



- Market rotation supports US equity indexes as tech stocks fall back ([link](#))
- Global credit investors expect surge of new bond supply from hyperscalers ([link](#))
- Survey flags inflation as greatest risk for US retail investors ([link](#))
- Stocks rally in China on improved sentiment ([link](#))
- Equities in Brazil surge to new record high ([link](#))
- Slowing inflation opens door to further rate cuts in Ghana ([link](#))

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Global Markets Rally Despite Uncertain Outlook

Global equity markets rallied this morning despite the selloff in the US yesterday, which was caused by the news that Anthropic AI's new automation engine could be very disruptive to software companies and other businesses. Most Asian markets were up, and Europe was also significantly higher, with S&P 500 index futures in positive territory. Record closes have been recorded this year for the MSCI Emerging Markets Index, the Nikkei and the Euro Stoxx 1500. There were new record highs for equities in Brazil, Israel, Korea, Malaysia, Mexico, Taiwan POC, and Vietnam. The S&P 500 has set multiple records this year although it has fallen off a bit this week. Meanwhile, the dollar was mixed, and government bond yields were higher in the euro area and the US, and the price of gold was back above \$5,000. According to Bloomberg, crypto assets have lost over \$1.7 tn over the past week, as Bitcoin as fallen below the level reached before the US Presidential election.

Key Global Financial Indicators

Last updated: 2/4/26 7:50 AM	Level		Change from Market Close					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
Equities							%	
S&P 500		6918	-0.8	-1	1	15		1
Eurostoxx 50		6016	0.3	1	3	14		4
Nikkei 225		54293	-0.8	2	5	40		8
MSCI EM		60	0.5	-1	6	38		9
Yields and Spreads							bps	
US 10y Yield		4.27	0.6	3	8	-24		10
Germany 10y Yield		2.87	-2.3	1	-3	47		1
EMBIG Sovereign Spread		242	1	1	-9	-75		-11
FX / Commodities / Volatility							%	
EM FX vs. USD, (+) = appreciation		47.7	0.1	0	2	9		2
Dollar index, (+) = \$ appreciation		97.5	0.0	1	-1	-10		-1
Brent Crude Oil (\$/barrel)		67.5	0.3	-1	11	-11		11
VIX Index (%), change in pp		17.6	-0.4	1	3	0		3

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

Mature Markets

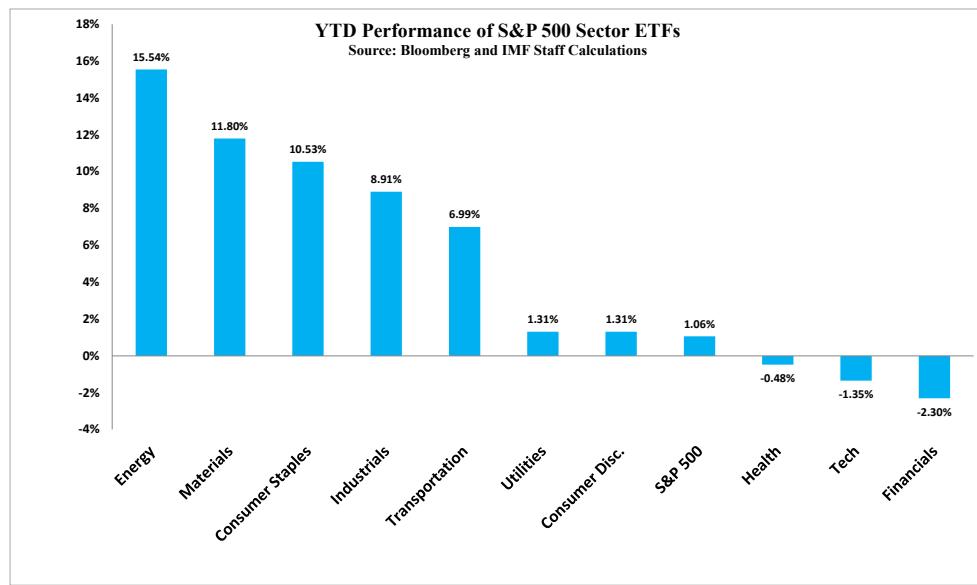
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United States

The latest ADP jobs report was weaker than expected, showing just 22K jobs created versus the 45K consensus forecast. However, the market impact was limited. Due to the partial government shutdown (which ended yesterday), Friday's official jobs report will be postponed.

