



- Fed Chair Powell's Senate testimony delivers few surprises ([link](#))
- Gold retraces gains after hitting all-time high earlier this week ([link](#))
- New European sovereign debt issuance hits record in syndicated market ([link](#))
- Yen weakens as rate hike expectations fade after Ueda's comments ([link](#))
- Brazilian inflation eases in January, but rate hikes remain anchored ([link](#))
- China proposes rescue plan for fifth-largest property developer Vanke ([link](#))
- Expectations for Russia/Ukraine peace deal rise ahead of Security Conference ([link](#))

[Mature Markets](#)












[Emerging Markets](#)

[Market Tables](#)

January CPI data confirms US Inflation to remain stubborn, validating Fed hold

Investors remain cautious on duration, lacking conviction amidst ongoing issuance in the Euro Area and uncertainty ahead of this morning's U.S. CPI release. Fed Chair Jerome Powell's testimony in the Senate had little immediate effect on interest rates, with the S&P500 closing marginally higher. The dollar weakened against the euro amid tariff fatigue, suggesting that growing uncertainty surrounding tariff policies may be dampening their impact. Powell reiterated the Fed's cautious stance, noting that interest rate cuts could occur if inflation falls significantly or unemployment weakens, while high rates may persist if inflation remains stubborn, as today's January U.S. CPI confirmed this morning with both headline and core inflation surprising to the upside after divergent readings of the NY Fed and U-Mich inflation surveys. Fed speakers follow in the agenda of the day, including Chair Powell in the second part of his Congressional testimony, Atlanta Fed President Bostic, and Fed Board Governor Waller. The afternoon will see a 10-year Treasury auction, followed by updated U.S. budget estimates from the Congressional Budget Office. Meanwhile, in Japan, Governor Ueda noted tariff uncertainty and rising food price inflation as concerns for households, with a weaker yen complicating the Bank of Japan's policy stance.

Key Global Financial Indicators

Last updated: 2/12/25 9:00 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6069	0.0	1	4	21	3
Eurostoxx 50		5376	-0.3	2	8	13	10
Nikkei 225		38964	0.4	0	-1	3	-2
MSCI EM		44	-0.4	1	6	9	4
Yields and Spreads			bps				
US 10y Yield		4.63	9.6	21	-13	45	6
Germany 10y Yield		2.47	4.2	11	-12	11	11
EMBIG Sovereign Spread		317	2	-1	-2	-73	-8
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		43.9	0.0	0	2	-6	2
Dollar index, (+) = \$ appreciation		108.4	0.4	1	-1	4	0
Brent Crude Oil (\$/barrel)		76.3	-0.9	2	-4	-7	2
VIX Index (% change in pp)		17.1	1.0	1	-2	3	0

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

Mature Markets

[back to top](#)

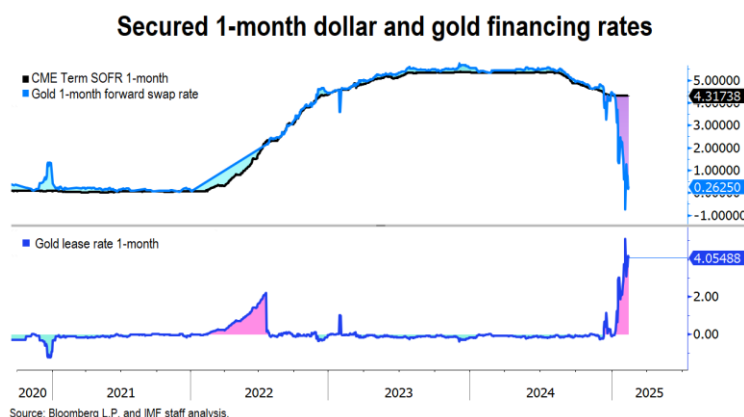
United States

This morning, the CPI report for January shows headline inflation accelerating, printing significantly higher than expected. Headline CPI inflation came in at 0.5% m/m (exp. 0.3% vs. 0.4% prior), largely driven by shelter cost up +0.4%, which accounts for nearly a third of all increases. Compared to data a year ago, the headline inflation increased by 3.0% y/y (exp. 2.9% from 2.9%). Core inflation rose 0.4% m/m (exp. 0.3% from 0.2%), accelerating to 3.3% y/y (exp. 3.1% from 3.2%). 10-year Treasury yields jumped (+10 bps) to 4.63%, while S&P 500 futures declined (-1%). The Bloomberg dollar index was (+0.5%).

