



- Private credit payment defaults rise despite declining broader measures of distress ([link](#))
- Europe might have become a relative safe haven amid AI-driven volatility in US equities ([link](#))
- UK non-bank collapse drags down exposed lenders' stocks ([link](#))
- UK government bond issuance is expected to fall sharply next year ([link](#))
- Chinese yuan closes weaker after PBOC cuts FX reserve fee ([link](#))
- The Colombian peso slumped as much as 1.9% on Thursday ([link](#))

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US Equity Underperformance Continues

Futures on the S&P 500 are pointing to a lower opening, which would lock in negative returns for February even as most other major equity markets posted strong gains for the month. Europe's Stoxx 600 is on pace for an eighth consecutive monthly gain, while Asia markets have rallied substantially, led by Korea, where the KOSPI is up roughly 20% in February despite a modest decline today. Markets were jolted early in the week by renewed trade policy uncertainty, and a widely circulated Citrini Research note warning that the AI investment boom could ultimately translate into material labor displacement, helping to trigger a sharp Monday sell-off in large-cap tech and software. That narrative proved short-lived, as equities stabilized over subsequent sessions amid pushback against the more extreme conclusions. The competing fears of AI disruption versus an AI bubble resurfaced after Nvidia's much anticipated—and better-than-expected—revenue forecast failed to boost sentiment. With AI developments at the forefront of investor attention, markets have paid relatively little heed to ongoing tariff developments following last week's US Supreme Court decision. This morning, Bloomberg reported on the collapse of a London-based nonbank lender. While UK shares are overall up this morning, related bank and asset-manager shares fell.

Key Global Financial Indicators

Last updated: 2/27/26 8:22 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6909	-0.5	1	-1	18	1
Eurostoxx 50		6150	-0.2	0	3	12	6
Nikkei 225		58850	0.2	2	12	58	17
MSCI EM		63	-0.9	3	4	43	15
Yields and Spreads			bps				
US 10y Yield		3.98	-2.5	-10	-26	-28	-19
Germany 10y Yield		2.68	-1.3	-6	-20	27	-18
EMBIG Sovereign Spread		251	5	6	8	-76	-3
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.6	-0.3	0	0	8	2
Dollar index, (+) = \$ appreciation		97.7	-0.1	0	2	-9	-1
Brent Crude Oil (\$/barrel)		72.8	2.8	1	8	-2	20
VIX Index (% change in pp)		20.5	1.9	1	4	-1	6

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

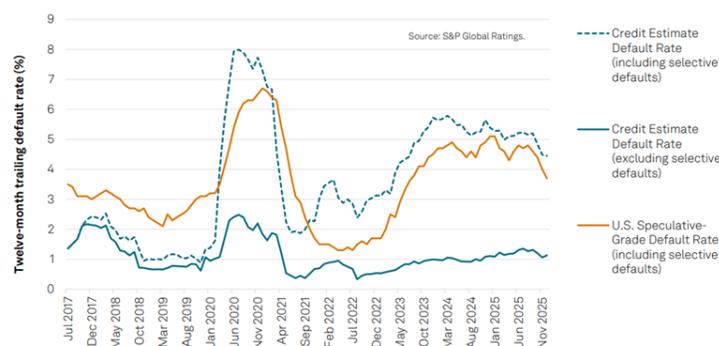
In data released this morning, US producer prices rose more than expected in January, driven by services and signaling the risk of continuing inflationary pressures. That was partly offset by a downward revision to the prior month's reading. US Treasury 2Y and 10Y yields rose by 1 bp and the US dollar appreciated by 0.05% immediately upon release, while equities lost 0.2%.

On Thursday, the S&P 500 declined 0.5%, with losses concentrated in the Information Technology and Communication Services sectors, even as the majority of individual stocks advanced. The 10-year Treasury yield fell 4 bp, driven by lower real yields. The US dollar appreciated 0.1% against major currencies.

