



- Retail dip buying widens the gap between single stock and S&P 500 index volatility ([link](#))
- Money market funds are rotating reinvestments from T-Bills into repo lending ([link](#))
- Intraday ranges in the Bund future have been narrowing in recent trading sessions ([link](#))
- Japan regulatory body JICPA eyes JGB accounting rule change for life insurers ([link](#))
- Dollar weakness appears to be a key driver of EM inflation receding since the last year ([link](#))
- Senegal’s 2021-dollar bond rallies as narrative shifts from restructuring to stabilization ([link](#))

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Crude Edges Higher as Rate Paths Stay Data- and Headline-Driven

US markets took the Fed minutes in stride, which suggested a more divided committee than the January press conference implied. The minutes showed broad support for holding rates steady but also revealed that some officials argued policy could turn “two-sided” if inflation stays sticky. Stocks still closed higher, though both the S&P 500 and Nasdaq finished below the highs as yields rose and the USD strengthened. Overnight, risk sentiment has cooled from earlier gains, with focus shifting from macro to geopolitics. After this week’s talks in Geneva were described as showing some progress but leaving the sides far apart, the White House said it would be “wise for Iran to make a deal,” while US media (CNN/CBS) reported the United States could be ready to strike as early as this weekend if the President decides to do so. Oil has reacted more than in prior sessions, with crude back above \$70/barrel and posting its sharpest daily rise since October 2025. A sustained rise in crude is something analysts flag as a potential complication for the ECB’s “in a good place” stance, given Brent is up about 14% since the last ECB projections. Elsewhere, Ivory Coast placed a 2041 USD bond that was met with solid investor demand.

Key Global Financial Indicators

Last updated: 2/19/26 9:00 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6881	0.6	-1	-1	12	1
Eurostoxx 50		6049	-1.0	1	2	11	4
Nikkei 225		57468	0.6	0	8	49	14
MSCI EM		61	0.5	1	6	37	12
Yields and Spreads			bps				
US 10y Yield		4.10	1.9	0	-12	-43	-7
Germany 10y Yield		2.75	1.3	-3	-9	19	-11
EMBIG Sovereign Spread		241	-2	1	-6	-69	-12
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.5	-0.1	-1	1	7	2
Dollar index, (+) = \$ appreciation		97.9	0.2	1	-1	-9	0
Brent Crude Oil (\$/barrel)		71.7	1.9	6	12	-6	18
VIX Index (% change in pp)		20.4	0.9	3	2	5	5

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

Mature Markets

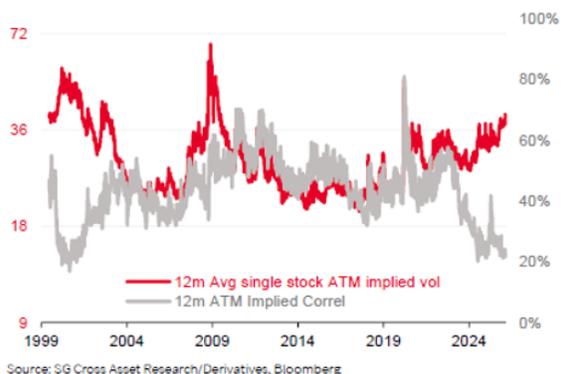
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United States

Macro data released this morning were overall positive. Jobless claims fell more than expected to 206k (exp. 225k from 229k), adding to evidence of stabilization in the labor market. Continuing claims, however, remain elevated and were slightly above estimates. The Philadelphia Fed’s regional manufacturing diffusion index for February rose above expectations. The US trade deficit widened more than expected, driven by higher imports and lower exports, suggesting that tariff implications may be ephemeral. Yields ticked marginally higher on the news, while equity futures edged higher.

