



- Yen strengthened further today as wage data supports rate hike talk ([link](#))
- China supports RMB with a stronger fixing amid trade tensions ([link](#))
- JOLTS openings print weaker-than-expected, indicating some labor market cooling ([link](#))
- US Treasury investors more duration neutral amid headline volatility and uncertainty ([link](#))
- Euro area sovereign bonds rally as markets scale up expectations of ECB rate cuts ([link](#))

[Mature Markets](#)











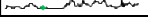
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Cloudy Day for Tech

Having hardly stabilized from Monday's tariff rollercoaster, market attention has veered back to the technology sector as Alphabet's Q4 revenue disappointed. Perhaps counterintuitively, Alphabet's limited capacity to meet the strong demand for cloud services formed the weakest link. Fundamentally, demand for cloud services remains strong, and the firm plans further investments to increase its capacity. Chipmaker AMD's data-center-product revenues disappointed as well, but here strong competition—not capacity—seems to be the culprit. The technology sector remains vulnerable, as Deepseek's low cost V3 and R1 models continue to cast doubt on AI business models, impacting market structure and return on investment. Furthermore, the technology sector has also become pivotal in the context of tariff and trade tensions, and IT stocks were most sensitive alongside automakers during Monday morning's selloff. The NASDAQ is set to open lower with futures trading at -0.8%. Sovereign bond yields declined globally, with Japan being among the exceptions. The yen strengthened by 0.9% versus the US dollar today, as strong wage data spurred rate hike expectations. Today, the US Treasury will present its quarterly refunding plans. This morning, ADP data on US employment came in stronger than expected; with yesterday's weaker-than-expected JOLTS print, this provides a mixed picture.

Key Global Financial Indicators

Last updated: 2/5/25 8:20 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6038	0.7	0	2	22	3
Eurostoxx 50		5255	-0.2	0	8	13	7
Nikkei 225		38831	0.1	-1	-1	7	-3
MSCI EM		43	1.8	2	2	12	3
Yields and Spreads			bps				
US 10y Yield		4.46	-4.6	-6	-13	31	-10
Germany 10y Yield		2.35	-4.6	-23	-8	3	-2
EMBIG Sovereign Spread		317	0	-3	-2	-76	-8
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		43.7	0.2	0	3	-7	2
Dollar index, (+) = \$ appreciation		107.5	-0.4	0	-1	3	-1
Brent Crude Oil (\$/barrel)		75.3	-1.1	-2	-2	-3	1
VIX Index (% change in pp)		17.4	0.2	1	1	4	0

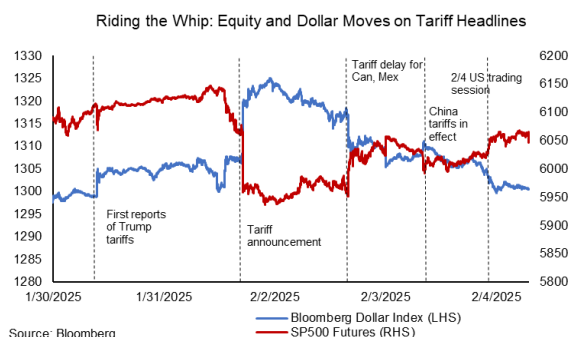
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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United States

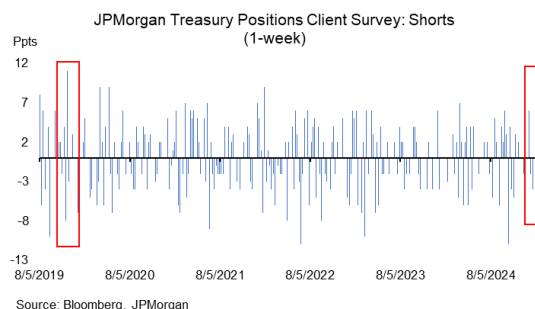
Markets experienced a calmer session yesterday after limited incremental news. While tariffs on 10% of Chinese went ahead as scheduled overnight, markets were in a generally risk positive mood throughout the US session. Retaliatory measures by China were seen by market participants as reflecting a more cautious approach than in the prior 2018–19 trade war, signaling a more limited economic impact than initially feared and portending a desire for further negotiation. Equities rose yesterday, fueled by the presence of dip buyers, with the S&P500 higher by 0.7% and the Nasdaq was higher by 1.2% on solid earnings by tech companies. However, after trading hours, shares in Alphabet fell by as much as 9% on lower-than-expected revenue expectations. The Bloomberg dollar index, meanwhile, continued to weaken following Monday's tariff reversal, and was lower by roughly 1%.



