



- Private credit CLO issuance is robust despite negative sentiment about borrowers ([link](#))
- AI disruption poses different risks for investment-grade and high-yield credit ([link](#))
- Japanese yen strengthens and bond yields rise on BOJ board member comments ([link](#))
- New European private credit partnership announced despite redemption concerns ([link](#))
- Global investors are buying Latin American stocks at a decade-high pace ([link](#))
- Chinese yuan extends rally but options point to expectations of downside risk ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

## Strong Nvidia Results Fail to Boost Market Sentiment

Yesterday's much anticipated earnings release by Nvidia beat market expectations and delivered a more positive sales forecast than anticipated. Despite the positive announcement, market reaction was tepid, with Nvidia shares up about 1% in pre-market trading this morning, and futures on the Nasdaq and S&P 500 were both little changed ahead of the market opening. Investors seem trapped between competing fears that either the significant rise in AI investment is a bubble that could burst or that its disruption could spell trouble for numerous industries. On the other hand, Korean shares rose a further 3.7% today, pushing gains on the KOSPI to 11% over the past week and about 50% YTD as it benefits from strong semiconductor demand. In commodity markets, oil prices fell nearly 2% as the US and Iran negotiations take place in Geneva.

Key Global Financial Indicators

Last updated: 2/26/26 8:45 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6946	0.8	1	0	17	1
Eurostoxx 50		6193	0.3	2	4	12	7
Nikkei 225		58753	0.3	3	10	54	17
MSCI EM		63	1.1	3	7	42	16
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.04	-1.2	-3	-17	-22	-13
Germany 10y Yield		2.70	-0.5	-4	-17	27	-15
EMBIG Sovereign Spread		245	-2	4	1	-81	-8
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		47.8	-0.1	1	1	8	3
Dollar index, (+) = \$ appreciation		97.6	-0.1	0	1	-8	-1
Brent Crude Oil (\$/barrel)		69.7	-1.7	-3	6	-4	15
VIX Index (% change in pp)		17.6	-0.3	-3	1	-1	3

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

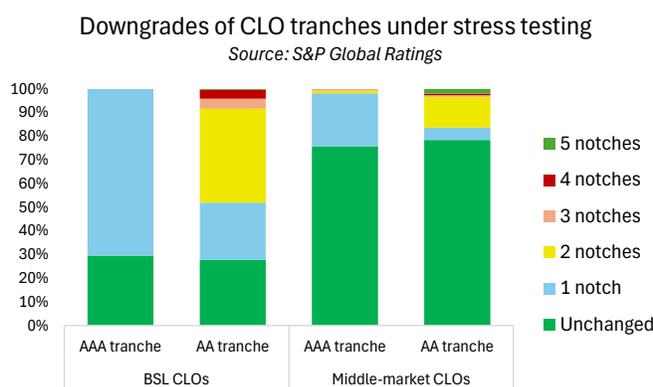
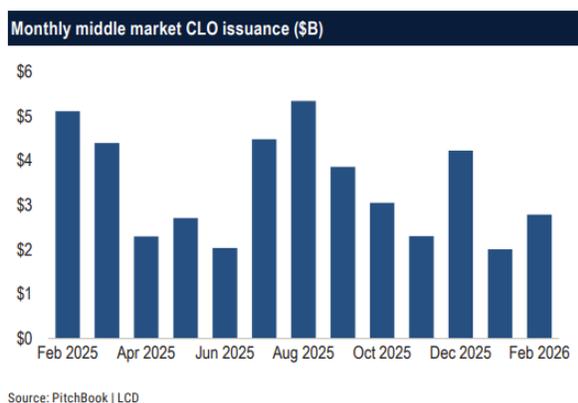
**Mature Markets** [back to top](#)

**United States**

**On Wednesday, the S&P 500 rose 0.8%, with gains concentrated in information technology, communications, and financials.** Treasury yields rose 1–2 bp across the curve, mostly due to higher breakeven inflation. The dollar declined 0.1% against major currencies. Data released this morning showed initial jobless claims reported slightly lower than expected. Market reaction to the release was muted.

