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## AI Concerns Weigh on Markets

**US equities are returning from holiday with a weak opening.** US equity futures are about 0.3% lower in pre-market trading, with technology shares especially hit (Nasdaq futures are down 0.7%). There has been little catalyst for the move, with many Asian markets closed for the Lunar New Year and investors largely waiting for reports to be released later this week, including Fed minutes. Despite the mostly negative sentiment, European equities are holding on to slight gains. Among the risk-off mood, sovereign bond yields are moving lower, with both the Bund and UST 10-year yields about 2bp lower this morning. The 10-year treasury yield has now fallen about 20bp so far this month, driven primarily by last week's data releases. Similarly, in the UK, weaker than expected jobs data released today is raising sentiment that the BoE will cut rates next month with two full 25bp cuts now priced for this year. Emerging market currencies are weaker on the day, with the South African rand leading losses on weakness in metal prices.

Key Global Financial Indicators

Last updated: 2/17/26 7:56 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6836	0.0	-1	-1	12	0
Eurostoxx 50		5974	-0.1	-1	-1	8	3
Nikkei 225		56566	-0.4	0	5	44	12
MSCI EM		61	0.4	2	6	38	12
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.03	-2.1	-12	-20	-45	-14
Germany 10y Yield		2.73	-2.8	-8	-11	24	-13
EMBIG Sovereign Spread		246	2	2	-6	-68	-7
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		47.6	-0.1	0	2	8	2
Dollar index, (+) = \$ appreciation		97.3	0.4	0	-2	-9	-1
Brent Crude Oil (\$/barrel)		68.7	0.1	0	7	-9	13
VIX Index (% change in pp)		22.1	0.9	5	6	7	7

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

**In the week ahead**, markets will digest a broad flow of GDP and inflation data, with a focus on US inflation data alongside the ongoing earnings season. In the US, the PCE release will offer insights into consumption dynamics and inflation trends while investors will look to the Fed minutes from its January meeting for signs of further rate cuts. Additional US indicators, including GDP, durable goods and industrial production will help round up the growth picture. In Europe, CPI prints in Germany, France, and the UK, together with flash PMIs and Germany’s ZEW survey, will provide updates on price pressures and activity momentum. In Asia the focus will be on policy rates, with New Zealand and Indonesia expected to keep policy rates on hold while the Philippines is expected to cut. Japan will release GDP, CPI, and industrial production data. Markets will also keep an eye on the US Supreme Court’s potential ruling on tariffs, alongside sovereign rating reviews for the UK and Sweden.

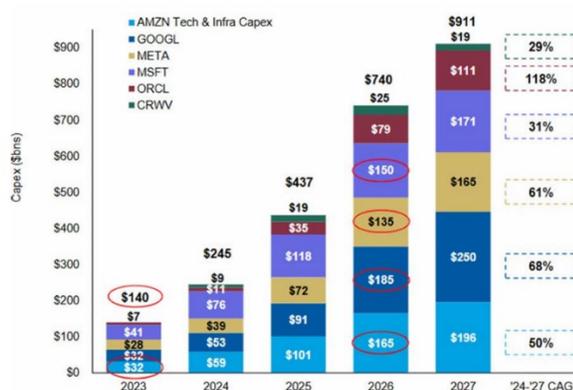
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**United States**

**AI-driven capex reshapes credit dynamics amid sectoral stress.**

Markets have entered 2026 with growing conviction that AI is real and economically transformative. This is largely underscored by the sharply rising capital expenditure of large hyperscalers, with Morgan Stanley forecasting hyperscaler capex to approach \$911bn by 2027. The scale of spending points to greater reliance on credit markets, reshaping issuance patterns and potentially contributing to somewhat wider IG spreads, though analysts stress this is not indicative of late-cycle conditions: with the bulk of investment still ahead, the cycle may only be beginning. By contrast, credit segments exposed to AI disruption tell a different story. Leveraged loans and Business Development Companies remain under pressure, with scope for further price declines before distressed exchanges and potential bankruptcies emerge. Credit analysts are increasingly focused on whether stress in these pockets could spill over into the broader high-yield market.

