GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, FEBRUARY 6, 2026

LEAD EDITOR: FABIO CORTES

- **A stable earnings outlook is seen as critical for software stocks amid AI disruption** (link)
- **US long-dated swap spreads tighten** (link)
- **The ECB may have to resume rate cuts in 2027 on a persistent inflation undershoot** (link)
- **Gilts extend post-Bank of England meeting gains as March rate cut expectations build** (link)
- **Japan stocks advance on expectations of LDP lower-house victory** (link)
- **Indonesian assets tumble after Moody's outlook downgrade** (link)
- **Banxico pauses rate cuts amidst a higher-than-expected core inflation trajectory** (link)

Mature Markets | Emerging Markets | Market Tables

A Week of Rotation in Equity Markets

The market's rotation out of tech stocks continued this week amid concerns over stretched valuations and heavy AI-related spending. The tech-heavy Nasdaq index suffered its biggest 3-day slump since April last year. In contrast, several non-technology sectors, including energy, healthcare, and financials, profited from the ongoing rotation out of tech stocks. Euro area and Japanese stocks outperformed US equities while some EM equities also continued their ascent. However, some of these gains reversed later in the week as market sentiment deteriorated. A rebound in the dollar, alongside increased volatility in advanced economy equities and commodity prices tempered the risk-on momentum. In rates markets, the ECB and Bank of England kept rates unchanged, as expected, although the latter leaned dovish with a closer-than-expected vote split and greater focus on UK labor market weakness seen as somewhat of a surprise. Going forward, markets expect around 7 bps of easing by the ECB the rest of the year while expectations increased for a full Bank of England rate cut in April. Elsewhere, it was a volatile week for commodity markets, with the recovery in precious metals prices earlier in the week, reversing sharply on Thursday. Silver was a particular focus, plummeting 17% yesterday amid reports of speculative flows and thin liquidity.

Key Global Financial Indicators

Last updated: 2/6/26 8:01 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		6798	-1.2	-2	-2	12	-1
Eurostoxx 50		5973	0.8	0	1	12	3
Nikkei 225		54254	0.8	2	3	39	8
MSCI EM		59	-0.5	-3	2	35	7
Yields and Spreads				bps			
US 10y Yield		4.20	2.0	-4	3	-23	3
Germany 10y Yield		2.83	-1.3	-1	-1	45	-3
EMBIG Sovereign Spread		248	8	3	-1	-69	-5
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		47.5	0.2	0	2	8	2
Dollar index, (+) = $ appreciation		97.8	0.0	1	-1	-9	-1
Brent Crude Oil ($/barrel)		67.1	-0.7	-5	11	-10	10
VIX Index (%, change in pp)		20.3	-1.5	3	6	5	5

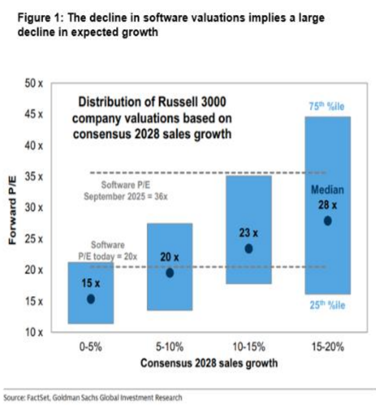
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