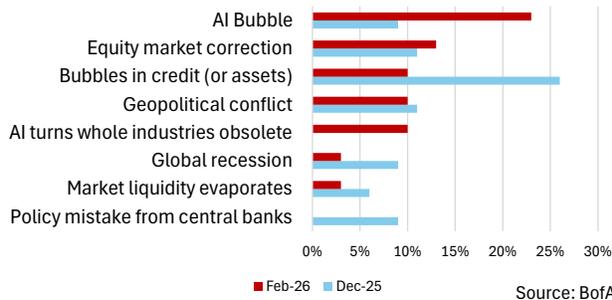
Item	Period	Surveyed	Actual	Prior	Revised
Initial Jobless Claims	February 21	216k	<b>212k</b>	206k	<i>208k</i>
Continuing Claims	February 14	1858k	<b>1833k</b>	1869k	<i>1864k</i>

**Issuance of private credit collateralized loan obligations (CLOs) remains robust despite negative sentiment toward underlying borrowers** (left chart below). A key driver is the strong collateral protection supporting senior tranches (AAA and AA). For example, S&P Global Ratings applied severe stress tests to a broad set of AI-impacted borrowers included in the collateral pools of leveraged loan (BSL) CLOs and private credit (middle-market) CLOs. Recovery rates on defaulted loans were modeled at 30%, well below historically observed levels of 50–70%. Even under these severe assumptions, AAA tranches were rarely downgraded by more than one notch, while downgraded AA tranches mostly remained within the investment-grade category (right chart). Despite higher levels of borrower-specific distress, middle-market CLOs exhibited greater rating resilience than BSL CLOs, largely due to higher subordination levels in their liability structures, which provide additional protection against modeled par losses.

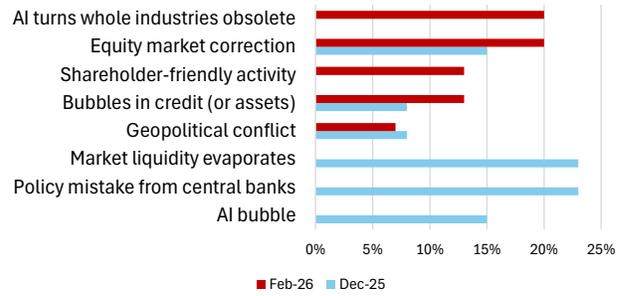


**Investment-grade (IG) and high-yield (HY) investors have different concerns about the risks from the adoption of AI.** In a recent Bank of America survey asking investors about their top risk for the next 12 months, 23% of IG investors cited an “AI bubble” as their top concern, while only 10% pointed to the “AI turns whole industries obsolete” risk. In contrast, 20% of HY investors identified industry obsolescence as their primary concern, while skipping the “AI bubble” risk in the February 2026 questionnaire. The divergence of concerns likely reflects structural differences: IG markets are more exposed to large, AI-linked issuers and infrastructure financing, making AI bubble risk more salient (i.e., the “failure of AI” risk); while HY spans a broader set of industries with more leveraged borrowers, with many potentially prone to the AI disruption risk (i.e., the “success of AI” risk). In a related survey, 26–27% of IG and HY investors think upbeat corporate profit outlooks will be the most effective way to boost markets now, after the AI-driven drawdowns.

Top concerns: Investment-grade credit



Top concerns: High-yield credit



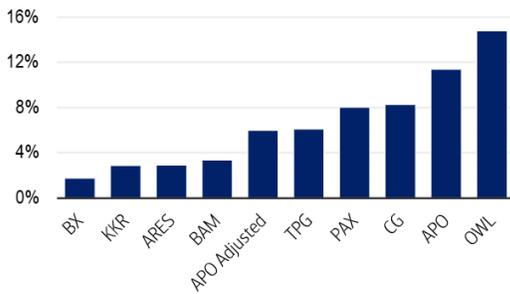
Euro area

**European risk assets inched higher today while sovereign yields edged marginally lower in a quiet session.** Oil fell 1.3% as new US–Iran talks began in Geneva, while Belgium’s February CPI inflation rose to 1.45% y/y (from 1.1% in January). Belgian equities underperformed (-1.8%), driven by an idiosyncratic move: Syensqo slid 26% after an earnings miss, prompting a trading halt.