Retail investors have bought the dip amid AI-led churn, which has helped keep index volatility and stock-to-stock correlation contained even as volatility for single stocks remains elevated. According to Citadel Securities, net retail buying has stayed strong through the recent AI-related weakness, with demand running about 25% in 2026 above the 2021 peak and roughly double the 2020–2025 average, while activity has widened beyond tech into materials, real estate, financials, and industrials. That mix—calmer index moves, but bigger gaps between winners and losers—has supported dispersion trades, which buy volatility on single stocks and sell index volatility to hedge systematic market risk (left chart). If stocks keep moving in different directions, single-stock volatility can stay firm while index volatility stays lower, which has supported the trade since the start of the year, as Nomura analysts note (right chart). That said, a broad selloff that pushes correlations sharply higher could drive losses. According to Societe Generale analysts, that would likely require much weaker growth, central banks cutting rates sharply, or credit spread going much wider.

Divergence between single stock vol and correlation continues unabated

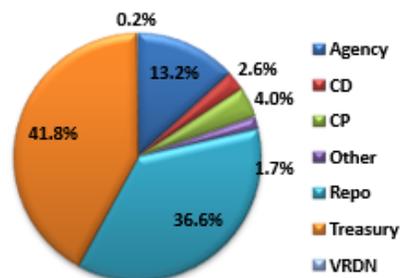


Dispersion Trade Performance: Single-Stock Volatility vs Index Volatility (Top 50 S&P 500)



Amid broadly stable assets under management since the start of the year, US money market funds (MMFs) have increasingly shifted reinvestment from T-bills toward repo.

With T-bill supply available to private investors staying close to flat—in part reflecting the Fed’s reserve-management purchases—government MMFs reduced T-bill holdings by about \$173 bn and shifted more cash into repo, even as Treasuries remain their dominant investment at around 42% of holdings (see chart). The rise in repo lending supports liquidity for dealers and banks, suggesting the Fed’s reserve-management purchases are being transmitted into secured funding markets. Looking ahead, JP Morgan warns that an increase in net T-bill supply could reverse this shift and prompt secured funding spreads to widen, especially into month-end as balance-sheet constraints tighten and repo rates trade near the top of the policy corridor.

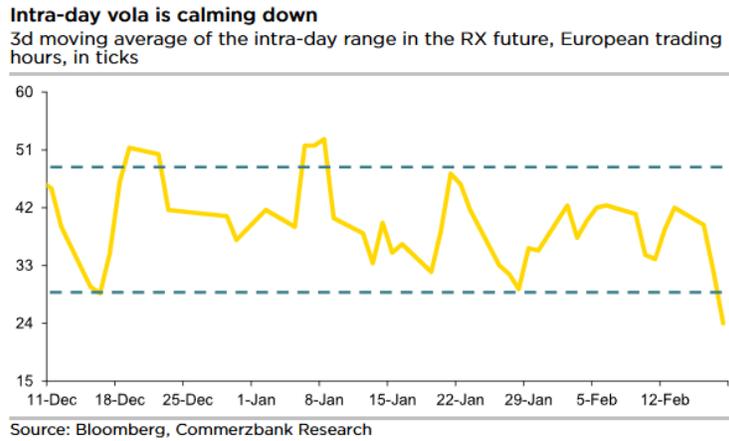


Source: Crane data

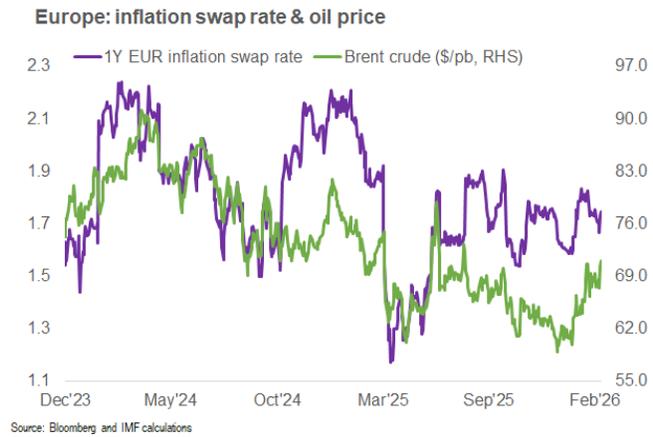
Euro area

European equities retraced from recent record highs. The Stoxx 600 registered its first decline in four days (-0.6%) in early morning trading on disappointing news from Airbus and Renault that weighed on broader sentiment. Government bond yields were fractionally higher with 10-year bunds yielding 2.76%, slightly up (+2bps) from yesterday’s close. The euro fractionally appreciated (+0.1%) towards \$1.1790/€.