Absent new tariff news, market participants were attentive to the weaker-than-expected JOLTS job openings print, which fell by more than consensus from 8,156k in November to 7600k in December (exp. 8000k). The JOLTs report also showed a decline in the job opening rate from 4.9% to 4.5% (exp. 4.8%). The prints indicated that there may be some cooling in labor demand after a solid trend, though market contacts note that the labor market picture remains solid. While risk assets generally looked past the releases, Treasury yields pushed lower by around 5bps in the policy-sensitive front-end and bull steepened by a few bps in response, having already reversed some bearish positioning in earlier trading.

Treasury traders will now look ahead to today's refunding announcement. Most market participants believe that Treasury will leave coupon auction sizes unchanged. However, traders will be attentive to any change in their forward guidance, specifically any edits to placeholder language since May 2024 referring to maintaining nominal coupon or FRN auction sizes for "at least the next several quarters."

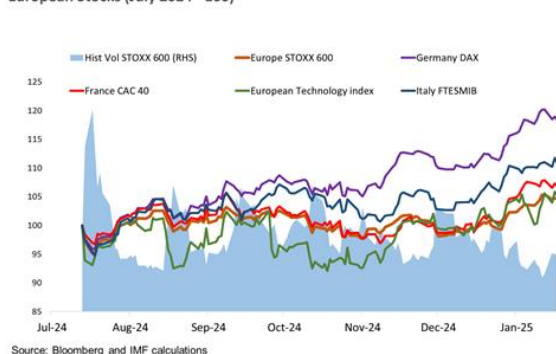
The past several days of tariff uncertainty shows the risk of carrying stretched positions, including in Treasuries, according to Bloomberg analysts. In the face of headline volatility, investors may become more duration neutral to avoid price swings amid uncertain trade and economic policy under the Trump 2.0 administration. For example, in the week through February 3, Treasury investors added to short positions by the most since 2019, according to a client survey by JPMorgan, as they unwound their net longs amid uncertainty around a possible trade war ahead of the originally scheduled February 4, 12:01AM (EST) deadline.



Europe

European equities edged mostly lower this morning, while government bond yields declined across tenors with the euro regaining some ground against the dollar. The Stoxx 600 index was around -0.1% lower today, with gains in the real estate (1%) and health care sectors (0.9%) offset by sales in the consumer discretionary goods (-0.6%), industrial (-0.5%) and technology (-0.4%) sectors; in the latter losses were led by the -1% drop of ASML shares on the back of a similar decline of futures on the NASDAQ (-0.9%) after disappointing earnings released yesterday by Google's parent Alphabet and from Advanced Micro Devices. The banking sector outperformed today (+0.3%) led by 7.6% surge of Santander's shares amid strong Q4 results released today, with the Spanish stocks (IBEX 35) advancing by 1% as opposed to all other major European bourses trading in the red this morning.

European Stocks (July 2024= 100)



European Stocks May Consolidate After Positioning Surge
CTA's exposure to Europe hit 80th percentile, JPMorgan says