**Europe’s private credit market is expanding, with banks and asset managers increasingly partnering despite rising scrutiny.** Apollo Global Management and BNP Paribas are nearing a deal to originate loans to European corporates and private-equity sponsors, extending Apollo’s US partnership model to Europe, according to Bloomberg. At the same time, major banks such as Bank of America are deploying significant balance sheet capital to compete in private credit. According to Bank of America analysts, private credit has delivered strong long-term returns and generally solid credit quality, but near-term headwinds include redemption pressures. BofA also comments that not all payment-in-kind (PIK) is equally bad: sometimes it is built in from the start, as opposed to a response to emerging stress. Last week, Blue Owl Capital drew heightened market attention after it restricted investor withdrawals in the OBDC II fund and sold about \$1.4 billion of private credit assets to return capital.

Exhibit 14: Short interest (to float) for the Alts

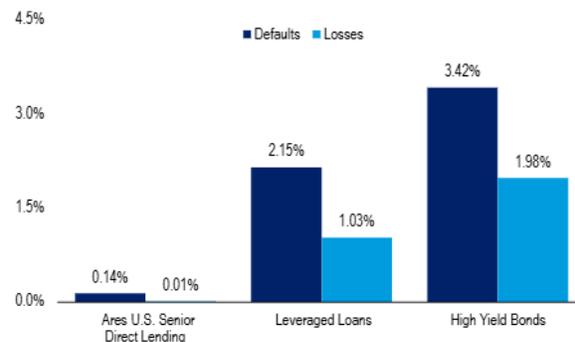
OWL is by far the highest followed by CG (APO’s is < CG after adjustments)



Source: BofA Short Analytics, Markt, Bloomberg, BofA Global Research; Note: 50% of APO’s short interest is derived from corporate collars so we estimate true interest is between BAM and CG

BofA GLOBAL RESEARCH

Exhibit 16: Most names in our coverage had very low loss rates to date; But not all Annual defaults and loss rates



Source: Ares, BofA Global Research  
Note: Time frame for data listed above: October 8, 2004 inception - March 31, 2025

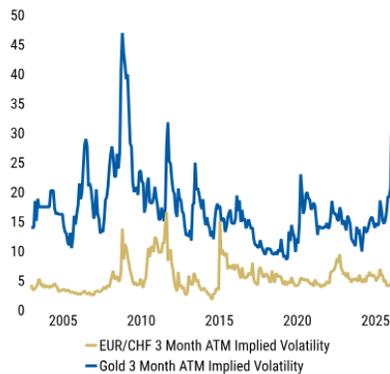
BofA GLOBAL RESEAF

Switzerland

**The Swiss franc might have become an underappreciated, unusually reliable safe haven,** according to Morgan Stanley (MS). MS thinks that the CHF may be more consistent than other “classic” hedges (USD, JPY, gold, Treasuries, bunds) across a wide range of historical shock types—and that markets are therefore underpricing the scope for CHF strength. They frame short USD/CHF as a “gold-like” hedge with lower

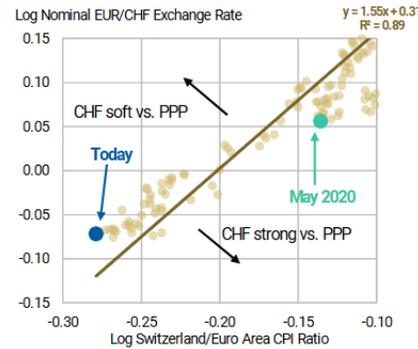
volatility than gold. MS also contends investors overstate the risk of SNB “level defense,” arguing the SNB is more likely to tolerate CHF appreciation as long as inflation isn’t pushed too low, making CHF longs versus both EUR and USD attractive as portfolio insurance, with the key risk being a slide toward Swiss deflation that could trigger stronger SNB resistance.

Exhibit 4: Gold volatility tends to be both higher and more volatile than that of the CHF



Source: Macrobond, Morgan Stanley Research

Exhibit 5: Today, EUR/CHF screens rich relative to PPP based on inflation differentials