Over the past week, US markets appeared largely unresponsive to the Supreme Court's IEEPA ruling last Friday, as the decision had been widely anticipated and White House officials had previously indicated that tariffs would remain in place, albeit under an alternative legal justification. Earlier in the week, a speculative research note from Citrini Research intensified the "AI disruption" trade, weighing on multiple industries beyond software. However, most of those losses were subsequently recovered, supported by criticism from prominent economists, financial market participants, and AI researchers. Another major theme—private credit (direct lending)—remained under pressure due to its exposure to software borrowers and redemption pressures at non-traded BDCs, particularly acute at one Blue Owl-managed BDC. The disruptive price action extended across both traded BDCs and publicly listed asset managers. On the other hand, a series of rating-agency reports and stress tests, along with continued strength in the middle-market CLO market, suggest that institutional private credit investors remain broadly composed. On balance for the week through Thursday's close, the S&P 500 rose 0.7%, the 10-year Treasury yield declined 8 basis points, and the US dollar was little changed against major currencies.

Private credit payment defaults are rising even as broader measures of cumulative distress—such as selective defaults—have been moderating. As weaker borrowers came under pressure at the onset of the rate-hiking cycle, the immediate remedy was the provision of relief through amend-and-extend restructurings and payment-in-kind (PIK) toggles, both of which contributed to a spike in selective defaults in 2023 (dashed blue line). Over time, however, a portion of these restructured borrowers failed to recover, gradually deteriorating into payment defaults. These have been steadily increasing (solid blue line) and are expected to rise further over the medium term. This dynamic is manifesting through two related channels. First, private credit foreclosed debt grew rapidly in 2025, largely driven by the 2021–2022 vintages, which were characterized by higher leverage at origination and looser underwriting standards. Second, non-accruals have increased significantly across BDCs, with a highly uneven distribution of failed assets across BDCs and pronounced market reactions to surprise non-accrual announcements. For example, BlackRock TCP Capital declined 13% in a single day in late January, while FS KKR Capital Corp. fell 15% in one session in late February—in both cases marking their largest daily losses outside the COVID shock.

Credit estimate default rates vs S&P U.S. spec-grade corporate default rate (July 2017–Dec. 2025)



Euro Area

European equities are little changed, showing resilience after a downbeat session in the US yesterday. The Stoxx 600 is on track for an eighth consecutive monthly gain, its longest winning streak in more than a decade, according to Bloomberg. Preliminary February inflation prints for individual euro-area countries came in above expectations, so far, with France at 1.1% y/y (vs. 0.8% expected) and Spain at 2.5% y/y (vs. 2.3% expected), while Germany's figure is due later today. Separately, the ECB's Consumer Expectations Survey showed that 3-year CPI expectations remained at 2.6% (above the 2.5% consensus expectation of expectations). Sovereign yields edged down marginally despite these higher prints.

Europe might have become a relative haven amid AI-driven volatility in US equities, according to Bloomberg. US stocks have been whipsawed by concerns over AI's disruptive effects on financial and software firms, with renewed selling in Nvidia weighing on the broader tech sector. While spillovers are beginning to show in Asia-Pacific, where the MSCI APAC Index's heavy tech weighting poses vulnerability, Europe has avoided broad de-risking, benefiting from its sector composition, improving data and still-lower valuations relative to

the US, according to Bloomberg. Analysts at Bank of America argue that AI fears have triggered a sharp rotation from asset-light services into hard-asset, low-obsolescence "HALO" sectors, driving unusually high sector dispersion in Europe. But many of the HALO-stocks now look stretched; and banks have also started to weaken amid AI disruption risks, private credit stress, and lower yields. BofA remains negative on European equities overall, arguing that markets are pricing AI risks at the sector level but not yet at the index level, leaving scope for wider risk premia.