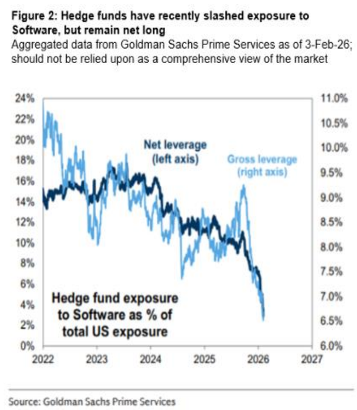
Mature Markets

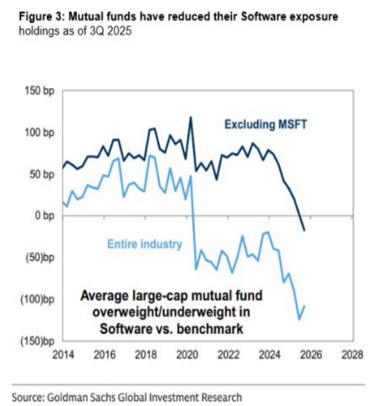
back to top

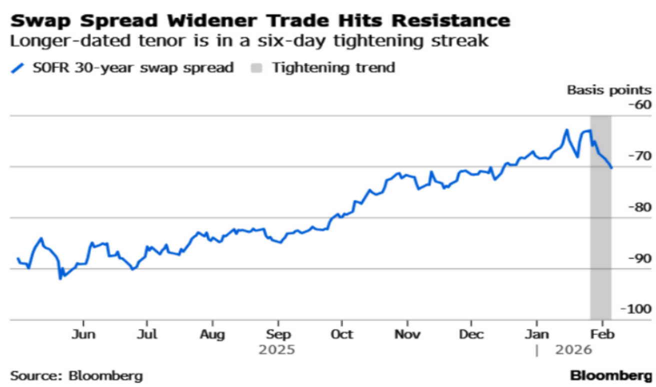
United States

A stable earnings outlook is seen as critical for software stocks hit by AI disruption risk. The risk of AI-related disruption has erased roughly one-third of software-sector valuations since their peak in September 2025 and compressed P/E multiples from about 35x in late 2025 to 20x, the lowest level since 2014. These multiples imply a sharp decline in analysts' expectations for growth and profitability, even though such estimates remain at multi-year highs and roughly twice those of the average S&P 500 company. According to Goldman Sachs, any stabilization in software-stock prices will depend on the "stability in the earnings outlook," as was the case in prior periods of major technological disruption, and such stability may not be evident in near-term earnings releases. Nevertheless, investor-positioning data suggests that volatility is expected to subside. Some investor groups began rotating out of the software sector in mid-2025, while others, despite significantly reducing their exposure, remain net-long.







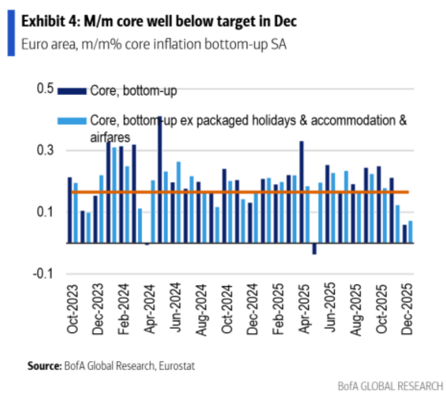


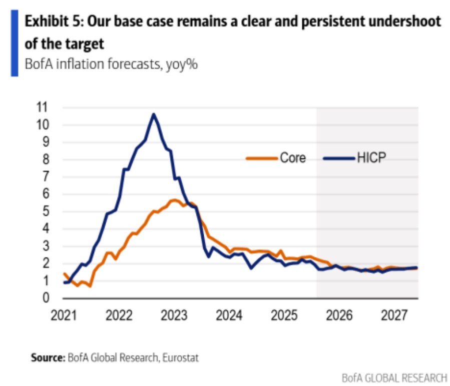
US swap spreads have tightened over expectations of the Fed's balance-sheet path. 30-year swap spreads, the difference between Treasury yields and interest rate swaps, had been widening for much of 2025. However, these spreads have tightened sharply over the last few sessions, bringing them back to the levels seen in December 2025. Some market reports attribute this move to deleveraging by hedge funds that had bet on widening spreads based on expectations that Treasury yields to continue to fall faster than swap rates. This strategy had gained popularity in 2025 as these spreads steadily widened. However, participation in longer-dated tenors remains limited, making this segment less liquid and more sensitive to shifts in the Fed's balance sheet policy. A reduction in the Fed's balance sheet is likely to push Treasury yields higher on the longer tenors, which would work against any widening of swap spreads. Recent discussions around the possibility of a sizable reduction in the Fed's balance sheet could increase volatility in bond markets, which currently remain at multi-year lows.

Euro area

European equities were trading slightly higher in early morning trade today. The Stoxx 600 was (+0.1%) higher led by gains in the utilities and industrials sectors. European government bond yields were mostly lower across all tenors with the 10-year German bund yield 2 bps lower at 2.82%. Elsewhere, the euro was fractionally firmer.