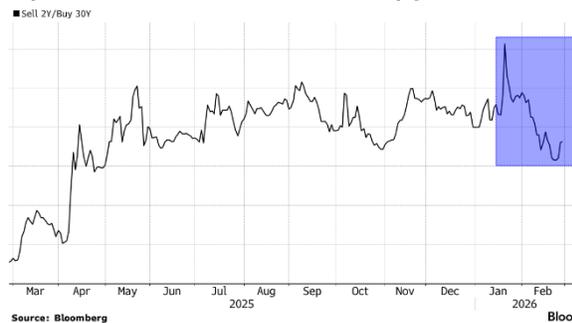


Source: Bloomberg, Macrobond, Morgan Stanley Research

### Japan

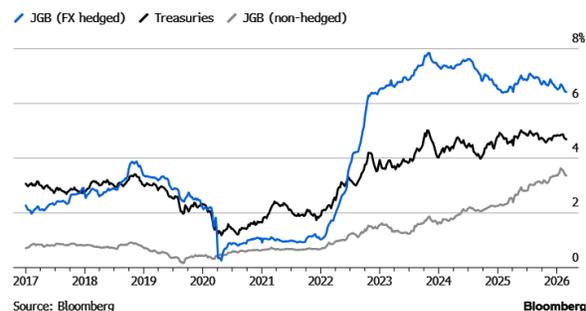
**Government bond yields rose today as tightening expectations resurfaced.** Benchmark 2-year yield rose 2 bp to 1.23% and 10-year yield rose 2 bp to 2.15%, while the 30-year yield stayed at 3.36%. The yen strengthened (+0.3%) to 155.97/\$, after Governor Ueda’s remarks at an interview, as well as board member Takata’s call for a rate-hike against heated inflation, reinforced the view that the Bank of Japan remains on a hiking path. Beyond the front end, however, the curve flattening trade is starting to fray. Citigroup and Deutsche Bank have reportedly joined Societe Generale in exiting trades that had bet on shorter-term yields rising faster than longer-term ones. From a global investor perspective, a Blackrock executive said in an interview that Japanese sovereign bonds can offer yields of around 6% for dollar-based investors willing to take a bet on long-dated debt (at 4%) and pick up an additional 2% by hedging the currency.

Japan’s Yield Curve Has Flattened Sharply



Source: Bloomberg

Japan Bond Yields Turbocharged by Currency Hedging



Source: Bloomberg

### Emerging Markets

[back to top](#)

**Asian currencies generally continued to strengthen** (EM Asia: +0.2%), with the Chinese yuan (+0.3%) and Taiwanese dollar (+0.3%) appreciating the most and Asian equities extended their rally (EM Asia: +0.8%). **EMEA equities and currencies are mixed this morning.** In CEE, equities continued to gain in Hungary (0.2%) but lost ground in Poland (-0.2%), while currencies were slightly weaker against the euro. The rand partly pared (-0.3%) yesterday’s gains against the dollar, with South African equities flat this

morning. Equities extended yesterday’s losses (-0.3%) in Türkiye while the lira held steady. **Latin American assets posted largely positive performance on Wednesday.** Equities advanced in Mexico (+0.3%), Chile (+1.3%), and Peru (+1.3%), while Colombia’s equity market declined by 0.6%. In foreign exchange, the Brazilian real rose 0.6% and the Chilean peso strengthened 0.5% against the US dollar.

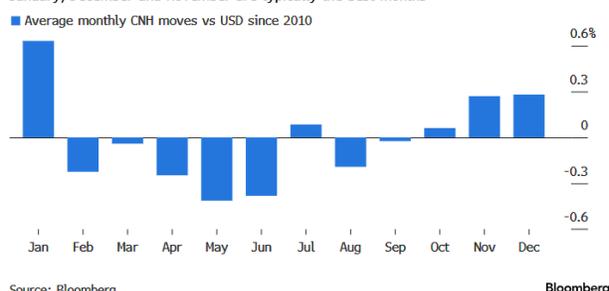
**China**

**The yuan strengthened to its firmest level since April 2023.** Both onshore CNY (+0.3%) and offshore CNH (+0.2%) strengthened, with CNH briefly breaking the 6.83/\$ level, thanks to broad dollar weakness and robust foreign-exchange conversion flows. Reinforcing the move, the People’s Bank of China set the daily fixing at 6.9228/\$—its strongest since May 2023—underscoring tolerance for a managed appreciation pace. However, the fix came a record 610 pips weaker than the average market estimate, the widest weak-side deviation on record, highlighting official intent to slow the pace of gains rather than allow a one-way surge. That balance has prompted traders to look for protection against downside risks. \$/CNH risk reversals have moved decisively in favor of calls as investors hedge seasonal yuan softness that typically follows the Lunar New Year. The divergence between strong spot performance and defensive hedging may reflect a market that sees near-term momentum intact but expects authorities to intervene more actively if gains accelerate too quickly in coming weeks.

