GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, FEBRUARY 3, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **Global investors favor emerging markets over advanced economies in new survey** (link)
- **Fallout from precious metals selloff appears contained** (link)
- **Trade deal with US boosts markets in India** (link)
- **Strong earnings propel Nikkei to new record** (link)
- **Brazilian real expected to attract interest due to high carry potential** (link)
- **Argentina elects to avoid international bond issuance despite lower credit spreads** (link)
- **Special Feature: EM Local Currency Bond Monitor** (attached)

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Global Markets Rally as Nikkei Hits New Record and Precious Metals Rebound

The market mood is quite positive this morning as the Nikkei surged to a new record on strong corporate earnings. Most markets in Europe are higher and S&P 500 and Nasdaq futures are also up. Government bond yields are slightly higher and the dollar a touch stronger. Precious metals are posting strong gains after Friday's historic meltdown and yesterday's extended decline. At the time of writing, gold was up by 5.25% and silver was up over 8%. Markets in India staged a major rally on the news of a trade deal with the US, with the Sensex registering its largest one-day gain since 2021. The Reserve Bank of Australia hiked by 25 bps to 3.85%, citing inflation pressures. Markets are pricing a 70% probability of two more hikes this year. In other news, US authorities announced that Friday's jobs report would be delayed due to the ongoing partial shutdown of the US government.

Key Global Financial Indicators

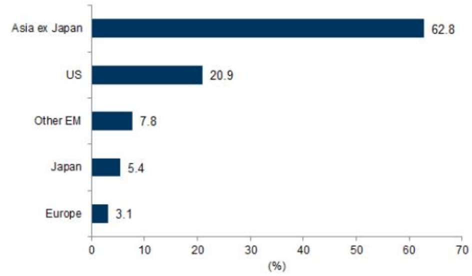
Last updated:	Level		Change from Market Close				
2/3/26 7:41 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6976	0.5	0	2	16	2
Eurostoxx 50		6025	0.3	1	3	15	4
Nikkei 225		54721	3.9	3	9	42	9
MSCI EM		59	0.3	0	5	40	8
Yields and Spreads					bps		
US 10y Yield		4.28	0.4	4	9	-27	11
Germany 10y Yield		2.89	2.1	1	-1	50	3
EMBIG Sovereign Spread		241	-3	-2	-11	-75	-12
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		47.6	0.1	0	2	10	2
Dollar index, (+) = $ appreciation		97.6	0.0	1	-1	-10	-1
Brent Crude Oil ($/barrel)		66.4	0.2	-2	9	-13	9
VIX Index (%, change in pp)		16.2	-0.2	0	2	-2	1

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

Global Risk Assets

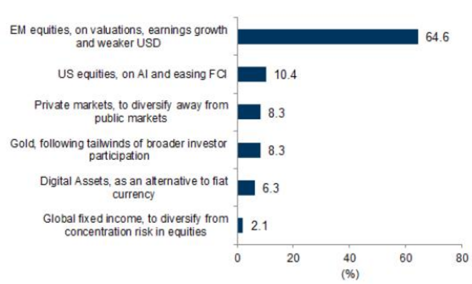
According to a recent survey by Goldman, investors are very bullish about risk assets in 2026, with emerging markets being favored over advanced economies. Almost two-thirds of those surveyed chose Asia ex-Japan (AXJ) as their top choice, with the proportion rising above 70% when including other emerging markets. Within AXJ, nearly half picked China, where a new bull market is expected to begin. Almost a third of respondents thought that Korea would rally again in 2026 due to the AI theme. Allocations to gold and digital assets were quite low, a view apparently justified by the recent sell-off in those markets. The biggest risk to the outlook is geopolitical risk, with government finances, recession, and inflation, the other main challenges. Trade war and Fed independence concerns appear to have receded as significant worries.

Exhibit 1: Which region will perform best in 2026 (in local currency terms)?



Source: Goldman Sachs Global Investment Research

Exhibit 2: Where are you mostly likely to increase your exposure this year from current risk levels?