Market rotation has supported the S&P 500 as technology stocks have faltered in recent months.

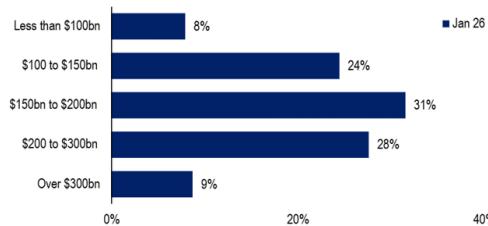
Many analysts were worried about the high level of market concentration in the US market, with the Magnificent Seven (Mag-7) technology stocks accounting for an increasing amount of the market capitalization of the S&P 500. They feared that a decline in the Mag-7 could trigger a broader market selloff. However, the Mag-7 peaked on October 29 of last year along with the technology-focused Nasdaq 100 index. Since, then, the S&P 500 index has posted multiple new records despite the Mag-7 losing ground, because other sectors have taken up the burden and broadened the market leadership. In 2026, the S&P 500 is being led by sectors that did very poorly in 2025, with the previous frontrunners of technology and financials bringing up the rear and in the red. Yesterday, the S&P 500 was down 1% even though 60% of the stocks in the index were actually up on the day, a clear sign of the broadening pro-cyclical trend in the market. As of yesterday's close, the equally weighted S&P 500 index led the regular capitalization-weighted index by 300 bps, another positive sign of market broadening.



Investors expect heavy new supply of investment grade (IG) corporate bonds from the hyperscaler companies in 2026. The latest credit investor survey from Bank of America finds that 83% of investors expect supply in the \$100–300 bn range, with demand expected to be very strong. The average forecast stands at \$191 bn. The market has easily absorbed all the new supply in January, and the IG index spread fell to its lowest level ever. On Tuesday, demand for Oracle's new \$25 bn bond deal reached \$129 bn, which is believed to be the largest book ever built for a new bond issuance, exceeding the \$125 bn book for Meta's October 2025 deal. Despite this optimism, the survey finds that a fall in the valuations of AI-related companies is the biggest risk to spreads in the IG market. Investors also think the IG market is overvalued, and that spreads are likely to widen. In contrast, they see much more promise in the high yield (HY) market, predicting that spreads in the HY market have room to rally further, building on the strong gains experienced in 2025.

Exhibit 3: How much public market hyperscaler supply do you expect in 2026?

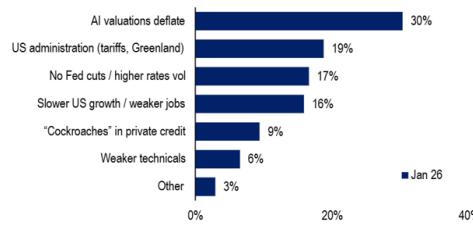
A large majority (83%) expect 2026 hyperscaler public market supply in the \$100 to \$300bn range, with the average expectation of \$191bn.



Source: BofA US Credit Investor Survey

Exhibit 4: What is the most likely catalyst for a credit market correction in 2026?

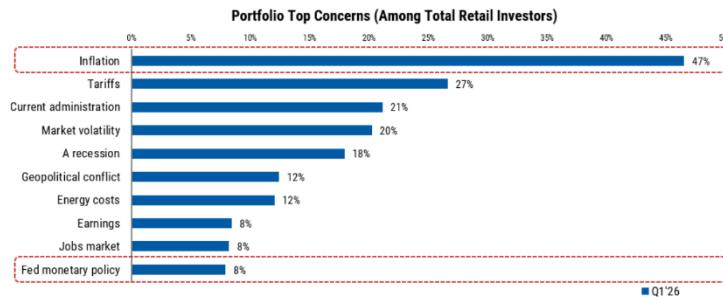
Investors think lower AI valuations are the biggest risk to spreads, followed by potential US administration policies.