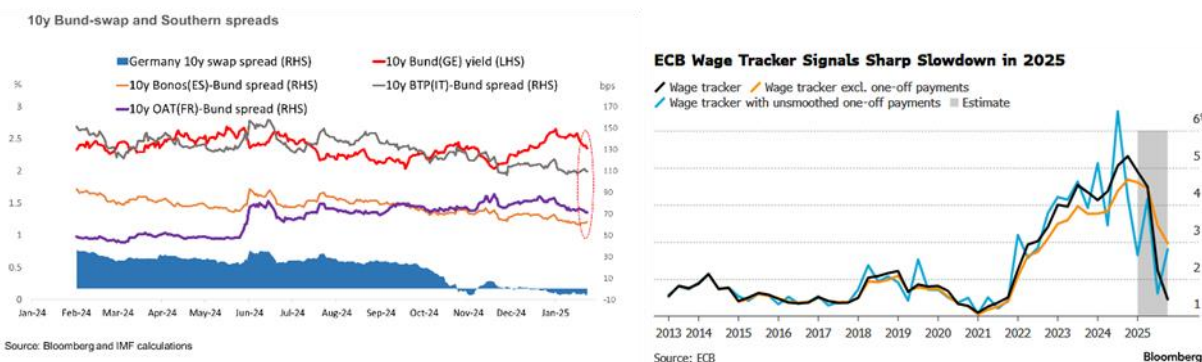


ECB Vice President Luis de Guindos said today that the ECB may be guided in future decisions more by its bank lending surveys than by discussions on the neutral rate as the “range of the neutral rate, based on different models, can be very ample. Our bank lending surveys provide a much better indicator of the restrictiveness of our monetary policy, by showing how banks are easing or tightening financing conditions. So, while the neutral rate makes for an interesting academic concept, it is not very useful from a policymaking standpoint”. According to Bloomberg, these comments supported speculation that the ECB may loosen its policy rate even below 2%, where most models foresee the Eurozone neutral rate, should the threat of US tariffs against the European Union materialize in the coming months.

Yesterday ECB Governing Council member Francois Villeroy de Galhau said that he expects more interest rate cuts as inflation nears the 2% target. He noted the ECB has been cutting rates since June, with a sixth reduction likely in March. Money markets have marginally scaled up expectations of rate cuts by the ECB through 2025, by pricing-in today -90bps of additional easing by December 2025, to an implied terminal rate of 1.75%, compared to -85 bps priced-in last Friday.

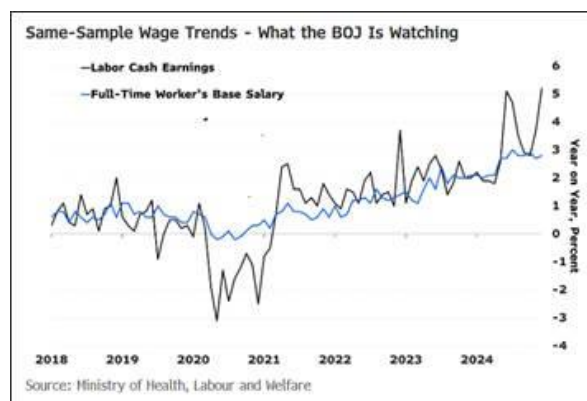
European government bond yields (EGB) edged lower by about 3–4 bps across tenors this morning. Analysts at Deutsche Bank and Commerzbank expect rates market volatility to continue to be driven by tariff-related developments and to increase on the back end of the curve, where a bearish view on EGBs' duration is supported by increased supply.

The 10y French-German spread was little changed at its three-month low of 71 bps this morning, as analysts expects the French Prime minister Bayrou to survive the no-confidence vote today and have the 2025 budget approved. This comes after the government used article 49.3 of the constitution to force the 2025 budget through Parliament without a vote.



Japan

Labor cash earnings +4.8% y/y (consensus: +3.7% y/y), while real wages rose 0.6% y/y. More importantly, under Bank of Japan's preferred same sample-base series, total cash earnings +5.2% y/y with base salaries for full-time workers +2.8% y/y, approaching the 3% target Governor Ueda said would be consistent to 2% inflation target. Economic Revitalization Minister Akazawa reiterated that Japan is "in an inflationary situation", and Bloomberg reported that analysts see this as a signal from government towards more rate hikes. Overnight index swaps are pricing in a 75% probability of rate hike by July 2025. Yen appreciated (+0.9%) versus US dollar today, after strengthening (+0.6%) previous night on US economic data. 10y sovereign yields increased slightly (+0.8bps), while equities were mixed (Nikkei 225: +0.1%) as negative sentiments on exporters were offset by automakers Toyota Motor (positive earnings) and Honda (withdrawal of merger proposal with Nissan).



Emerging Markets

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EMEA equities and currencies were trading mixed today. CEE currencies were mostly firmer against the euro. Elsewhere, the South African rand was slightly firmer (+0.4%) against a broadly weaker dollar at 18.6/\$ while the Turkish lira was little changed at 35.92/\$. On the policy front, National Bank of Poland (NBP) is expected to keep its policy rate unchanged at 5.75% later today. Separately, according to Bloomberg data, Croatia (A3/A-) sold €2bn of a 12y bond yesterday, receiving significant investor demand. Elsewhere, Ukrainian dollar bonds have been rallying after the recently announced pause in tariffs and according to Bloomberg, news that President Trump's administration is seeking a deal with Kyiv to gain access to its mineral resources in return for helping its defense against Russia.