Indicator	Actual	Consensus	Prior
Headline CPI, MoM	0.5%	0.3%	0.4%
Headline CPI, YoY	3.0%	2.9%	2.9%
Core CPI, MoM	0.4%	0.3%	0.2%
Core CPI, YoY	3.3%	3.1%	3.2%

Fed Chair Powell testified before the U.S. senate with few surprises. He largely reiterated his remarks from the latest FOMC press conference less than two weeks ago, stating that while inflation has eased significantly over the past two years, it remains somewhat elevated above the Fed's 2% target. The chair also noted that the job market is broadly in balance and not a source of significant inflationary pressures.

Gold partially retraced some of its gains after hitting an all-time high earlier this week. Following Monday's all-time high of \$2,942.68/oz, gold has been dipping below \$2,900/oz on rising US Treasury yields and hawkish comments from Fed Chair Powell. Geopolitical tensions also weighed on gold, with Zelensky mentioning possible territorial swaps in peace talks with Russia, while Trump ramped up peace efforts, citing the release of an American teacher as a key step. Despite this pullback, the recent rally in gold has been driven by tariff fears and growing geopolitical uncertainty, with investors seeking safe-haven assets and inflation hedges. The gold lease rate in London surged to 5% last week—its highest level since 2019—before stabilizing around 4% as of recent. This spike reflects a global scramble for physical bullion, as dealers move metal from storage abroad to the US in anticipation of potential tariffs.

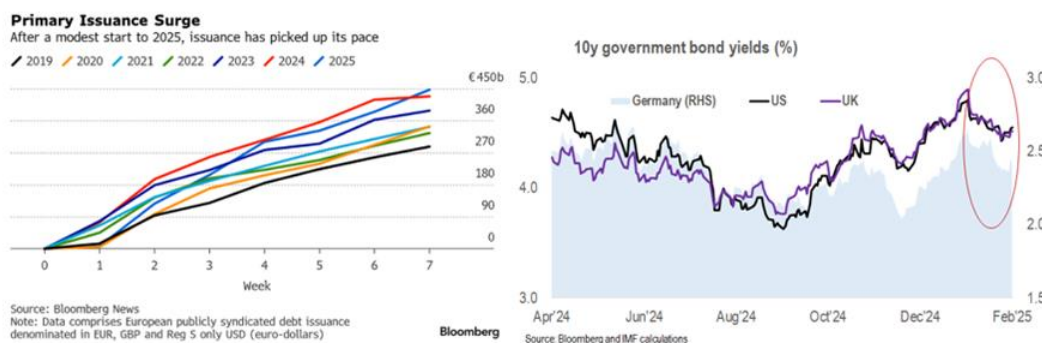


Euro Area

This morning, European stock markets and the euro remained flat. While the Eurostoxx 600 fractionally gained (+0.2%) earlier in the trading session, it pared back to yesterday's levels. The index continues to trade near record highs on upbeat earnings from companies in the food and beverages sectors driving earlier gains. Separately, shares of Italian asset manager Anima Holding SpA declined (-1%) after Italian

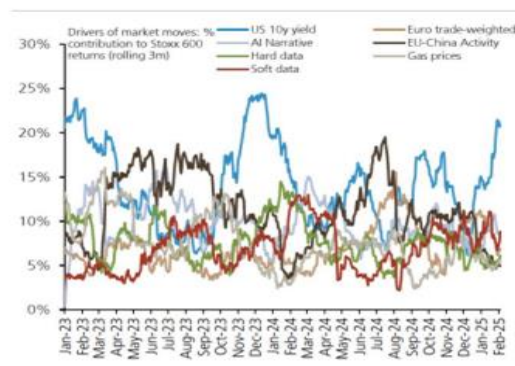
bank Banco BPM raised its takeover bid to €7/share from €6.20/share previously. In terms of data, the December release for industrial production in Italy notably contracted to -3.1% m/m (exp. -0.2% from +0.3% prior). The euro fractionally gained (+0.2%) versus the dollar to trade at \$1.0383/€.