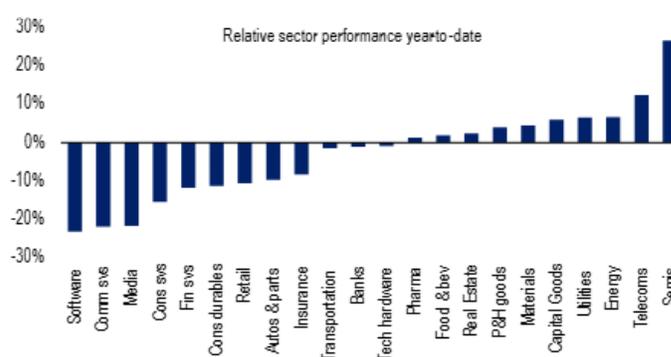
United Kingdom

This morning, Bloomberg reports on the collapse of London-based nonbank lender Market Financial Solutions Ltd, amid allegations of diverted income and double-pledged collateral, leaving major lenders scrambling to recover potentially billions in exposure; related bank and asset-manager shares fell, with Jefferies down more than 10% yesterday before partially recovering.

UK government bond issuance is set to fall sharply next year as public borrowing improves and financing needs decline, Barclays expects. The UK gilt remit will be published alongside next week's Spring Statement. The bank forecasts gilt sales to drop to £236bn in FY26/27, about £67.5bn less than this year, after stronger fiscal outturns reduce funding pressure and create modest overfunding in FY25/26. Supply will remain focused on short- and medium-term bonds, while long-dated issuance is expected to shrink materially and be delivered only through syndications and tenders, reducing duration supply and easing pressure on the long end. Barclays notes that although the UK still faces meaningful fiscal pressures, the intense headline-driven volatility seen ahead of the previous fiscal events has subsided. As a result, gilt market volatility has declined, and the 10-year gilt future asset swap spread has outperformed US Treasury and Bund equivalents.

Exhibit 4: The sell-off in asset-light sectors, deemed most at risk from AI, has been brutal, with software, media, commercial & consumer services underperforming by 15%+ YTD, while AI enablers and hard-asset sectors like semis, telecoms, utilities and resources have outperformed

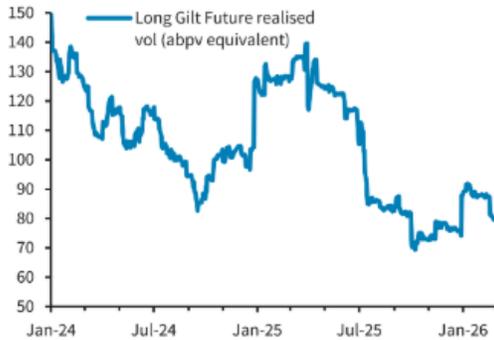
Relative performance of European sectors since the start of the year



