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### Japanese Equities Outperform on Takaichi's Election Win

Japanese equities jumped to record levels after PM Takaichi secured a historic election triumph. The Nikkei gained as much as +5.7%, rising to a fresh record high of 57,337 before closing +4% higher today. PM Takaichi's LDP secured a two-thirds majority in the lower house, which will make it easier for her government to pass legislation and rump up spending and investment to support the economy. The yen strengthened and JGB yields rose. Elsewhere, US Treasury yields rose modestly, the dollar weakened and gold gained. Across the pond, domestic political developments are back in focus in the UK amid reports that hedge funds are positioning for sterling weakness as talk of a leadership challenge to PM Starmer intensifies. Looking ahead, market contacts point to US labor market and inflation data as key events this week that could challenge the relatively rangebound trading nature of US and euro area sovereign bond markets year-to-date.

Key Global Financial Indicators

Last updated: 2/9/26 8:03 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6932	2.0	0	0	15	1
Eurostoxx 50		6011	0.2	0	0	13	4
Nikkei 225		56364	3.9	7	9	45	12
MSCI EM		60	2.6	2	5	39	10
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.24	3.2	-4	7	-26	7
Germany 10y Yield		2.85	0.7	-2	-1	48	-1
EMBIG Sovereign Spread		245	-3	1	-5	-70	-9
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		47.7	0.1	0	2	9	2
Dollar index, (+) = \$ appreciation		97.2	-0.5	0	-2	-10	-1
Brent Crude Oil (\$/barrel)		68.2	0.2	3	8	-9	12
VIX Index (% change in pp)		18.5	0.8	2	4	2	4

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

In the **week ahead**, the US job report for January is scheduled for release on Wednesday, delayed from February 6 due to the brief government shutdown. Analysts expect a subdued payroll gain (+69k) and a steady unemployment rate (4.4%). On the inflation front, January's CPI will be released in the US (Fri), Mexico (Mon) and Brazil (Tue). Colder-than-usual weather in the US may have pushed household energy prices higher. In China, January's money and credit data, along with CPI and PPI figures, are due during the week. In Japan and Thailand, market attention will focus on the aftermath of Sunday's elections.

**Mature Markets**

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**Japan**

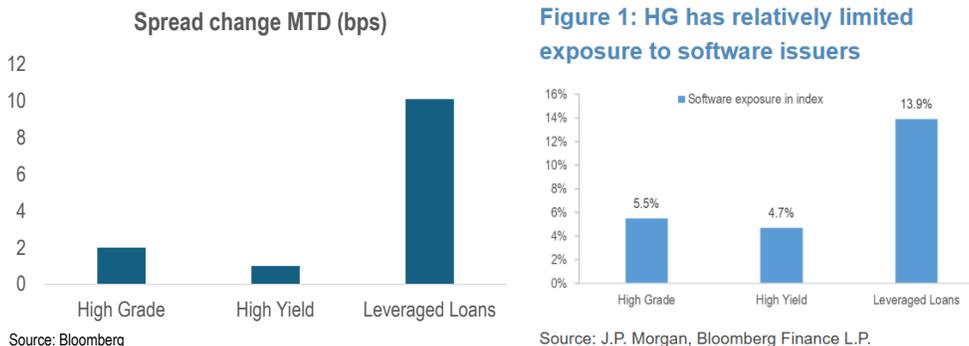
In a landslide victory, **PM Takaichi’s LDP secured a two-thirds majority in the weekend’s general election**, the first time since the post-war period that a single party has garnered such a majority in the lower house. With 316 seats (out of 465), the LDP has sufficient legislative clout to override upper house vetoes. **PM Takaichi is expected to leverage this governing majority to push forward fiscal expansion and boost public spending**, according to analysts and economists surveyed by Bloomberg. JGB yields rose between 3 to 6 bps up to the 20-year tenor. Notably, yields on the 30- and 40-year long bonds were little changed, likely reflecting expectations that fiscal spending could be more restrained than some have feared, easing concerns of a disorderly selloff.

Meanwhile, **equities jumped while the yen halted its depreciation to strengthen to the dollar**. The Nikkei jumped as much as 5.7% to a fresh record high of 57337 before settling with a 4% gain. The broader Topix also rose, gaining as much as 3.4% to a new peak, led by tech and machinery shares. Some market analysts are drawing parallels of the Takaichi win with the Abe era beginning in 2012 and expect equities to gain further. Goldman Sachs noted that global investors remain underweight Japan with more inflows likely. Notably, Japanese equities had already outperformed global peers since Takaichi’s election, supported in part by corporate governance reforms. In currencies, the yen had initially weakened to ¥157.76/\$ (-0.3%) before paring losses to end the day stronger (+0.4%, ¥156.67), not far from levels in late Friday before the election.



**United States**

**The recent selloff in software shares has led to a modest widening in credit index spreads.** The impact has been most pronounced in the leveraged loan market, reflecting its higher exposure to software issuers. By contrast, the bond market has relatively limited exposure to software issuers and more balanced allocation between so-called “disruptors” and “disruptees,” according to JPMorgan analysts.