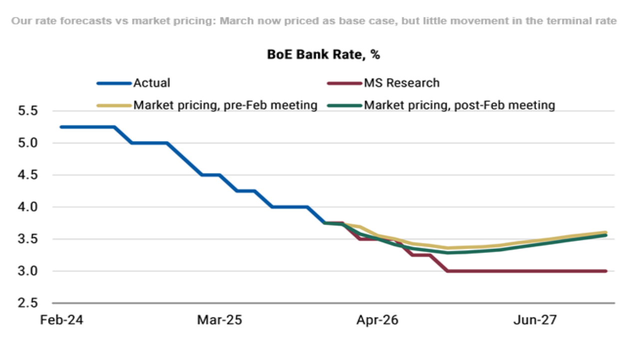
Bank of America analysts expect ECB to resume rate cuts in 2027 on a persistent inflation undershoot. The analysts had previously expected the ECB to deliver an "insurance" cut in March 2026 but now expect two 25 bps rate cuts in March and June 2027. Bank of America (BofA) sees the ECB as more likely to cut than not given risks to growth and inflation. While BofA expect a near-term boost to growth from Germany's increased defense and infrastructure spending, they expect growth to slow to 1.3% in 2027. At the same time, the analysts expect a persistent inflation undershoot with core inflation forecast to reach 1.8% y/y in 2026 and 1.7% y/y in 2027, which they argue would result in the ECB having to lower borrowing costs. That said, the analysts noted that larger effects from last year's EUR appreciation, a larger impact from the supply of Chinese goods, alongside elevated uncertainty could weigh on growth and inflation sooner. As a result, they do not rule out the possibility of a rate cut in September 2026. Money market pricing remains relatively unchanged following yesterday's ECB meeting with markets expecting around 7 bps of easing by the ECB the rest of the year.





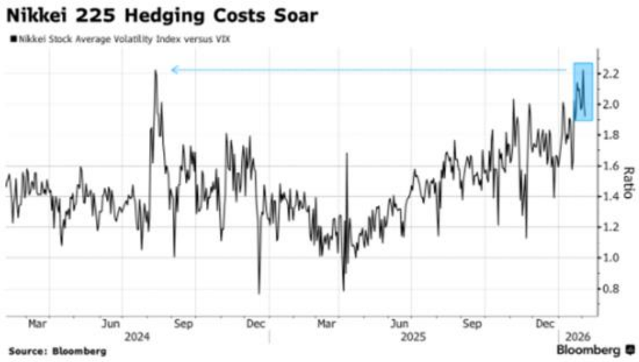
United Kingdom

UK gilts extended post-Bank of England meeting gains today. Gilt yields extended yesterday's post-BoE meeting gains in early morning trade with 2-year gilt yields a further 3 bps lower to trade at 3.62% with longer-maturity tenors also trading lower and outperforming European peers. Yesterday's Bank of England meeting was seen as delivering a dovish hold, with the closer-than-expected vote split and greater focus on labor market weakness seen as somewhat of a surprise. Gilt yields had been trading higher across the curve yesterday on domestic political developments but reversed course to rally sharply following the MPC decision. Money market pricing has further scaled up expectations of a possible March rate cut with markets assigning around a 70% probability of a -25bp rate cut next month, up from around 60% priced yesterday, although the overall quantum of easing remains broadly unchanged with around 46 bps of easing expected in 2026. The pound was also trading stronger, advancing +0.4% to trade at $1.3582, reversing some of yesterday's losses.



Japan

The stock market advanced on Friday (Nikkei 225: +0.8%) as investors positioned for a likely victory by Prime Minister Takaichi's Liberal Democratic Party in this weekend's election. Opinion polls pointing to an outright LDP majority in the lower house have revived the so-called "Takaichi trade" over the past week. That said, caution around near-term volatility remains elevated—an index tracking Nikkei 225 volatility climbed earlier this week to its highest level versus the US VIX since August 2024. Global asset managers, including Schroders and JPMorgan Asset Management, remain underweight JGBs, particularly super-long maturities, which sold off sharply last month following Takaichi's proposal to cut the sales tax and renewed concerns over fiscal sustainability. Open interest in 10-year JGB futures has been rising alongside falling prices, signaling increasingly bearish positioning. Meanwhile, persistent yen weakness is also feeding into rate expectations. OIS markets price a 77% probability of a BOJ rate hike by April, with a 25 bps increase fully priced by June. BOJ board member Masu stressed that policy decisions remain data-dependent, with underlying inflation and the yen's impact on prices as key considerations. The yen was little changed after the remarks.



