



- **Headline US CPI lower than expected while core met forecasts** ([link](#))
- **Markets increase rate hike probability for Bank of Japan** ([link](#))
- **Interest rate risk is increasing at Fannie and Freddie** ([link](#))
- **AI disruption risk on the rise in lower grade credit markets** ([link](#))
- **Latin American markets continue to outperform US** ([link](#))
- **Peruvian sol near six-year high as inflation moderates and central bank stays on hold** ([link](#))

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## Global markets end eventful week on the back foot

**This week was very active and featured many market moving events.** PM Takaichi's landslide election victory in Japan created a Goldilocks scenario for local markets. The result triggered a major rally in Japanese equities, while the yen appreciated versus the dollar, and super long JGB yields fell back on news that the government had convincing new plans to fund increased spending. In the US, the jobs report was much stronger than expected, but the initial spike in Treasury yields was rapidly reversed and yields subsequently declined as market participants focused some of the idiosyncracies of the report and weaker jobless claims numbers. Global equity markets appeared to run out of steam in the latter part of the week as worries about AI disruption risk for sectors such as software, tax planning, wealth management and real estate services led to an extension of the technology selloff globally, but overall markets held up reasonably well as investors rotated into more defensive sectors. Another notable event this week was Alphabet/Google's massive corporate bond sale, which included a sterling denominated century bond, the first from a corporation in many years.

Key Global Financial Indicators

Last updated: 2/13/26 8:54 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>				%			%
S&P 500		6833	-1.6	1	-2	12	0
Eurostoxx 50		5981	-0.5	0	-1	9	3
Nikkei 225		56942	-1.2	6	6	45	13
MSCI EM		61	-1.1	4	6	38	11
<b>Yields and Spreads</b>				bps			
US 10y Yield		4.08	-1.7	-13	-10	-45	-9
Germany 10y Yield		2.77	-1.2	-8	-8	35	-9
EMBIG Sovereign Spread		244	4	-4	-7	-69	-9
<b>FX / Commodities / Volatility</b>				%			
EM FX vs. USD, (+) = appreciation		47.7	0.0	0	2	8	2
Dollar index, (+) = \$ appreciation		97.0	0.1	-1	-2	-10	-1
Brent Crude Oil (\$/barrel)		67.7	0.3	0	3	-10	11
VIX Index (% change in pp)		20.8	-0.1	3	5	6	6

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**

**US CPI for January came in lower than expected in the headline numbers, while core CPI met forecasts.** The data led to a rally in Treasuries and a slightly weaker dollar. The odds of a rate cut in June went up slightly.

Variable	Consensus Forecast	Actual Data
CPI month-on-month	0.3%	0.2%
Core CPI mom	0.3%	0.3%
CPI year-on-year	2.5%	2.4%
Core CPI yoy	2.5%	2.5%

**Duration risk at the US government sponsored entities (GSEs) Fannie Mae and Freddie Mac is increasing, according to Bloomberg.** This could be a source of higher risk and volatility for the broader US bond market. The US administration directed these agencies to purchase \$200 bn of mortgage-backed securities (MBS) in a move to lower mortgage rates and improve affordability in the housing market. Although their holdings are increasing, the agencies appear to be under hedging their interest rate risk (duration). An unexpected rise in interest rates could expose the agencies to large mark-to-market losses, lowering their profitability and making it harder to reach the administration’s goal of eventually privatizing them. On the other hand, hedging interest rate risk involves derivatives transactions with interest rate swaps and other instruments that sometimes push overall interest rates higher given the size of agency holdings. If this occurs, MBS spreads will widen and housing could become even less affordable.

**Credit markets are starting to price in an AI disruption risk premium, according to analysis by UBS.** The recent decline in software-related equity prices has highlighted the theme of AI disruption, as new AI agents threaten to replace software programmers. The US S&P Software Index is down 22% this year, while the overall S&P 500 index is flat. Morgan Stanley’s basket of AI disrupted companies is down 40% from its highs.