German bund yields have traded in relatively narrow ranges over recent trading sessions. According to Commerzbank analysts, the intraday range of the Bund future fell below 30 price points for a third consecutive day. The analysts attribute the muted volatility to expectations that the ECB will remain on hold for the rest of the year, well anchored secured funding spreads, and a steep EGB curve that supports attractive carry. That said, they note tomorrow’s data-heavy calendar (i.e. flash euro area PMIs, US GDP, and US core PCE) could shake the Bund future out of this tight trading range.



Rising oil prices may weigh on European risk assets and inflation expectations. Bloomberg analysts caution that the recent rise in Brent crude prices, which this morning climbed a further (+1.0%) to \$71/barrel, taking weekly gains to over 5%, could weigh on broader risk sentiment. They add that higher oil prices could also push inflation expectations higher. The 1y euro inflation swap rate rose (+8 bps) since Tuesday’s close, though the latest reading of 1.76% still looks far from anything ‘runaway’. That said, the analysts highlight that Brent is now 14% higher than at the time of the last ECB projections and warn that, if sustained, this could

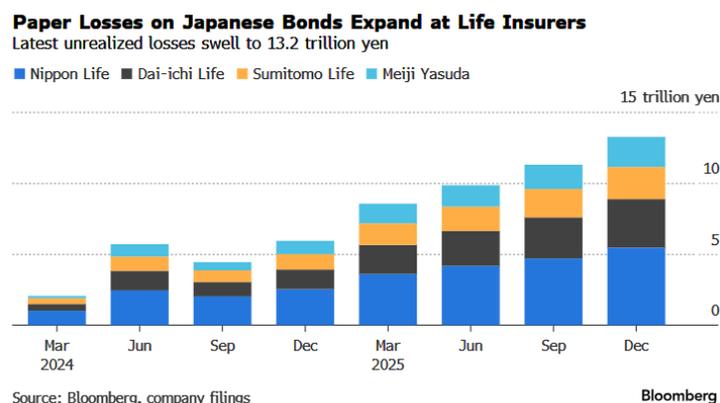


lift the central bank’s inflation assumptions and test the “in a good place” policy stance. Overnight forwards still price the ECB to maintain a rate hold for the remainder of this year.

Japan

The Japanese Institute of Certified Public Accountants (JICPA) is considering a rule change that could expand amortized-cost accounting for life insurers’ liability-matching JGBs. JICPA has proposed revising the accounting treatment so that bonds held to match long-term liabilities could be classified as held to maturity, subject to certain conditions, and therefore would be less exposed to write-down requirements when prices fall. According to Bloomberg, four major Japanese life insurers had a combined ¥13.2 tn (\$86 bn) in unrealized losses on JGBs at end-2025 (see chart). The change could ease

pressure on insurers' earnings and balance sheets, supporting more stable outcomes for policyholders and other stakeholders. It could also be supportive for the JGB market, easing concern among foreign investors that life insurers could become forced sellers of long-dated JGBs. Some analysts add that a lasting improvement in supply and demand is still needed to prevent long-term yields from drifting higher. JICPA will solicit feedback from stakeholders over the next month before making a final decision. After the news on Tuesday, 40y JGB yields fell (-10 bps) to 3.6%.



Emerging Markets

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EMEA equities leaned softer while currencies remained range bound. This morning, Gulf equities fell around 1–2% amid elevated geopolitical risk. The South African rand weakened (-0.6%) versus the USD, while CEE currencies were flat versus the EUR. Yesterday, Ivory Coast priced a 2041 USD bond at 7.125% yield. According to Bloomberg, the \$1.3 bn issuance drew over \$4.2 bn of orders.

