



- European stocks rise and euro strengthens after news of US-Russia talks ([link](#))
- Accelerating inflation dampens Fed's prospects for a rate cut in the near future ([link](#))
- Accelerating producer price growth in Japan raises rate hike expectations ([link](#))
- Negative policy rates no longer unthinkable as Swiss inflation slows ([link](#))
- Senegal's eurobonds underperform following report showing higher debt ([link](#))
- Stronger UK Q4 GDP print lowers expectations for March BoE rate cut ([link](#))

[Mature Markets](#)







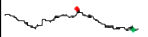




[Emerging Markets](#)

[Market Tables](#)

## Geopolitical Risk Premium Falls as US-Russia Talks Start

Yesterday morning's post-CPI-print dynamics could have come with the title "CPI 3.0: Comes with a Pause Button", but the announcement of immediate US-Russia talks dominated afternoon trading. After yesterday's higher-than-expected January US CPI print, which came in at 3.0% y/y, the number of implied Fed cuts by 2025-end retracted from 1.4 to 1.1. Market commentary suggests that a longer pause is now more likely, but some analysts consider that for the Fed's next move, a hike is more likely than a cut. Bank of America analysts suggest that the best way to not hike is to not cut. The 2y US inflation swap rate has crept up from 2% in September 2024 to around 2.8% now. Equity markets initially sold off after yesterday's CPI release, and the US dollar strengthened. However, sentiment changed markedly after the news of immediate US-Russia talks about the war in Ukraine. Equity markets recovered afterwards, and the US dollar index fell, retracing the earlier post-CPI-print strengthening. The euro and CEE currencies outperformed after the news, and today, European equities advanced and sovereign yields declined. Oil prices fell by over 1% and European natural gas prices fell by over 8% across the futures curve.

Key Global Financial Indicators

Last updated: 2/13/25 8:51 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6052	-0.3	0	4	22	3
Eurostoxx 50		5477	1.3	2	11	17	12
Nikkei 225		39461	1.3	2	3	5	-1
MSCI EM		44	0.6	2	7	12	5
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.60	-2.1	16	-18	28	3
Germany 10y Yield		2.44	-3.9	6	-18	5	7
EMBIG Sovereign Spread		313	-4	-3	-6	-77	-12
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		44.1	0.0	1	3	-6	3
Dollar index, (+) = \$ appreciation		107.8	-0.1	0	-2	3	-1
Brent Crude Oil (\$/barrel)		74.2	-1.3	0	-8	-10	-1
VIX Index (% change in pp)		16.2	0.3	1	-3	0	-1

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

## Mature Markets

[back to top](#)

### United States

**This morning, January US PPI inflation came in at 3.5% y/y, higher than expected (3.3%), potentially fueling concerns about re-accelerating inflation after yesterday's CPI print.** There were also some sizeable upward revisions for the previous PPI print. Initial jobless claims edged down to 213k last week (vs. 216k expected, 219k prior—revised to 220k), and continuing claims fell significantly to 1,850k (vs. 1,882k expected, 1,886k prior). Counterintuitively, Treasury yields declined immediately after the release, and S&P 500 futures traded flat.

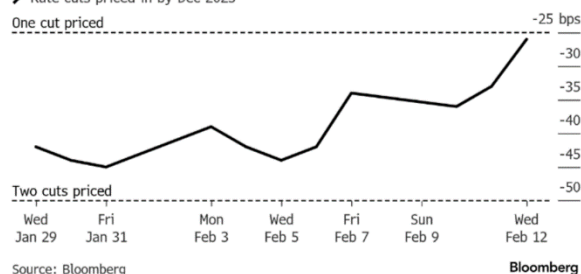
	Actual	Consensus	Prior	Revised
<b>Headline PPI, YoY</b>	3.5%	3.3%	3.3%	3.5%
<b>Core PPI, YoY</b>	3.6%	3.3%	3.5%	3.7%
<b>Initial Jobless Claims</b>	213k	216k	219k	220k
<b>Continuing Claims</b>	1850k	1,885k	1,886k	