European sovereign debt issuance hits a record high, with the region's syndicated bond market seeing its busiest start to the year, driven by rising supply. According to Bloomberg analysts, several countries—including Belgium, Finland, France, Italy, Spain, and the UK—have increasingly turned to syndicated markets to diversify their investor base, setting new records for investor demand. Yesterday, France announced an unexpected 30-year OAT issuance in the syndicated market. Reflecting the glut of supply, European government bond yields rose, with the 2 to 10-year maturity bucket increasing by +6 to +7bps. This morning, yields were slightly higher, with the 10-year bund yield rising (+2bps) to 2.45%, and the 2-year bund yield rising (+1bps) to 2.09%.



A ceasefire in the Russia/Ukraine conflict could be incrementally positive for European equities. UBS analysts note that while a ceasefire at this weekend's Munich Security Conference may have limited impact on European equities at the index level, individual stocks in sectors like capital goods, construction, chemicals, and consumer goods could benefit. A resolution that lowers gas prices would have a broader impact, with analysts suggesting that if the transit agreement is renewed, gas prices could drop to €30, and potentially €20 if all sanctions are lifted (though they consider this unlikely). Lower gas prices would likely support chemical companies and benefit consumers through reduced bills.

Figure 1: Importance of macro factors for SXXP returns

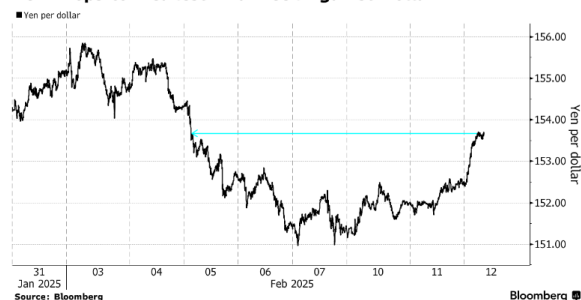


Source: UBS

Japan

Japanese markets faced a mix of currency pressure and optimism in equities. The Yen depreciated by (-0.8%) to ¥153.73/\$ against the dollar, following Bloomberg reports that, despite Japan's government petitioning for an exemption from the 25% U.S. steel tariffs, leveraged accounts shorted the yen on speculation that the petition could be rejected. The probability of a rate hike by July 2025, as priced by overnight index swaps, retreated to as low as 77% today while it remained firmly earlier

Yen Drops to Weakest in a Week Against Dollar



this week. Meanwhile, Japanese equities rose (Nikkei: +0.4%) on earnings optimism, particularly from SoftBank. JGB yields continued to rise in the 10-year maturity point (+2.7bps) to 1.34%.

The Financial Services Agency (FSA), Japan's financial regulator, has urged regional banks to pay close attention to the risks of investing in repackaged government bonds. Investors purchase these products in the form of loans to a vehicle that holds sovereign debt, bundled with derivatives to enhance returns. Banks have been attracted to this product because they do not have to mark-to-market if the bonds lose value as interest rates rise, and they can increase their loan balances, which boosts the growth of their core business. However, the FSA is concerned that banks could suffer from negative spreads if the yield curve flattens, making the return on these products smaller than the rates paid on deposits and other funding sources.

Emerging Markets

[back to top](#)

This morning, EMEA equities mostly gained while currencies have been trading in a narrow range. Stock markets in CEE continued to gain, except for Bulgaria (-0.4%), while equities in South Africa (+0.6%) were also trading in the green. The South African rand strengthened to the dollar (+0.2%) at 18.43/\$ while CEE currencies remained by and large flat to the euro. On the data front Czechia's final inflation print for January confirmed earlier estimates (+2.8%y/y). Elsewhere, Albania yesterday issued a 10-year €650mn Eurobond, with a yield of 5% compared to initial price talk of around 5.5%.