Most Asian currencies gained amid a retreat of the US dollar. The Philippine peso (+0.5%) led the appreciation after the January CPI print was stronger than expected, and the Bangko Sentral ng Pilipinas said it will adopt a measured approach to monetary policy easing to ensure price stability. Meanwhile, the

Malaysian ringgit and Taiwan dollar both gained 0.4%. Asian equities did not show a clear direction, with Philippine equities outperforming (+3.2%), while equities in Indonesia (-0.9%) and Hong Kong SAR (-0.9%) led the decline.

Latin American assets rebounded yesterday from losses earlier this week. Stocks gained in Mexico (+1.3%), Chile (+0.9%), Colombia (+1.2%), and Peru (+1.0%), while Brazil's equity market declined by 0.7%. Currencies appreciated in Brazil (+0.9%) and Chile (+1.6%).

China

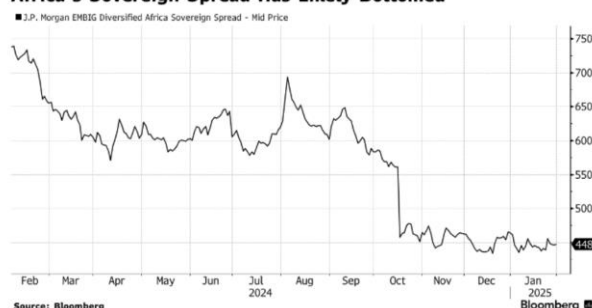
The People's Bank of China (PBC) extended its support for the RMB with a stronger fixing on the first day of market reopening after a weeklong holiday. Today's fixing, set at 7.1693 per USD and 1120 pips stronger than the market consensus, was closely monitored by traders keen to assess the future path of the RMB amid escalating trade tensions. Onshore RMB softened by 0.4% in a catch-up trade, while the offshore CNH gained 0.2%. While some analysts regard the stronger fixing as a stance to avoid further intensifying trade tensions, analysis from the Deutsche Bank shows that maintaining RMB stability could come at significant costs, including low inflation, a likely CNH liquidity squeeze, slowing RMB internationalization, and potential delays in monetary easing. Citibank analysts expect the PBC to gradually adjust the fixing to prevent the buildup of one-way depreciation expectations, but not to engineer a countertrend. Meanwhile, Goldman Sachs predicts that the fixing will gradually weaken towards 7.3 against USD, with the onshore RMB expected to reach levels between 7.4 and 7.5. Today, Chinese equities posted a loss (CSI 300: -0.6%) after President Trump indicated no rush to have a talk with China, despite a rally in AI-related industries. On the data front, the expansion of services sector activities in January was slower than expected, with the Caixin services PMI unexpectedly declining to 51.0 (consensus: 52.4, prior: 52.2), pointing to a weakening of much-needed domestic demand growth.



Africa

Increased policy uncertainty and fiscal concerns could weigh on sovereign bonds in various jurisdictions on the African continent. According to Bloomberg analysts, Sub-Saharan African bonds could be at risk of underperforming as increased trade protectionism with potentially inflationary impacts could result in higher external funding costs. In addition, the Trump administration's decision to freeze \$72bn in US international aid is expected to hit the African continent the hardest. According to Bloomberg, in 2025 there are expected to be \$6bn worth of eurobond redemptions from Sub-Saharan Africa. Increased global uncertainty, alongside higher investor scrutiny has led some African sovereigns to use private placements as a means of accessing finance, which comes with a higher cost to issuers. The analysts expect Angola's bonds to be most vulnerable given its overvalued currency, high external debt-servicing costs, and negative real rates. Elsewhere, Kenya's bonds are expected to see "steady yields" driven by an improvement in the country's external position. Similarly, the analysts expect Egypt's bonds to trade broadly flat given recent performance and implementation of a series of reforms. Meanwhile, Senegal's fiscal position is likely to push its bond yields higher as its deficit is expected to widen in 2025 following revenue shortfalls.