**A strong labor market and accelerating inflation are dampening the Fed's prospects for a rate cut in the near future.** The unexpected acceleration of January CPI inflation (to 0.5% MoM and 3.0% YoY), combined with an unexpected decline in the unemployment rate as released last Friday, will likely keep the Fed on hold for the foreseeable future. The Federal funds futures market, which previously anticipated a rate cut by September, is now pushing off the rate cut to December and is only pricing in 28 basis points cut for the whole year, 18 basis points less than two weeks, compared to the 50-bps cut projected by the FOMC. A rate cut in March rate is now essentially off the table. The 10-year Treasury yield has risen about 25 basis points to 4.64% from its recent low of 4.38% only a week ago, going against President Trump's wish for it to fall.

#### Inflation Shock Saps Traders' Outlook for Multiple Rate Cuts

Traders pricing close to just one 25bps reduction by year-end

✓ Rate cuts priced in by Dec 2025



**US business confidence remains high compared to other regions in the world.** Driven by hopes for a reduced regulatory and tax burden, US business sentiment continues to outperform the more cautious stance seen globally. The JP Morgan global Manufacturing Expectations Index (MEI) for the US continued to climb higher in January, surpassing its historical expansion norm. In contrast, the index for the rest of the world remains below its last expansion norm and shows little sign of improvement, as concerns surrounding a broadening trade conflict keep spirits depressed. The most recent NFBI survey of Small Business Economic Trends also indicates strong sentiment in the US, with the small-business optimism index remaining close to its highest level in six years, consistent with the earlier PMI and Philadelphia Fed's Manufacturing Business Outlook Survey results.

#### Global manufacturing expectations, MEI

Std. dev from 2010-19 average



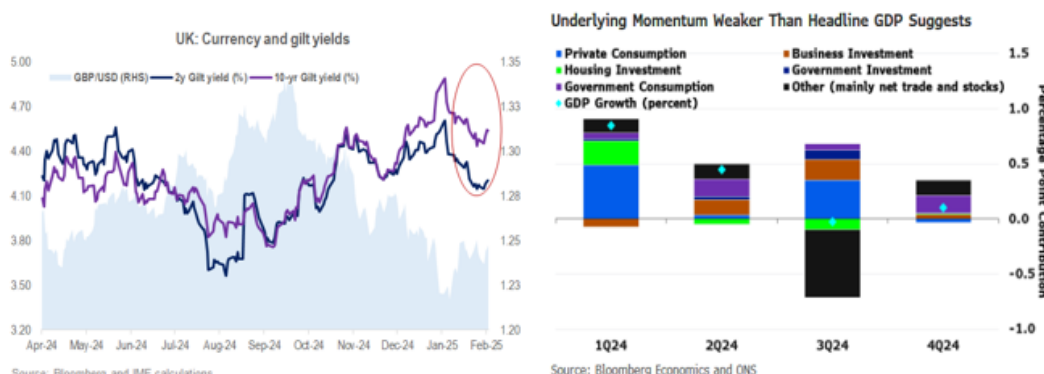
### Europe

**European equities rose to a record high buoyed by growing optimism over US-Russia talks to end the war in Ukraine.** The Eurostoxx 600 was around 0.8% higher in early morning trade, rallying to a record

high on mounting optimism over a potential end to the Russia/Ukraine war, alongside strong corporate earnings from the consumer discretionary and industrials sectors. Meanwhile, the European banking sector index declined (-0.7%), dragged lower by a decline in Barclays share price after the bank left its earnings guidance for next year unchanged, despite strong Q4 results. On the data front, December euro area industrial production data showed output falling 1.1m/m (-0.6% exp, +0.2% prior). Elsewhere, European government bond yields were trading lower, and the euro was advancing (+0.4%) against the dollar to trade at 1.0420.

