- **AI-disruption stock market selloff widens beyond software into cyclicals sectors** (link)
- **Cryptocurrencies extend losses as sentiment sours on rising trade policy uncertainty** (link)
- **Japanese yen weakens on news that Takaichi appears apprehensive to policy rate hikes** (link)
- **Carry made the Colombian peso the top-performing EM currency over past two weeks** (link)
- **Chinese Yuan climbs to strongest since 2023 as PBoC kept loan prime rates unchanged** (link)
- **The South African rand continues to appreciate ahead of tomorrow's fiscal budget** (link)

Mature Markets | Emerging Markets | Market Tables

Until the Ink Dries

Risk tone stayed fragile, with equities still trying to digest the idea that cheaper AI could challenge valuations beyond software, spurring a broader risk-off move across cyclicals. While remaining in the vicinity of all-time highs, the S&P 500 continued retreating after fresh tariff headlines and as a new 10% tariff took effect, though investors seem reluctant to price major damage until orders are signed. In Asia, gains in Taiwan and Korea were offset by declines in Hong Kong SAR, Indonesia, and India, even as China and Japan rose after the Lunar New Year break while European stock markets slipped this morning. Doubt around tech and AI kept Treasury yields bid near 4%, and safe-haven demand also showed up in firmer gold. Trade policy uncertainty adds to the unease: the European Union delayed a vote on its trade deal with the United States as it waits for clearer signals on next steps. Market attention now turns to near-term catalysts, including United States consumer confidence today, Nvidia earnings tomorrow, and the State of the Union address tonight. In currencies, the yen weakened on headlines hinting at less political support for further Bank of Japan rate hikes, while the yuan opened stronger after the holiday break. In emerging markets, the South African rand held firm into tomorrow's budget, and high carry continued to support the Colombian peso.

Key Global Financial Indicators

Last updated: 2/24/26 7:59 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6838	-1.0	0	-1	14	0
Eurostoxx 50		6105	-0.1	1	3	12	5
Nikkei 225		57321	0.9	1	6	50	14
MSCI EM		62	-1.1	1	4	39	13
Yields and Spreads			bps				
US 10y Yield		4.03	-0.6	-3	-20	-38	-14
Germany 10y Yield		2.70	-1.1	-4	-21	22	-16
EMBIG Sovereign Spread		247	3	1	3	-72	-6
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.6	0.1	0	0	7	2
Dollar index, (+) = $ appreciation		97.9	0.2	1	0	-8	0
Brent Crude Oil ($/barrel)		71.7	0.2	6	9	-4	18
VIX Index (%, change in pp)		21.5	0.4	1	5	2	7

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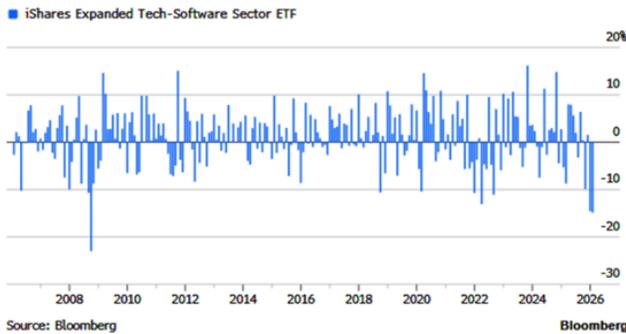
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United States

On Monday, the AI-disruption equity selloff continued. The S&P 500 declined (-1%) with uneven losses across sectors. 10y Treasury yields fell (-6bps) to 4.03%, driven by both lower real yields and breakeven inflation. The US dollar slipped (-0.1%) versus major currencies.

The AI-disruption selloff widened beyond software into a broader risk-off move across cyclicals. The move followed Citrini Research's note, 'Global Intelligence Crisis,' which argues AI could start a self-feeding loop where cheaper AI leads to layoffs, weaker spending, and then even more automation. Subsequently, this fear set off cross-sector selling across financials (payment services, wealth managers, select banks), logistics (delivery, transportation), real estate services, and others. Even so, software remains the center of the trade: February month-to-date losses are the deepest since 2008 (left chart). Outside the United States, software equities have held up better (right chart), and United States tech earnings remain firm, suggesting the drawdown is mostly valuation compression, not weaker fundamentals.