Emerging Markets

back to top

In Asia, equity markets mostly declined today (EM Asia: -0.5%) amid the global tech selloff. EM Asian currencies were mixed to the dollar, with the **Indian rupee** (-0.3%) underperforming today despite the RBI keeping its policy rate unchanged at 5.25%, as expected, while citing an improved external backdrop supported by the recent US-India trade resolution. In **EMEA,** equities were mixed this morning, with Saudi stocks underperforming (-1.3%) after reports that the country lowered oil prices for Asian customers, while South African equities outperformed (+0.5%) as gold rebounded. The South African rand also moved broadly in line with gold prices, strengthening by about 1% today. CEE currencies firmed marginally versus the euro. The **Czech koruna** appreciated around 0.6% yesterday after January's CPI estimate showed no further disinflation. The Czech National Bank held its policy rate at 3.5%, as expected; while inflation is forecast to average 1.6% this year, core—and especially services-inflation remain elevated. Barclays judged the press conference as more dovish than before but still expects the CNB to keep rates unchanged through 2026. In **Latam**, regional markets mostly tumbled amidst a broader risk-off tone yesterday. Major currencies continued to depreciate, led by the Colombian peso, which weakened -1.6% after the government signaled that it had conducted "massive" dollar purchases and would continue to do so. Local equity markets were mixed. Local bond markets also softened, led by Colombia and Brazil, where their benchmark 10-year yields rose +5 bps and +4 bps, respectively.

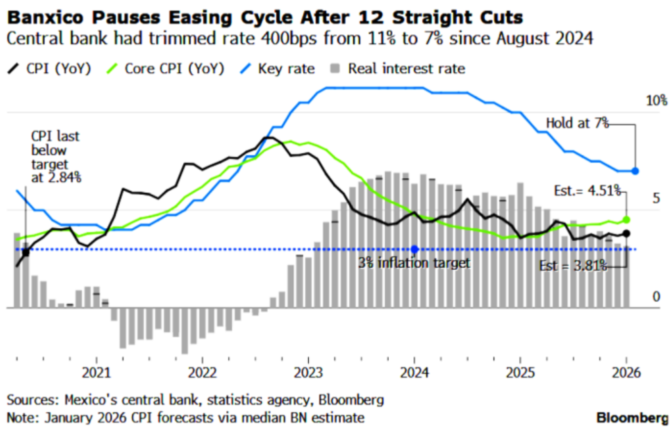
Indonesia

Indonesia's stocks fell sharply (JCI: -2.1%), the rupiah weakened (-0.2%), and bond yields rose (5-year: +9 bps; 10-year +10 bps) after Moody's revised the country's credit outlook to negative from stable. Moody's cited "reduced predictability in policymaking, which risks undermining policy effectiveness and points to weakening governance," warning that a downgrade is possible, though affirming its Baa2 rating on Indonesia's local and foreign currency long-term debt, two notches above non-investment grade status. Fitch and S&P currently

rate Indonesia at BBB, with stable outlooks. Analysts cautioned that Moody's move could prompt other agencies to follow if policy uncertainty persists, potentially weighing on the rupiah toward 17,000/$ and spurring foreign outflows from sovereign debt, keeping sentiment volatile. The central bank's governor responded that the outlook downgrade "does not reflect any weakening in Indonesia's economic fundamentals," and the Finance Minister also pushed back, highlighting solid growth and a contained fiscal deficit, but pledged to manage every potential risk and preserve financial stability. Investors are watching responses from the authorities closely, with credible actions seen critical to avoiding a full downgrade over the next 12–18 months.

Mexico

Banxico paused rate cuts yesterday as expected, with core inflation at the upper limit of tolerance range. The board also pushed back the projected convergence of inflation to target, to Q2 2027, from Q3 2026, citing that the revision was due to "higher-than-anticipated trajectory for core inflation." The pause was telegraphed in last month's monetary report, where it signaled that it was likely to halt easing, before resuming at a more gradual pace. Looking ahead, Banxico will also assess the inflationary impact of fresh tariffs on Asian goods when calibrating future policy action. While the risk to inflation outlook is "more balanced," they remain "skewed to the upside." However, Franklin Templeton analysts noted that the policy statement suggests that the easing cycle is not over, and broadly in-line with market expectations that rate cuts will continue intermittently throughout the year.

