



- Foreign demand for US assets remains strong amid lingering diversification pressure ([link](#))
- Euro area composite and Germany flash PMIs point to slightly better near-term growth ([link](#))
- Softer CPI pulls JGB yields lower while steady overseas bid is anchoring the long end ([link](#))
- Gilt yields decline as stronger UK tax receipts lifted public finances above projections ([link](#))
- Hang Seng Index falls after the holiday break as investors sell big tech and pile into AI ([link](#))
- Hungary dollar bonds extend gains after Rubio signals possible US support for Orban ([link](#))

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## Winners and Losers in Stocks, a Risk Premium in Oil

This week was characterized by a continuation of AI-related equity sector rotation while geopolitical risk buoyed crude oil. The AI disruption trade, which dominated sentiment for much of last week, continued to pressure software and services as investors set a high bar for the perceived laggards. Rising Middle East tensions weighed on risk sentiment toward the latter part of the week, sending Brent sharply higher and helping push oil to the highest levels since last August, even as crude took a brief reprieve today. Some analysts note tanker costs are heading for the highest levels this decade, and that crude has carried a larger risk premium than natural gas so far, leaving room for gas to catch up if the conflict escalates. The dollar also firmed on the risk-off tone, while gold strengthened as headlines intensified. Despite the volatility, US and European equities still gained on the week as investors rotated within stocks rather than heading for the exits. Primary markets also stayed busy, with a flurry of EM sovereign issuance met by strong demand. Into today, markets turned more cautious on rising Iran risk, keeping oil supported and lifting the dollar and gold. Morning releases of the final quarter 2025 US GDP and PCE delivered a stagier mix with a marked growth slowdown while inflation ran hotter than expected, confirming the direction of the January Fed meeting minutes released on Wednesday that revealed that some FOMC members argued policy could turn “two-sided” if inflation stays sticky.

Key Global Financial Indicators

Last updated: 2/20/26 8:42 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>							
S&P 500		6862	-0.3	-1	1	12	0
Eurostoxx 50		6083	0.4	2	3	11	5
Nikkei 225		56826	-1.1	0	6	47	13
MSCI EM		61	-0.2	-1	7	36	12
<b>Yields and Spreads</b>							
bps							
US 10y Yield		4.06	0.2	1	-23	-45	-11
Germany 10y Yield		2.73	-0.9	-3	-13	20	-13
EMBIG Sovereign Spread		245	3	0	-3	-70	-9
<b>FX / Commodities / Volatility</b>							
%							
EM FX vs. USD, (+) = appreciation		47.5	0.1	0	1	7	2
Dollar index, (+) = \$ appreciation		97.9	0.0	1	-1	-8	0
Brent Crude Oil (\$/barrel)		71.4	-0.5	5	10	-7	17
VIX Index (% change in pp)		20.4	0.4	0	0	5	5

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

## Mature Markets

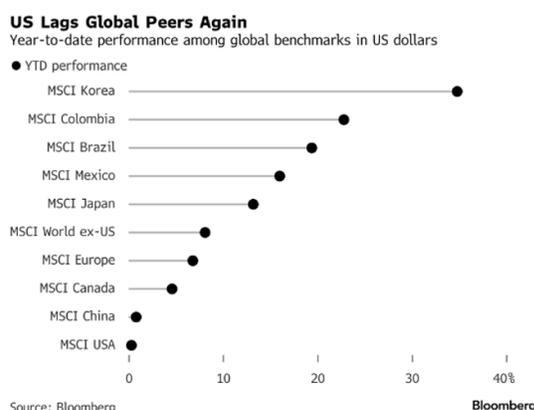
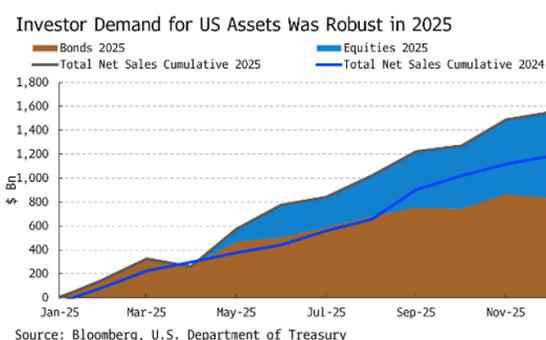
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### United States