Software Stocks Get Crushed on AI Jitters
Key ETF set for worst month since 2008
■ iShares Expanded Tech-Software Sector ETF
Source: Bloomberg

Not All Tech Is Under Pressure
Normalized As Of 02/24/2025
■ MSCI ACWI Ex. USA Tech   153.11
■ MSCI USA Tech   118.33
Source: Bloomberg

Bitcoin and other major cryptocurrencies extended their decline as corporate earnings concerns and trade policy uncertainty weighed on sentiment. Market contacts also point to thin liquidity conditions, with a break below technical support levels having triggered stop-loss cascades. Bloomberg notes that U.S.-listed spot Bitcoin ETFs have now recorded five consecutive weeks of net outflows, the longest streak since February last year. CoinGecko data indicates that the broader crypto market has shed $100bn in value over Monday. Derivatives positioning on Deribit suggests that downside hedging appears concentrated around the $60,000 level.


US Spot Bitcoin ETFs See Fifth Straight Week of Outflows
■ Weekly Net Flow
Source: Bloomberg
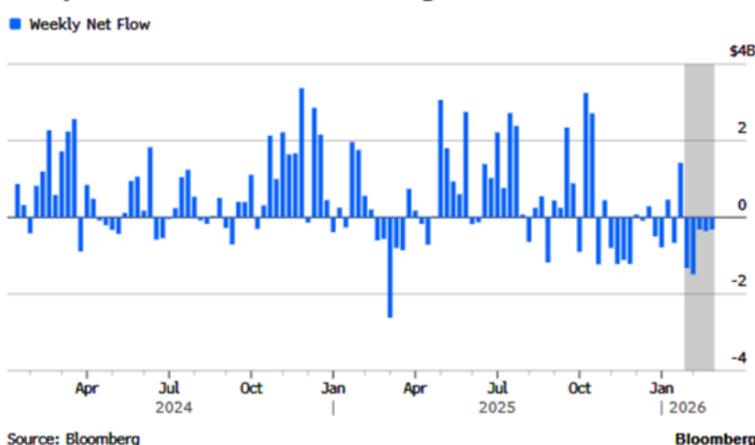
Euro Area

European risk assets extended losses this morning. The STOXX 600 slipped (-0.3%), The "AI scare trade" has become a key theme for equities, with selling spreading beyond software into insurance brokers, private credit, cybersecurity, and real estate services, as Bloomberg analysts note. 10y Bunds edged lower (-3bps), yielding 2.70% while the euro fractionally appreciated to $1.1785/€.

Positioning suggests Europe's AI-disruption rotation is in the early innings. Morgan Stanley's long-only "real money" data through year-end 2025 show investors cutting exposure to cyclical service stocks most exposed to the AI risk, but holdings remain high. At the same time, allocations to "Compute" and "Real Assets" are rising from low levels. Interest in "AI enablers"—especially European semiconductors and utilities—is building, but the trade does not yet look crowded. Active funds' biggest over-weights have lagged year to date, led by software and business services tied to the theme. Meanwhile, utilities and real estate look under-owned.

Average Fund Positioning in AI Disruption Debate: Relative positioning (bp OW/UW)
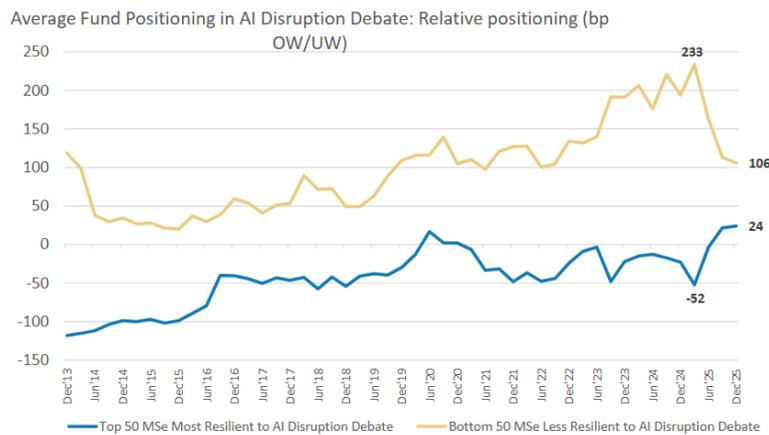
Top and Bottom lists according to our framework in a scenario of continued disruption dominoes (see more details here). The list of stocks is the same across the historical analysis and universe of analysis is the current MSCI Europe index. For each group, we calculate the simple average of positioning of European, International and Global funds; Our sample group of funds varies month-to-month so is not directly comparable though there is a c. 90% overlap in funds; December data for European funds is preliminary; Source: FactSet and Morgan Stanley Research

