



- Pressure builds on the US leveraged loan market amid AI-driven tech selloff ([link](#))
- The ECB holds key policy rates unchanged, as expected ([link](#))
- The Bank of England keeps rates on hold as expected, but with a dovish bias ([link](#))
- Long-term JGB yields fall after a strong 30-year bond auction ([link](#))
- Chinese stocks decline amid tax and earnings concerns ([link](#))
- Chile central bank's minutes signal the easing cycle is nearing the end ([link](#))

[Mature Markets](#)







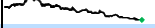
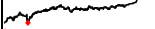
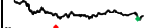
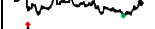
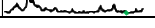
| [Emerging Markets](#)

| [Market Tables](#)

## Markets Cautious on Tech Concerns While Silver Plunges Again

European and Asian equities fell, dragged by the ongoing concerns about stretched valuations and heavy AI-related spending. In the US, the tech-heavy Nasdaq index declined a further 1.8% yesterday. In contrast, several non-technology sectors, including energy, healthcare, and financials, appeared to profit from the ongoing rotation out of tech stocks. In particular, the US regional banks index reached a new intraday all-time high yesterday. Growing concerns about software companies could be also beginning to spill into credit markets, where there is some evidence that stress in leveraged loans is already surfacing. Elsewhere, the sell-off in previous metals ensued. Silver plummeted over 10% this morning as it struggled to find a floor following a historic rout last Friday. Gold traded about 1.5% lower, the dollar strengthened and bitcoin slumped below \$70,000. In rates markets, attention was focused on the Bank of England and the ECB rate announcements, with both central banks staying pat, as expected.

Key Global Financial Indicators

Last updated: 2/5/26 8:25 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6883	-0.5	-1	0	14	1
Eurostoxx 50		5944	-0.4	1	0	13	3
Nikkei 225		53818	-0.9	1	2	38	7
MSCI EM		59	-1.3	-3	3	37	7
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.26	-1.8	2	9	-16	9
Germany 10y Yield		2.86	-0.1	2	-1	49	0
EMBIG Sovereign Spread		240	-2	-2	-12	-77	-13
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		47.5	-0.1	-1	2	9	2
Dollar index, (+) = \$ appreciation		97.8	0.2	2	0	-9	-1
Brent Crude Oil (\$/barrel)		68.1	-2.0	-4	10	-9	12
VIX Index (% change in pp)		20.4	1.7	3	5	5	5

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

## Mature Markets

[back to top](#)

### United States

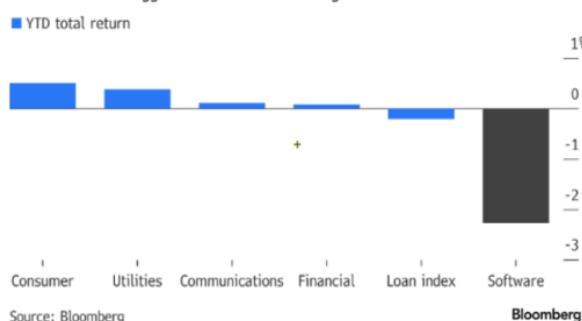
**Growing concerns about software companies related to rapid advances in enterprise AI are beginning to spill into credit markets**, where there is some evidence stress in leveraged loans is already surfacing. Although leveraged loans have broadly underperformed, the technology sector has been the weakest segment: software accounts for about 11% of the market, and related loans are down more than 2% versus a 0.2% decline in the broader index. As pressures build, large holders of riskier debt may soon hit their limits. CLOs, the largest buyers of floating-rate corporate loans, are expected to cap their exposure to CCC-rated debt at 7.5%, making them especially vulnerable to downgrades. Some investors might also look to trim positions ahead of potential liability-management deals that could weigh on valuations.