**Options Point to Rising Expectations of a Weaker Yuan**  
Depreciation outlook now at the highest since April



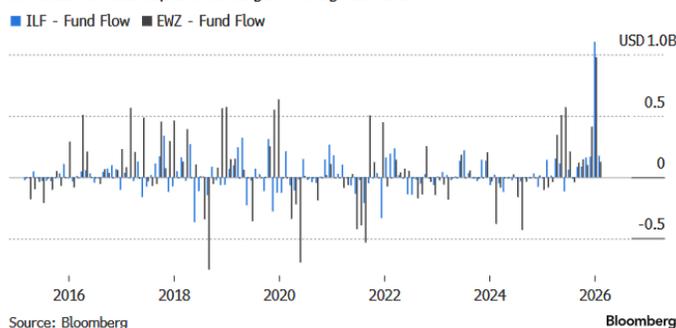
**Offshore Yuan Tends to Rise at End and Beginning of Year**  
January, December and November are typically the best months



**Latam stock market**

**Global investors are pouring money into Latin American equities at the fastest pace in a decade,** driving Brazil, Colombia and Mexico to multi-year highs, and lifting the MSCI EM Latin America Index more than 20% in 2026. It is the best start since 1991 and longest winning streak since 2017. Strong inflows into US-listed ETFs, alongside heavy direct foreign buying in local markets, reflect renewed confidence. The rally gained further support after the recent US Supreme Court decision on tariffs, weakening the dollar and boosting emerging-market appeal. While local investors remain cautious about political uncertainty, global fund managers cite attractive valuations, possible policy changes, commodity tailwinds, and prospective monetary easing as key drivers sustaining a positive outlook for the region.

**Traders Flood Cash Into Latin America Stock ETFs**  
US-listed vehicles capture the surge in foreign demand



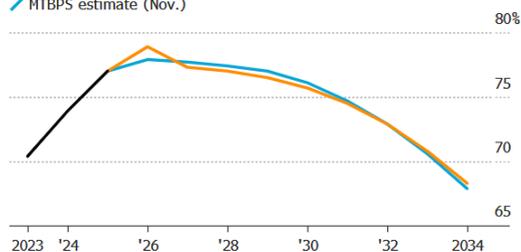
### South Africa

The rand advanced yesterday (0.8%) against the dollar to only partly retrace (-0.3%) this (+13.7% vs dollar over the last year). Yesterday's release of South Africa's 2026 Budget triggered a rally of domestic government bonds (5y yield -7bp and 10y yield -11bp). The budget projects debt peaking at 78.9% of GDP in 2025/26 before declining to 77.3% in 2026/27 and further down to 68.3% by 2033/34, while the primary surplus reaches 0.9% of GDP, widening to 2.3% by 2028. Gross borrowing needs for 2025/2026 were revised lower by ZAR4bn to ZAR563.4bn. Analysts at Bloomberg remain cautious, noting that fiscal consolidation relies on a significant spending cut (0.9% of GDP in 2026/27) in an election year. Goldman Sachs expects further flattening of South Africa's government bond yield curve and possible ratings upgrades, as a primary surplus would stabilize debt.

#### South Africa Debt to Stabilize for First Time in 17 Years

Peak set to be at higher level than November forecast

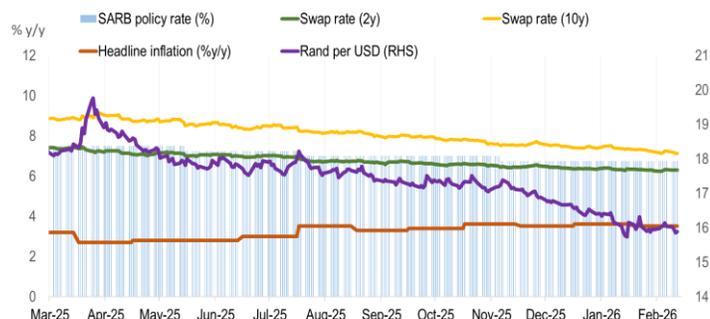
█ Gross debt-to-GDP actual █ Budget forecast (Feb.)  
█ MTBPS estimate (Nov.)