Asian stock markets gained while currencies remained flat. Stock markets gained most in Hong Kong SAR (+2.6%) on continued AI optimism while Indonesia (+1.7%) rebounded from a three-year low. Among currencies, the Indian rupee (-0.1%) and Malaysian ringgit (-0.04%) fractionally depreciated to the dollar. Bank Negara Malaysia stated that it is ready to curb excessive ringgit volatility, anticipating support from state-linked firm inflows and long-term economic prospects.

Yesterday, Latin America's stock markets and currencies broadly gained. Equity markets in Mexico rebounded from earlier losses from tariff concerns on a Reuters article citing Mexico's Economy Minister Marcelo Ebrard, who clarified that the U.S. steel and aluminum tariffs are 'unjustified' because Mexico imports more steel from the U.S. than it exports, despite being one of the top suppliers of steel to the U.S. This trade imbalance has led to uncertainty ahead of the new 25% tariffs set to take effect on March 12, 2025. Stocks in Brazil (+0.8%) advanced as inflation eased, while Colombia (+0.6%) gained and Chile edged lower. In currency markets, the Brazilian real and Mexican peso appreciated, while the Chilean peso remained flat even as NYMEX copper prices fell (-2.3%) since surveyed economists raised their year-end inflation expectations. The Colombian peso also closed unchanged after falling -0.8% intraday.

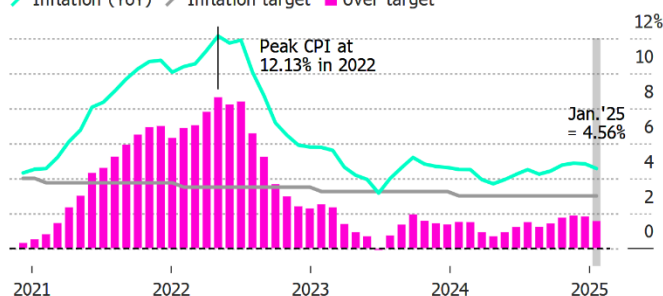
Brazil

Inflation momentum is slowing while for now, the central bank tightening remains the baseline. January inflation printed at 4.56% y/y (exp. 4.58% from 4.83%) as one-time energy credits and falling housing costs provided temporary relief. Despite this, a +100bps hike remains firmly priced in overnight forwards, reflecting Brazilian Central Bank's efforts to curb inflation, particularly driven by rising transportation costs and persistent inflation in services. Economists surveyed on Monday also revised their 12-month inflation outlook upward,

Brazil Inflation Eased in January

Annual inflation hit 4.56% last month, monthly print at 0.16%

— Inflation (YoY) — Inflation target ■ Over target



Source: Brazil's statistics agency and central bank, Bloomberg

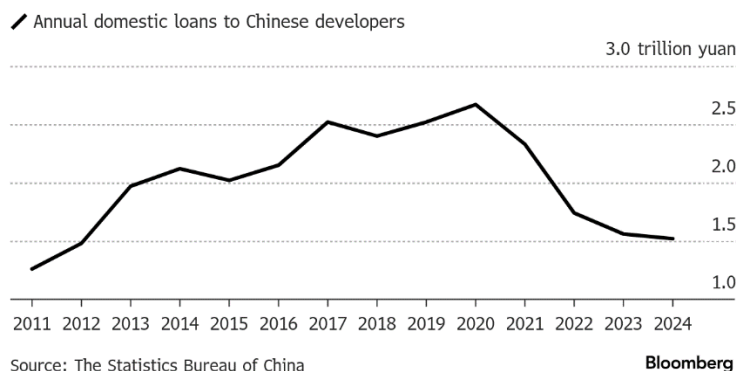
Bloomberg

from 5.74% y/y to 5.87%. Meanwhile, interest rate swaps maturing in January 2027 dropped over -10bps as investors reassess future policy rate decisions. The Brazilian real fell in the morning but recovered with an intraday gain of (+0.9%) approaching 5.76/\$. Stock markets gained by similar magnitude (+0.8%).