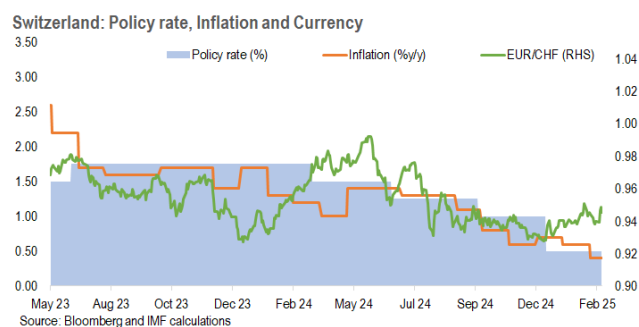
## United Kingdom

**Money markets pared back expectations of a rate cut in March after UK GDP data came in stronger than expected.** Data released this morning showed activity in Q4 eked out a gain of 0.1%q/q (-0.1% exp, 0.0% prior), beating consensus as well as Bank of England estimates. The surprise was driven by higher government consumption and a large contribution from changes in inventories, while household consumption remained stagnant and business investment declined, suggesting that underlying momentum is likely weaker than the headline figure suggests. Analysts at Morgan Stanley believe that today's data will mean that the "majority on the MPC will likely find less reason to front-load action" and expect policymakers to keep Bank Rate unchanged at the March meeting with a 25bps cut in May. Money markets pared back expectations of a rate cut in March to around an 18% chance, versus around 26% yesterday. 10Y UK gilt yields were slightly lower, in line with global peers, at 4.53% while pound sterling was firmer (+0.4%) against the dollar to trade at 1.2490. Elsewhere, Bloomberg analysts note that today's data comes at a critical juncture for the government with the Office for Budget Responsibility (OBR) due to provide its new forecasts next month, which will determine whether the Chancellor will need to revise her spending plans or raise further revenue from taxes.



## Switzerland

**January headline inflation in Switzerland slowed to a near four-year low.** Data released this morning showed headline inflation slowed to 0.4%/y/y, (0.6% prior) in line with consensus expectations, and the slowest rate in almost four years, largely due to lower energy bills. Meanwhile, core inflation ticked up unexpectedly, printing at 0.9%/y/y (0.6% exp, 0.7% prior). Policymakers expect inflation to average 0.3% in 2025, although there are concerns that the rate could drop below the Swiss National Bank's (SNB) 0%–2% target, prompting President Schlegel to suggest that negative interest rates would be an option. Bloomberg analysts expect the SNB to remain concerned

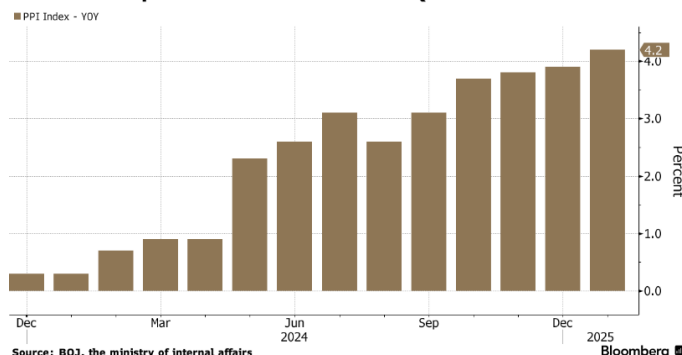


about downside risks to inflation alongside upwards pressure on the currency and expect officials to cut the policy rate by 25bps in March, taking the policy rate to 0.25%. This morning the Swiss franc was trading firmer against the euro (+0.4%) at 0.946 and is marginally weaker against the common currency YTD.