Source: National Treasury  
 Note: Chart shows data for fiscal years ending March 31

Bloomberg

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



Source: Bloomberg and IMF calculations

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### Emerging Market Financial Indicators

2/26/2026 8:46 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		6.84	0.3	0.9	1.7	6.1	2.2		1.9	1	1	-2	6	-6	
Indonesia		16759	0.2	0.8	0.1	-2.3	-0.5		6.2	0	0	-1	-57	19	
India		91	0.0	-0.3	1.1	-4.1	-1.1		7.3	4	7	-6	23	20	
Philippines		58	-0.2	0.7	2.3	0.4	2.3		4.8	0	-1	7	-30	16	
Thailand		31	-0.1	0.4	0.1	8.6	1.3		1.9	-10	-9	-10	-45	14	
Malaysia		3.89	0.1	0.5	1.9	13.9	4.4		3.5	0	-2	-1	-28	0	
Argentina		1409	-0.8	-1.3	2.0	-24.7	3.0		33.3	-30	-120	-164	556	96	
Brazil		5.13	-0.2	1.6	2.9	13.2	7.0		13.1	-2	-6	-38	-169	-51	
Chile		859	-0.2	0.8	0.7	9.7	4.9		5.2	0	1	-4	-57	-12	
Colombia		3732	-1.0	-0.9	-1.4	10.0	1.2		13.7	1	66	139	223	86	
Mexico		17.19	-0.2	0.3	1.0	18.8	4.7		8.6	-5	-7	-27	-108	-42	
Peru		3.4	0.1	-0.1	-0.2	9.7	0.2		5.8	0	1	-6	-52	3	
Uruguay		38	0.1	1.0	-1.5	10.8	1.9		7.1	-1	-9	-17	-258	-41	
Hungary		318	-0.1	1.3	1.0	19.9	2.9		6.2	-7	-4	-17	-27	-33	
Poland		3.58	-0.2	0.2	-1.0	10.4	0.3		4.3	0	1	-15	-126	-27	
Romania		4.3	-0.1	0.3	-0.6	10.0	0.4		6.1	-3	-1	-38	-120	-56	
Russia		76.9	-0.1	-0.1	-0.7	12.9	2.4								
South Africa		15.9	-0.4	1.5	0.9	15.6	4.1		8.1	-12	-11	-42	-251	-49	
Türkiye		43.88	0.0	-0.3	-1.2	-16.9	-2.1		30.3	5	23	126	201	72	
US (DXY; 5y UST)		98	-0.1	-0.3	0.6	-8.2	-0.7		3.61	-1	-3	-21	-47	-11	

	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		4,727	-0.2	0.3	0.5	19.1	2.1		108	4	36	10	33		
Indonesia		8,235	-1.0	-0.5	-8.3	27.0	-4.8		105	3	13	-1	19		
India		82,249	0.0	-0.3	0.5	10.2	-3.5		88	2	-3	-10	-2		
Philippines		6,625	0.1	3.4	5.1	8.2	9.5		85	2	7	-14	10		
Thailand		1,534	1.2	2.7	14.9	26.1	21.7								
Malaysia		1,741	-0.4	-0.6	-1.7	9.7	3.6		61	1	2	-15	2		
Argentina		2,799,876	-0.4	-1.4	-10.6	23.1	-8.2		549	29	17	-200	-20		
Brazil		190,616	-0.1	1.1	6.7	52.8	18.3		198	-4	6	-32	-5		
Chile		11,111	1.3	2.8	-3.8	51.2	6.0		92	-1	1	-34	1		
Colombia		2,382	-0.6	-0.2	-5.5	44.7	15.2		269	6	8	-61	-8		
Mexico		71,144	0.3	0.4	3.5	33.5	10.6		211	1	-4	-101	-6		
Peru		3,555	1.7	7.2	7.3	107.7	37.6		112	0	7	-35	3		
Hungary		127,956	0.7	1.0	1.0	45.9	15.2		131	3	-6	-22	-8		
Poland		127,320	-0.3	1.6	2.5	36.5	8.6		87	-5	-4	-32	-4		
Romania		28,610	-1.4	-1.3	4.2	62.0	17.1		157	-2	-9	-97	-18		
South Africa		127,033	0.2	4.3	2.0	43.8	9.7		231	4	4	-82	13		
Türkiye		13,856	0.3	0.4	5.2	44.7	23.0		256	11	13	-22	22		
EM total		63	0.0	3.5	7.0	41.7	15.7		263	3	3	-111	-9		

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

[back to top](#)