China

Authorities are proposing a rescue plan for Vanke, China's fifth-biggest developer by sales. The plan aims to bridge a 50bn yuan (\$6.8bn) funding gap, including allocating 20bn yuan in special local government bonds and providing access to other financing sources. Vanke's shares rallied on these support measures (+16.7% offshore and +9.9% onshore), but challenges persist, including significant debt repayment risks and a Moody's downgrade to Caa1 which is four rating notches below investment grade. Banks remain hesitant to issue new property loans due to heightened default risks, driven by a sharp decline in housing sales (-3.2% y/y in January, hitting a 15-year low) and a significant drop in prices (-30% from the 2021 peak). In response, the government introduced a 'Whitelist' of property projects eligible for preferred funding last year, but being added to the list does not guarantee loans, as banks still scrutinize project viability. Official data shows a fourth consecutive annual decline in bank loans to developers, with a 6.1% y/y drop. The market views regulatory rescue efforts as too cautious and is expecting more timely and bold measures to reverse pessimistic expectations. Today, the yuan remained stable, with a stronger fix at 7.1710/\$, while the AI-driven rally continued, lifting shares listed both onshore (CSI300: +0.9%) and offshore (HSCEI: +2.7%).

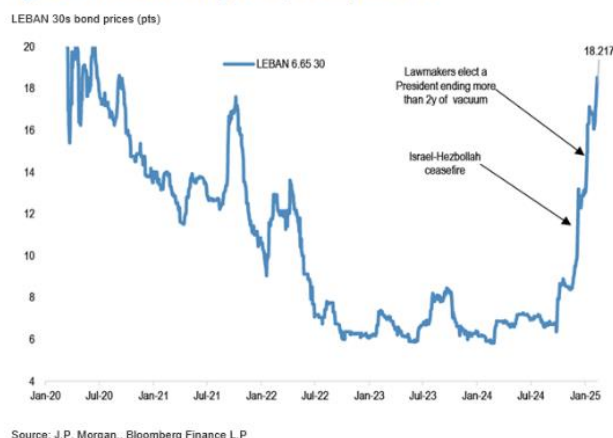
Bank Loans to Chinese Builders Plunge Near 2012 Level



Lebanon

Lebanon's defaulted sovereign euro bonds rally after new government formation. Lebanon's 2030 Eurobond price rose from around 17.6 cents to 18.6 cents on Monday following the formation of a new government by Prime Minister Salam over the weekend. Since then, the gains have slightly retraced, with Bloomberg pricing at 18.2 cents this morning. JPMorgan analysts view the government's formation as a positive development, noting its timely execution just three weeks after Salam's appointment. They also consider the cabinet formation and the new Prime Minister's focus on stability and reconstruction as credit positive. The analysts point out that attention now shifts to reform plans and securing international support, with banking sector reforms being a key focus. However, some market contacts caution that the reconstruction process could be complex and lengthy due to the extensive needs and political challenges.