Exhibit 1: Morgan Stanley equity analysts see hyperscaler capex approaching \$740 billion in 2026 and \$910 billion in 2027



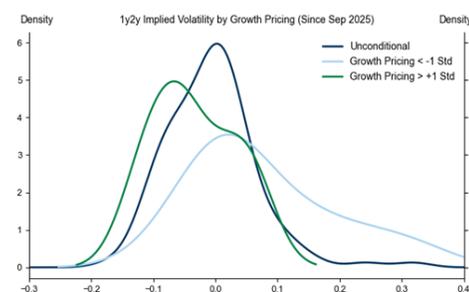
Source: Company data, Morgan Stanley Research estimates

**Rates volatility reacts to shifting growth perceptions.**

Over the past few months, rate volatility has been driven less by inflation fears and more by shifting perceptions about growth, according to Goldman Sachs analysts. With intensifying growth worries, most recently after the software selloff and patchy activity data, volatility tends to jump, especially in short-dated, front-end rates. By contrast, when growth sentiment improves, volatility compresses. Even with the recent bounce, however, rates implied volatility remains near the low end of its multi-year range. Looking forward, upcoming economic data in line with resilient macro growth should cap how far volatility can rise from here, though it may take a broader improvement in risk sentiment to push it meaningfully lower again.

Exhibit 2: Downshifts in growth pricing have more of a tendency to boost volatility, whereas growth optimism has generally compressed front-end distributions

Growth pricing implied by PCA macro factors



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

## Europe

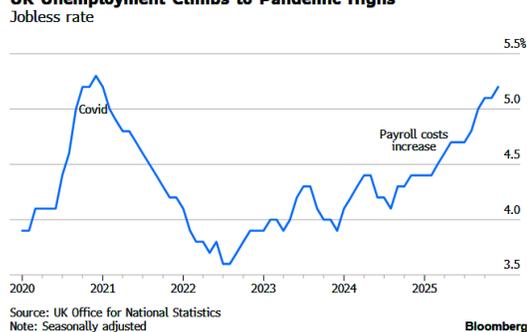
**European equities are trading higher driven by the utilities and real estate sectors.** The Stoxx 600 was around 0.3% higher early this morning with regional bourses also trading in positive territory. Government bond yields were lower across all tenors, led by the longer end where 30Y bund yields were around 3bp lower at 3.40%, in line with global peers. Intra-EMU government bond spreads remain broadly steady with the 10Y BTP-Bund spread at around 62bp and the 10Y OAT-Bund spread at around 59bp. Elsewhere the euro was fractionally weaker against a broadly stronger dollar to trade at 1.1845. On the data front, Germany's ZEW expectations survey declined in February, printing at 58.3, below consensus expectations which had projected a rise in the index to 65.2, from 59.6 in the prior month. Meanwhile, the ZEW current situation index printed in line with expectations at -65.9. ZEW President, Achim Wambach noted that "there are still considerable structural challenges, especially for industry and private investment." Recent data from Germany had suggested the country's industrial sector may be showing signs of some improvement with a rise in factory orders being cited as a sign that the sector may rebound. Bloomberg economists remain more cautious, pointing to weak order books with the auto sector remaining under pressure. Economists expect a modest upswing in industrial activity in 1H'26, before additional government spending provides momentum in the second half of the year.

## United Kingdom

**Expectations of Bank of England easing rise on weaker-than-expected UK labor market data.** Data this morning showed unemployment edged up to 5.2% in the three months to December, ahead of consensus expectations of 5.1%, while HMRC payroll data for January showed a fifth consecutive month of decline (-11K).

Redundancies also remain elevated at around 145K in the three months to December 2025. Wage growth was also weaker than expected, falling to 4.2% 3m/yr from 4.6% prior. Following this morning's data, money markets scaled up expectations of Bank of England (BoE) rate cuts fully pricing in two 25bp rate cuts by year-end, to take the policy rate to 3.25%. Gilt yields were around 3–4bp lower across the curve and pound sterling weakened against the dollar by as much as 0.6% in early morning trade to \$1.3552, before paring losses. Analysts at JP Morgan argue that tomorrow's CPI data will be an additional factor in determining whether the BoE delivers a March rate cut. Meanwhile, Deutsche Bank analysts believe today's data may bring "risk management" considerations into MPC discussions as the committee may shift its attention towards addressing continued weakness in the labor market.

**UK Unemployment Climbs to Pandemic Highs**

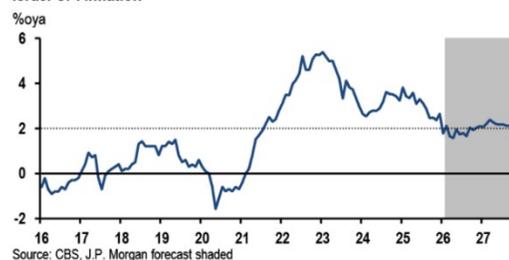


## Israel

**Easing inflation and currency strength expected to support further rate cuts in Israel.** Headline inflation printed at 1.8%/y/y in January, below consensus expectations of 1.9% and down from 2.6% in the prior month.