Source: Goldman Sachs Global Investment Research

Mature Markets

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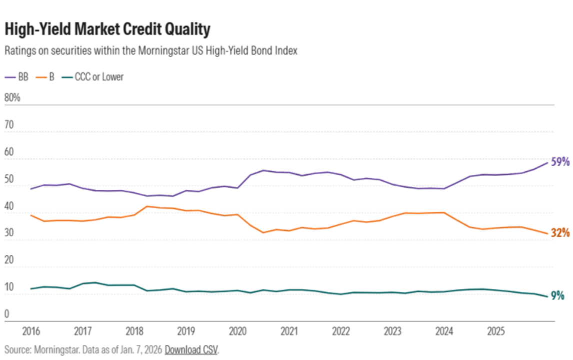
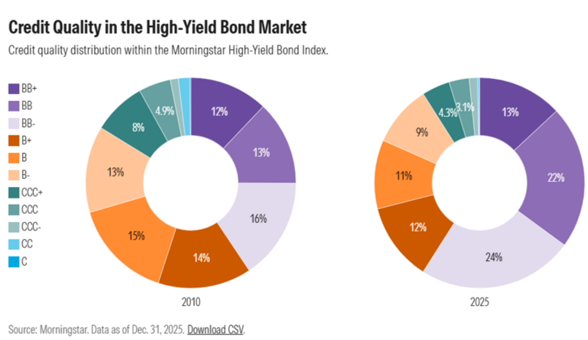
United States

The credit quality of the US high yield (HY) bond market has improved significantly over the years, according to analysis by Morningstar. In 1990, just 16% of HY bonds were rates BB, the highest level below investment grade (which starts at BBB-). The proportion rose to 41% in 20010, to 49% by 2015 and is at 59% today. Many lower credit companies now borrow money from the private credit or leveraged loan markets, where they can obtain more flexible terms (albeit at higher interest rates). Companies active in the HY bond tend to have much stronger balance sheets than in the past. In addition, there have been fewer examples of high issuance in particular sectors, which has led to a more diversified HY market. High concentration led to spikes in default rates in the technology-media-telecom (TMT) sector in 2001–2002 and the energy sector in 2015–2016. It remains to be seen whether the HY market will become a major source of AI-related issuance that could create potential problems in the future.





Europe

European equities opened higher, extending recent gains to trade near all-time highs. The Stoxx 600 was trading (+0.4%) higher in early morning trade, led by gains in the materials and industrials sector. Regional bourses were also trading in positive territory. European government bond yields edged marginally higher while intra-EMU government bond spreads narrowed a touch with the euro relatively unchanged against the dollar to trade around $1.1792. Elsewhere, Italy issued a new 15Y BTP via syndication this morning.

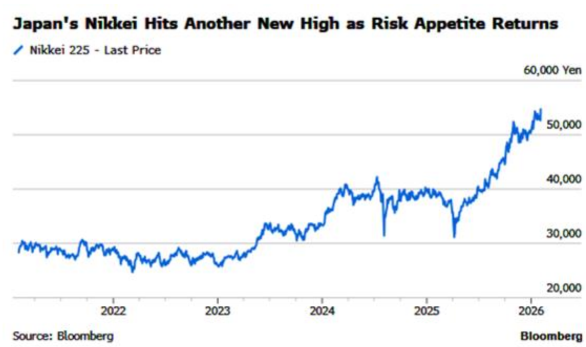
Eurozone banks unexpectedly tightened corporate lending standards at the end of 2025. According to the ECB's fourth-quarter Bank Lending Survey, banks reported an unexpected net tightening of credit standards for loans to corporates citing higher perceived risks amid lower risk tolerance. The report cites elevated uncertainty, alongside regulatory and supervisory actions as also contributing to tighter credit standards. According to the survey, banks reportedly focused on increasing their holdings of liquid assets while paring their exposure to loans amid heightened uncertainty. Looking ahead, the report notes that for the first quarter of 2026, banks expect a further net tightening of credit standards for loans for corporates. Demand for corporate credit increased, driven by demand for inventories and working capital with a slight easing of lending standards for housing loans.