The US economy grew 1.4% in Q4, well below the 2.8% expected and down from 4.4% in Q3. The outcome largely reflects the prolonged federal government shutdown. December's PCE rose to 2.9% on the year, higher than expected (2.8%) and hotter than recent months, with core PCE reaching 3% against expectations of 2.9%. S&P futures hit session lows while 2-year Treasuries edged up (+1 bps) yielding 3.46%

Over the week, US markets saw persistent equity volatility, driven by AI-related repricing, intermittent macro support, and a late pickup in geopolitical risk. The AI disruption trade, which dominated sentiment for much of last week, continued to pressure software and services earlier in the week as investors set a high bar for perceived ai losers. Resilient US data and supportive tech earnings offered a brief reprieve for major US indices, before renewed Middle East tensions left the S&P 500 up only modestly for the week through Thursday's close (+0.4%). Bond markets changed little: the 10y Treasury yield rose slightly on the week (+3 bps), while a weak 20y auction reinforced the view that last month's Treasury rally has stalled. Higher oil prices also revived inflation concerns and likely supported demand at the 30y TIPS auction late in the week. The dollar benefited from rising risk-off sentiment (+0.75% vs major peers), while gold rose (+2.5%) and Brent crude jumped (+5%) over the same period.

Foreign demand for US assets still looks strong, even as diversification pressures build. Treasury data through December show overseas investors bought a net \$1.55 tn of US securities in 2025 (TIC 'long-term' category: equities plus debt with original maturity over 1y), up from \$1.18 tn in 2024, led by inflows into equities (\$720 bn) and Treasury notes and bonds (just under \$409 bn). Europe and major financial centers drove much of the demand. A weaker dollar likely helped by making US assets cheaper for foreign buyers. China was a notable exception, selling \$208.6 bn of these securities and reducing its Treasury holdings to the lowest level since 2008. Even so, the "Sell America" story has not gone away. US stocks have lagged global peers, suggesting diversification away from the US is still happening alongside strong headline inflows.

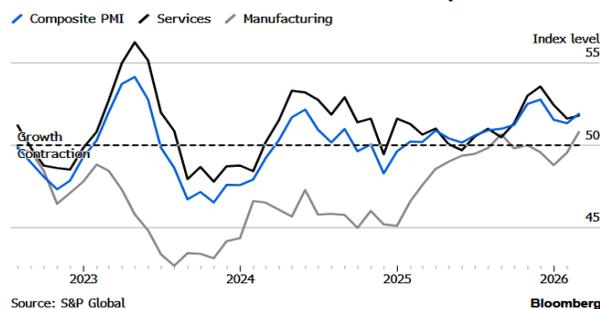


### Euro area

This morning, stock markets are trading higher ahead of US GDP data later today. Despite ongoing geopolitical tensions, the Stoxx 600 gained (+0.5%) in early trade and is on track for a fourth consecutive weekly gain after hitting a fresh record high earlier this week. Positive earnings news from Air Liquide and Moncler supported the move. Regional indices similarly gained, led by outperformance in France's CAC 40. Oil prices pared earlier gains but remained above \$71/bbl and stayed up more than 5% on the week. German bund yields were range-bound, with the 10y bund at 2.74%, while sovereign spreads were flat on the day. The euro traded fractionally weaker vs the dollar at \$1.1767/€.

**February flash euro area composite PMI surprises to the upside.** The preliminary February Euro area composite PMI rose to 51.9 (exp. 51.5 from 51.3). Germany also beat expectations, with the composite PMI at 53.1 (exp. 52.3 from 52.1). According to Bloomberg economists, the data point to more resilient euro area growth than expected, but they still see tariffs and a stronger euro as headwinds. Separate data showed Q4 negotiated wage growth rising to 2.95% (exp. 2.90% from revised 1.89%).