Figure 1: Lebanon's sovereign bond price rally continues

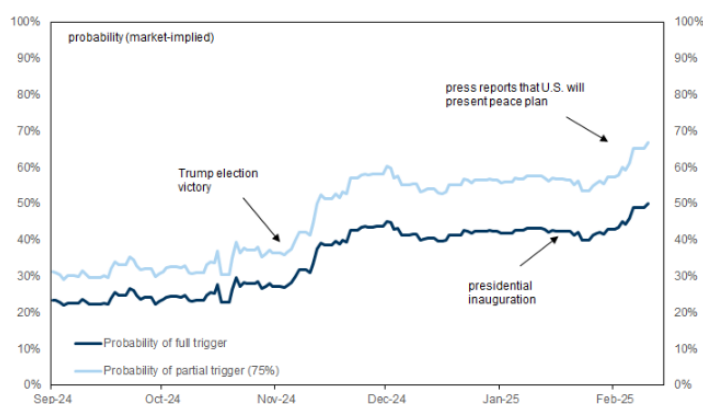


Ukraine

Market expectations for a peace deal rise, with attention on this weekend's Munich Security Conference. Goldman Sachs analysts assess market expectations for a peace deal and economic growth in Ukraine by comparing the pricing of Ukraine's GDP-linked contingent bonds to standard bonds. They note that expectations for a resolution have increased significantly since the U.S. elections and have continued to rise in recent weeks, with estimates showing a 50-70% probability that the contingent upside instrument is partially or fully activated. This suggests a base case of a near-term resolution. Meanwhile, Deutsche Bank analysts point to a repricing of assets linked to direct participants in the war, including Ukrainian bonds, the Russian ruble, and assets in countries that may be involved in post-ceasefire reconstruction in Central Eastern Europe. However, they see limited spillover to the broader Euro Area so far. Market participants are closely watching this weekend's Munich Security Conference for further signs of a possible agreement.

Exhibit 2: Market Implied Probability of a Sharp Rise in Ukrainian GDP (Consistent with War Resolution) has Increased in Recent Months

Probability implied from cash price difference of Ukraine B2035 and B2034 bonds (the former embeds a GDP-linked contingent upside instrument) relative to maximum value of this contingent option evaluated at an assumed post-war discount rate (100bp premium over B-rated peers).



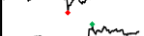


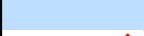

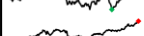

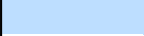

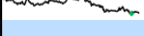



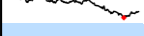






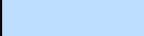




Source: Goldman Sachs Global Investment Research

This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Shehryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), 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 John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Disclaimer: *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*

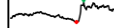
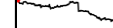








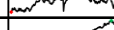
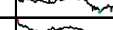





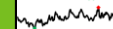
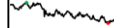



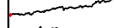




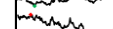





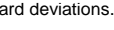


Global Financial Indicators

2/12/25 9:01 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,043	0.0	-0.3	3.7	20.3	3
Europe		5,376	-0.3	2.0	8.0	13.3	10
Japan		38,964	0.4	0.4	-0.6	2.6	-2
China		3,920	0.9	3.3	5.3	16.5	0
Asia Ex Japan		74	-0.6	0.5	5.0	12.3	2
Emerging Markets		44	-0.4	0.9	6.0	9.2	4
Interest Rates			basis points				
US 10y Yield		4.6	10	21	-13	45	6
Germany 10y Yield		2.5	4	11	-12	11	11
Japan 10y Yield		1.3	3	6	14	62	24
UK 10y Yield		4.6	6	13	-27	51	0
Credit Spreads			basis points				
US Investment Grade		115	-1	-2	-5	-13	-5
US High Yield		296	-5	-6	-15	-77	-32
Exchange Rates			%				
USD/Majors		108.4	0.4	0.8	-1.1	4.1	0
EUR/USD		1.03	-0.3	-0.7	0.9	-4.1	0
USD/JPY		154.4	1.2	1.2	-2.0	3.4	-2
EM/USD		43.9	0.0	0.4	2.4	-6.3	2
Commodities			%				
Brent Crude Oil (\$/barrel)		76.3	-0.9	2.3	-3.2	-0.7	3
Industrials Metals (index)		147.0	-0.2	1.4	2.4	10.4	5
Agriculture (index)		60.4	-0.2	-0.3	4.9	-0.1	6
Implied Volatility			%				
VIX Index (% change in pp)		17.1	1.0	1.3	-2.5	3.1	-0.3
Global FX Volatility		8.4	0.0	-0.2	-0.6	1.3	-0.8
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		86	-2	0	4	-27	0
Italy		109	-1	0	-9	-46	-7
France		76	-2	4	-8	26	-7
Spain		62	-1	0	-5	-34	-7