Chart 1
Changes in credit standards applied to the approval of loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards, and contributing factors)

Japan

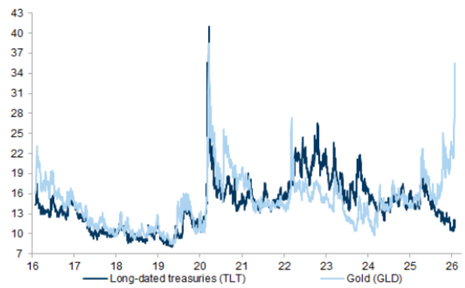
The stock market rebounded (Nikkei 225: +3.9%) to a record close (¥54,720.66/share), supported by strong earnings from the tech and financial sectors. Tech names such as TDK and Kyocera outperformed after their quarterly earnings exceeded market expectations, while AI-related stocks including Fujikura and Ibiden also rallied amid broad risk-on sentiment. Analysts pointed to solid semiconductor earnings, calmer precious-metals markets after the weekend selloff, and better-than-expected US manufacturing data as key confidence drivers. Meanwhile, the 10y yield rose +2.2bps to 2.26%, the highest since 1999, after a soft auction saw the bid-to-cover ratio fall to 3.02, below both last month's (3.30) and the 12-month average (3.24). BNY noted that the sharp reversal of risk-off sentiment in equities, caution ahead of the election on Sunday, and persistent fiscal and supply concerns weighed on JGB demand, likely keeping upward pressure on yields. Strategists warned that the lack of depth in long-end demand could weigh on Thursday's 30y auction.



Precious Metal Markets

Friday's wipeout in the metals market appears to be contained within the commodity space, with little impact on other markets. Although Asian markets fell on Monday, European stocks and US equities posted moderate rallies. That the fallout was likely to be contained within the commodity markets became evident when the VIX rose only very slightly and ended Friday below 18. By the market close yesterday, the VIX fell even lower to 16.4. Nevertheless, Friday was a historic day in the commodities markets, with some intra-day price declines that were unprecedented. Although the price of gold began to increase steadily after the invasion of Ukraine, with central banks and other official sector participants increasing their purchases, the move accelerated and spread to the other metals after the “Liberation Day” tariff announcements in April 2025. Trading volumes began to go up significantly, with retail participation rising steadily and fast money players such as hedge funds and commodity trading advisors (CTAs) joining in as well. The trading volume in the underlying ETFS such as GLD (gold) and SLV (silver) also shot up, featuring prominently in trading apps such as RobinHood and social media sites such as Reddit, both of which have a big influence on retail investors.

Exhibit 5: Gold ATM volatility is close to COVID levels, while bond volatility remains subdued
3m ATM vol for ETFs tracking US treasuries and Gold.



Source: Bloomberg, Datastream, Goldman Sachs Global Investment Research

These parabolic gains were thought by many to be unsustainable, and that proved to be the case. Gold and silver peaked on Wednesday January 28, and the selloff began Thursday and intensified the next morning, reaching its greatest extent around 2pm on Friday before recovering slightly. While the full picture can never be known, there were multiple factors that could have played a role. The fact that Friday was month end could have been significant, as many professional investors tend to take profits on month, quarter and before year end, especially when they have very large gains. There was also a one-hour delay in the opening of the London Metals Exchange, due to technological difficulties. In addition, higher margin requirement from the Chicago Mercantile Exchange (CME), a major futures trading hub for metals, came into effect on Wednesday.

Gold had a very bad day, but silver stood out the most, falling as much as 33% intra-day. The silver market is much smaller than the market for gold and saw the most prior gains since April 1, making it more vulnerable to a reverse. The market cap of the GLD ETF is $458 bn, compared to $93 bn for SLV, with the relative size of the gold futures market even larger relative to silver. The concomitant selloff in crypto assets could also have had an impact, as it appeals to the same investor base. Of course, crypto markets were already in a major drawdown that began in October. Industrial metals such as copper also participated in the runup in prices, but to a much lesser extent. Copper was down a relatively modest 4.5% on Friday compared to the other double-digit losses.

Moves in Selected Precious Metals Markets
Source: Bloomberg

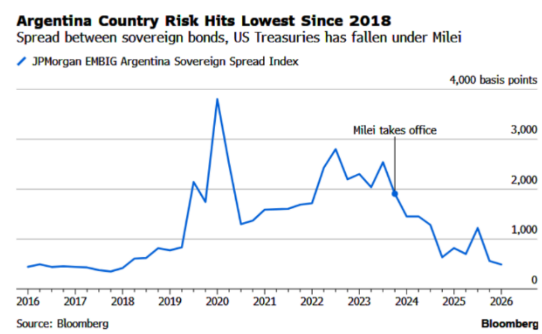
Commodity	April 1, 2025	January 29, 2026	January 30, 2026
Gold	$3,113	$5375	$4894 (-8.9%)
Silver	$33.69	$115.69	$85.19 (-26.4%)
Platinum	$989	$2,643	$2195.31 (-17%)
Palladium	$984	$2010	$1712.50 (-14.8%)
Copper	$520	$620	$592.40 (-4.5%)