Japan

The yen extended its slide after a local report raised doubts about how much room the Bank of Japan has to keep hiking. The yen fell (-0.7%) to ¥155.8/$, the weakest performer across G10 currencies. Following a Mainichi news article, Prime Minister Takaichi expressed concern to Governor Ueda about further rate hikes at last week's meeting—contrasting with Ueda's comment that no specific requests were made. Following Rabobank analysts, the headline could help emboldening yen sellers, while SMBC Nikko warns of the increased risk that political pressure could slow the pace of BOJ tightening.

Yen Weakens Sharply on Report of Takaichi's View on Rates

Source: Bloomberg
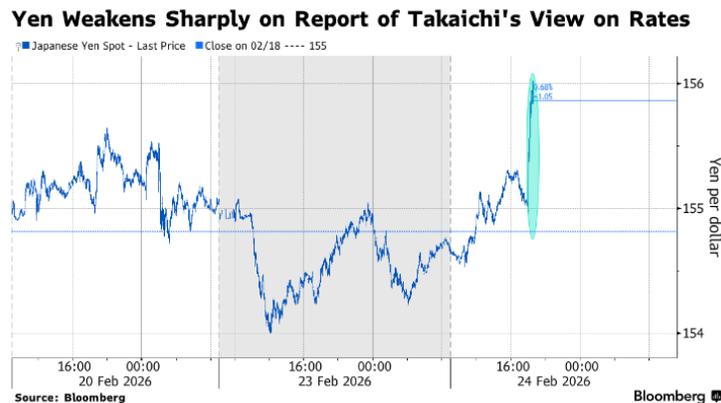
Japanese equities rose on Tuesday even as the AI-disruption debate stayed in focus. The Nikkei 225 gained (+0.9%), led by cable makers Furukawa Electric and Fujikura, and by AI supply-chain names such as Murata Manufacturing and Ibiden. Strategists said the market is leaning toward 'picks-and-shovels' winners—metals, components, and semiconductors that can grow even if competition in AI software intensifies. By contrast, financials and parts of IT lagged on worries that generative AI could pressure fees and margins in intermediary and service-led business models. That is partly at odds with a view from Citi analysis that firms such as NEC, Fujitsu, and NRI may see limited direct impact, with cybersecurity demand still rising in Japan. Defense and heavy machinery stocks also fell after China added 40 Japanese entities to export-control and monitoring lists.

Israel

Yesterday, the Bank of Israel surprised with a rate hold. The central bank kept its policy rate at 4.00% whereas consensus was for a -25bp cut. The central bank pointed to rising geopolitical risk tied to a possible confrontation with Iran, noting that Israel's risk premium has ticked up. Inflation has eased back toward the middle of the 1–3% target range, and the stronger shekel has helped on prices, but the Bank chose to pause after two consecutive -25bp cuts. The economy is still recovering—Q4 growth was close to 4% (q/q saar) and the labor market remains tight—while housing prices are rising again and the fiscal deficit has widened to about 4.9% of GDP with the budget still pending. Barclays expects three more -25bp cuts this year (March, August, November), taking the policy rate to 3.25% by end-2026, assuming tensions do not flare up and inflation keeps cooling.

Figure 1. Inflation momentum continues to ease
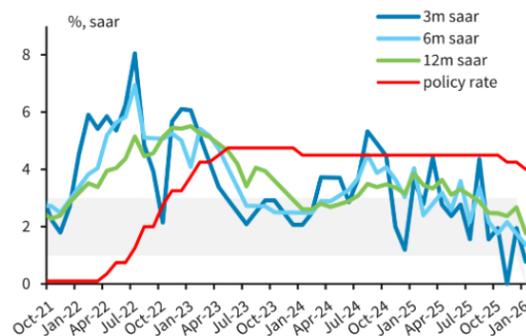
Source: Haver Analytics, Barclays Research

Figure 2. Inflation expectations remain within the target range
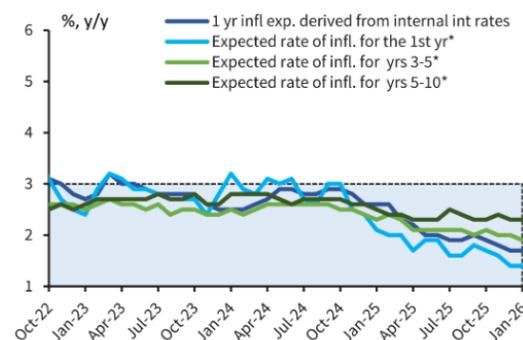
*Calculated from capital markets.