Source: BofA US Credit Investor Survey

BofA GLOBAL RESEARCH

The latest proprietary Pulse survey of US retail investors by Morgan Stanley flags inflation as the biggest risk on the horizon. Fears about tariffs and recession have receded, but consumer sentiment remains quite negative. Although sentiment tends to vary along partisan lines, a growing number of retail investors who view themselves as unaffiliated with either major US party (independents) are expressing greater worries about inflation and their dissatisfaction with economic conditions. The breakeven yields (B/Es) of US Treasury Inflation Protected Securities (TIPS), an important market gauge of inflation expectations, have moved higher this year, with the two-year B/E up as much as 50 bps and the five-year B/E by 30 bps, taking both to their highest level since April. This suggests to some analysts that consumer worries about inflation may be justified. Others are more optimistic, pointing out that TIPS B/Es are highly influenced by oil and gasoline prices, which are up sharply this year but which they think will go back down again when geopolitical worries recede.

Exhibit 1: The Fed and monetary policy are not top of mind for retail investors – and that's mostly a good thing

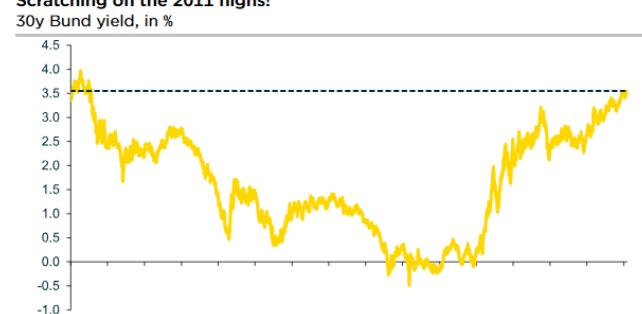
Source: Morgan Stanley Wealth Management Investor Pulse Survey

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Europe

European equities were trading higher in early morning trade. Regional bourses were trading mixed, while the European banks index was -0.4% lower, after shares in UBS declined following its Q4 earnings release, with performance at the bank's wealth management business disappointing relative to expectations. The euro was fractionally weaker against the dollar to trade around \$1.1807. Elsewhere, Iceland's central bank left its policy rate unchanged at 7.25% today. In the UK, the FTSE 100 climbed to a record high, driven by gains in oil-related companies with pound sterling advancing against the dollar to trade at 1.3697.

30-year German bund yield tested highs on heavy supply. Commerzbank analysts note that European government bond yields (EGBs) have risen, with the 30-year bund yield testing levels last seen in 2011 and the curve bear-steepening. As of yesterday's close, 30-year bund yields were 6bp higher compared to Friday to trade at 3.55% while the 30-year gilt yield was flat at 5.27% and the 30-year US Treasury yield was around 2bp higher at 4.90%. Commerzbank attributes the underperformance of EGBs relative to US

Scratching on the 2011 highs!

Source: Bloomberg, Commerzbank Research

Treasuries and UK gilts to recent supply pressure, with issuance from Italy yesterday which sold €14bn in a new 15Y BTP via syndication and supply from Belgium which is expected to issue a 30Y bond via syndication later today weighing on yields. Elsewhere, Germany is also expected to sell 7Y bonds later today as it looks to raise around €512bn from bond sales this year to fund increased spending on infrastructure and defense.

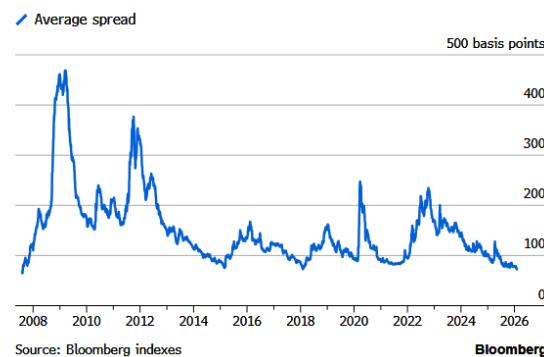
European investment grade corporate credit spreads fall to the lowest since 2007. A Bloomberg index of European investment grade bond spreads, declined to 72bp, taking it to the lowest level since 2007. Bloomberg reports that asset managers attribute the decline in corporate bond spreads to a lack of supply in the face of a significant amount of cash on the sidelines. Some investors also note that relative to government balance sheets, corporate balance sheets look to be in better health, adding to demand for the asset class. Across the wider credit spectrum, Bloomberg reports that European leveraged loan issuance reached an all-time high last week as issuers took advantage of an easing in geopolitical tensions, with European junk bond spreads also trading at near their tightest levels in a decade. Asset managers such as Pimco have previously cautioned that credit markets may be “complacent” with some warning that investors may not be “being paid to take undue risk.” That said, investors note that the lack of supply and the relative attractiveness of the asset class should likely continue to support credit performance in the near term.