Emerging Markets back to top

EMEA currencies edged marginally stronger against the US dollar, with the South African rand (+0.5%) extending its recovery from Friday's gold-driven sell-off. EMEA equities tracked earlier positive momentum in Asia, led by MENA outperformance in South Africa (+1.4%) and Egypt (+2.9%), alongside CEE strength in Hungary (+1.7%) and Poland (+1.7%). Looking ahead, the National Bank of Poland is widely expected to keep its policy rate unchanged at 4%. **Asian equities rebounded (EM Asia: +2.6%), supported by a recovery in gold and silver and a rally in tech stocks, with Korea leading gains (Kospi: +6.8%).** EM Asian currencies also strengthened against the dollar (EM Asia: +0.4%). The yuan continued to appreciate (+0.1%), rising to its strongest level (6.94/$) since 2023 after the PBOC set a firmer daily fixing (6.9608/$). Regional markets ended the day mixed. Major currencies rebounded despite a rise in the DXY index, and outperformed other EM peers, reinforcing carry appeal. **Mexico was closed for a holiday.**

Argentina

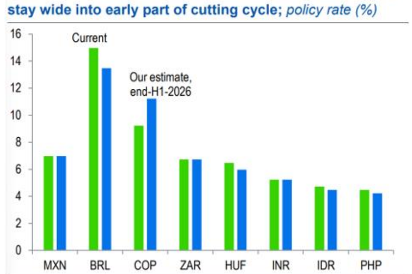
Economy Minister Luis Caputo reiterated that the government has no plans to issue global bonds, citing access to alternative funding sources at lower cost. Rather than testing international market demand, authorities have relied on a repo agreement with banks to cover roughly USD 4.3bn in January debt payments, alongside multilateral financing to repay USD 2.5bn owed to the US Treasury under a currency swap arrangement made last month. Minister Caputo highlighted the intent to "continue with that practice" but provided no further details on the timing or pricing of the funding. While Argentine spreads have tightened to their narrowest levels since 2018 (*see chart*), he stressed that yields remain above what the government considers acceptable for a sovereign running a fiscal surplus. This echoes earlier remarks by President Milei, who argued that country risk near 550bps does not reflect Argentina's underlying fundamentals.



Brazil

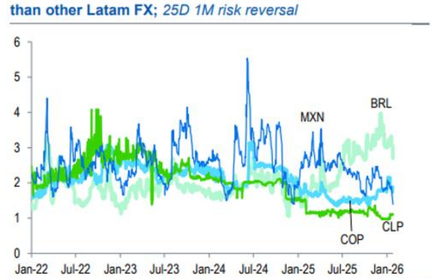
Brazilian Real (BRL) carry appeal likely to remain attractive despite impending rate cuts. Although markets widely expect the BCB to begin its easing cycle as early as next month, the BRL is likely to retain a significant yield carry advantage. Brazil continues to offer the highest ex-post real yields among EM peers (*left chart*), underpinning its carry attractiveness even as policy rates decline. StanChart analysts note that BRL carry remains compelling both on an absolute basis and when adjusted for volatility. Notably, Brazil's 2-year real yields remain the highest among EM high-yielders, even after considering the expected easing cycle. This relative yield premium should keep the BRL among investors' preferred carry trades, supporting scope for near-term outperformance. Positioning also appears cautious, as reflected by the relatively elevated risk-reversals (*right chart*). Compared to regional peers, this relatively modest positioning further enhances the carry appeal with a reduced risks from abrupt unwinding.