**Exhibit 1:** 'AI disruption' has been a key theme driving a sell-off in pockets of equities across the US...



Source: Bloomberg, Morgan Stanley Research. Note: The basket was originated by Sales & Trading and is not a product of Morgan Stanley Research. No investment recommendation is made with respect to this basket. Investors should conduct their own due diligence in making investment decisions with respect to this basket.

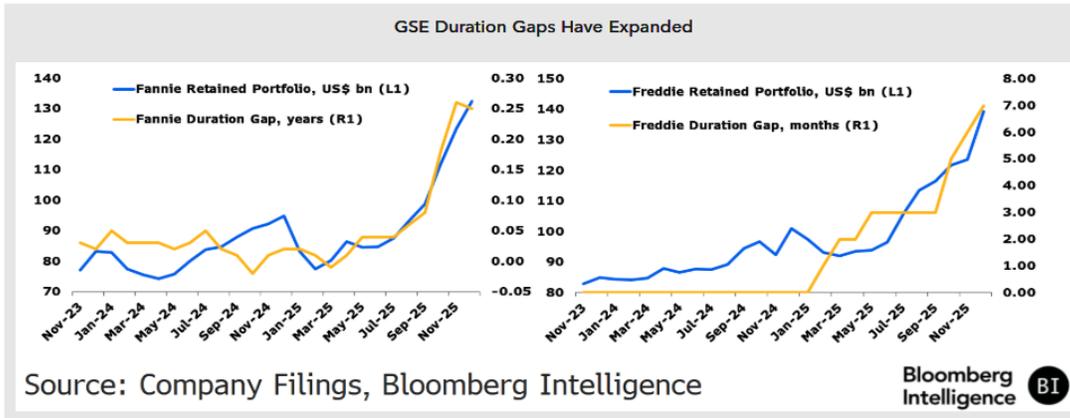
**Exhibit 2:** ...and Europe



Source: Bloomberg, Morgan Stanley Research. \*AI disruption basket shows the equal-weighted performance of stocks for which AI disruption was a key debate at the Morgan Stanley TMT conference (Pearson, Publicis, WPP, RELX, Wolters Kluwer, Experian, SAP, Capgemini, Amadeus, Nemetschek, AutoTrader, Scout24, Vend Marketplace, SMG, Hennessey, and Rightmove).

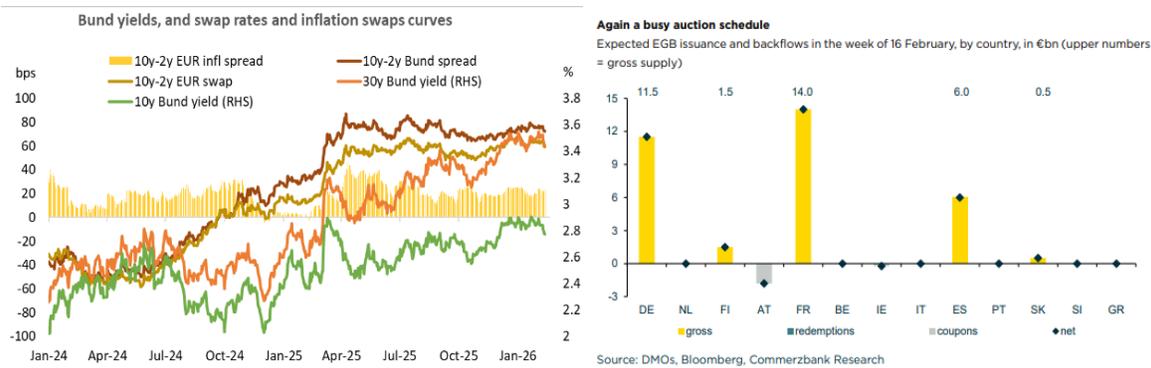
**The high yield, leveraged loans, and private credit sectors have significant exposure to companies that could be disrupted by AI.** UBS estimates that the US and EU high yield sectors have 8-12% of exposure to such companies, with much higher exposure for US private credit of 25-35%. Investors are examining their portfolios for the holdings that face the most such risk in order to sell them in some cases, and new issuance by these companies is coming at more expensive levels as investors play defense and demand more compensation for the risk. The UBS analysts project that default rates could go up to 1-3%