Emerging Markets   back to top

EMEA equities extended their pullback this morning, while currencies mostly held firm despite ongoing Middle East tensions. In CEE, equities fell, led by Czechia (-1.2%). Currencies were little changed against the euro, with the forint slightly stronger (+0.1%) at HUF379.15/€ ahead of Hungary's central bank decision today, where markets expect a -25bp cut to 6.25%. The Turkish lira was flat at TRY43.85/$. In Africa, the rand rose (+0.3%) to around ZAR15.97/$. In Nigeria, the naira slipped (-0.3%) to NGN1,352.25/$ ahead of the central bank meeting today; markets look for a 100bp cut to 26%.

Equities rose across Asia, while most currencies slipped. EM Asia gained (+1.0%), led by Taiwan (TAIEX: +2.7%) and Korea (KOSPI: +2.1%), while Hong Kong SAR (Hang Seng: -1.8%), Indonesia (Jakarta Composite: -1.4%), and India (SENSEX: -1.4%) fell. Most Asian currencies weakened, led by the Philippine peso (-0.3%) and Indonesian rupiah (-0.2%). The Chinese yuan strengthened (+0.4%) on the first trading day after the Lunar New Year break.

Yesterday, Latin American markets diverged. Equities advanced in Chile (+0.6%), Colombia (+2.1%), and Peru (+0.5%), while markets fell in Mexico (-1.1%) and Brazil (-0.9%). In currencies, the Colombian peso strengthened (+0.5%) against the US dollar whereas the Mexican peso weakened (-0.8%).

Colombia

The Colombian peso has held up well despite domestic economic and political noise, and it has been one of the stronger emerging-market currencies over the past two weeks. The key support has been rates. On January 30, the central bank surprised with a +100bp hike to 10.25% and signaled more tightening. That came after a 23.7% minimum wage increase that was decreed at the end of December 2025 and came into effect on January 1, 2026, which lifted inflation worries and pushed the central bank to lean hawkish. Higher interest rates have attracted investors

Yield implied on 3-month non-deliverable forward y/y (Percent)

Source: Bloomberg and IMF staff

who use carry trades. Colombia is now one of the few major Latin American economies where markets still see further rate hikes this year. Expected dollar inflows from pension funds could add support. However, risks remain. The government is buying dollars, fiscal deficits are large, and upcoming elections could weaken the peso if political uncertainty increases.
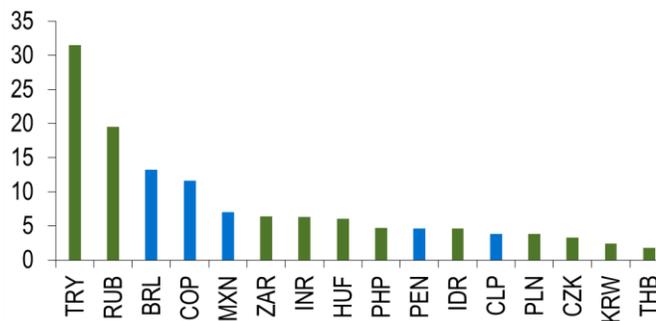
China

The People's Bank of China's kept lending benchmarks unchanged as it tries to support growth without adding pressure on the yuan. The one-year and five-year loan prime rates remain at 3.0% and 3.5%, unchanged for a tenth consecutive month. The hold was widely expected, but softer activity data—and January cuts to targeted re-lending rates—have strengthened the view that a -10bp policy rate cut could come in the next few weeks, with loan prime rates adjusting alongside.

Yuan sentiment looks firmer as officials lean on stability tools, supported by ample FX reserves and stronger corporate hedging. Analysts still expect two-way moves, but with a mild appreciation bias. A front-page report in the China Securities Journal stated the yuan should remain resilient in 2026, citing steady fundamentals and rising corporate FX settlement demand. After the Lunar New Year break, onshore CNY opened stronger (about +0.4%) near 6.879/$, catching up to offshore CNH (about +0.2%), even though the daily fix was set weaker around 6.941/$.