Analysts at JP Morgan argue that broad-based weakness in the latest inflation print, combined with continued strength in the shekel, which has advanced around 2.8% YTD against the USD and over 14% last year, should allow the Bank of Israel (BoI) to deliver a 25bp rate cut at next week's policy meeting. The analysts further revised their expectation of where policy rates will end the year, adding an additional rate cut into their forecast and now project the policy rate to reach 3.25% by year-end (3.5% previously).

**Israel CPI inflation**



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**EM assets edged higher on Monday**, with the MSCI EM FX index up 0.2% and the MSCI EM equity index rising 0.3%, nearing record highs. Positive developments are taking place across many EMs. The Hungarian forint gained on market-friendly election optimism, Zambia’s local currency bonds are up about 25% YTD, and Paraguay has been sounding out investors about a potential Eurobond issuance. **Many Asian markets are closed for the Lunar New Year holidays**. Local market moves were limited. **EMEA risk assets traded largely in the red this morning**. CEE currencies continue to trade in a narrow range against the euro while the South African rand was weaker against a broadly stronger dollar. Bloomberg reports that Croatia is issuing a 10y EUR benchmark bond today, and Slovenia tapped its 2036 bond yesterday, with strong demand. Elsewhere, the Romanian central bank will communicate its rate decisions later today; markets expect a hold at 6.5%, as inflation remains at 9.6% y/y (January). **Latin American markets were subdued Monday**, with equities lower in Colombia and Mexico while Chile edged modestly higher. FX was similarly calm as the Mexican and Colombian pesos were little changed, while the Chilean peso softened slightly. Brazil was closed for a holiday, and on the data front, Colombia’s GDP growth slowed in 4Q25 to 2.3% y/y, undershooting the 2.8% median forecast.

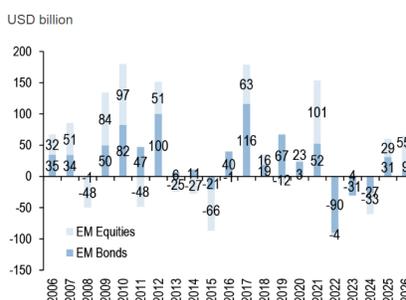
**EM Fund Flows**

**Weekly EM bond fund flows held steady** at +1.6bn (from +1.6bn), while EM equity inflows accelerated to \$8.5bn (from \$7.9bn) in the week ending February 13. Within bonds, hard currency funds rebounded to +\$587mn (from -\$181mn) even as local currency inflows cooled to +\$998mn (from +\$1.8bn). Non-ETF inflows rose to +\$1.4bn (from +\$1.3bn) while ETF inflows eased +\$201mn (from +\$295mn). For equities, inflows remained led by ETFs at +\$6.4bn (from +\$7.0bn), while non-ETFs jumped to +\$2.1bn (from +\$939mn). YTD, EM bond and equity flows stand at +9.3bn and +\$55bn, respectively.

Figure 1: Weekly cross-asset flows

Asset	8w flows (8w ago → current)	This wk	YTD
<b>EM Bonds and Equities</b>		10.1	64.8
<b>EM Bonds</b>		1.6	9.3
Hard Ccy		0.6	2.6
Local Ccy*		1.0	6.7
o.w. EM ex-China		1.0	6.5
o.w. China		0.0	0.1
<b>EM Equities</b>		8.5	55.5
US HG		7.4	45.4
US HY		0.6	1.2
Global Equities		17.2	87.1
<b>EM Bond and Equity ETFs</b>		6.6	53.3
EM Bond ETFs		0.2	3.4
EM Equity ETFs		6.4	49.9
<b>Non-resident EM flows*</b>		-0.8	16.0

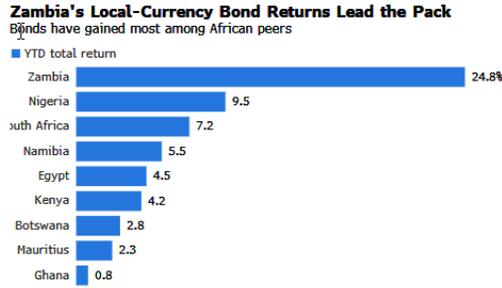
Figure 2: EM bond and equity fund flows



\*High-frequency non-resident EM portfolio flow data where available. \*Local ccy split is retail only.  
Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

**EMEA Issuance**

**EMEA emerging market borrowers are paying smaller new-issue premiums despite record January supply, while local currency bonds have also benefited from strong foreign demand.** New issue concessions in the CEEMEA region averaged 3 bp in January, below the 4 bp average in January 2025, even though issuance surged to a record \$69.9bn-equivalent for the month, according to Bloomberg. Deals were on average 3.4 times oversubscribed, allowing pricing to tighten by roughly 36 bp during execution. Strong foreign demand for EM assets is also boosting local currency bonds, with Bloomberg highlighting strong returns in Africa’s—and in particular Zambia’s—local debt markets.