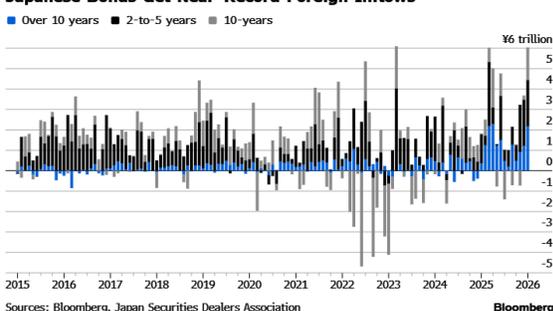
**Euro-Area Private-Sector Momentum Picks Up**



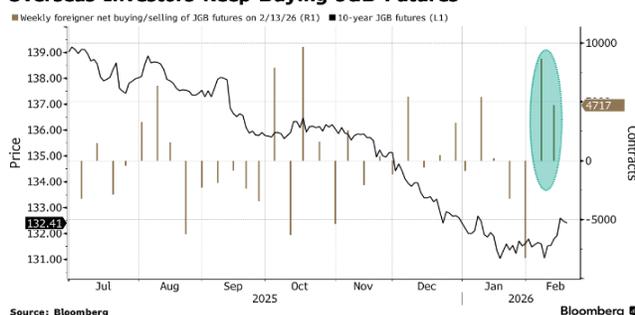
**Japan**

**JGB yields fell after a softer inflation report and steady demand for longer maturities.** January headline inflation eased to 1.5% y/y (exp. 1.6% from 2.1%), the first time it has been below 2% since March 2022. Analysts pointed to base effects in fresh food, lower energy costs, and post-holiday moves in services prices. Core CPI (excl. fresh food) printed at 2.0% y/y (exp. 2.0% from 2.4%), the smallest gain since January 2024. With inflation cooling, and with PM Takaichi pressing for a cautious approach after her snap-election win, the Bank of Japan may stay in wait-and-see mode as it watches whether wage gains keep feeding into prices. Markets are pricing 70% odds of a rate hike by April, down from 78% two weeks ago. Even after a slightly softer 20y auction on Thursday, yields declined across most of the curve today (10y - 3 bps to 2.11%; 30y -1 bp to 3.32%). Since end-January, the 30y yield has fallen 31 bps, helped by short covering, duration extension ahead of month-end redemptions, and pension rebalancing that supported demand for long bonds. Foreign flows look important: overseas net JGB purchases in January totaled \$38.9 bn (JPY 6.04 tn) (left chart), and futures positioning (week ending Feb 13: net buy 4,717 contracts) also points to ongoing overseas demand (right chart). That keeps a flattening bias in place, anchoring long-dated yields.

**Japanese Bonds Get Near-Record Foreign Inflows**



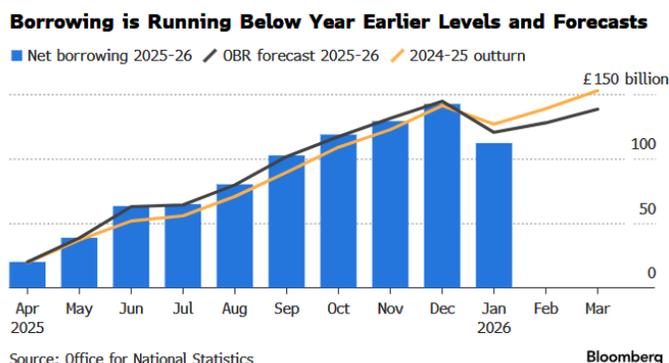
**Overseas Investors Keep Buying JGB Futures**



**United Kingdom**

**Gilt yields decline on better-than-expected UK public finances data.** Higher tax receipts in January saw revenue exceed expenditure by £30.4bn, up £15.9bn from a year ago and above economist forecasts of £24bn. As a result, the deficit for the first ten months of the fiscal year stands at £112.1bn, below the OBR's projection of £120.4bn. Immediately following the data, 10y gilt yields declined by around 3bp to 4.34%, outperforming European peers. UK retail sales data released this morning also surprised on the upside, climbing 1.8% m/m in January, above consensus estimates of 0.2% growth to register the largest monthly increase since May 2024. Economists point to falling inflation and interest rate cuts as drivers supporting consumer spending. However, Capital Economics analysts warn that weak labor market data and wage growth may constrain household spending. Finally, the February flash composite PMI surprised to the upside at 53.9 (53.2 expected, 53.7 prior).