Figure 4: We expect BRL's rate advantage vs EM peers to stay wide into early part of cutting cycle; *policy rate (%)*



Source: Bloomberg, Standard Chartered Research

Figure 2: Demand for USD downside is shallower for BRL than other Latam FX; *25D 1M risk reversal*



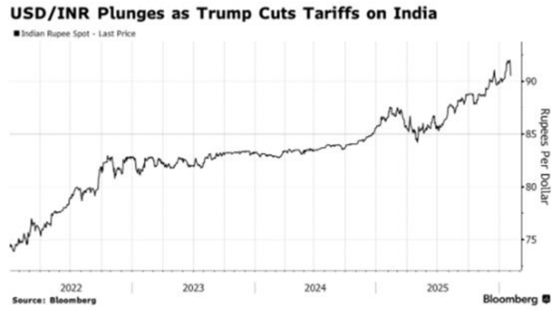
Source: Bloomberg, Standard Chartered Research

Hungary

Fast-money investors may be positioning for a rally in the forint ahead of Hungary's election outcome, a Bloomberg article suggests. The forint has strengthened by around 4.5% against the euro over the past six months, including a 0.2% gain today, while the Budapest Stock Index is up 29% over the same period, rising 1.7% today. Bloomberg reports that one hedge fund sees scope for a rally in Hungarian local assets under an opposition-win scenario, citing the potential unlocking of EU funds and, longer term, a path toward euro adoption. Another investment group argues that a clear opposition victory would likely prompt a more pronounced rally, while policy continuity could trigger a mild selloff.

India

Indian assets rallied after the announcement of a US-India trade deal, with equities posted their biggest gain (SENSEX: +2.6%) since 2021 and the rupee recording its strongest rise (+1.4%) against the dollar in over three years. The US agreed to cut its tariffs on Indian goods to 18% from 25% and scrap an additional punitive duty of 25% tied to Russian oil purchases, easing a major overhang on exports, investment, and capital flows. Analysts see upside for export-oriented sectors and estimate a 0.2–0.3ppt boost to GDP growth, with some officials projecting FY26 growth as high as 7.4%, above the government's 6.8–7.2% projection. Fund managers expect the deal to revive foreign portfolio inflows, support the rupee, and improve the balance of payments, though uncertainty remains around implementation details and non-tariff commitments. UBS expects near-term relief but remains cautious due to persistent structural headwinds, maintaining its 2026 INR forecast at 94/$. By contrast, HDFC and HSBC see scope for near-term rupee appreciation toward 88–90/$, while Barclays and Citi expect an initial 1–2% rally, with sustained gains hinging on a recovery in foreign inflows.



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.

Global Financial Indicators

2/3/26 7:43 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,976	0.5	0.4	1.7	16.4	2
Europe		6,025	0.3	0.5	3.0	15.5	4
Japan		54,721	3.9	2.6	8.7	42.1	9
China		4,660	1.2	-1.0	0.7	22.1	1
Asia Ex Japan		101	0.3	0.4	4.7	39.7	8
Emerging Markets		59	0.3	0.2	5.4	39.8	8
Interest Rates					basis points		
US 10y Yield		4.3	0	4	9	-27	11
Germany 10y Yield		2.9	2	1	-1	50	3
Japan 10y Yield		2.3	2	-3	20	101	20
UK 10y Yield		4.5	1	-1	-2	3	4
Credit Spreads					basis points		
US Investment Grade		103	-1	1	-6	-13	-4
US High Yield		319	-5	5	-14	19	-17
Exchange Rates					%		
USD/Majors		97.6	0.0	1.4	-0.8	-10.4	-1
EUR/USD		1.18	0.1	-2.0	0.6	14.0	0
USD/JPY		155.9	0.2	2.4	-0.3	0.8	-1
EM/USD		47.6	0.1	-0.4	2.2	9.5	2
Commodities					%		
Brent Crude Oil ($/barrel)		66.4	0.2	-0.3	9.9	-5.5	10
Industrials Metals (index)		170.9	2.1	-0.7	4.2	19.6	5
Agriculture (index)		53.2	0.6	-1.2	-0.4	-11.6	0
Gold ($/ounce)		4912.1	5.4	-5.2	10.4	74.5	14
Bitcoin ($/coin)		78253.1	-0.3	-7.3	-13.5	-23.2	-11
Implied Volatility					%		
VIX Index (%, change in pp)		16.2	-0.2	-0.2	1.7	-2.5	1.2
Global FX Volatility		7.6	0.0	0.1	0.9	-1.2	0.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		60	-1	1	1	-28	1
Italy		61	-1	1	-11	-51	-9
France		58	-1	1	-14	-16	-13
Spain		36	0	0	-8	-26	-7