#### Distress Mounts for Software Firms in Loan Market



#### Tech Loans Plunge

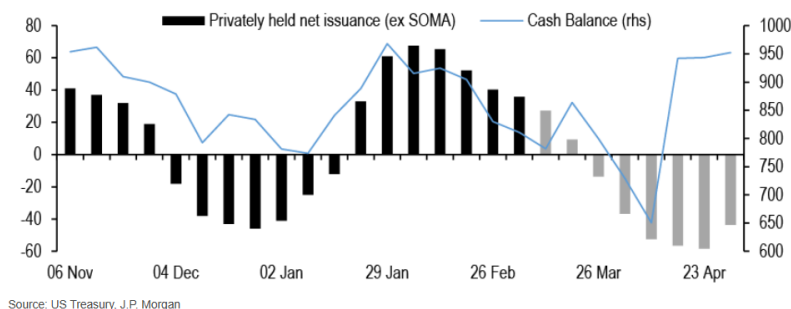
Software debt is biggest decliner in US leveraged loan market



**The US Treasury kept auction sizes and forward guidance unchanged in its quarterly funding announcement, as expected.** However, the statement noted that “potential future increases” to nominal coupon and fixed-rate note issuance are under consideration. For near-term funding needs, the Treasury indicated that it plans to hold bill auction sizes steady through mid-March, after which it expects to reduce short-dated bill issuance ahead of the tax season. JP Morgan estimates that privately held outstanding bills will rise by \$175 bn by the end of this quarter and then decline by \$243 bn by April, pushing the Treasury General Account balance to \$1 tn. The Treasury yield curve steepened yesterday, with the 2s10s and 5s30s spreads widening by roughly 1 bp and 3 bps, respectively.

Figure 1: On net, we forecast privately-held bills outstanding will increase by \$175bn over the balance of the quarter, before subsequently declining by \$243bn in April

Privately-held net issuance of T-bills (lhs) versus Treasury's operating cash balance (rhs), historical and JPM projections; \$bn both axes



### Euro area

**As widely anticipated, the ECB kept its three key policy rates unchanged today, with the benchmark deposit rate at 2.00%, the main refinancing rate at 2.15% and the marginal lending facility rate at 2.40%.** The accompanying statement was broadly unchanged, noting the resilience of the economy in the face of elevated uncertainty while reiterating the Governing Council's data-dependent and meeting-by-

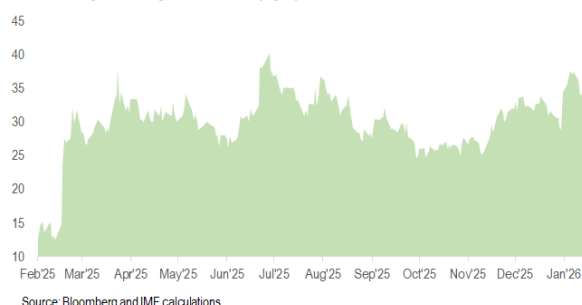
meeting approach to policy setting. Ahead of the decision, European government bond yields had been trading somewhat higher across tenors while the euro had been trading fractionally weaker to a broadly stronger dollar. Immediately following the announcement, front-end European government bonds pared earlier losses. The 2-year bund yield fell 1 bp to 2.08% while the 10-year bund yield was broadly steady at 2.86%. Focus now shifts to the press conference later this morning.

**Before the ECB announcement, European equities were trading lower.** The Stoxx 600 was (-0.3%) lower led by declines in the auto and energy sectors. The European banks' index was underperforming, down -1.1% despite BNP Paribas reporting strong Q4 earnings. For Q4, the bank reported net income of €2.97 bn ahead of analyst estimates of €2.86 bn and revenues of €13.11 bn versus €12.85 bn expected. BNP also raised its 2028 guidance.

**Analysts at Credit Agricole expected today's ECB press conference later this morning to confirm that policy remains "in a good place"**

with a focus on geopolitical developments as well as the strength in the euro and how that might impact on the ECB's reaction function. The analysts noted that euro is currently around 2% stronger than the 2H'25 average and expect President Lagarde to perhaps mention that the Governing Council (GC) is "monitoring the volatility of the exchange rate" in response to any questions. Separately, the analysts noted that with inflation measures around target, and their expectation of an uneventful ECB meeting today, the front-end and belly of the EUR curve should be supported, resulting in a bull flattening of the 2–5-year segment. Money market pricing expects around 5 bps of easing over the course of this year.