**Gilt yields declined on better-than-expected UK public finances data.** Higher January tax receipts pushed revenue above spending by \$41.0 bn (£30.4 bn), up \$21.4 bn y/y (£15.9 bn) and above the forecast of \$32.3 bn (£24.0 bn). As a result, the deficit for the first ten months of the fiscal year stands at \$151.0 bn (£112.1 bn), below the OBR projection of \$162.2 bn (£120.4 bn). After the release, 10y gilt yields fell (-3 bps) to 4.34%, outperforming European peers. UK retail sales also surprised to the upside, rising 1.8% m/m in January (exp. 0.2% from 0.4%), the largest monthly increase since May 2024. Economists pointed to falling inflation and rate cuts as support for spending, though Capital Economics warned that a softening labor market and slower wage growth could cap momentum. Finally, the February flash composite PMI beat expectations at 53.9 (exp. 53.2 from 53.7).



## Emerging Markets

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**This morning, EMEA currencies remained flat amid markets reassessing the risk of imminent escalation in the Middle East.** While Gulf Region bourses are mostly closed on Fridays, oil prices stabilized today. Yesterday, Kenya issued 8- and 13-year USD bonds at 8.1% and 8.95%, that was met with strong investor demand. Part of the proceeds will fund a buyback of older bonds; similarly, the Republic of the Congo recently used new issuance for liability management, as tighter EM hard-currency spreads make such operations more attractive.

**Most Asian stocks edged lower while currencies remained overall flat.** EM Asia equities slipped slightly (-0.2%), but South Korea stood out as the KOSPI rose (+2.3%) to another record high. Insurers led gains as the sharp rise in brokerage stocks drove rotation within financials towards insurance. Asian currencies were stable (EM Asia: flat), with the Indian rupee (-0.3%) and Philippine peso (-0.3%) depreciating them most, versus Malaysian ringgit (+0.2%) and Korean won (+0.2%) appreciating the most.

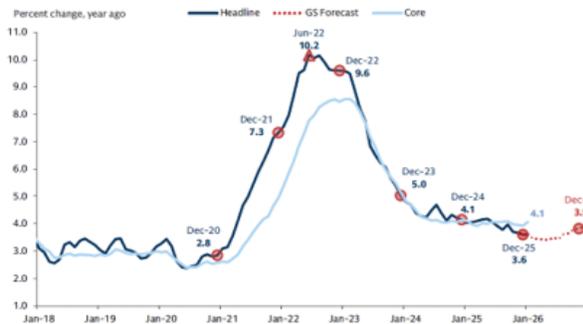
**Yesterday, Latin American equities rose while currencies stayed range-bound.** Across regions, stock markets gained in Argentina (+4.3%), with Brazil (+1.4%) also firm, while Chile lagged (-0.5%). In currencies, the Argentine peso led, appreciating (+0.4%) to ARS 1391/\$, while the Colombian peso lagged, depreciating (-0.4%) to COP 3697/\$.

### Latin America

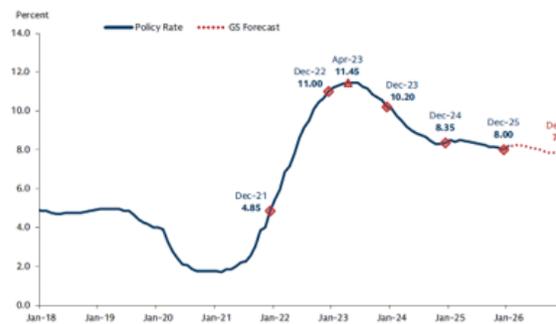
**Over the week, Latin American markets looked steady overall, but policy and macro signals pulled in different directions across countries.** Argentina's fiscal story improved on the surface, but the January surplus leaned heavily on one-off hydro concession revenue. In Brazil, the tone softened after the central bank's activity gauge (IBC-Br) showed a sharp slowdown in December, with weaker services offsetting firmer industry and agriculture. Markets kept pricing a large amount of easing over the next year (-300 bps) through the week. In Mexico, Banxico held at 7.00% on Feb 5, but the guidance and minutes released this week read more open to restarting cuts as soon as March, even as pricing for near-term easing over the