Japan

The yen weakened against the dollar (-0.6%) as hedge funds revived bearish positions, reflected in options markets. Bloomberg reported that the trading volume in USD/JPY call options worth \$100mn or more, which gain if the pair rises, exceeded that of equivalent put options on Tuesday, according to Depository Trust & Clearing Corp data. Analysts estimated that the premium to hedge USD/JPY's downside versus upside over the next month fell to a two-week low.

Nomura noted that election risks and expectations for higher USD/JPY—especially if the LDP posts a strong result—have reinforced this shift, as a stronger mandate for Prime Minister Takaichi could embolden fiscal stimulus plans, raising debt concerns and weighing on JGBs and the yen. By contrast, real-money investors remain cautious amid heightened volatility, using options for protection rather than taking a directional view, according to BofA. Separately, at today's BOJ bond-buying operation, the offer-to-cover ratio for long-term debt rose to the highest (4.02) in recent months, suggesting traders are making room for upcoming JGBs auctions at higher yields.

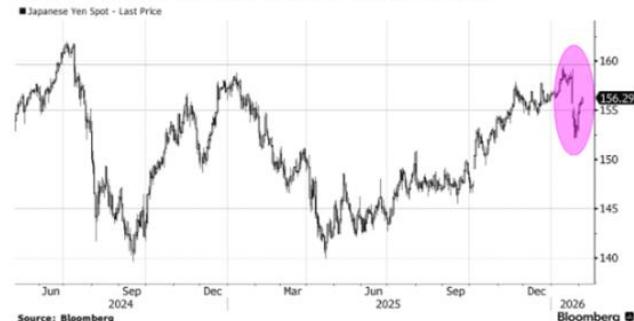
European High-Grade Spreads Hit Tightest Level Since Crisis



Source: Bloomberg indexes

Bloomberg

Dollar-Yen Edging Back Ahead of Japan Election



Source: Bloomberg

Bloomberg

Emerging Markets

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EMEA currencies were mixed, with the South African rand weakening versus the US dollar (-0.2%) after reports saying that a leader of one of the coalition parties plans to step down. Risk assets also showed a mixed picture, with Hungary's Budapest Stock Index continuing to outperform in the runup to the election (+1.5%). **EM Asian equities were mixed (EM Asia: -0.7%), with software stocks underperforming amid concerns that rapid AI advances could disrupt traditional business models.** However, analysts noted that the regional tech outlook remains intact, as pure software has a relatively

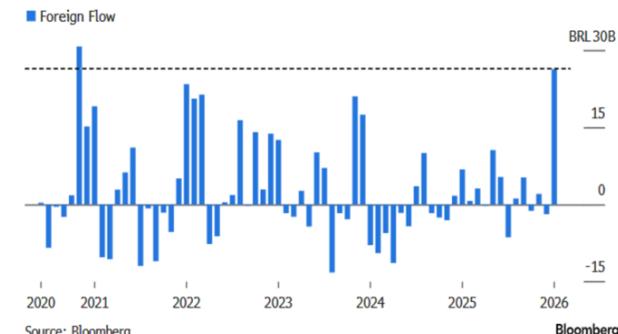
small weight in EM Asian indices compared with the US and Europe, and many Asian tech firms sit upstream in the AI value chain as memory, foundry, and materials suppliers. **Markets in Latin America rallied despite the selloff in the US.** Currencies appreciated and the MSCI Latam Equity Index hit its highest level since January 2018.