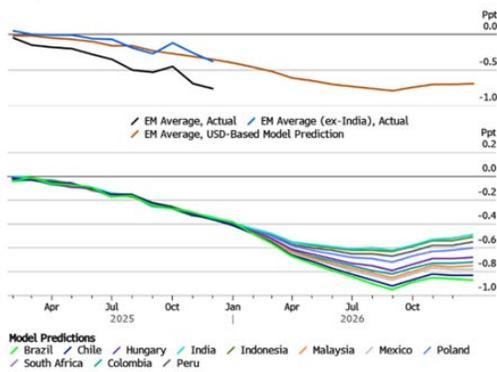
Asia started mixed, with equities split and currencies mostly steady versus the dollar. Thailand outperformed (+1.9%) and Philippines edged higher (+0.2%) while India and Indonesia (-1.5% and -0.4%) lagged. In currencies, the Thai baht gained (+0.4%) while other currencies remained flat amid the Lunar New Year holidays.

Yesterday, Latin American equities drifted lower while currency moves were uneven. Modest declines in Mexico, Chile, and Brazil were partly offset by a small gain in Colombia. In currencies, the Colombian peso weakened (-0.7%) alongside the Mexican peso and Brazilian real, while the Chilean peso firmed slightly and as the best-performing EM currency on the day.

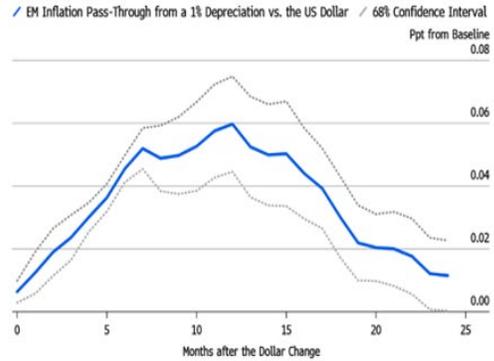
Emerging Market Inflation and Dollar Depreciation

Dollar weakness appears to be a key reason EM inflation has receded since early 2025. Building on earlier San Francisco Fed work, Bloomberg economists estimate FX pass-through to inflation will peak around August 2026. Relative to January 2025, that would correspond to an 80bps decline in average EM inflation, with Brazil and Chile among the biggest beneficiaries (left chart). Cheaper USD-priced imports are the main channel, lowering input costs and easing pricing pressure for local producers. This support could unwind if the USD strengthens. At peak pass-through after 12 months, a 1% USD appreciation is associated with a 6bps increase in average EM inflation versus the baseline (right chart).

Dollar-Based Model Says More EM Disinflation Ahead
Change in Inflation Since Jan. 2025



USD Rebound Could Fan EM Inflation

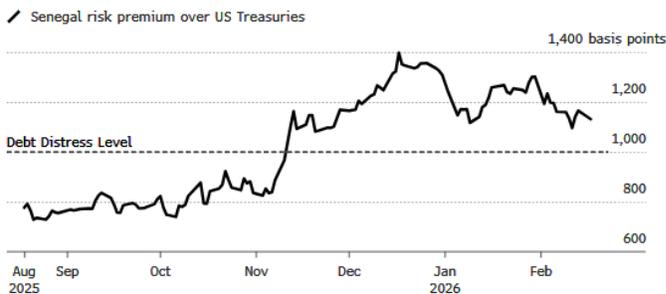


Source: Bloomberg Economics

Senegal

Senegal’s hard-currency bonds are rallying as investors reassess restructuring risk. Bloomberg analysts note that the risk premium on Senegal bonds has improved notably since the start of the year (left chart). This has made investors more constructive on the 2031 USD bond, which yields 17%, as confidence grows that near-term eurobond payments can be met, shifting attention toward stabilization rather than an imminent restructuring. Bloomberg analysts also argue that Senegal is one of the few remaining sovereign “recovery” cases after the post-pandemic wave of EM restructurings, leaving investors with fewer high-yield recovery stories to choose from. Morgan Stanley analysts assign a 60% probability that Senegal avoids restructuring (right chart), citing regional spillover risk and strong incentives for the authorities to maintain stability. They expect a front-loaded fiscal adjustment that lowers financing needs over time and, in a no-restructuring scenario, see yields falling toward 10%.

