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		6.45	-0.2	0.2	0	8	1		3.3	-1.1	4	8	45	7
Indonesia		13983	0.1	0.2	1	-2	0		6.2	1.8	9	0	-53	18
India		73	0.1	0.2	1	-2	0		6.3	2.9	6	35	-36	34
Philippines		48	0.0	0.0	0	6	0		3.5	2.3	-1	-16	-70	-15
Thailand		30	0.0	0.4	1	5	0		1.4	-1.2	3	9	3	11
Malaysia		4.04	0.0	0.2	0	3	-1		2.7	-0.1	7	14	-36	17
Argentina		88	-0.1	-0.6	-3	-31	-5		49.3	-2.2	-73	-326	-944	-687
Brazil		5.42	-0.7	-0.8	2	-20	-4		6.5	7.8	26	34	45	89
Chile		731	0.5	0.2	-1	9	-3		2.8	-1.1	-2	-1	-68	0
Colombia		3580	0.0	-1.3	-2	-4	-4		5.1	-2.9	2	6	-46	6
Mexico		20.11	0.0	0.4	0	-7	-1		5.7	-1.0	8	2	-103	8
Peru		3.6	0.1	-0.1	-1	-7	-1		3.8	-1.8	0	7	-46	21
Uruguay		43	0.0	-0.6	0	-11	-1		7.1	1.9	-6	-11	-308	-12
Hungary		295	0.2	0.1	1	5	1		1.6	-1.8	0	5	34	12
Poland		3.70	-0.1	0.8	1	6	1		0.7	1.1	5	6	-118	3
Romania		4.0	0.0	0.7	0	9	-1		2.3	1.0	-1	-33	-144	-46
Russia		73.8	0.1	2.9	1	-13	0		6.0	5.4	-1	25	4	25
South Africa		14.7	0.0	1.5	5	2	0		9.5	6.0	2	-20	5	-14
Turkey		7.05	0.2	1.5	6	-15	5		13.3	-2.7	-2	4	271	22
US (DXY; 5y UST)		90	0.0	-0.8	0	-8	1		0.48	0.8	2	0	-91	12

	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	1 Day	7 Days	30 Days	12 M	
								basis points						
China		5808	2.1	6	6	48	11		200	-1	-3	-9	31	-8
Indonesia		6202	0.3	2	-1	4	4		165	-2	-1	-15	-4	-22
India		51309	0.0	2	5	25	7		155	-1	-2	1	19	4
Philippines		7082	0.2	3	-3	-5	-1		90	-1	-1	-10	17	-15
Malaysia		1597	0.7	1	-2	4	-2		114	-1	-2	-9	7	4
Argentina		52267	0.5	5	1	27	2		1450	1	-8	67	-437	82
Brazil		119472	-0.2	0	-4	6	0		257	3	-1	2	43	7
Chile		4553	1.2	3	0	-2	9		132	1	1	-4	-11	-12
Colombia		1380	-0.2	2	-5	-16	-4		211	0	-5	3	42	6
Mexico		45021	1.9	3	-4	2	2		358	0	-11	-2	55	-2
Peru		22311	1.7	4	3	12	7		137	1	5	11	19	5
Hungary		44467	-0.1	1	0	0	6		71	1	-2	-8	-38	-25
Poland		57245	0.0	1	-4	0	0		-19	0	-2	-8	-55	-18
Romania		10547	-1.3	2	4	5	8		191	-1	-6	-6	6	-12
Russia		3421	-0.2	2	-1	12	4		165	1	2	6	17	-1
South Africa		65963	1.2	5	4	16	11		365	1	-13	-16	29	-15
Turkey		1547	0.2	1	0	31	5		426	-1	-6	-14	25	-19
Ukraine		521	0.0	0	4	-1	4		487	9	-3	12	100	-4
EM total		57	0.8	3	4	31	10		421	0	17	-10	97	128

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

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