Brazil

Foreign inflows into Brazilian equities surged to highest level since November 2020 as the Bovespa equity index hit a new record high. Brazilian equities saw a strong pickup in foreign investor demand in January, with net inflows exceeding BRL 26 bn (\$5 bn), the largest monthly increase since November 2020. Bloomberg analysts observed that the inflow reflects a broader reallocation toward emerging markets, supported by a weaker dollar and firmer commodity prices. Year-to-date inflows already surpass 2025's full-year total and have helped lift the Ibovespa index above 15% year-to-date. The move also reflects markets expectations for the start of easing cycle as early as next month. The outperformance continued early this week, with the materials, mining and metals sectors posting notable gains. While not unique to the region, the materials sector has also led gains in the S&P 500 amid a broader global sector rotation (*right chart*).

Foreign Investors Plow Over 26 Billion Reais in Brazil Stocks

The monthly flow marks the biggest one since November 2020



Broad Rally in Brazilian Stocks

Week-to-date price return on Ibovespa, S&P/BMV and S&P 500

Sector	Ibovespa	Mexbol	S&P 500
Materials	4.1%	5.9%	3.6%
Consumer Discretionary	3.8	-0.7	-0.1
Consumer Staples	3.4	1.5	3.8
Financials	3.4	3.1	0.4
Utilities	3.0	-	-0.1
Communication Services	2.5	3.9	-0.0
Industrials	2.5	2.6	2.2
Real Estate	1.4	0.4	-1.8
Health Care	1.4	-2.6	0.5
Information Technology	0.7	-	-1.8
Energy	-0.3	-	0.2

Source: Bloomberg

China

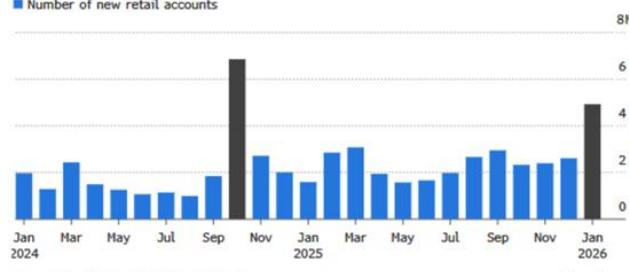
The stock market advanced (CSI 300: +0.8%) as sentiment improved.

Retail participation remained strong, with new individual investor accounts rising to 4.9mn last month, the highest since the October 2024 surge (6.8mn), according to the Shanghai Stock Exchange. Risk appetite has rebounded in recent weeks with renewed inflows into AI-related shares. A tech-heavy index gained +12% in January, while mainland equity turnover hit record highs. Regulators responded by

tightening margin requirements and prompting the "national team" to pare holdings, moves widely seen as efforts to prevent a repeat of the 2024 volatility that hurt small investors. Even so, newly opened margin trading accounts jumped nearly +30% m/m to about 190,000 in January. Separately, Vice Finance Minister Liao Min reiterated policy support for domestic demand, highlighting efforts to dismantle local protectionism and inter-provincial trade barriers to build a unified national market. Meanwhile, expectations are rising that Beijing may lower its national economic growth target this year after over a dozen provinces trimmed their 2026 targets, following President Xi's expressed view of greater tolerance for a slower expansion and warning against wasteful investment.

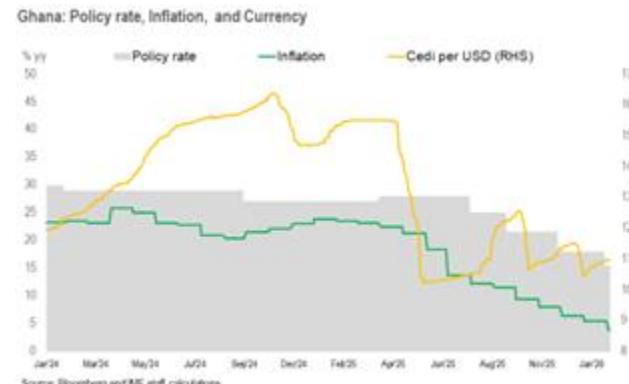
China Retail Investors Rushed to Open Accounts in January