Source: BofA Global Research, LSEG Data & Analytics

BofA GLOBAL RESEARCH

Figure 1. Realised volatility in gilts has fallen



Source: Bloomberg, Barclays Research

Figure 2. Gilt ASW has outperformed

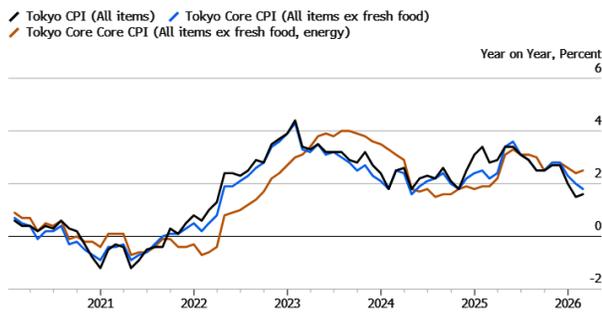


Source: Bloomberg, Barclays Research

Japan

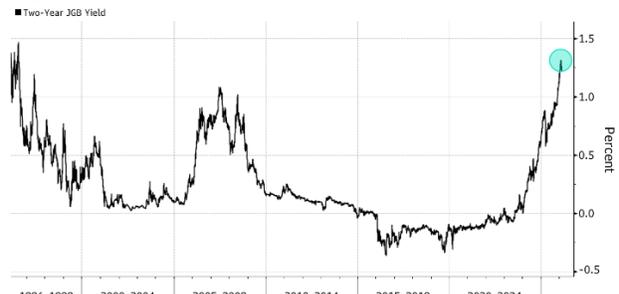
Tokyo's February CPI rose to +1.6% y/y (consensus +1.4%), while core inflation (excl. fresh food) eased to +1.8% y/y (consensus +1.7%). The slowdown in inflation was driven mainly by subsidies aimed at lowering energy costs. At the same time, services prices rose 1.5% y/y, an early signal that wage gains from this year's wage negotiations could pass through to consumer prices and inflation expectations. After the data release, the yen strengthened by as much as 0.3% before closing Asian +0.1% stronger. The two-year government bond auction was smooth, with a bid-to-cover ratio of 3.32, slightly below the 12-month average of 3.58. Decent demand may reflect the growing view that rate hikes would be more difficult under the Takaichi administration. Longer-term benchmark yields declined today (10-yr -4 bp; 30-yr -3 bp). Market focus now turns to next week's calendar, featuring BOJ Deputy Governor Ryozi Himino's speech on Monday, as well as auctions of 10- and 30-year JGBs that will test demand at the long end.

Tokyo CPI Inflation Gauges



Source: Ministry of Internal Affairs and Communications

Japan Two-Year Bond Yield Hovers Near Highest Since 1996



Source: Bloomberg

Emerging Markets

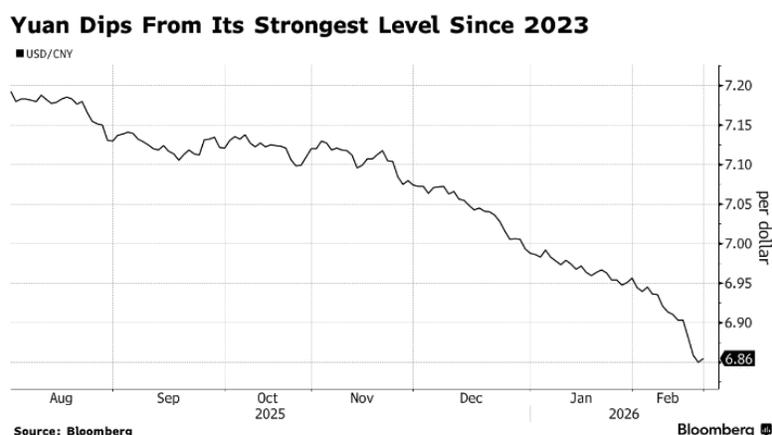
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Asian currencies generally retreated (EM Asia: -0.2%). The Indonesian rupiah depreciated only slightly (-0.1%) after S&P Global Ratings warned that rising fiscal pressures could lead to negative rating action. Asian equities also retreated today (EM Asia: -0.6%), driven by Malaysia (Kuala Lumpur Composite: -1.4%) and India (SENSEX: -1.2%). **EMEA equities rose this morning to close the week mostly higher**, with currencies also closing the week mostly steady. In CEE, equities gained across the region, with stocks outperforming in Hungary (0.8%) today and Poland rising the most this week (+1.8%), while equities lost this week in Czechia (-1.9%). On the currencies front, the forint continued to edge higher (0.1%) against the euro this morning, to close the week 1.3% stronger. The South African rand also edged higher (0.1%)

against the dollar this morning, with South African equities up by 1.2% (+4.1% week-to-date) led by the mining sector. **Latin American assets performed generally poorly on Thursday.** Stocks declined in Chile (-0.8%) and Colombia (-4.1%), while Mexico's equity market rose 0.4%. Currencies depreciated in Chile (-1.1%) and Colombia (-1.9%) against the US dollar.