for high yield, 4–6% for leveraged loans, and 7.5%–8.5% for private credit. The investment grade sector is less exposed to AI-disruption risk, with a greater focus on the large hyperscalers.



Europe

**European equities fell amid divergent performance across sectors.** The Stoxx 600 index was down by -0.3% today, but it remains poised to close the week only a tad lower (-0.1%), as rotation in the US from AI-exposed growth stocks into value sectors reverberated into Europe. Today, technology stocks regained +0.8%, with health care (0.5%) also in the green, while the materials (-1%), utilities (-0.6%) and real estate (-0.7%) led the losing sectors. **European government bond (EGBs) yields were fractionally lower across tenors this morning**, with the 2y Bund yield at 2.04% and the 10y yield at 2.77%. **Commerzbank notes that record sovereign issuance in the Eurozone is exerting only gradual cheapening pressure on duration**, with Germany’s 2025 “cash” deficit (€111.2bn) undershooting the €143.1bn plan by 22% and with 2026 €164bn net funding (€137bn Bunds and €27bn bills) equal to 90% of the 2026 €182.4bn planned deficit, limiting downside to issuance plans.



Japan

**The probability of a near-term BOJ rate hike increased following Tamura speech.** In a speech at a business conference, BOJ MPC member Tamura noted that current interest rates remain “considerably distant” from levels deemed neutral for the economy and that Japan is “very close” to durably achieving the central bank’s 2% inflation target. Traders interpreted Tamura’s comments as suggesting that more rate hikes, as early as in April, are possible. By Bloomberg’s estimate, an application of the Taylor Rule suggested that the nominal neutral rate in Japan is around 1.50%, based on BoJ’s inflation estimates, compared to the current policy rate of 0.75%. Overnight index swaps suggest a 75% chance of a BOJ rate increase by April, an increase from around 40% a month ago. In other news, unrealized losses on the JGB holdings of life insurance companies have come into focus.

**Japan's Inflation Has Stayed Above BOJ's Target for Long Whil**



**Emerging Markets** [back to top](#)

**EMEA equities were mostly lower on risk-off sentiment and ahead of US CPI data later today.** The Russian central bank surprised markets with a 50 bps rate cut to take the policy rate to 15.5% as the economy showed signs of growing weakness. The central bank of Egypt cut by 100 bps to 19% as expected, but it also cut the required reserve ratio by 200 bps to 16%. **Asian equities posted broad-based losses as concerns over AI and potential disruptions took hold.** Reports of traders locking in gains and reducing positions ahead of the Lunar New Year holiday next week, including in China, Korea, Singapore, Malaysia, and Indonesia, also weighed on equities. **Stocks in Latin America joined in yesterday's global selloff.** Most of the major local currencies depreciated against the dollar.

**Latin American Financial Markets**

**Latin American markets have extended the 2025 trend of outperforming the US into 2026.** The major local currencies have appreciated against the US dollar, while local equity markets have soared, leaving the S&P 500 far behind in their wake. One key driver of this strong performance is heavy buying of local currency government and corporate bonds by foreign investors, attracted by the high carry income and resilient currencies. Latin American markets have also benefited from the global rise in commodity prices, as many of them are major commodity exporters. The rise in oil prices as well as the sharp increase in the prices of industrial metals have been particularly beneficial. Corporate earnings have been strong, further boosting local markets.