■ Number of new retail accounts



Ghana

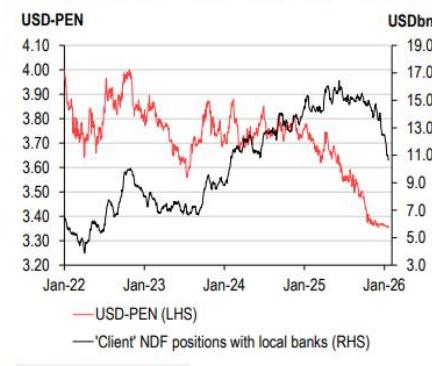
January inflation came in at 3.8% y/y, down from 5.4% prior, opening the door for further rate cuts. In addition, the January PMI came in at 48.5, signaling a slowdown. Last week, the central bank cut its policy rate from 18% to 15.5%, its fifth consecutive rate cut. The Bank of Ghana aims to stabilize inflation within a medium-term target range of 6% to 10%. Last week, official data also showed that the central bank had reduced its gold holdings (by weight), while gross reserves still increased from \$11.4 bn to \$13.8bn. According to Bloomberg, the reduction in gold holdings may reflect efforts to support the cedi. However, it could also reflect a rebalancing towards more liquid reserves (e.g., FX) after last year's gold price increases. Ghana is Africa's largest gold producer. The cedi continues to be on a weakening trend this year (5% weaker versus the US dollar YTD).



Peru

Improvements in terms of trade underpins strength of Peruvian Sol. HSBC analysts note that the recent rally in commodity prices has pushed Peru's terms of trade close to record highs, providing strong support to the sol. As a major exporter of minerals and metals, Peru has benefited not only from higher commodity prices but also from a backdrop of low inflation and solid economic growth. The resulting currency appreciation has led to continued USD purchases by the central bank. HSBC observed that the BCRP bought a total of USD 2.5bn in December and more than USD 1.0bn year-to-date. In the past week alone, the central bank purchased USD 429mn on January 29, USD 319mn on January 28, USD 10mn on January 27, and USD 229mn on January 26.

7. PEN has strengthened further on strong Terms of Trade; small shifts in positions



Source: BCRP, Bloomberg, HSBC

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

2/4/26 7:50 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
United States	6,918	-0.8	-0.9	0.9	14.6	1	
Europe	6,016	0.3	1.4	2.8	14.3	4	
Japan	54,293	-0.8	1.8	4.7	39.8	8	
China	4,699	0.8	-0.4	-0.4	23.8	1	
Asia Ex Japan	101	0.2	-1.2	4.9	37.4	8	
Emerging Markets	60	0.5	-1.2	6.0	38.1	9	
Interest Rates							
basis points							
US 10y Yield	4.3	1	3	8	-24	10	
Germany 10y Yield	2.9	-2	1	-3	47	1	
Japan 10y Yield	2.3	-1	1	19	98	19	
UK 10y Yield	4.5	0	-3	-2	-1	3	
Credit Spreads							
basis points							
US Investment Grade	105	1	2	-4	-12	-3	
US High Yield	320	1	6	-13	17	-16	
Exchange Rates							
%							
USD/Majors	97.5	0.0	1.1	-1.0	-9.7	-1	
EUR/USD	1.18	0.0	-1.1	0.9	13.9	1	
USD/JPY	156.7	0.6	2.1	0.2	1.5	0	
EM/USD	47.7	0.1	-0.2	2.3	9.2	2	
Commodities							
%							
Brent Crude Oil (\$/barrel)	67.5	0.3	0.2	11.7	-4.7	12	
Industrials Metals (index)	170.8	-0.6	-1.7	4.1	18.6	5	
Agriculture (index)	52.7	-0.5	-2.0	-1.3	-13.4	-1	
Gold (\$/ounce)	5053.1	2.2	-6.7	13.6	77.8	17	
Bitcoin (\$/coin)	76004.3	-0.2	-9.7	-16.7	-21.3	-13	
Implied Volatility							
%							
VIX Index (%), change in pp	17.6	-0.4	1.2	3.1	0.4	2.6	
Global FX Volatility	7.3	0.0	-0.4	0.5	-1.1	0.4	
EA Sovereign Spreads							
10-Year spread vs. Germany (bps)							
Greece	59	-1	-2	0	-27	0	
Italy	60	-1	-1	-11	-50	-10	
France	58	0	1	-13	-14	-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