## Japan

**Japan's producer price increased 4.2% y/y in January, higher than expected (4%) and the fastest growth in 19 months, raising expectations for further rate hikes.** The market-implied probability of a July rate hike increased to 78%, up 7% from yesterday. Also, the market is expecting a higher terminal rate, lifting 10-year bond yields (+0.8 bps) to 1.35%, a 15-year high. The yen appreciated slightly against the dollar (+0.2%) to ¥154/\$, paring early losses on unexpectedly strong US inflation data, which suggests a lower likelihood of a Fed rate cut soon and maintains a wide rate differential. Nomura strategists noted that the lack of official comments on the yen's recent weakness could lead to fewer bullish bets. FX analysts identified 155 as a key psychological level for the yen, with a possibility of further yen selling reaching the 157 level soon, supported by technical factors such as a falling premium to protect against yen strength in the options market. Today, the stock market gained (NIKKEI 225: +1.3%) as strategists observed a positive shift in investor sentiment driven by hopes that talks between Russia and the US might lead to an end to the Ukraine war.

**Gains in Corporate Goods Price Have Quickened**



## Emerging Markets

[back to top](#)

**CEE equities gained while CEE bond yields eased following news that US President Trump agreed with Russian President Putin to start negotiating the end of the war in Ukraine.** Bloomberg reports that President Trump had separate conversations with Russia's President and Ukraine's President. Equities in CEE continued to gain this morning with indices up by around 0.4%, while equities in Egypt (+0.6%) were outperforming. CEE currencies were trading in a tight range against the euro while local currency bond yields in the CEE region eased by between 4 and 8 bps and Ukraine's dollar bonds were outperforming emerging-market peers, according to Bloomberg. The South African rand was marginally stronger against the dollar (+0.3% at 18.47) while the Turkish lira was marginally weaker. Data released this morning showed a larger than expected widening in Türkiye's current account deficit in December (-4.65bn versus expected -4.0bn from a revised -2.73bn). Elsewhere on the data front Poland's preliminary Q4 GDP was marginally lower than expected (+3.2%/y/y versus expected +3.3% from +2.7%), while Romania's industrial output declined by more than expected in December (-3.4%/y/y vs expected -2.1% from a revised -0.6%). On the policy front, Serbia left its policy rate unchanged at 5.75%, as expected.

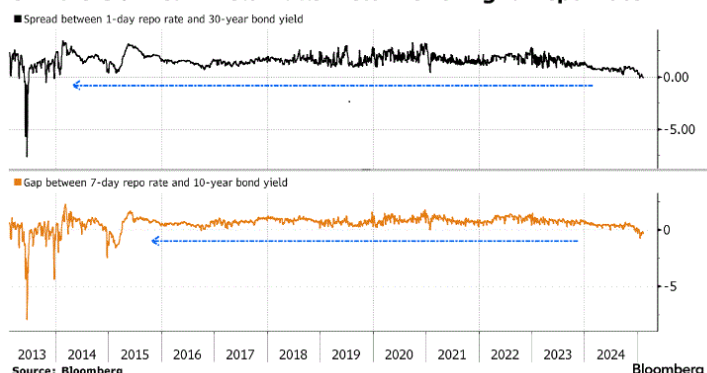
**Asian currencies broadly appreciated against the dollar as haven demand fell on easing geopolitical risks,** led by the Thai baht (+0.6%) as Thailand's consumer confidence rose for the fourth month on stimulus and continued tourism recovery. The Philippine peso strengthened against the dollar (+0.2%) after Bangko Sentral ng Pilipinas (BSP) kept rates unchanged, leaving the overnight borrowing rate at 5.75%, against expectations of a 25bp rate cut. BSP highlighted the uncertain outlook and raised its 2025 risk-adjusted inflation forecast to 3.5% (from 3.4%) while keeping the 2026 forecast unchanged at 3.7%. EM Asian stock markets had mixed performances, with Korea (+1.4%) and the Philippines (+1.1%) gained, and Indonesia declined (-0.9%).