## China

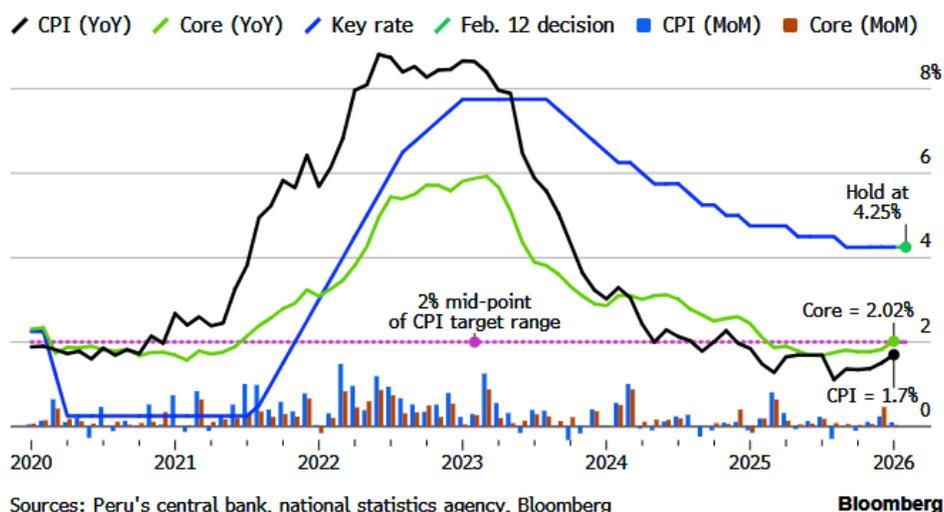
**The property market has yet to find a floor in China as home price declined further.** The pace of price decline in new and existing homes slowed in January, but the drop widened for new homes on an annual basis, suggesting that the housing market has yet to find a floor. Existing home prices fell 0.54% on a monthly basis from December, the smallest decline in eight months. Values of new homes, excluding state-subsidized housing, fell 0.37% on a monthly basis, the same pace as in December. That said, new home prices are down 3.3%, y/y, the steepest pace of decline since last July. Meanwhile, existing home prices fell in all 70 cities surveyed. The authorities have released supportive measures for the property market in recent months, including lowering the value-added tax for selling residential properties owned for less than two years. Investors are now awaiting next month's National People's Congress, an annual gathering of legislators for key economic goals including growth and budget targets.

## Peru

**Peru's central bank left its benchmark interest rate unchanged at 4.25% as expected,** marking its fifth consecutive meeting on hold. Bloomberg analysts note Peru has the lowest inflation rate among the largest Latin American economies, despite a modest uptick in January. Headline and core rose to 1.7% y/y (from 1.51%) and 2.02% y/y (from 1.83%), respectively, near the 2% midpoint of the central bank's target range. Analysts highlight the economy's resilience amid the gold and copper price rally, while the central bank expects inflation to converge toward the 2% midpoint. The sol was broadly stable ahead of the policy decision and remains near a six-year high.

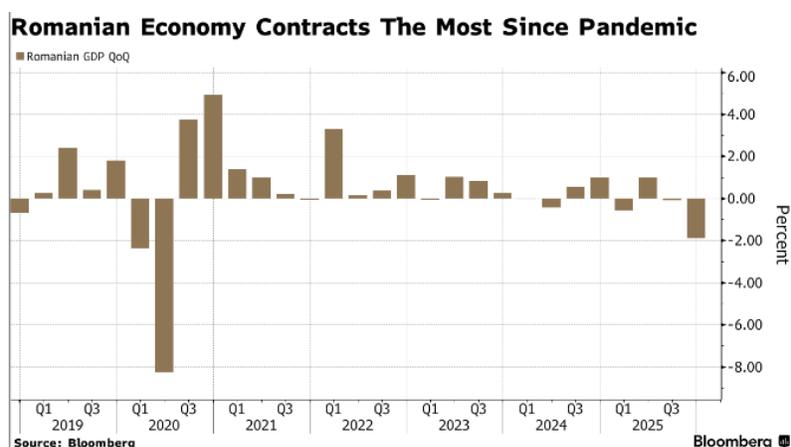
### Peru Keeps Key Rate at 4.25% for Fifth Straight Month