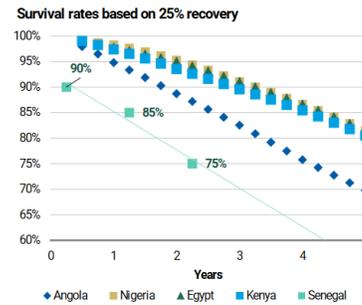
Africa’s Last Distressed Sovereign Rallies
Bonds trade above distress level since late 2025



Source: JPMorgan Chase & Co.
Note: Data displayed is on a closing basis and up to Feb. 17

Bloomberg

Exhibit 5: We assign a lower survival rate than comparable B rated names

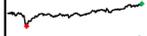
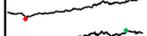
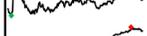
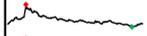
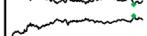
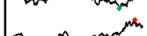
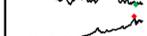
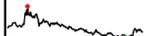
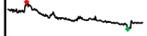
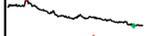


Source: Morgan Stanley Research

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Global Financial Indicators

2/19/26 9:00 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,868	0.6	-1.1	-1.0	11.8	0
Europe		6,049	-1.0	0.6	2.1	10.8	4
Japan		57,468	0.6	-0.3	8.4	48.6	14
China		4,660	-1.3	0.4	-0.9	17.4	1
Asia Ex Japan		104	0.5	1.2	5.2	36.9	12
Emerging Markets		61	0.5	1.0	5.7	37.1	12
Interest Rates			basis points				
US 10y Yield		4.1	2	0	-12	-43	-7
Germany 10y Yield		2.8	1	-3	-9	19	-11
Japan 10y Yield		2.2	0	-9	-12	72	8
UK 10y Yield		4.4	2	-7	-3	-23	-9
Credit Spreads			basis points				
US Investment Grade		111	0	0	7	1	4
US High Yield		340	0	0	26	32	4
Exchange Rates			%				
USD/Majors		97.9	0.2	1.1	-1.5	-8.6	0
EUR/USD		1.18	-0.1	-0.9	1.0	12.9	0
USD/JPY		154.9	0.1	1.4	-2.0	2.3	-1
EM/USD		47.5	-0.1	-0.6	1.3	7.2	2
Commodities			%				
Brent Crude Oil (\$/barrel)		71.7	1.9	6.2	13.4	0.2	19
Industrials Metals (index)		166.1	-1.2	-3.2	-1.7	12.4	2
Agriculture (index)		53.2	-0.3	-0.1	-0.9	-13.5	-1
Gold (\$/ounce)		4997.1	0.4	1.5	7.0	70.4	16
Bitcoin (\$/coin)		65891.5	-0.6	-5.7	-29.1	-31.6	-25
Implied Volatility			%				
VIX Index (% change in pp)		20.4	0.9	2.8	1.6	5.1	5.5
Global FX Volatility		7.4	0.0	-0.3	0.7	-0.6	0.5
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		61	1	1	11	-23	2
Italy		61	0	1	-2	-47	-9
France		58	0	-1	-9	-16	-13
Spain		37	0	0	-2	-25	-6