Africa's Sovereign Spread Has Likely Bottomed

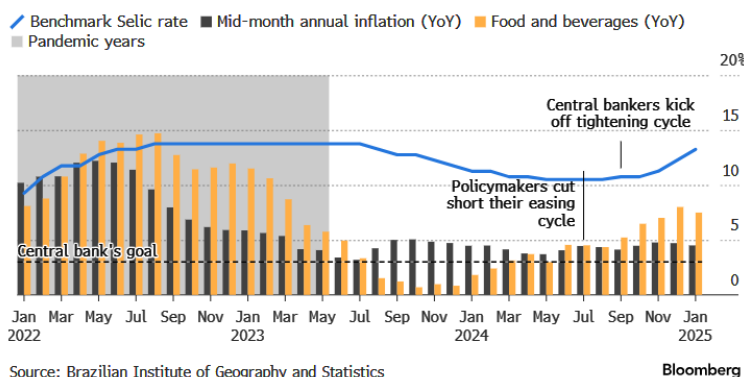


Brazil

Brazil's policymakers signaled another one percentage point hike in March, as inflation is expected to stay above the target range for the next six months. In early January, inflation stood at 4.5%, at the top of the tolerance range. Inflation pressures come from higher meat prices, industrial goods costs, and a weaker real, which has depreciated over 20% since last year. Analysts now predict 2025 inflation will reach 5.51% and remain above the 3% target through 2028. Despite early signs of economic slowdown, strong domestic demand from low unemployment and government spending continues to fuel inflation.

Brazil Pledges To Tame Inflation Hiking Rates





















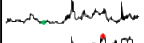
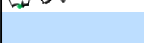



Central bank lifted key rate to 13.25%, pledged 14.25%



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Nassira Abbas (Deputy Division Chief), Caio Ferreira (Deputy Division Chief) and Sheheryar Malik (Deputy Division Chief). Fabio Cortes (Senior Economist), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Financial Sector Expert-London Representative), 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 John Caparusso (Senior Financial Sector Expert), Mustafa Oguz Caylan (Research Officer), Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Assistant), Deepali Gautam (Senior Research Officer), Harrison Kraus (Research Assistant), Yiran Li (Research Assistant), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Hong Xiao (Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Javier Chang (Senior Administrative Coordinator), Lauren Kao (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

2/5/25 8:21 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,007	0.7	-0.5	1.1	21.5	2
Europe		5,255	-0.2	0.5	7.9	12.9	7
Japan		38,831	0.1	-1.5	-1.2	7.4	-3
China		3,795	-0.6	-1.0	0.7	14.6	-4
Asia Ex Japan		73	1.9	1.6	0.9	15.5	2
Emerging Markets		43	1.8	1.6	2.4	11.6	3
Interest Rates			basis points				
US 10y Yield		4.5	-5	-6	-13	31	-10
Germany 10y Yield		2.4	-5	-23	-8	3	-2
Japan 10y Yield		1.3	1	9	19	56	19
UK 10y Yield		4.5	-7	-17	-14	44	-12
Credit Spreads			basis points				
US Investment Grade		118	0	1	-3	-10	-2
US High Yield		308	4	6	-3	-78	-21
Exchange Rates			%				
USD/Majors		107.5	-0.4	-0.5	-1.4	2.9	-1
EUR/USD		1.04	0.3	-0.1	0.2	-3.1	1
USD/JPY		153.0	-0.9	-1.4	-2.9	2.9	-3
EM/USD		43.7	0.2	0.4	2.7	-6.8	2
Commodities			%				
Brent Crude Oil (\$/barrel)		75.3	-1.1	-0.4	-0.8	1.5	1
Industrials Metals (index)		143.3	-0.5	0.3	3.3	6.3	2
Agriculture (index)		61.0	0.1	1.6	8.5	0.7	7
Implied Volatility			%				
VIX Index (% change in pp)		17.4	0.2	0.8	1.3	3.7	0.0
Global FX Volatility		8.4	0.0	0.2	-0.7	0.7	-0.8
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		86	-1	0	4	-22	0
Italy		109	-2	1	-8	-48	-7
France		72	0	-2	-15	22	-11
Spain		62	0	2	-6	-29	-7