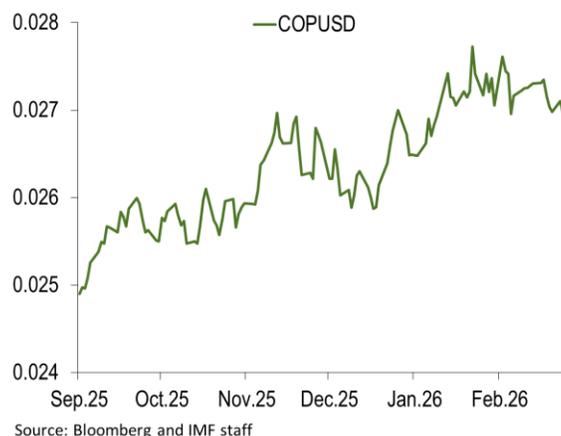
China

The yuan depreciated after authorities moved to rein in the speed of its recent gains. Both onshore CNY (-0.2%) and offshore CNH (-0.2%) weakened, touching the 6.86/\$ level during the day, after the People's Bank of China announced it would scrap the 20% reserve requirement on FX forward contracts from March 2, lowering the cost of betting against the currency. The yuan was fixed at 6.9228/\$, unchanged from yesterday but nearly 800 pips below consensus estimates. Bloomberg strategists broadly agree the policy shift reflects a desire to smooth volatility and manage the pace rather than reverse direction.



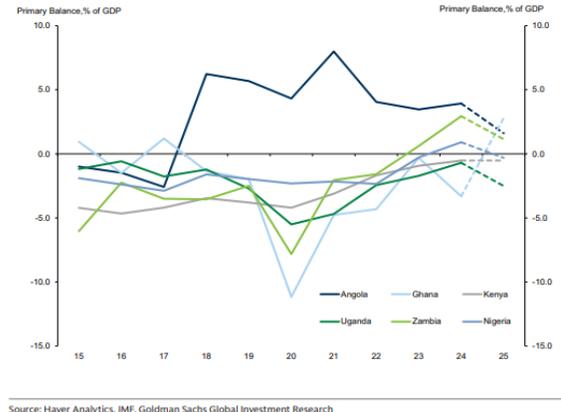
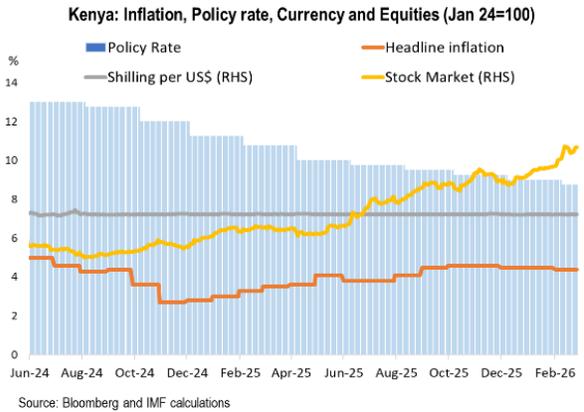
Colombia

The Colombian peso slumped as much as 1.9% on Thursday, underperforming emerging-market peers. Dollar-denominated bonds' yields rose across the curve. Bonds maturing in 2054 fell nearly 1.2 cent on the dollar. The selloff followed a survey published by Noticias Caracol showing Cepeda, an ally of President Gustavo Petro, leading with 37.1% support, more than double the 18.9% backing conservative lawyer Abelardo de la Espriella. Volatility has intensified as investors weigh the prospect of policy continuity rather than a shift toward a more market-friendly agenda. Colombia will hold the first round of its presidential election on May 31, with a potential runoff three weeks later.



Kenya

Equities gained 1% this morning in Kenya, with the shilling steady, after today's February inflation figure slightly surprised to the downside (CPI at 4.3%/y/y, vs. est. 4.5%). The central bank has cut its benchmark rate for 10 straight meetings since August 2024 to 8.75%, as inflation remained below the 5% midpoint of its target range. The central bank has forecast that price pressures will remain subdued in the coming months, amid stable food and energy prices and a stable shilling. Analysts at Bloomberg see today's data leaving room for further rate cuts through 1H 2026.