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

Emerging Market Financial Indicators

2/3/2026 7:45 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.94	0.1	0.2	0.7	4.4	0.7		1.9	0	0	-4	23	-4
Indonesia		16754	0.3	0.1	-0.1	-1.8	-0.4		6.2	-1	-3	16	-80	15
India		90	1.4	1.6	0.0	-3.4	-0.4		7.3	-3	-4	16	22	25
Philippines		59	0.0	0.3	0.3	-0.4	0.1		4.8	1	6	15	-26	15
Thailand		32	0.1	-2.0	-0.7	7.4	-0.1		2.0	-1	5	30	-32	30
Malaysia		3.93	0.4	0.5	3.5	13.8	3.2		3.5	1	1	1	-31	0
Argentina		1452	-0.3	-1.0	1.6	-27.4	0.0		34.7	130	-55	218	881	230
Brazil		5.24	0.3	-1.1	3.2	10.8	4.8		13.2	8	-16	-20	-181	-35
Chile		859	0.7	0.1	5.3	15.1	4.9		5.2	-1	-5	-14	-66	-14
Colombia		3622	2.1	1.6	4.3	14.9	4.2		12.6	2	12	-33	103	-31
Mexico		17.34	0.3	-1.2	3.3	17.5	3.9		8.8	0	-10	-21	-131	-22
Peru		3.4	0.1	-0.5	-0.2	10.1	-0.1		5.8	0	-7	1	-90	1
Uruguay		39	0.0	-2.0	1.0	12.5	1.4		7.3	2	-1	-20	-239	-23
Hungary		323	0.2	-2.2	1.5	22.4	1.4		6.3	-2	0	-22	-9	-22
Poland		3.58	0.1	-2.5	0.4	14.2	0.3		4.4	1	-1	-14	-114	-15
Romania		4.3	0.0	-2.0	0.5	11.4	0.3		6.4	0	-8	-28	-106	-28
Russia		76.9	-0.5	-0.8	5.7	29.8	2.5							
South Africa		16.0	0.6	-0.9	2.3	17.2	3.5		8.4	0	-9	-22	-214	-18
Türkiye		43.50	-0.1	-0.2	-1.1	-17.3	-1.2		29.4	-16	31	9	199	-24
US (DXY; 5y UST)		98	0.0	1.4	-0.9	-10.5	-0.7		3.84	0	1	9	-52	11

	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		4,660	1.2	-1.0	0.7	22.1	0.7		98	27	22	1	23
Indonesia		8,123	2.5	-9.6	-7.2	14.8	-6.1		92	0	7	-2	6
India		83,739	2.5	1.7	-2.4	6.6	-1.7		82	-6	-9	-15	-8
Philippines		6,402	1.7	1.5	4.4	5.1	5.8		76	-1	4	-11	1
Thailand		1,336	1.1	0.1	6.1	2.7	6.1						
Malaysia		1,748	0.4	0.2	4.7	11.7	4.1		56	-2	-1	-17	-3
Argentina		3,106,672	-2.9	-0.8	-0.6	25.1	1.8		500	-17	-67	-126	-69
Brazil		182,793	0.8	2.3	13.9	45.1	13.4		190	-5	-11	-37	-13
Chile		11,483	0.6	-1.2	10.1	59.4	9.6		88	-4	-3	-32	-3
Colombia		2,423	-2.1	-3.0	17.1	61.0	17.1		265	-1	-16	-58	-12
Mexico		67,599	-2.7	-0.9	5.4	32.0	5.1		206	-6	-8	-103	-11
Peru		3,349	2.0	1.1	27.5	97.7	29.6		104	-1	-3	-38	-5
Hungary		130,389	1.6	2.3	17.4	53.9	17.4		131	-6	-4	-15	-8
Poland		127,226	1.7	2.0	5.9	48.0	8.5		88	-2	-2	-20	-3
Romania		27,501	1.7	-0.5	12.5	62.1	12.5		158	-9	-16	-81	-18
South Africa		120,566	1.4	-2.3	3.9	41.0	4.1		224	-2	9	-72	6
Türkiye		13,809	1.4	5.4	20.1	41.3	22.6		243	2	9	-13	9
EM total		59	1.3	0.2	5.4	39.8	8.4		263	5	-8	-94	-8

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

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