All analysts surveyed by Bloomberg had correctly forecast the decision



## Romania

**Preliminary Q4 flash GDP growth surprises sharply to the downside in Romania.** QoQ growth in the last quarter of 2025 printed at -1.9%, a larger decline than the -0.3% expected by economists. Annual growth slowed to 0.1% y/y, and also surprised to the downside relative to consensus expectations which had expected annual growth of 1.3%/y/y. There was limited immediate market reaction to the data, with the leu trading little changed against the euro at 5.0930 and Romania's 10Y government bond yield slightly lower at 6.38%. JP Morgan analysts note that given the significant fiscal tightening implemented since July 2025, today's data is not all that surprising and they expect growth to remain low in 2026 given additional consolidation efforts. On the back of today's data, the analysts revised their forecast for 2026 GDP lower to 0.6% but kept their 2027 forecast unchanged at 3.0%.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (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), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), 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), 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

2/13/26 8:57 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>							
United States		6,839	-1.6	-1.4	-1.8	11.8	0
Europe		5,981	-0.5	-0.3	-0.8	8.7	3
Japan		56,942	-1.2	5.8	5.6	45.4	13
China		4,660	-1.3	0.4	-0.9	17.4	1
Asia Ex Japan		103	-1.1	4.3	5.2	38.2	11
Emerging Markets		61	-1.1	4.0	5.8	38.1	11
<b>Interest Rates</b>							
US 10y Yield		4.1	-2	-13	-10	-45	-9
Germany 10y Yield		2.8	-1	-8	-8	35	-9
Japan 10y Yield		2.2	-2	-1	5	87	16
UK 10y Yield		4.4	-2	-8	3	-6	-5
<b>Credit Spreads</b>							
US Investment Grade		111	0	3	6	1	4
US High Yield		343	3	7	24	45	7
<b>Exchange Rates</b>							
USD/Majors		97.0	0.1	-0.7	-2.2	-9.6	-1
EUR/USD		1.19	0.0	0.5	2.0	13.5	1
USD/JPY		153.0	0.2	-2.7	-3.8	0.1	-2
EM/USD		47.7	0.0	0.1	1.9	7.7	2
<b>Commodities</b>							
Brent Crude Oil (\$/barrel)		67.7	0.3	-0.5	4.6	-4.3	12
Industrials Metals (index)		166.2	-1.4	-1.5	-3.6	11.7	2
Agriculture (index)		53.6	-0.4	0.7	0.6	-12.3	0
Gold (\$/ounce)		4987.1	1.3	0.5	8.7	70.3	15
Bitcoin (\$/coin)		67313.5	2.3	-4.7	-28.4	-30.2	-23
<b>Implied Volatility</b>							
VIX Index (% change in pp)		20.8	-0.1	3.0	4.8	5.7	5.8
Global FX Volatility		7.7	0.0	0.1	1.0	-0.7	0.7
<b>EA Sovereign Spreads</b>							
Greece		61	1	-1	11	-24	2
Italy		61	0	-2	-2	-46	-9
France		59	0	-2	-9	-15	-12
Spain		38	0	0	-2	-24	-6