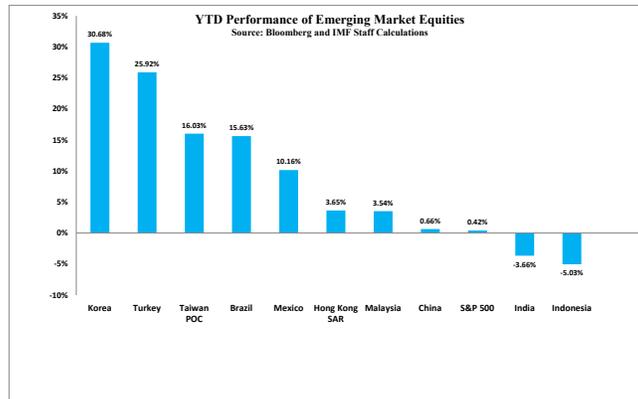


Source: Bloomberg

Bloomberg

**India**

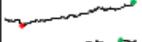
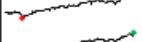
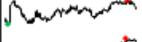
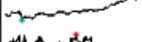
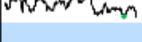
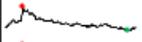
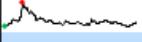
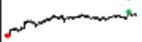
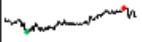
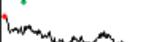
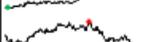
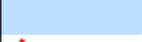
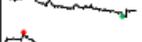
**Local markets have given up most of the gains made after the announcement of the India-US trade deal on February 2.** Corporate earnings have not kept pace with regional peers, and many important Indian companies are viewed as particularly vulnerable to AI-related disruption. The rupee is close to an all-time low versus the dollar, and the Reserve Bank of India has had to intervene on a number of occasions. Worries about further depreciation pressures have also kept many foreign investors away. In a year when many equity markets in Asia have rallied, India stands out as one of the few markets to start the year in the red. The weakness of the currency has resulted in even lower returns in dollar terms. Indian markets are in an extended downturn, as 2025 also saw negative returns for many local asset classes.



*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

2/17/26 7:56 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,836	0.0	-1.8	-1.5	11.8	0
Europe		5,974	-0.1	-1.2	-0.9	8.2	3
Japan		56,566	-0.4	0.4	4.9	44.0	12
China		4,660	-1.3	0.4	-0.9	17.4	1
Asia Ex Japan		104	0.3	1.9	5.0	37.6	11
Emerging Markets		61	0.4	1.7	5.6	37.6	12
<b>Interest Rates</b>			basis points				
US 10y Yield		4.0	-2	-12	-20	-45	-14
Germany 10y Yield		2.7	-3	-8	-11	24	-13
Japan 10y Yield		2.1	-8	-11	-6	74	7
UK 10y Yield		4.4	-4	-15	-4	-17	-12
<b>Credit Spreads</b>			basis points				
US Investment Grade		112	1	4	7	2	5
US High Yield		347	7	12	28	50	11
<b>Exchange Rates</b>			%				
USD/Majors		97.3	0.4	0.5	-2.1	-8.8	-1
EUR/USD		1.18	-0.2	-0.6	1.6	12.8	1
USD/JPY		153.1	-0.2	-0.8	-3.2	1.0	-2
EM/USD		47.6	-0.1	-0.3	1.7	7.5	2
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		68.7	0.1	-0.1	8.3	-3.4	14
Industrials Metals (index)		164.9	-1.5	-3.5	-2.5	11.4	1
Agriculture (index)		53.1	-0.8	-0.2	-1.0	-13.5	-1
Gold (\$/ounce)		4934.0	-1.2	-1.8	5.6	70.3	14
Bitcoin (\$/coin)		67995.7	-1.2	3.4	-28.6	-29.5	-22
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		22.1	0.9	4.7	6.2	6.7	7.1
Global FX Volatility		7.5	0.0	-0.1	0.9	-0.5	0.6
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		62	1	1	10	-22	3
Italy		62	1	1	0	-44	-8
France		59	0	-1	-9	-13	-12
Spain		38	0	1	0	-23	-5