Germany 2Y-5Y yield curve (bps)



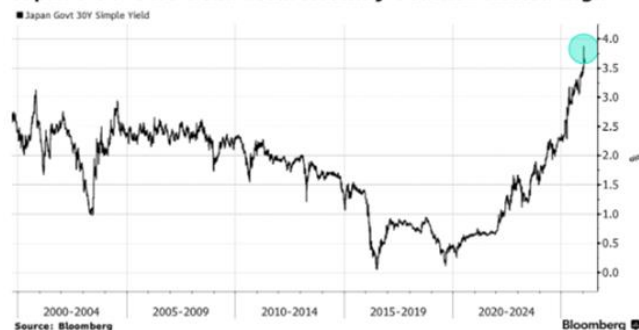
## United Kingdom

**The Bank of England kept policy rates on hold at 3.75%, as widely expected,** with a 5:4 vote split. Ahead of the announcement, gilt yields had been trading higher across the yield curve, on domestic political developments. Immediately following the rate decision, gilts gave up earlier losses with yields trading lower across all tenors, led by the front end. The 2-year yield fell 6 bps to 3.65% while the pound remained weak to the dollar, trading below \$1.36. Analysts at Deutsche Bank noted that the accompanying statement and projections leaned dovish highlighting a change in language with the MPC stating that the "Bank Rate is likely to be reduced further" and highlighting the downward revision to the 2026 inflation projection which was revised to 2.1% y/y from 2.8% y/y. Money markets scaled up expectations of a rate cut in April, moving to price in a full rate cut from around 17 bps priced yesterday.

## Japan

**Long-term JGB yields fell (30-year: -8 bps to 3.57%; 40-year: -9 bps to 3.86%) after the 30-year bond auction drew strong demand,** with the bid-to-cover ratio at 3.64, higher than the last sale (3.14) and the 12-month average (3.35). Strategists attributed the strong take-up to elevated yields attracting real-money investors and noted that demand could strengthen further once political uncertainty eases. However, Goldman Sachs warned that if the ruling LDP wins an outright majority in the upcoming election,

Japan's 30-Year Bond Yield Recently Touched Record High



it could reignite concerns over fiscal spending, potentially weighing on JGBs and the yen unless the BOJ signals a faster pace of rate hikes. Strategists argued that election risks are not fully priced and that the yen could weaken back toward 160/\$ without any policy pushback. They added that there may be intervention if the yen moves sharply after the election, with the Japanese holiday on February 11 likely to see thinner liquidity and a favorable window to intervene. Today, the yen softened (-0.2%), while the stock market declined (Nikkei 225: -0.9%) on disappointing earnings from some tech companies and investors' caution against election risks.

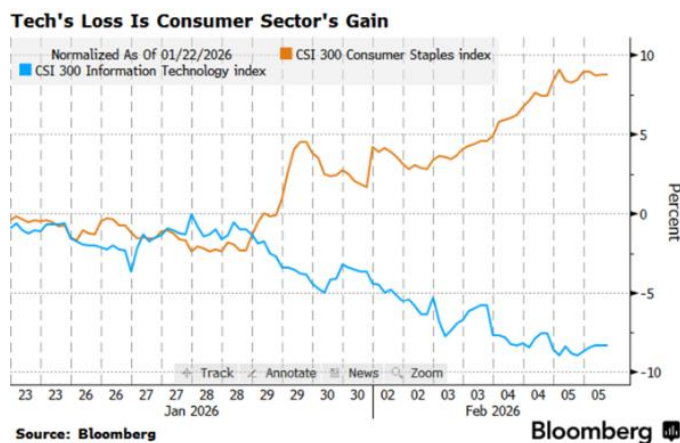
## Emerging Markets

[back to top](#)

**In Asia, most currencies weakened**, except the Philippine peso (+0.4%) after the BSP signaled the easing cycle may be nearing its end. The Indonesian rupiah depreciated (-0.3%) despite stronger-than-expected Q4-2025 GDP growth (+5.4% y/y). EM Asian equities broadly declined, dragged by the tech sector amid concerns over stretched valuations and heavy AI-related spending. In **EMEA**, equities mostly traded in the red after a tech-led selloff in Asia. Regional currencies were generally weaker to the dollar. The **Czech** koruna was the outlier, strengthening by +0.1% and +0.3% to the dollar and euro, respectively, with the Czech National Bank holding its policy rate unchanged at 3.5% this morning, despite January's preliminary inflation print coming in at 1.6% y/y, below the central bank's 2% target. Policymakers remain cautious amid still-elevated services inflation and housing-related costs, which could re-ignite price pressures if easing proceeds too quickly, according to Bloomberg. In **Poland**, the National Bank of Poland kept its policy rate unchanged at 4% yesterday, as expected, but was seen to strike a dovish tone, signaling that inflation is expected to fall further before stabilizing around target. The zloty strengthened by around +0.2% to the euro after the decision, as a rate cut had not been fully priced out. In **Latam**, local markets pared gains yesterday amidst a global risk-off tone. Major currencies weakened, led by the Mexican peso (-0.6%). Local equity markets also retreated, with the broader MSCI LATAM index falling -2.8% after reaching its highest level since 2018. Local bond markets also softened, led by Colombia, where its 10-year yield rose +13 bps.