**Latin American equities diverged.** Mexican stocks (+1.2%) rose after beverage company Arca Continental beat 4Q earnings estimates, while Brazil's market (-1.7%) dropped as their largest financial services company, Banco Bradesco S.A., fell -4.6% after Goldman Sachs downgraded it from buy to sell. Colombian shares declined slightly, and Chilean equities remained flat. On the currency front, the Chilean peso (+1%) appreciated as central bank meeting minutes revealed concerns on rising two-year inflation expectations, while the Colombian peso (-0.7%) faced its steepest daily drop in nearly two weeks. The Brazilian real remained flat, and the Mexican peso, after an intraday gain of +0.9%, closed neutral. Later today, the central bank of Peru is expected to keep its policy rate at 4.75%, pausing after previous cuts.

## China

**The spread between the 30-year sovereign yield and overnight repo rate has fallen to as low as -10bps this week, the biggest gap since 2013.** According to Bloomberg analysts, this signals that borrowing money to buy sovereign bonds may no longer be attractive to yield-seeking investors. The benchmark 10-year sovereign yield is unchanged today at 1.63%, now 19bps below the short-term policy 7-day repo rate, despite rises in corresponding UST

### China's 30-Year Yield Falls Below Overnight Repo Rate

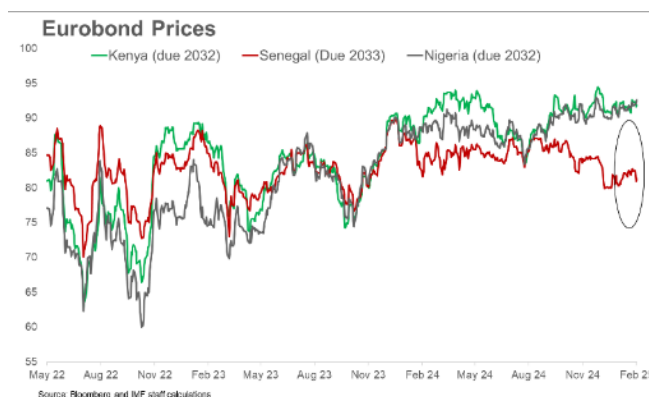


and global yields. The fall in yields this year, driven by growth headwinds from the possibility of a global trade war, has also spilled over to policy-bank notes, with the 10-year China Development Bank bond yields sliding to 1.60%, the lowest level since 2003 - and below that of government bonds. Analysts attribute the yield-curve flattening to delays in rate cuts and other efforts by authorities to stabilize the yuan, and anticipate re-steepening if prospects of more monetary easing or fiscal stimulus gain traction. Today, the RMB strengthened 0.2% against the dollar, erasing earlier declines after WSJ reported on China's proposal to hold US-Russia summit to help end Ukraine war. The yuan is fixed slightly weaker today at 7.1719/\$. Onshore equities fell (CSI300: -0.4%) while offshore equities retreated from intraday high of +3.0% and closed down (HSI: -0.2%), as investors took profit on the AI-driven rally.

## Senegal

**Senegal's Eurobonds underperform after report shows significantly higher government debt and fiscal deficit than previously reported.** According to Senegal's Court of Auditors, central government debt in 2023 was 99.7% of GDP, compared to the previously reported 74.4%, while the fiscal deficit was 12.3% of GDP compared with the initially reported 4.9%. Contacts caution that as debt and fiscal sustainability risks have now increased significantly, this could trigger action by rating agencies. Bloomberg reports that the country's Eurobonds were among the worst performers in emerging markets yesterday—with Senegal's 2048 Eurobond declining by 2.1 cents after the report was released, marking the largest intraday loss in almost five months. Senegal's 2033 Eurobond closed roughly 1 cent lower at 68.65 cents on the dollar yesterday.