2/4/2026 7:52 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	6.94	0.0	0.1	0.7	4.4	0.7		1.9	0	-1	-4	23	-4		
Indonesia	16777	-0.1	-0.3	-0.2	-2.5	-0.6		6.2	-1	-3	15	-84	14		
India	90	-0.2	1.5	-0.2	-3.7	-0.6		7.3	-1	-3	15	22	24		
Philippines	59	-0.1	-0.4	0.2	-1.1	0.0		4.8	0	0	15	-25	15		
Thailand	32	0.2	-1.6	-0.9	6.5	-0.4		2.0	-2	4	28	-37	28		
Malaysia	3.93	0.0	-0.3	3.5	13.0	3.2		3.5	-3	1	1	-31	0		
Argentina	1446	0.4	-0.2	1.7	-27.1	0.4		33.8	-88	-86	130	755	142		
Brazil	5.22	0.3	-0.5	3.5	10.2	5.2		13.1	-7	-9	-27	-174	-42		
Chile	856	0.4	1.0	5.6	13.6	5.2		5.2	1	-3	-12	-65	-12		
Colombia	3643	-0.6	0.1	3.1	14.2	3.6		12.6	6	16	-27	109	-25		
Mexico	17.25	-0.1	-0.3	3.9	18.9	4.4		8.8	0	-6	-21	-131	-22		
Peru	3.4	0.1	-0.5	0.0	10.2	0.0		5.8	0	-3	2	-87	2		
Uruguay	39	0.0	-1.0	1.0	12.5	1.4		7.3	0	5	-20	-237	-23		
Hungary	322	0.1	-1.2	1.7	21.8	1.6		6.3	-4	-3	-26	-15	-26		
Poland	3.57	0.0	-1.6	0.6	13.5	0.4		4.4	-3	-3	-17	-118	-17		
Romania	4.3	0.1	-1.1	0.7	11.3	0.6		6.4	1	-6	-27	-110	-27		
Russia	76.7	0.3	-0.3	5.9	31.0	2.6									
South Africa	15.9	0.1	-1.0	2.7	17.2	3.9		8.4	-5	-12	-27	-226	-23		
Türkiye	43.51	-0.1	-0.2	-1.1	-17.4	-1.3		29.5	16	28	24	143	-9		
US (DXY; 5y UST)	97	0.0	1.1	-1.0	-9.7	-0.9		3.84	1	1	10	-48	11		
	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	4,699	0.8	-0.4	-0.4	23.8	1.5		99	27	23	3	24			
Indonesia	8,147	0.3	-2.1	-8.0	16.0	-5.8		94	4	9	-2	8			
India	83,818	0.1	1.5	-1.9	7.1	-1.6		82	-5	-9	-8	-8			
Philippines	6,373	-0.5	0.3	3.4	1.5	5.3		78	3	6	-13	3			
Thailand	1,347	0.8	0.6	5.2	4.6	6.9									
Malaysia	1,743	-0.3	-1.6	3.7	10.7	3.7		57	-1	0	-15	-2			
Argentina	3,038,541	-2.2	-6.3	-2.8	20.4	-0.4		510	12	-57	-128	-59			
Brazil	185,674	1.6	2.1	15.7	48.4	15.2		192	-2	-9	-31	-11			
Chile	11,667	1.1	0.3	11.9	60.5	11.3		90	-2	-1	-32	-1			
Colombia	2,437	0.6	-2.8	17.8	60.0	17.8		265	-4	-16	-58	-12			
Mexico	69,735	3.2	1.5	8.7	34.4	8.4		209	-4	-5	-101	-8			
Peru	3,571	6.6	6.1	35.9	106.7	38.2		106	3	-1	-40	-3			
Hungary	132,944	2.0	3.7	19.7	56.5	19.7		131	-4	-4	-18	-8			
Poland	127,962	0.4	1.9	6.5	47.4	9.1		91	3	1	-19	0			
Romania	27,495	0.2	-1.9	12.5	62.1	12.5		161	-4	-13	-86	-15			
South Africa	121,528	0.8	-2.8	4.7	40.6	4.9		226	2	11	-74	8			
Türkiye	13,959	0.6	4.1	21.4	42.3	24.0		243	2	9	-17	9			
EM total	60	0.5	-1.2	6.0	38.1	8.9		263	6	-8	-93	-8			

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

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