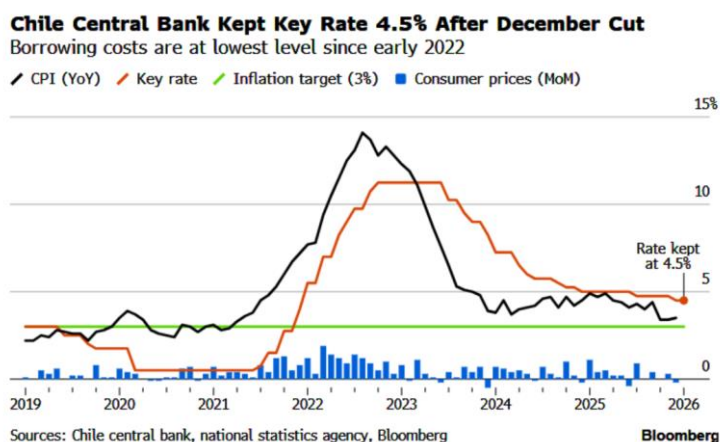
## China

**The stock market declined (CSI300: -0.6%) as concerns over tax enforcement and earnings weighed on sentiment.** Bloomberg estimated that at least 19 listed firms have paid overdue taxes worth RMB 1.3 bn (\$187 mn) so far this year, nearly one-quarter of the number affected in full-year 2025. Exchange data show that the pace of tax collection has picked up notably since August, led by materials and industrial companies. Worries about a heavier burden on businesses also triggered a selloff earlier this week in offshore-listed tech stocks, amid speculation that internet firms could be the next target after a recent tax hike on telecom firms. Fund managers warned that the key risk is not the back taxes themselves, but what they may signal about deeper operational issues, including reliance on tax incentives, weak profit quality, or deficiencies in internal controls. Bloomberg also noted a rotation from tech stocks (-4.9% week-to-date) to the consumer sector (+7.0% wtd) this week. Analysts explained that increased uncertainty around AI monetization and regulatory risks across digital sectors has driven some rotation into high-quality consumer franchises with more visible earnings and lower policy sensitivity, but it's too early to assess the sustainability of this shift given it only began recently. Today, the yuan edged stronger (+0.1%) after a call between Presidents Trump and Xi, despite a weaker fixing at 6.9570/\$ (vs 6.9533/\$ previously).



## Chile

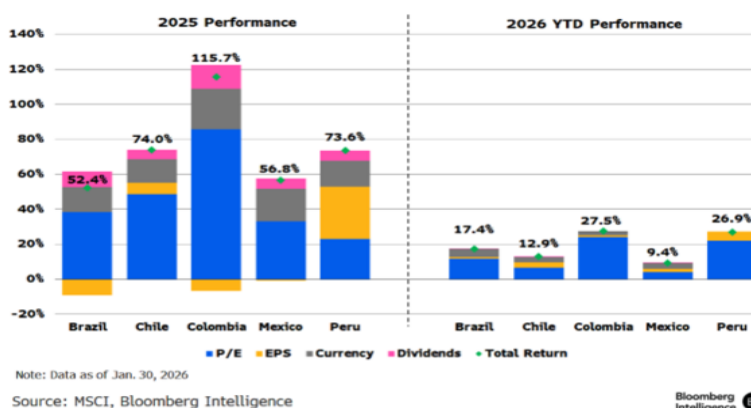
**The central bank's meeting minutes signaled the easing cycle is nearing the end.** At the January meeting, policymakers debated a rate cut before ultimately holding the policy rate steady. The minutes highlighted that the output gap is “practically closed,” inflation is close to target, and near-term price risks remain contained, while reaffirming that the policy rate should converge toward the midpoint of its neutral range, estimated at 4.25% in the December Monetary Policy Report. Despite this backdrop, the board opted to pause, citing “tactical considerations and risk-management concerns,” including market expectations for rates to remain unchanged. A Bloomberg poll conducted last week shows that around two-thirds of the 20 surveyed analysts and traders expect a cut to 4.25% next month, which would mark the 14<sup>th</sup>, and likely final, rate reduction in the easing cycle that began 3 years ago.