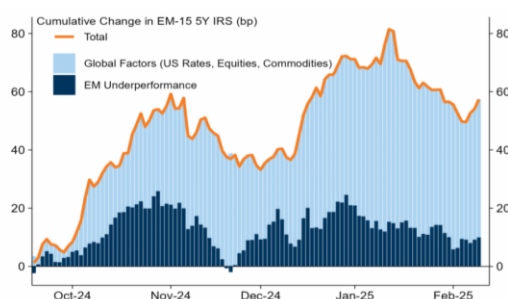


## Emerging Market Interest Rates

Emerging market local rates show volatility amid tariff concerns, with risk exposure extended beyond Mexico, Canada, and China, according to analysts from Goldman Sachs. Despite these pressures, EM rates have so far largely moved in tandem with global markets (left chart) with monetary easing. However, rate cuts have come with cautious guidance, limiting their longer-term impact. Meanwhile, market-implied interest rate positioning for 2025-end has diverged from Goldman Sachs' expectations for EMs such as Chile, Peru, Hungary, and South Africa due to hawkish repricing (right chart). Analysts anticipate rate path sensitivity in Mexico will increase if tariff or inflation disappointments persist.

### Exhibit 1: EM local rates have continued to trade broadly in line with global factors this year

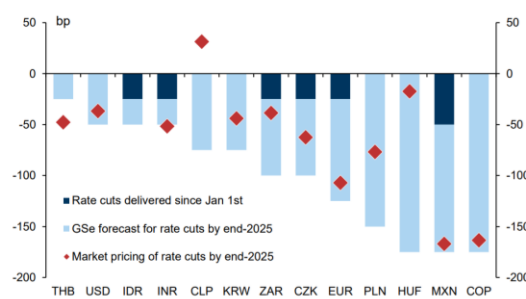
Decomposition of average EM-15 5Y local rate performance that is explained by external factors



Source: Goldman Sachs Global Investment Research, Bloomberg

### Exhibit 2: EM central banks have continued with easing this year amid tariff-driven volatility

Policy rate cuts: i) delivered so far this year (dark blue), ii) GSe forecast by year-end (light blue), iii) market pricing by year-end (red)



Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities

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## Global Financial Indicators

2/13/25 8:51 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		6,051	-0.3	-0.5	3.7	22.2	3
Europe		5,477	1.3	2.2	10.5	16.8	12
Japan		39,461	1.3	1.6	2.6	4.7	-1
China		3,905	-0.4	1.6	2.2	16.1	-1
Asia Ex Japan		74	0.8	1.7	6.8	15.6	3
Emerging Markets		44	0.6	1.7	7.3	11.9	5
<b>Interest Rates</b>			basis points				
US 10y Yield		4.6	-2	16	-18	28	3
Germany 10y Yield		2.4	-4	6	-18	5	7
Japan 10y Yield		1.4	1	8	15	63	25
UK 10y Yield		4.5	-2	4	-36	38	-4
<b>Credit Spreads</b>			basis points				
US Investment Grade		112	0	-5	-9	-15	-8
US High Yield		298	0	-4	-17	-74	-31
<b>Exchange Rates</b>			%				
USD/Majors		107.8	-0.1	0.1	-1.9	2.7	-1
EUR/USD		1.04	0.1	0.1	1.5	-2.9	0
USD/JPY		153.8	-0.4	1.6	-2.4	2.0	-2
EM/USD		44.1	0.0	0.5	2.8	-5.6	3
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		74.2	-1.3	-0.1	-6.9	-3.7	0
Industrials Metals (index)		148.2	-0.1	1.7	2.8	11.4	6
Agriculture (index)		60.6	-0.2	-0.7	3.6	0.6	6
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		16.2	0.3	0.7	-3.0	0.3	-1.2
Global FX Volatility		8.4	0.0	-0.2	-0.9	1.1	-0.8
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		84	-2	0	-2	-29	-2
Italy		106	-2	0	-15	-49	-9
France		73	-3	2	-12	23	-10
Spain		61	-2	0	-9	-34	-9