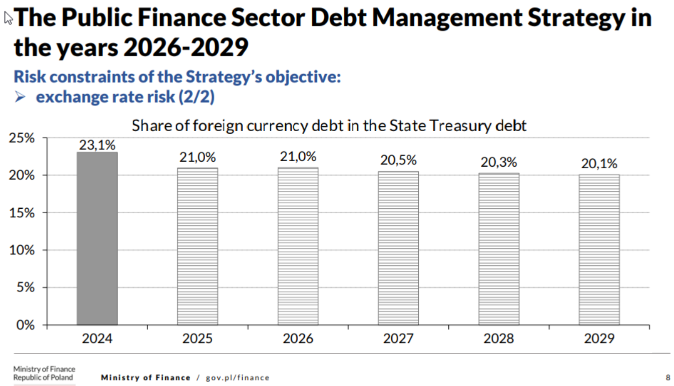


Colombia

The peso underperformed on Thursday after government officials signaled the possibility of continued dollar purchases to build foreign currency buffers. Public credit director Javier Cuellar said that the government had conducted "massive" dollar purchases in recent weeks and indicated that future buying is likely as authorities seek to strengthen foreign currency holdings. Director Cuellar added that the national treasury currently holds $10 bn and "are likely to continue accumulating more," while describing dollar accumulation as the "best insurance" for public credit management. According to BBVA analysts, the government has purchased more than $2 bn in the spot market this year. The remarks triggered a sharp market reaction, with the peso weakening by as much as -1.9% to its lowest level in a month.

Poland

Poland issued a samurai bond in four tranches. A Samurai bond is a yen-denominated bond issued in Japan by a non-Japanese borrower. Four tranches were issued in the 3-, 5-, 10- and 20-year maturities, whilst a fifth 30-year tranche was dropped, according to Bondradar. Polish sovereign debt has about 20-22% denominated in foreign currency, with the treasury aiming to limit that amount to below 25%. Foreign currency issuance can diversify the investor base, and samurai bonds can tap into the Japanese institutional investor base including life insurers, banks, and pension funds. In the four-tranche deal about ¥211.6 bn ($1.4 bn) was issued. According to Bloomberg, Poland plans to sell the equivalent of €10 bn to €12 bn in foreign bonds this year. The Ministry of Finance writes that "this would represent the largest Samurai transaction in history carried out by the Ministry of Finance, as well as the largest by any public sector issuer in recent years."



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Global Financial Indicators

2/6/26 8:00 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,798	-1.2	-2.4	-2.1	11.8	-1
Europe		5,973	0.8	0.4	0.7	11.5	3
Japan		54,254	0.8	1.7	3.3	38.9	8
China		4,644	-0.6	-1.3	-3.1	20.8	0
Asia Ex Japan		99	-0.4	-3.1	1.2	35.3	6
Emerging Markets		59	-0.5	-3.2	2.2	35.4	7
Interest Rates					basis points		
US 10y Yield		4.2	2	-4	3	-23	3
Germany 10y Yield		2.8	-1	-1	-1	45	-3
Japan 10y Yield		2.2	-1	-2	10	95	17
UK 10y Yield		4.5	-4	0	4	4	4
Credit Spreads					basis points		
US Investment Grade		109	4	6	0	-8	2
US High Yield		338	16	17	6	35	2
Exchange Rates					%		
USD/Majors		97.8	0.0	0.9	-0.8	-9.2	-1
EUR/USD		1.18	0.1	-0.5	0.9	13.6	0
USD/JPY		157.0	0.0	1.5	0.2	3.7	0
EM/USD		47.5	0.2	0.3	1.7	8.3	2
Commodities					%		
Brent Crude Oil ($/barrel)		67.1	-0.7	-3.2	11.3	-4.2	11
Industrials Metals (index)		166.9	0.1	-3.0	-3.8	14.5	2
Agriculture (index)		53.6	0.0	1.0	-1.0	-12.1	0
Gold ($/ounce)		4877.8	2.1	-0.3	8.5	70.8	13
Bitcoin ($/coin)		66338.3	5.2	-13.2	-28.8	-31.5	-24
Implied Volatility					%		
VIX Index (%, change in pp)		20.3	-1.5	2.8	5.5	4.8	5.3
Global FX Volatility		7.6	0.0	-0.2	1.0	-1.0	0.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		62	1	1	4	-22	3
Italy		63	0	1	-7	-44	-7
France		61	1	3	-10	-10	-10
Spain		38	0	1	-5	-23	-5