## Latam Equities

**Regional equities have performed strongly year-to-date and may have further room to outperform.** While currency strength has supported returns, local equity indices posted 57 all-time highs in January alone, led by Peru (16), Colombia (13), Chile (10), and Mexico (10), highlighting the breadth of the rally. Despite these outsized gains, regional equities are still trading at a discount to global markets. The region's forward P/E of 11.8x reflects a ~9.4% discount to the broader EM benchmark and ~37.5% discount to global equities. Although these gaps have narrowed over the past year and are approaching their 10-year averages, all of the major local markets continue to trade at double-digit discounts versus global peers, leaving room for further relative outperformance.

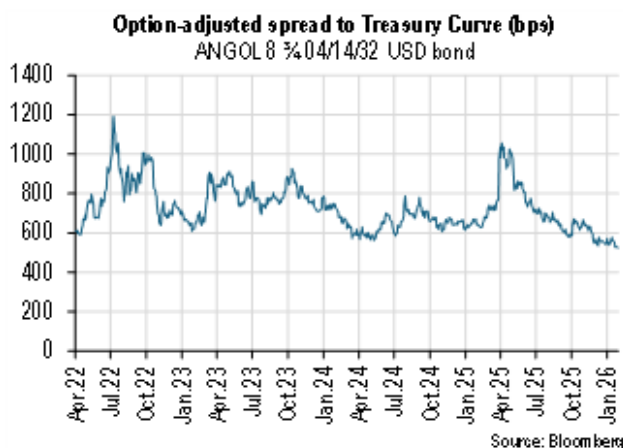
### Performance Decomposition





## Angola

**Angola is considering a \$400 mn debt-for-education swap to lower borrowing costs while boosting social spending.** The operation would involve exchanging part of Angola's existing high-cost commercial debt for new bonds backed by multilateral guarantees, which would allow the country to refinance at lower interest rates. In return, Angola would commit to channeling the resulting fiscal savings into education projects. The education swap would complement a previously announced ~\$1 bn debt-for-health operation and forms part of a broader \$1.43 bn commercial financing plan, Bloomberg writes. Such structures are typically used when outstanding debt trades at a discount and have been adopted by several emerging-market sovereigns—including Kenya, Belize, Ecuador, and Gabon— as a market-friendly alternative to outright restructuring. Almost half of Angola's public spending is absorbed by debt servicing.



*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

2/5/26 8:24 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,883	-0.5	-1.4	-0.3	13.5	1
Europe		5,944	-0.4	0.9	0.3	12.8	3
Japan		53,818	-0.9	0.8	2.5	37.8	7
China		4,670	-0.6	-1.8	-2.5	21.5	1
Asia Ex Japan		100	-1.3	-3.1	2.4	36.1	7
Emerging Markets		59	-1.3	-3.2	3.4	36.6	7
<b>Interest Rates</b>			basis points				
US 10y Yield		4.3	-2	2	9	-16	9
Germany 10y Yield		2.9	0	2	-1	49	0
Japan 10y Yield		2.2	-2	-2	12	95	18
UK 10y Yield		4.5	-2	1	2	9	4
<b>Credit Spreads</b>			basis points				
US Investment Grade		105	1	3	-4	-12	-2
US High Yield		321	2	6	-12	17	-15
<b>Exchange Rates</b>			%				
USD/Majors		97.8	0.2	1.6	-0.5	-9.1	-1
EUR/USD		1.18	-0.1	-1.4	0.6	13.4	0
USD/JPY		156.9	0.0	2.5	0.3	2.8	0
EM/USD		47.5	-0.1	-0.6	1.8	8.7	2
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		68.1	-2.0	-2.1	11.0	-2.6	13
Industrials Metals (index)		166.2	-1.2	-6.1	-1.7	14.6	2
Agriculture (index)		53.2	0.1	-1.0	-1.7	-12.3	0
Gold (\$/ounce)		4858.2	-2.1	-9.6	9.2	69.4	12
Bitcoin (\$/coin)		69267.3	-4.6	-11.4	-26.4	-28.5	-21
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		20.4	1.7	3.5	5.5	4.6	5.4
Global FX Volatility		7.4	0.0	-0.4	0.8	-1.2	0.5
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		62	2	1	4	-24	3
Italy		63	2	2	-7	-45	-6
France		60	2	2	-10	-11	-11
Spain		38	1	2	-5	-24	-5