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

Emerging Market Financial Indicators

Last updated: 2/5/2025 8:30 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		7.27	-0.4	-0.4	0.7	-1.0	0.4		1.7	0	0	4	-79	-3
Indonesia		16285	0.4	-0.7	-0.6	-3.6	-1.1		7.0	-4	0	-3	43	-4
India		87	-0.4	-1.0	-1.9	-5.0	-2.1		7.1	0	2	-26	-5	-24
Philippines		58	0.4	0.6	0.3	-3.1	-0.4		5.1	0	1	19	-36	21
Thailand		34	0.7	0.5	3.1	6.6	1.5		2.4	-1	5	4	-32	6
Malaysia		4.42	0.5	-0.6	2.0	7.4	1.1		3.8	0	2	1	0	0
Argentina		1054	0.0	-0.3	-1.8	-21.3	-2.2		26.7	47	109	28	-4710	-245
Brazil		5.80	-0.7	1.1	5.5	-14.1	6.5		14.8	-6	-52	-62	464	-110
Chile		970	0.2	2.2	4.3	-1.5	2.6		5.8	0	8	20	53	15
Colombia		4186	-0.6	-0.4	3.9	-5.2	5.3		11.4	-13	1	-31	165	-42
Mexico		20.62	-0.6	-0.5	-1.5	-17.0	1.0		10.0	-12	-8	-37	56	-39
Peru		3.7	-0.2	0.6	1.3	4.1	0.8		6.7	0	-4	0	#VALUE!	4
Uruguay		43	0.2	-0.2	1.3	-9.7	1.3		9.7	2	1	1	48	4
Hungary		390	0.6	0.5	2.8	-7.7	2.0		6.4	1	-2	-12	57	2
Poland		4.03	0.7	0.1	1.6	0.3	2.5		5.6	0	-4	-5	54	-1
Romania		4.8	0.4	-0.1	0.2	-3.1	0.6		7.5	-4	-7	24	126	20
Russia		97.6	2.9	1.7	10.1	-7.2	16.3							
South Africa		18.6	0.6	-0.1	0.1	2.7	1.5		10.6	-2	7	18	-74	12
Türkiye		35.93	0.0	-0.3	-1.7	-15.0	-1.6		28.1	-3	73	-120	-9	-165
US (DXY; 5y UST)		108	-0.4	-0.4	-1.3	3.0	-0.9		4.26	-6	-8	-16	14	-13

	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		3,795	-0.6	-1.0	0.7	14.6	-3.6		96	1	0	-63	0	
Indonesia		7,024	-0.7	-2.0	-0.8	-3.1	-0.8		98	3	4	-15	7	
India		78,271	-0.4	2.0	0.4	8.4	0.2		99	6	15	-22	13	
Philippines		6,281	3.2	2.1	-5.2	-7.0	-3.8		93	3	10	2	14	
Thailand		1,287	-1.1	-4.2	-6.3	-7.9	-8.1		73	1	3	-17	3	
Malaysia		1,575	0.6	1.0	-3.1	4.1	-4.1							
Argentina		2,523,647	1.6	3.6	-7.5	100.1	-0.4		642	14	56	-1284	5	
Brazil		125,326	-0.7	1.5	5.7	-1.8	4.2		220	-7	-13	-7	-27	
Chile		7,276	0.9	2.6	8.6	21.2	8.4		122	3	9	-13	9	
Colombia		1,523	1.2	0.9	9.1	19.7	10.4		326	7	5	6	0	
Mexico		51,890	1.3	0.4	6.0	-10.9	4.8		310	-7	2	-22	-2	
Peru		29,104	1.0	0.6	-0.5	7.8	0.5		145	4	6	-8	4	
Hungary		84,650	-0.3	-0.4	6.1	30.6	6.7		154	1	-3	-11	-1	
Poland		86,355	-0.5	0.2	6.0	9.3	8.5		113	-1	0	4	1	
Romania		17,073	0.6	0.4	0.2	8.8	2.1		246	-5	10	54	11	
South Africa		86,680	0.3	1.6	2.3	17.1	3.1		303	4	16	-47	10	
Türkiye		9,796	-0.1	-2.8	-2.8	11.6	-0.4		261	-3	3	-100	2	
EM total		43	-0.8	1.6	2.4	11.6	3.2		357	1	0	1	-7	

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

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