LPRs Have Moved in Lockstep With the PBOC's Policy Rate

China 1Y LPR (RS)　China 5Y LPR (RS)　PBOC 7-Day Reverse Repo Rate (RS)
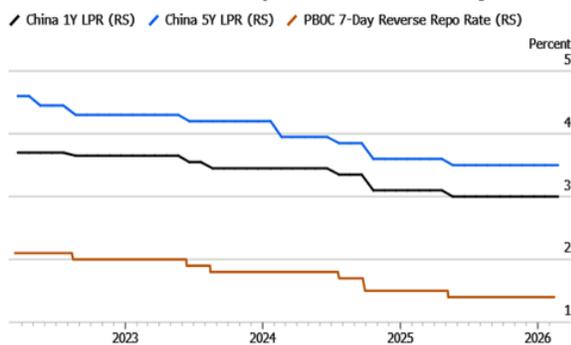
Source: PBOC, CFETS, Bloomberg   Bloomberg Economics

PBOC Weakens Yuan Fixing as Onshore Markets Reopen

PBOC Fixing - Price Change 1 Day Net

Source: Bloomberg   Bloomberg

South Africa

Rand strength is holding, but investors are paying more to hedge ahead of the budget. The rand edged up toward ZAR15.97/$, yet options have turned more defensive after a roughly 15% appreciation versus the dollar over the past year. Three-month USDZAR risk reversals have climbed to about 2.73 percentage points, the highest since May 2023, showing stronger demand for USD upside and rand downside protection. According to Deutsche Bank analysts, further rand gains will depend on real reform delivery, not just sentiment, with tomorrow's budget seen as a near-term headline risk. Bank of America and Standard Chartered analysts expect the 2025–26 budget to show modest fiscal improvement, with the deficit narrowing to about 4.4% of GDP versus the government's prior 4.7% forecast—supportive for ratings sentiment (S&P rates South Africa at BB with a positive outlook). Domestic yields were little changed, with the 10y bonds near 8% as today's ZAR 3bn auction was well bid, with the 2053 bond clearing at 8.43% with a 4.59 bid-to-cover.

South Africa- Policy rate, inflation, currency and swap rates

Source: Bloomberg and IMF calculations

Turning Bearish on the Rand
Risk reversals are now even higher than during last year's tariff turmoil

USDZAR 3-month risk reversal

Source: Bloomberg   Bloomberg

Global Financial Indicators

2/24/26 7:59 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,838	-1.0	0.0	-1.1	14.3	0
Europe		6,105	-0.1	1.4	2.6	11.9	5
Japan		57,321	0.9	0.9	6.5	49.9	14
China		4,708	1.0	-0.2	0.1	19.9	2
Asia Ex Japan		105	-1.2	1.1	4.6	39.3	13
Emerging Markets		62	-1.1	0.9	4.4	39.4	13
Interest Rates			basis points				
US 10y Yield		4.0	-1	-3	-20	-38	-14
Germany 10y Yield		2.7	-1	-4	-21	22	-16
Japan 10y Yield		2.1	-3	-5	-17	66	2
UK 10y Yield		4.3	-2	-8	-22	-27	-18
Credit Spreads			basis points				
US Investment Grade		114	3	2	12	1	7
US High Yield		353	10	6	41	33	17
Exchange Rates			%				
USD/Majors		97.9	0.2	0.8	0.3	-8.1	0
EUR/USD		1.18	0.0	-0.6	-0.8	12.5	0
USD/JPY		155.9	0.8	1.7	1.1	4.1	-1
EM/USD		47.6	0.1	-0.1	0.5	7.2	2
Commodities			%				
Brent Crude Oil ($/barrel)		71.7	0.2	6.3	10.1	1.6	18
Industrials Metals (index)		170.1	1.4	3.5	-1.5	16.1	4
Agriculture (index)		53.6	-0.3	1.2	-0.3	-11.3	0
Gold ($/ounce)		5152.4	-1.4	5.6	2.9	74.6	19
Bitcoin ($/coin)		62972.2	-2.5	-5.9	-29.4	-33.0	-28
Implied Volatility			%				
VIX Index (%, change in pp)		21.5	0.4	1.2	5.4	2.5	6.5
Global FX Volatility		7.5	0.0	0.1	0.8	-0.7	0.6
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		62	1	1	1	-22	3
Italy		61	0	0	1	-53	-8
France		57	0	-1	-2	-18	-14
Spain		41	0	4	5	-22	-2