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

### Emerging Market Financial Indicators

2/17/2026 7:58 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M	YTD	
	vs. USD		(+)= EM appreciation						% p.a.						
China		6.90	-0.1	0.4	1.1	5.5	1.2		1.9	0	-1	-7	17	-8	
Indonesia		16837	-0.1	-0.2	0.7	-3.6	-0.9		6.2	0	-6	10	-56	18	
India		91	0.0	-0.1	0.3	-4.2	-0.9		7.2	1	-9	-9	7	15	
Philippines		58	0.0	1.0	2.6	0.1	1.7		4.8	0	-1	-1	-36	7	
Thailand		31	-0.5	-0.2	-0.2	7.8	0.7		2.0	2	-3	9	-41	22	
Malaysia		3.90	0.2	0.9	4.1	13.7	4.1		3.5	-3	-5	-3	-28	1	
Argentina		1399	-0.2	2.3	4.2	-24.5	3.7		34.0	0	-90	94	745	164	
Brazil		5.22	-0.2	-0.1	2.9	10.4	5.2		13.2	0	-2	-45	-174	-41	
Chile		866	-0.3	-1.0	2.7	9.5	4.0		5.2	0	0	-3	-71	-12	
Colombia		3662	0.0	0.3	0.9	12.7	3.1		12.9	14	14	78	127	6	
Mexico		17.20	-0.2	0.0	2.2	18.0	4.7		8.6	4	-3	-31	-122	-33	
Peru		3.3	0.1	0.3	0.3	10.4	0.4		5.8	#####	-1	-17	#VALUE!	1	
Uruguay		39	0.3	-0.9	-0.7	11.6	1.0		7.2	0	-2	-12	-249	-30	
Hungary		320	-0.3	-0.6	3.5	19.8	2.4		6.3	-8	-7	-24	-17	-28	
Poland		3.56	-0.2	-0.4	1.8	11.4	0.8		4.3	2	-9	-15	-116	-25	
Romania		4.3	-0.2	-0.6	1.5	10.2	0.6		6.2	0	-7	-33	-110	-48	
Russia		76.8	0.1	0.7	0.9	19.1	2.5		8.2	-3	-10	-47	-239	-37	
South Africa		16.1	-0.5	-0.7	2.0	14.5	3.1		29.8	-12	-6	-23	104	21	
Türkiye		43.73	0.0	-0.2	-1.1	-17.1	-1.8		3.58	-2	-12	-23	-74	-14	
US (DXY; 5y UST)		97	0.4	0.5	-2.1	-8.8	-1.1								

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD		
	basis points														
China		4,660	0.0	0.4	-0.9	17.4	0.7		107	5	32	14	32		
Indonesia		8,212	0.0	3.5	-9.5	19.5	-5.0		108	11	18	12	22		
India		83,451	0.2	-1.0	-0.1	9.9	-2.1		87	3	3	-5	-3		
Philippines		6,369	0.0	0.3	-1.5	4.5	5.2		88	8	8	-1	13		
Thailand		1,460	1.5	3.5	14.4	16.1	15.9								
Malaysia		1,741	0.0	-0.6	1.7	10.1	3.6		62	3	1	-8	3		
Argentina		2,816,128	-1.3	-5.4	-4.0	17.7	-7.7		527	7	-58	-148	-42		
Brazil		186,464	-0.7	1.9	13.1	45.1	15.7		203	10	-1	-14	0		
Chile		10,934	0.1	-0.7	-2.0	49.7	4.3		97	5	1	-24	6		
Colombia		2,361	-0.3	-2.3	0.7	50.6	14.2		263	0	-13	-56	-14		
Mexico		71,353	-0.2	-0.2	6.3	31.4	11.0		214	3	-11	-85	-3		
Peru		3,294	-0.1	-5.5	6.6	86.2	27.5		114	6	4	-30	5		
Hungary		123,729	-0.5	-5.1	1.2	41.0	11.4		137	6	-6	-12	-2		
Poland		123,621	-1.1	-1.8	1.6	33.7	5.4		95	2	2	-17	4		
Romania		28,708	1.3	4.7	4.9	62.7	17.5		165	4	-18	-74	-11		
South Africa		120,084	-0.7	-0.7	-0.1	35.8	3.7		232	2	3	-73	14		
Türkiye		14,331	-0.1	3.9	13.1	45.7	27.3		251	3	6	-4	17		
EM total		61	-0.8	1.7	5.6	37.6	11.7		263	-2	-4	-98	-8		

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

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