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

### Emerging Market Financial Indicators

2/13/2026 8:58 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		6.91	-0.1	0.4	1.0	5.5	1.2		1.9	0	-3	-9	20	-8
Indonesia		16836	0.0	0.2	0.2	-2.8	-0.9		6.2	0	8	16	-58	21
India		91	0.0	0.0	-0.5	-4.1	-0.8		7.3	-2	-7	2	1	18
Philippines		58	0.1	1.0	2.3	0.1	1.6		4.8	-1	2	12	-28	16
Thailand		31	0.0	1.6	1.5	8.5	1.5		1.9	-2	-2	3	-40	21
Malaysia		3.91	-0.2	1.0	3.8	14.0	3.9		3.6	0	-1	2	-26	5
Argentina		1394	0.2	2.7	4.6	-24.2	4.1		35.7	2	92	208	818	333
Brazil		5.22	-0.1	0.0	3.0	10.5	5.3		13.2	-4	-3	-22	-202	-39
Chile		861	-0.4	-0.6	2.9	9.8	4.6		5.2	1	0	-3	-75	-12
Colombia		3661	0.1	0.6	-0.4	13.1	3.1		12.9	-6	10	26	126	2
Mexico		17.18	0.3	0.5	3.8	18.8	4.8		8.6	-5	-15	-26	-133	-39
Peru		3.4	0.0	0.4	0.2	10.8	0.2		5.8	-1	3	-11	-68	2
Uruguay		39	-0.2	-0.6	-0.2	11.8	0.9		7.2	-1	-9	-17	-250	-31
Hungary		319	0.1	0.3	4.1	20.6	2.6		6.3	-3	1	-3	-26	-21
Poland		3.55	0.0	0.7	2.0	12.3	1.2		4.3	-5	-10	-21	-136	-26
Romania		4.3	0.0	0.5	1.9	10.9	1.0		6.2	-3	-11	-27	-123	-45
Russia		76.9	0.5	0.2	2.5	16.4	2.4		8.2	-1	-16	-46	-246	-35
South Africa		16.0	-0.2	0.3	2.6	15.7	3.6		30.1	-18	-4	31	102	46
Türkiye		43.74	-0.1	-0.3	-1.3	-17.4	-1.8		3.64	-2	-12	-11	-75	-8
US (DXY; 5y UST)		97	0.1	-0.6	-2.2	-9.6	-1.3							

	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		4,660	-1.3	0.4	-0.9	17.4	0.7		105	2	29	14	30	
Indonesia		8,212	-0.6	3.5	-9.5	19.5	-5.0		104	2	13	18	18	
India		82,627	-1.3	-1.1	-1.1	8.8	-3.0		88	3	-3	2	-2	
Philippines		6,385	-1.3	-0.1	-1.2	5.3	5.5		86	2	10	4	11	
Thailand		1,430	-0.8	5.6	12.1	12.4	13.6							
Malaysia		1,740	-0.6	0.4	1.6	9.3	3.5		61	1	1	-8	2	
Argentina		2,842,323	-0.3	-4.5	-6.4	20.8	-6.9		516	-9	-68	-159	-53	
Brazil		185,368	-1.0	1.3	14.4	48.5	15.0		205	8	4	-17	2	
Chile		10,941	-2.2	-2.4	-2.8	49.3	4.4		96	2	1	-23	5	
Colombia		2,328	-2.0	-1.8	4.1	51.6	12.6		263	-4	-12	-55	-14	
Mexico		70,888	-1.0	2.9	6.9	30.9	10.2		207	-4	-15	-96	-10	
Peru		3,335	-3.5	1.1	11.3	88.0	29.1		115	9	4	-28	6	
Hungary		127,445	-2.1	-2.0	7.2	44.2	14.8		136	3	-7	-14	-3	
Poland		124,341	-1.7	-0.8	2.1	34.7	6.1		97	3	4	-10	6	
Romania		27,976	-0.7	2.7	6.3	59.6	14.5		162	0	-23	-79	-14	
South Africa		120,521	-1.4	0.4	-0.4	37.2	4.0		228	-8	-1	-80	10	
Türkiye		14,163	-0.1	4.7	14.4	42.8	25.8		244	-9	-3	-10	10	
EM total		61	-0.2	4.0	5.8	38.1	11.2		262	-7	-4	-97	-9	

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

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