next year remained well anchored (-20 bps). For Peru, latest current account data for 4Q25 released yesterday confirm a supportive external backdrop, printing at \$10.7bn (exp. \$5.0bn from 8.0bn) on a strong goods trade balance.

### LatAm Aggregate Headline Inflation



### LatAm Aggregate Policy Rate



Source: Goldman Sachs  
 Note: LA-IT5 corresponding to the five Latin American inflation targeting countries Brazil, Chile, Colombia, Mexico and Peru. The aggregate inflation and policy rates correspond to the simple average.

## China

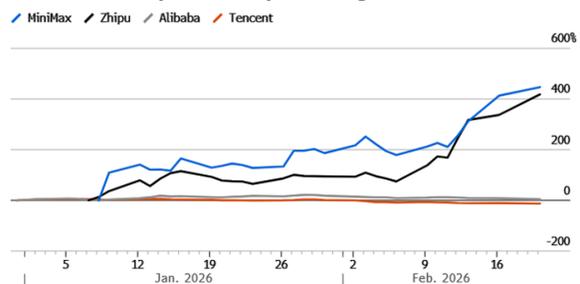
**Offshore China stocks started the Year of the Horse on a weak note.** After a three-day holiday on Hong Kong exchange, the Hang Seng Index fell -1.1% today (right chart). Blue chip Tech stocks led the drop, including Alibaba (-4.9%), Xiaomi (-3.5%), and Tencent (-2.1%). More defensive stocks held up better. Within the tech sector, investor appetite has become increasingly polarized. Money is moving toward pure-play AI and robotics firms, helped by fresh excitement about generative ai after widely watched Spring Festival demonstrations. Generative AI firms Zhipu and Minimax jumped (+42% and +15%, respectively) today. Both are up more than four times since listing in Hong Kong in January (right chart). Taken together with the selloff in blue chip tech stocks, this suggests that investors are asking whether big internet platforms can turn heavy ai spending into near-term profits, especially as their main businesses slow. The mood also stayed cautious after regulators last week called in major online platforms to rein in aggressive promotions and address “involution-style” competition (a race-to-the-bottom type of rivalry).

### Unhealthy Divergence MSCI Hong Kong may not avoid drag from HSI tech



Source: Bloomberg

### China's AI Startup Stocks Outperform Big Tech



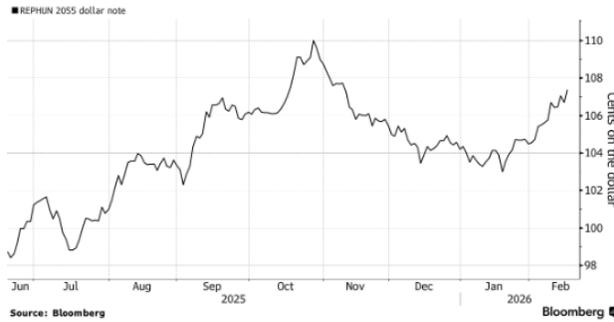
Source: Bloomberg  
 Note: Data is normalized with percentage appreciation as of December 31, 2025.