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

Emerging Market Financial Indicators

2/19/2026 9:00 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		6.90	0.0	0.4	1.1	5.5	1.2		1.9	0	0	-7	12	-8		
Indonesia		16880	0.0	-0.4	0.4	-3.3	-1.1		6.2	1	-2	11	-50	19		
India		91	0.0	0.0	0.3	-4.1	-0.9		7.2	-1	-7	-11	6	13		
Philippines		58	-0.2	0.2	2.5	0.2	1.4		4.9	0	0	9	-28	17		
Thailand		31	0.4	-0.8	0.3	8.1	1.1		2.0	-1	0	9	-41	22		
Malaysia		3.91	-0.2	-0.2	3.7	13.7	3.9		3.5	0	-3	-4	-28	2		
Argentina		1395	0.1	0.1	2.9	-24.1	4.1		34.5	51	-116	145	692	215		
Brazil		5.22	0.3	-0.1	2.8	9.6	4.9		13.1	-4	-10	-49	-154	-46		
Chile		867	-0.4	-1.1	2.5	9.6	3.9		5.2	1	0	-4	-77	-14		
Colombia		3691	-0.2	-0.7	-1.0	11.1	2.3		13.1	6	12	93	143	20		
Mexico		17.26	-0.3	-0.2	1.8	18.5	4.4		8.6	0	0	-32	-125	-35		
Peru		3.4	-0.2	0.1	0.2	9.9	0.3		5.8	2	-3	#VALUE!	-69	0		
Uruguay		39	0.0	0.0	-1.0	11.5	0.5		7.2	-1	-2	-13	-250	-31		
Hungary		323	-0.3	-1.1	2.6	19.7	1.4		6.2	-1	-11	-26	-23	-30		
Poland		3.59	-0.5	-1.3	1.0	11.5	-0.1		4.3	0	-7	-18	-127	-28		
Romania		4.3	-0.3	-1.1	0.8	10.1	-0.1		6.1	-7	-13	-40	-118	-55		
Russia		76.7	0.1	0.8	1.1	16.8	2.7									
South Africa		16.2	-0.8	-1.5	1.2	14.4	2.3		8.2	1	-4	-49	-244	-38		
Türkiye		43.77	-0.1	-0.2	-1.2	-17.1	-1.9		30.1	27	-15	6	150	49		
US (DXY; 5y UST)		98	0.2	1.1	-1.5	-8.6	-0.4		3.67	2	1	-14	-69	-5		

	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	0.0	0.4	-0.9	17.4	0.7		104	3	32	13	29			
Indonesia		8,274	-0.4	1.8	-9.4	21.9	-4.3		102	3	13	15	16			
India		82,498	-1.5	-1.4	0.4	8.9	-3.2		86	2	-3	0	-4			
Philippines		6,407	0.2	-1.4	0.9	5.6	5.9		83	3	8	2	8			
Thailand		1,494	1.9	3.6	15.2	19.9	18.6									
Malaysia		1,752	0.6		3.1	11.1	4.3		60	1	0	-9	1			
Argentina			-3.3	-11.0	-6.5	13.4	-10.8		520	10	-51	-177	-49			
Brazil		186,348	-0.2	0.2	13.0	46.4	15.7		202	3	5	-12	-1			
Chile		10,750	-0.3	-2.1	-3.5	47.6	2.6		93	1	1	-24	2			
Colombia		2,366	0.2	1.6	-0.5	47.9	14.4		263	3	3	-48	-14			
Mexico		70,885	-0.4	-1.0	5.1	31.0	10.2		210	-1	-8	-87	-7			
Peru		3,317	2.8	-4.0	7.4	89.8	28.4		112	3	5	-25	3			
Hungary		126,738	-0.8	-2.7	3.8	43.0	14.1		128	0	-7	-13	-11			
Poland		124,669	-0.6	-1.5	3.0	33.4	6.3		92	1	4	-13	1			
Romania		28,988	0.6	2.9	7.7	62.3	18.6		159	2	-14	-71	-17			
South Africa		121,361	-0.9	-0.7	1.0	37.4	4.8		227	1	0	-67	9			
Türkiye		13,839	-3.0	-2.4	8.6	41.7	22.9		245	3	2	-7	11			
EM total		61	-0.8	1.0	5.7	37.1	11.8		259	-1	-2	-100	-12			

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

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