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

## Emerging Market Financial Indicators

2/5/2026 8:24 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	0.0	0.2	0.7	4.8	0.7		1.9	0	0	-4	23	-4
Indonesia		16842	-0.4	-0.5	-0.6	-3.3	-1.0		6.2	-2	-6	13	-83	12
India		90	0.1	1.8	-0.1	-3.2	-0.5		7.3	-3	-5	12	18	21
Philippines		59	0.4	0.4	0.7	-1.1	0.4		4.8	0	0	15	-25	15
Thailand		32	-0.1	-1.6	-1.4	5.7	-0.8		2.0	-1	3	28	-38	28
Malaysia		3.95	-0.4	-0.5	3.1	12.0	2.8		3.5	-5	1	0	-30	0
Argentina		1447	-0.1	-0.2	1.5	-27.2	0.3		34.7	91	10	221	799	233
Brazil		5.27	-0.5	-1.6	2.6	10.1	4.2		13.2	7	2	-20	-162	-36
Chile		865	-0.3	-0.7	4.5	12.3	4.1		5.2	0	-1	-12	-65	-12
Colombia		3648	-0.1	0.8	3.0	14.0	3.5		12.8	15	30	-12	137	-10
Mexico		17.40	-0.4	-1.0	3.0	18.3	3.5		8.8	4	1	-17	-115	-18
Peru		3.4	0.0	-0.5	0.0	10.4	0.0		5.8	0	4	0	-84	2
Uruguay		39	-0.1	-0.2	0.8	12.4	1.3		7.3	2	4	-18	-237	-21
Hungary		322	-0.1	-1.3	1.7	21.2	1.6		6.3	2	-2	-24	-15	-24
Poland		3.58	-0.1	-1.8	0.5	12.9	0.3		4.4	1	0	-16	-117	-16
Romania		4.3	0.0	-1.4	0.5	10.8	0.4		6.4	-2	-4	-29	-108	-29
Russia		76.6	-0.3	-1.8	6.1	28.0	2.8							
South Africa		16.2	-0.7	-2.8	1.1	14.6	2.3		8.4	2	-7	-25	-222	-21
Türkiye		43.54	-0.1	-0.2	-1.2	-17.5	-1.3		29.7	15	48	40	162	7
US (DXY; 5y UST)		98	0.2	1.6	-0.5	-9.1	-0.5		3.80	-3	-2	10	-45	8

	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		4,670	-0.6	-1.8	-2.5	21.5	0.9		99	28	23	3	24	
Indonesia		8,104	-0.5	-1.6	-9.3	17.9	-6.3		91	0	6	-7	5	
India		83,314	-0.6	1.3	-2.1	6.7	-2.2		82	-4	-9	-17	-8	
Philippines		6,382	0.1	2.5	1.0	2.2	5.4		78	2	6	-15	3	
Thailand		1,346	0.0	1.1	5.6	6.7	6.9							
Malaysia		1,731	-0.7	-1.5	3.5	9.2	3.0		56	-2	-1	-17	-3	
Argentina		3,015,927	-0.7	-6.6	-3.7	21.7	-1.2		507	18	-60	-135	-62	
Brazil		181,708	-2.1	-1.6	12.3	44.7	12.8		192	-2	-9	-28	-11	
Chile		11,426	-1.6	-0.8	6.8	57.1	9.0		88	-2	-3	-34	-3	
Colombia		2,381	-2.3	-4.5	11.6	57.7	15.1		255	-14	-26	-71	-22	
Mexico		68,731	-1.4	-0.2	5.7	33.3	6.9		208	-7	-6	-102	-9	
Peru		3,389	-5.1	-0.4	25.1	94.1	31.2		104	0	-3	-41	-5	
Hungary		131,294	-1.5	2.7	16.0	55.9	18.2		125	-9	-10	-29	-14	
Poland		125,929	-1.3	0.7	4.6	46.2	7.4		89	2	-1	-24	-2	
Romania		27,451	0.3	-0.7	10.3	60.7	12.3		157	-8	-17	-89	-19	
South Africa		118,539	-1.9	-5.4	1.7	36.9	2.3		225	-1	10	-78	7	
Türkiye		13,697	-1.4	-1.0	17.0	40.9	21.6		243	0	9	-18	9	
EM total		59	-0.4	-3.2	3.4	36.6	7.5		261	1	-10	-96	-10	

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

[back to top](#)