## Hungary

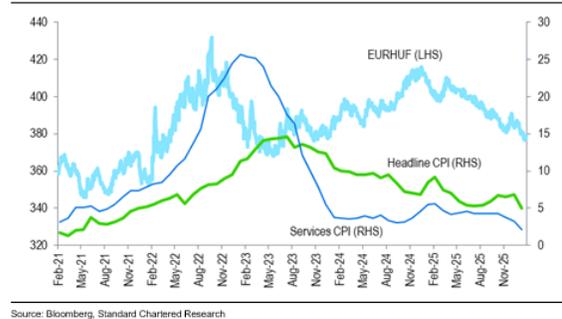
**Dollar bonds extend gains after US Secretary of State Marco Rubio signaled possible US financial support for PM Viktor Orban earlier this week.** Hungary's 2055-dollar bonds rose to levels last seen in November while 10y local bonds yield 6.47%, corresponding to a 14-month low. According to Bloomberg, Aviva Investors warned the rally may be overdone given election uncertainty and the risk of a post-vote stalemate, even as markets price a “win-win” outcome: either EU funds under an opposition win or potential US backing if Orban stays in power. Standard Chartered expects the National Bank of Hungary to cut its

6.50% base rate by -25 bps at its meeting next Tuesday, the first reduction in 17 months, as inflation has slowed and the forint has stayed stable. Standard Chartered also flagged easing price pressures (headline CPI at 2.1% y/y in January) and extended government price caps as support for gradual easing this year, anticipating a cumulative amount of -100 bps of easing, though policymakers are likely to tread cautiously to avoid currency volatility.

**Hungary's Dollar Bonds Rally as Elections Approach**



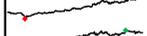
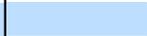
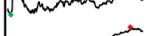
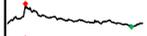
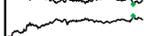
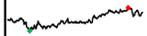
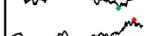
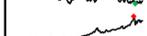
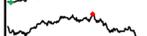
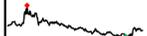
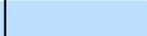
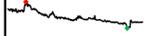
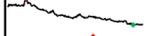
**Figure 1: Strong currency and low inflation provide room for a rate cut**  
EUR-HUF (LHS); headline and services inflation, % y/y (RHS)



*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

2/20/26 8:43 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,848	-0.3	0.2	0.8	11.9	0
Europe		6,083	0.4	1.6	3.2	11.4	5
Japan		56,826	-1.1	-0.2	5.5	46.5	13
China		4,660	-1.3	0.4	-0.9	17.4	1
Asia Ex Japan		104	-0.1	-0.7	6.4	35.6	11
Emerging Markets		61	-0.2	-0.8	6.5	35.6	12
<b>Interest Rates</b>			basis points				
US 10y Yield		4.1	0	1	-23	-45	-11
Germany 10y Yield		2.7	-1	-3	-13	20	-13
Japan 10y Yield		2.1	-3	-11	-24	68	6
UK 10y Yield		4.3	-2	-7	-11	-26	-13
<b>Credit Spreads</b>			basis points				
US Investment Grade		112	1	-1	6	1	4
US High Yield		343	2	-4	23	34	7
<b>Exchange Rates</b>			%				
USD/Majors		97.9	0.0	1.0	-0.8	-8.0	0
EUR/USD		1.18	-0.1	-0.9	0.3	12.0	0
USD/JPY		155.4	0.3	1.8	-1.7	3.8	-1
EM/USD		47.5	0.1	-0.3	1.4	6.7	2
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		71.4	-0.4	5.4	11.2	-0.8	18
Industrials Metals (index)		167.0	0.1	-0.9	-0.6	11.6	2
Agriculture (index)		53.8	0.5	0.1	1.5	-12.4	1
Gold (\$/ounce)		5027.8	0.6	-0.3	5.6	71.1	16
Bitcoin (\$/coin)		66577.1	-0.5	-3.3	-25.5	-32.2	-24
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		20.4	0.4	-0.4	0.4	4.8	5.5
Global FX Volatility		7.4	0.0	-0.2	0.5	-0.6	0.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		61	1	1	-3	-23	2
Italy		61	1	0	-3	-47	-8
France		57	0	-1	-10	-16	-14
Spain		42	5	4	2	-20	-1