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

Emerging Market Financial Indicators

2/24/2026 7:59 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		6.88	0.3	0.3	1.1	5.3	1.6		1.9	0	0	-4	7	-8
Indonesia		16823	-0.2	0.1	-0.3	-3.3	-0.8		6.2	0	2	0	-49	20
India		91	-0.1	-0.3	1.1	-4.7	-1.2		7.2	-4	0	-11	17	15
Philippines		58	-0.3	0.4	2.1	0.1	1.8		4.8	0	0	-1	-37	7
Thailand		31	0.0	0.7	0.2	8.0	1.6		2.0	0	1	-1	-38	23
Malaysia		3.89	-0.1	0.1	1.8	13.3	4.2		3.5	-1	-1	0	-28	1
Argentina		1369	0.5	2.2	4.7	-22.6	6.0		34.5	-87	55	-41	691	218
Brazil		5.17	-0.2	0.9	2.1	11.6	5.8		13.1	-1	-5	-33	-153	-46
Chile		866	0.0	0.0	-0.2	9.0	4.0		5.2	-3	-3	-7	-67	-15
Colombia		3686	0.6	-0.5	-1.1	11.7	2.5		13.5	28	61	120	201	67
Mexico		17.28	-0.1	-0.9	0.5	18.5	4.2		8.7	-3	2	-16	-113	-31
Peru		3.4	0.1	-0.3	-0.2	9.7	0.1		5.8	0	3	-9	-63	1
Uruguay		38	0.5	1.1	-1.2	11.1	1.3		7.1	0	-7	-13	-255	-38
Hungary		322	0.0	-1.0	-0.2	19.1	1.7		6.3	-2	1	-11	-17	-28
Poland		3.58	-0.1	-0.7	-1.1	10.5	0.2		4.3	0	0	-12	-128	-25
Romania		4.3	0.0	-0.6	-0.8	9.9	0.2		6.2	1	-5	-34	-121	-52
Russia		76.6	0.4	-0.1	-0.3	14.5	2.8							
South Africa		16.0	0.1	0.1	0.2	14.8	3.4		8.2	-9	-4	-34	-250	-41
Türkiye		43.85	0.0	-0.3	-1.1	-16.9	-2.0		30.2	2	43	117	131	63
US (DXY; 5y UST)		98	0.2	0.8	0.3	-8.1	-0.4		3.59	0	-4	-24	-65	-14

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
									basis points				
China		4,708	1.0	-0.2	0.1	19.9	1.7		110	3	38	17	35
Indonesia		8,281	-1.4	0.8	-7.5	25.7	-4.2		107	-1	15	9	21
India		82,226	-1.3	-1.5	0.8	10.2	-3.5		89	2	-2	-1	-1
Philippines		6,548	0.9	2.8	3.4	8.0	8.2		87	-1	9	-5	12
Thailand		1,490	0.7	2.1	13.4	23.5	18.3						
Malaysia		1,754	-0.2	0.8	2.0	11.9	4.4		64	2	5	-9	5
Argentina			-3.8	-3.1	-10.7	17.7	-9.5		544	17	12	-176	-25
Brazil		188,853	-0.9	0.6	5.6	50.6	17.2		202	-1	10	-21	-1
Chile		10,979	0.6	0.8	-4.5	50.2	4.7		94	-3	3	-30	3
Colombia		2,469	2.1	4.5	-0.6	49.5	19.4		269	6	8	-55	-8
Mexico		70,634	-1.1	-1.0	3.6	31.5	9.8		211	-3	-4	-95	-6
Peru		3,433	0.7	4.2	6.1	102.1	32.9		115	1	10	-29	6
Hungary		125,294	-1.4	0.3	0.2	44.6	12.8		133	-4	-4	-19	-6
Poland		124,809	-1.5	1.1	2.0	36.7	6.5		90	-5	-1	-26	-1
Romania		29,376	-0.2	2.8	8.2	68.3	20.2		163	-2	-3	-84	-13
South Africa		124,717	-0.3	4.4	2.0	42.7	7.7		233	1	6	-72	15
Türkiye		14,031	-0.2	-1.4	8.0	46.5	24.6		257	6	14	-12	23
EM total		62	0.7	0.9	4.4	39.4	12.7		265	2	6	-104	-6

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

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