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

Emerging Market Financial Indicators

Last updated: 2/12/2025 9:01 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		7.31	0.0	-0.5	0.3	-1.6	-0.1		1.7	-1	-1	-2	-80	-4
Indonesia		16367	0.0	-0.5	-0.6	-4.7	-1.6		6.8	0	-17	-30	19	-20
India		87	-0.1	0.7	-0.4	-4.5	-1.5		7.2	3	14	-15	4	-10
Philippines		58	0.0	-0.2	0.9	-3.7	-0.6		5.1	0	1	1	-34	22
Thailand		34	-0.5	-0.7	2.1	5.3	0.1		2.3	0	-4	-4	-29	1
Malaysia		4.47	0.0	-1.0	0.9	6.6	0.1		3.8	0	1	0	1	0
Argentina		1056	-0.1	-0.2	-1.6	-21.3	-2.4		27.1	7	39	176	-4713	-207
Brazil		5.77	-0.1	0.6	5.7	-14.1	7.1		15.1	-10	31	-35	484	-79
Chile		959	0.3	1.4	5.1	1.2	3.8		5.9	3	3	3	52	18
Colombia		4164	-0.6	0.3	3.4	-6.0	5.8		11.5	2	14	2	187	-28
Mexico		20.62	-0.3	-0.2	0.1	-17.2	1.0		9.9	7	-10	-39	49	-49
Peru		3.7	0.0	0.1	1.8	4.1	0.7		6.5	0	-18	-23	-24	-16
Uruguay		43	-0.1	0.0	1.4	-9.9	1.2		9.7	0	5	7	63	8
Hungary		390	-0.4	0.1	3.3	-8.0	1.8		6.5	17	5	-17	49	7
Poland		4.04	-0.3	-0.1	3.1	-1.0	2.2		5.6	6	1	-10	44	0
Romania		4.8	-0.3	-0.7	0.7	-4.1	-0.3		7.4	5	-11	-25	110	9
Russia		94.3	2.4	4.0	9.1	-3.2	20.4							
South Africa		18.5	-0.4	0.1	2.7	1.9	1.6		10.7	4	8	-6	-80	21
Türkiye		36.10	-0.2	-0.5	-1.7	-14.9	-2.1		28.9	48	87	22	99	-79
US (DXY; 5y UST)		108	0.5	0.8	-1.1	4.1	0.0		4.48	11	23	-10	34	9

	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		3,920	0.9	3.3	5.3	16.5	-0.4		94	-2	3	-66	-2	
Indonesia		6,646	1.7	-5.4	-5.3	-7.8	-6.1		92	-6	3	-18	1	
India		76,171	-0.2	-2.7	-0.2	6.5	-2.5		94	-5	8	-22	8	
Philippines		6,044	0.9	-3.8	-4.7	-11.5	-7.4		87	-6	8	-5	8	
Thailand		1,284	0.0	-1.3	-5.2	-7.7	-8.3							
Malaysia		1,603	0.8	2.5	1.1	4.7	-2.4		70	-3	-3	-19	0	
Argentina		2,273,568	-4.9	-8.2	-18.9	101.5	-10.3		709	67	130	-1300	72	
Brazil		124,784	0.8	-0.6	5.0	-2.5	3.7		225	5	-4	6	-22	
Chile		7,286	-0.2	0.2	6.9	19.4	8.6		120	-2	3	-16	7	
Colombia		1,535	0.6	1.6	9.3	23.0	11.3		323	-3	0	1	-3	
Mexico		53,452	1.0	3.0	7.8	-6.9	8.0		310	0	3	-22	-2	
Peru		29,337	-1.2	0.8	0.4	6.1	1.3		144	-1	1	-9	3	
Hungary		87,727	0.0	4.2	7.3	35.5	10.6		153	-1	2	-17	-2	
Poland		91,374	0.4	6.1	11.1	15.0	14.8		108	-5	-1	-2	-4	
Romania		17,267	0.3	1.1	1.3	9.7	3.3		241	-6	3	41	6	
South Africa		87,733	0.2	1.3	5.1	19.0	4.3		309	6	25	-45	16	
Türkiye		9,796	-0.9	0.8	-1.2	6.8	-0.4		260	-1	4	-72	1	
EM total		44	-0.4	0.9	6.0	9.2	4.1		364	7	6	11	0	

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

[back to top](#)