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

### Emerging Market Financial Indicators

2/20/2026 8:43 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	13	-8
Indonesia		16873	0.0	-0.2	0.5	-3.2	-1.1		6.2	2	0	10	-51	21
India		91	-0.3	-0.4	0.0	-4.7	-1.2		7.3	6	1	-4	12	19
Philippines		58	-0.3	-0.2	2.3	-0.4	1.2		4.9	0	1	12	-28	17
Thailand		31	-0.1	-0.4	-0.4	7.9	1.0		2.0	1	2	6	-40	23
Malaysia		3.90	0.2	0.1	3.9	13.5	4.0		3.5	0	-2	-5	-28	2
Argentina		1391	0.4	0.4	3.2	-23.9	4.4		35.2	71	-47	115	791	286
Brazil		5.21	0.1	0.2	3.2	9.5	5.1		13.2	6	0	-39	-162	-39
Chile		865	0.0	-0.4	2.3	9.0	4.1		5.2	0	-1	-4	-77	-13
Colombia		3697	-0.4	-0.9	-1.1	10.9	2.2		13.2	14	32	105	162	35
Mexico		17.22	0.2	-0.3	2.2	18.0	4.6		8.6	1	6	-31	-128	-33
Peru		3.4	-0.2	-0.2	0.0	9.9	0.1		5.8	0	0	-14	-67	2
Uruguay		39	-0.2	-0.2	-1.2	11.3	0.4		7.2	-2	-3	-15	-251	-34
Hungary		323	-0.1	-1.0	1.9	18.8	1.5		6.2	1	-7	-21	-24	-29
Poland		3.59	-0.1	-1.1	0.4	10.4	0.0		4.3	2	-1	-17	-127	-26
Romania		4.3	-0.1	-1.0	0.3	9.4	0.0		6.2	3	-7	-40	-119	-52
Russia		76.8	0.0	0.2	1.4	15.5	2.5							
South Africa		16.1	0.4	-0.9	2.1	14.0	2.9		8.3	10	7	-45	-240	-29
Türkiye		43.84	-0.2	-0.4	-1.3	-17.2	-2.0		30.4	29	32	64	178	78
US (DXY; 5y UST)		98	0.0	1.0	-0.8	-8.0	-0.4		3.64	1	4	-21	-70	-8

	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		107	2	35	14	32	
Indonesia		8,272	0.0	-0.2	-9.4	21.9	-4.3		104	0	15	11	18	
India		82,815	0.4	0.2	0.8	9.3	-2.8		87	-1	-2	-3	-3	
Philippines		6,465	0.9	-0.1	1.8	6.6	6.8		85	-1	10	-2	10	
Thailand		1,480	-1.0	3.4	14.1	18.8	17.5							
Malaysia		1,753	0.0	-0.2	3.2	11.1	4.3		62	1	2	-7	3	
Argentina		2,839,106	4.3	-7.2	-3.5	17.8	-7.0		531	15	-40	-189	-38	
Brazil		188,534	1.4	1.4	13.4	47.8	17.0		202	-3	5	-13	-1	
Chile		10,809	-0.5	-0.8	-3.1	47.6	3.1		94	-2	2	-24	3	
Colombia		2,386	0.8	0.8	-0.7	46.0	15.4		266	3	6	-47	-11	
Mexico		70,846	-0.1	-0.1	4.7	30.5	10.2		211	4	-7	-88	-6	
Peru		3,362	1.4	0.8	5.3	91.1	30.1		114	-1	7	-25	5	
Hungary		126,246	-0.3	-0.6	4.1	43.5	13.7		130	-6	-5	-15	-9	
Poland		124,663	-0.5	0.1	3.1	34.1	6.3		90	-7	2	-18	-1	
Romania		29,129	0.5	4.9	9.4	64.3	19.2		161	-1	-12	-78	-15	
South Africa		122,502	0.5	1.6	1.6	37.8	5.8		231	3	4	-71	13	
Türkiye		13,769	-0.2	-2.9	7.5	40.4	22.3		253	9	10	-6	19	
Ukraine		462	0.0	0.2	0.1	-8.2	0.1		863	40	-88	93	-47	
EM total		61	0.4	-0.8	6.5	35.6	11.6		263	1	1	-104	-8	

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

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