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Emerging Market Financial Indicators

2/27/2026 8:23 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		6.86	-0.3	0.6	1.3	6.1	1.8		1.9	2	3	0	9	-4	
Indonesia		16787	-0.2	0.6	-0.1	-2.0	-0.6		6.2	-1	-3	0	-59	18	
India		91	-0.1	0.0	0.8	-4.2	-1.2		7.3	-2	-1	-11	21	18	
Philippines		58	-0.1	0.9	2.5	0.4	2.2		4.8	0	-1	7	-29	16	
Thailand		31	0.2	0.2	-0.4	9.7	1.4		1.8	-6	-15	-17	-44	8	
Malaysia		3.89	-0.1	0.2	1.5	14.2	4.3		3.5	1	-1	1	-28	1	
Argentina		1409	0.0	-2.4	2.4	-24.6	3.0		32.9	-43	-233	-231	520	53	
Brazil		5.17	-0.6	0.2	0.4	12.9	6.4		13.0	-3	-15	-35	-197	-54	
Chile		871	-0.6	-0.6	-1.4	9.4	3.4		5.2	0	1	-4	-56	-12	
Colombia		3780	-0.4	-1.9	-3.5	9.3	-0.1		13.9	19	70	147	246	105	
Mexico		17.23	-0.2	-0.5	-0.6	18.9	4.5		8.6	-1	-10	-31	-103	-43	
Peru		3.4	0.0	0.1	-0.1	9.3	0.2		5.9	1	4	-1	-48	7	
Uruguay		38	-0.2	0.4	-0.8	10.3	1.6		7.1	0	-7	-18	-258	-41	
Hungary		319	-0.2	1.2	-1.2	20.6	2.5		6.2	0	-5	-12	-24	-34	
Poland		3.58	0.0	0.1	-2.6	11.9	0.3		4.3	0	-1	-13	-124	-27	
Romania		4.3	0.0	0.2	-2.0	10.8	0.4		6.1	0	-4	-36	-105	-56	
Russia		77.3	-0.5	-0.7	-1.3	13.5	1.9		8.2	6	-15	-34	-239	-43	
South Africa		16.0	-0.1	0.5	-0.6	15.7	3.8		30.2	-9	-15	119	201	63	
Türkiye		43.96	-0.1	-0.3	-1.3	-17.1	-2.3		3.54	-3	-11	-29	-54	-19	
US (DXY; 5y UST)		98	-0.1	-0.1	1.6	-8.9	-0.6								

	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		4,711	-0.3	-0.2	2.3	21.1	1.7		110	3	39	12	35		
Indonesia		8,235	0.0	-0.4	3.9	31.3	-4.8		109	5	17	1	23		
India		81,287	-1.2	-1.8	-0.5	11.1	-4.6		92	5	4	-3	2		
Philippines		6,611	-0.2	2.3	5.0	10.2	9.2		88	3	11	-14	13		
Thailand		1,528	-0.4	3.3	15.7	27.0	21.3								
Malaysia		1,717	-1.4	-2.1	-1.4	9.0	2.2		65	3	7	-11	6		
Argentina		2,754,420	-1.6	-4.1	-15.1	25.6	-9.7		563	32	46	-190	-6		
Brazil		190,735	-0.1	0.1	4.8	52.8	18.4		201	-1	6	-29	-2		
Chile		11,010	-0.8	1.4	-5.3	48.9	5.0		96	2	4	-29	5		
Colombia		2,284	-4.1	-5.5	-8.5	40.3	10.4		284	18	18	-43	7		
Mexico		71,390	0.3	0.8	3.6	35.7	11.0		218	7	6	-91	1		
Peru		3,577	0.6	6.4	6.2	113.5	38.5		116	2	11	-29	7		
Hungary		126,848	0.1	0.9	-0.5	44.2	14.2		136	6	-1	-18	-3		
Poland		126,979	0.1	1.5	1.8	37.5	8.3		92	2	2	-29	1		
Romania		28,293	-0.4	-3.1	2.4	59.7	15.8		163	2	-4	-89	-12		
South Africa		128,418	1.4	4.4	4.1	47.1	10.9		233	2	7	-78	15		
Türkiye		13,666	-1.5	-1.9	4.3	40.3	21.4		265	12	24	-15	31		
EM total		63	-0.1	2.7	3.9	43.1	14.6		268	6	11	-106	-3		

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

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