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

## Emerging Market Financial Indicators

Last updated: 2/13/2025 8:52 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	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	
	vs. USD		(+) = EM appreciation					% p.a.						
China		7.30	0.1	-0.2	0.5	-1.4	0.0		1.7	0	1	-2	-80	-3
Indonesia		16355	0.1	-0.2	-0.5	-4.6	-1.5		6.8	0	-8	-30	17	-20
India		87	0.0	0.8	-0.4	-4.5	-1.5		7.2	0	12	-15	3	-10
Philippines		58	0.2	0.2	1.1	-3.6	-0.4		5.1	3	5	4	-32	25
Thailand		34	0.7	-0.1	2.9	5.6	0.8		2.3	0	-2	-4	-29	1
Malaysia		4.46	0.3	-0.4	1.2	6.9	0.4		3.8	0	1	-2	0	0
Argentina		1056	0.0	-0.2	-1.6	-21.3	-2.4		27.5	43	20	219	-4670	-164
Brazil		5.79	-0.5	-0.4	5.3	-14.4	6.7		15.2	5	19	-30	489	-74
Chile		951	0.2	1.3	6.0	2.1	4.7		5.9	7	14	10	59	25
Colombia		4184	-0.4	-1.2	2.9	-6.2	5.3		11.6	10	27	12	197	-18
Mexico		20.64	-0.5	-0.9	0.1	-16.7	0.9		9.9	5	2	-34	56	-44
Peru		3.7	-0.1	0.0	1.8	4.1	0.7		6.5	0	-12	-21	-25	-12
Uruguay		43	0.1	0.2	1.6	-9.7	1.4		9.7	-2	2	5	61	7
Hungary		387	0.2	0.8	4.3	-6.5	2.8		6.6	9	25	-8	53	16
Poland		4.01	0.0	0.6	3.9	1.0	3.0		5.7	8	11	-1	49	8
Romania		4.8	0.1	0.1	1.4	-3.0	0.3		7.5	10	12	-15	119	18
Russia		91.2	3.1	6.1	12.8	0.1	24.5							
South Africa		18.5	0.1	-0.4	2.8	3.3	1.8		10.7	2	15	-4	-88	23
Türkiye		36.10	0.0	-0.6	-1.7	-14.9	-2.1		29.0	12	78	34	152	-67
US (DXY; 5y UST)		108	-0.1	0.1	-1.9	2.7	-0.6		4.45	-2	18	-15	13	7

	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		3,905	-0.4	1.6	2.2	16.1	-0.8		91	-6	0	-70	-5
Indonesia		6,614	-0.5	-3.8	-4.9	-8.3	-6.6		86	-13	-3	-24	-5
India		76,139	0.0	-2.5	-0.5	6.0	-2.6		86	-11	0	-29	0
Philippines		6,113	1.1	-2.1	-3.0	-10.8	-6.4		82	-10	3	-9	3
Thailand		1,284	0.0	-0.2	-4.2	-7.3	-8.3						
Malaysia		1,592	-0.7	1.1	1.0	4.1	-3.0		69	-4	-4	-19	-1
Argentina		2,285,847	0.5	-7.7	-13.9	102.6	-9.8		675	13	96	-1362	38
Brazil		124,350	-1.7	-1.5	4.5	-2.9	3.4		222	2	-7	4	-25
Chile		7,307	0.1	0.1	8.1	21.3	8.9		119	-6	2	-16	6
Colombia		1,531	-0.2	0.4	8.9	23.9	11.0		318	-10	-5	0	-8
Mexico		54,066	1.1	4.8	8.5	-5.0	9.2		303	-6	-4	-33	-9
Peru		29,362	0.1	0.2	0.4	6.9	1.4		143	-3	0	-7	2
Hungary		88,154	0.1	1.3	6.7	36.1	11.1		150	-8	-1	-22	-5
Poland		92,196	0.5	4.3	13.9	18.1	15.9		107	-10	-2	-3	-5
Romania		17,385	0.4	1.4	2.4	10.9	4.0		241	-10	4	42	6
South Africa		88,054	0.1	1.0	7.3	20.5	4.7		308	3	24	-50	15
Türkiye		9,901	1.2	0.6	1.7	10.1	0.7		254	-6	-2	-67	-5
EM total		44	-0.3	1.7	7.3	11.9	4.7		359	4	1	6	-6

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

[back to top](#)