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

Emerging Market Financial Indicators

2/6/2026 7:59 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	0.3	0.7	5.0	0.7		1.9	-1	-1	-6	24	-5
Indonesia		16876	-0.2	-0.5	-0.7	-3.2	-1.2		6.2	1	-6	13	-74	13
India		91	-0.3	1.5	-0.5	-3.4	-0.9		7.3	4	0	20	20	25
Philippines		59	0.2	0.5	1.1	-0.7	0.6		4.8	-1	-1	9	-25	14
Thailand		32	0.5	-0.2	-1.3	6.8	-0.5		2.0	-5	-6	19	-40	23
Malaysia		3.95	0.0	0.0	2.5	12.3	2.8		3.6	0	6	7	-24	7
Argentina		1443	0.3	0.1	1.8	-27.0	0.6		34.8	8	4	212	746	241
Brazil		5.24	0.7	0.5	2.7	10.0	4.9		13.2	-1	9	-20	-180	-36
Chile		861	0.6	1.4	3.9	11.9	4.6		5.2	0	0	-11	-60	-12
Colombia		3710	-1.7	-1.5	1.3	12.6	1.7		12.8	3	33	-2	142	-8
Mexico		17.36	0.8	0.6	3.6	17.8	3.7		8.7	-7	0	-15	-116	-25
Peru		3.4	-0.2	-0.7	-0.1	10.4	-0.1		5.8	-1	0	-8	-85	-1
Uruguay		39	-0.3	-0.2	0.5	12.1	1.0		7.3	-1	4	-18	-239	-22
Hungary		321	0.6	0.3	2.6	21.5	2.0		6.3	1	-5	-19	-3	-23
Poland		3.58	0.3	-0.6	0.7	12.8	0.3		4.4	0	0	-15	-116	-16
Romania		4.3	0.1	-0.4	0.8	11.0	0.3		6.3	-5	-6	-32	-99	-34
Russia		77.0	-0.4	-1.4	4.8	25.7	2.2							
South Africa		16.2	0.9	-0.1	1.2	14.1	2.5		8.4	2	3	-19	-215	-19
Türkiye		43.61	-0.1	-0.3	-1.3	-17.7	-1.5		30.1	43	75	77	184	50
US (DXY; 5y UST)		98	0.0	0.9	-0.8	-9.2	-0.5		3.74	3	-4	3	-53	2

	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		4,644	-0.6	-1.3	-3.1	20.8	0.3		103	30	25	6	28
Indonesia		7,935	-2.1	-4.7	-11.2	15.4	-8.2		102	7	12	3	16
India		83,580	0.3	3.5	-1.7	7.1	-1.9		85	5	-7	-12	-5
Philippines		6,391	0.1	1.0	1.2	2.4	5.6		84	10	4	-8	9
Thailand		1,354	0.6	2.1	6.2	7.3	7.5						
Malaysia		1,733	0.1	0.1	3.6	9.3	3.1		60	2	0	-13	1
Argentina		2,932,838	-2.8	-8.7	-5.8	17.2	-3.9		525	29	-48	-137	-44
Brazil		182,127	0.2	-0.5	11.3	44.3	13.0		197	3	-6	-23	-6
Chile		11,252	-1.5	-1.5	3.0	54.1	7.3		94	5	-1	-31	3
Colombia		2,321	-2.5	-6.2	6.6	52.2	12.2		267	2	-17	-61	-10
Mexico		68,858	0.2	-1.6	5.9	30.7	7.1		211	-3	-6	-98	-6
Peru		3,300	-2.6	-5.6	19.2	86.1	27.7		106	0	-3	-40	-3
Hungary		129,737	-0.1	0.7	11.4	49.1	16.8		133	-3	-7	-25	-6
Poland		124,876	0.2	0.0	3.8	41.3	6.5		94	4	2	-23	3
Romania		27,090	-0.7	-0.4	8.8	58.0	10.8		162	-4	-17	-89	-13
South Africa		119,294	0.6	-0.6	0.5	36.8	3.0		236	6	19	-69	18
Türkiye		13,516	-0.5	-2.3	12.4	37.3	20.0		253	6	13	-7	19
EM total		59	0.7	-3.2	2.2	35.4	7.0		269	7	6	-85	-3

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

back to top