**Crypto Assets**

**Crypto-collateralized loan liquidations may have contributed to the recent bitcoin’s selloff.**

Bitcoin’s price has declined by about 45% from its peak of \$126,251 in October last year, erasing all gains accumulated since the US presidential election in November 2024. Crypto exchanges such as Coinbase offer crypto-backed loans that allow customers to borrow USDC stablecoin using crypto assets held on the platform as collateral. These loans are subject to loan-to-value (LTV) limits —typically 50% to 75%—to help mitigate potential risks. In Coinbase’s case, a collateralized loan is automatically liquidated to repay the loan once it reaches a liquidation LTV threshold of 86%. This automatic liquidation mechanism may have amplified selling pressure during the recent downturn. Galaxy Research reported last November that crypto-collateralized lending reached a record \$73.6 bn, according to Bloomberg. By the end of Q3, \$41 bn in loans were outstanding on DeFi platforms—the highest quarter-end level on record and a 55% increase from the previous quarter. Meanwhile, some estimates suggest that the current price is well below its average production cost of a bitcoin, which has historically acted as a soft price floor. Prices below production cost tend to discourage mining activity, potentially constraining supply over time.

Figure 15: Our central estimate of the bitcoin production cost



Source: Ycharts, J.P. Morgan Flows & Liquidity.

**Euro area**

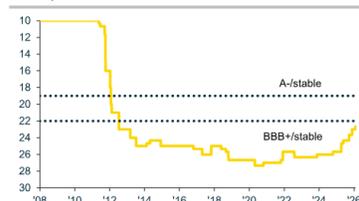
**Equities opened the week in positive territory.** The Stoxx 600 was (+0.1%) higher led by gains in the healthcare and materials sectors. Shares in Italian bank UniCredit gained almost 5%, as the bank announced plans to return around €50 bn to shareholders through 2030, lifting the European banking sector index. Regional bourses were also in the green. Government bond yields were slightly higher with the 10-year bund yield continuing to trade within the 2.8–2.9% range while the euro was firmer to the dollar. On the data front, the euro area Sentix measure of confidence rose to 4.2pts in February, from -1.8 in the prior month and the highest level since July 2025.

**Italian BTP spreads are expected to continue to tighten on positive ratings momentum.**

Commerzbank analysts highlighted that Italy has had positive ratings momentum since last year due to improving fundamentals and relative domestic political stability. The analysts noted that last week’s outlook upgrade (to positive) by S&P suggests that there may be an eventual upgrade to a single-A rating, citing similar developments for Portugal and Greece where the ratings agency revised the outlook six months before a rating upgrade. That said, Commerzbank believe the bar for a ratings upgrade for Italy remains high citing the country’s already elevated debt/GDP ratio and below EU-average growth. However, the analysts noted that in the near-term ahead of the May review date, markets will likely focus on the recent positive momentum which in turn should support a further tightening in the 10-year Italian BTP-bund spread towards 50 bps until mid-year. This morning, the 10-year BTP-bund spread was trading at around 62 bps and is around 8 bps tighter YTD.

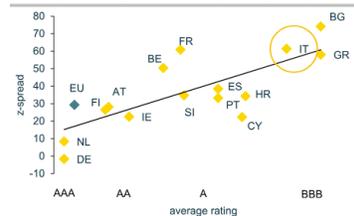
**On an upward trajectory**

Average rating for Italy from S&P, Moody’s Fitch, numeric scale



**Not priced like a single-A yet!**

Average rating vs. 10y z-spread, in bp



Source: Bloomberg, Commerzbank Research

**United Kingdom**

**Domestic political uncertainty expected to weigh on sterling and gilts.**

According to Bloomberg, hedge funds are positioning for increased sterling weakness on domestic political developments which could result in PM Starmer facing a leadership challenge or potentially resigning. FX option premiums to hedge against a decline in sterling versus the euro over the next month have risen to the highest since late November. Some FX traders have commented that the pound is trading “with EM-style volatility, driven by global dollar strength and hypersensitivity to geopolitical headlines” while some sell-side forecasts project sterling depreciating by around 6% to the euro over the next twelve months after having appreciated by around 5% to the euro last year. Deutsche Bank strategists argued that an upcoming by-election will be an important “litmus test” for the PM ahead of the May local elections and expect gilts to remain sensitive to political headlines and news flow. In early morning trade, UK gilt yields were 1–3bp higher across the curve, led by longer-tenors. 10-year gilt yields were 3 bps higher at 4.55% with the 30-year gilt yield also 3 bps higher at 5.37%, although the moves partially retraced. The pound was trading around -0.5% weaker to the euro at 0.87 and fractionally weaker to the dollar.

Euro/GBP exchange rate and short-dated EUR/GBP risk reversal



**Emerging Markets**

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In **Asia**, equities posted broad-based gains. A victory by the **Thai** ruling Bhumjaithai Party (BJT) in Sunday’s election was seen as paving the way for policy certainty and boosted sentiment. Thai equities gained strongly and the Thai baht strengthened 1.4% to THB 31.2 per dollar, outperforming Asian peers. In **EMEA**, equities were mixed this morning, with Türkiye outperforming (+1.9%). Bloomberg reported continued inflows into Türkiye-focused ETFs, reflecting last year’s rebound in EM assets. CEE currencies strengthened marginally to the euro, with the Hungarian forint up +0.2%, while the Turkish lira and South African rand were broadly unchanged to the dollar. Bloomberg reported that Serbia plans to sell €200 mn of euro-denominated bonds on Thursday. Separately, BondRadar noted that the **Republic of Congo** has mandated an investment bank to prepare a dollar-denominated 7-year benchmark issue, with timing subject to market conditions, and has also announced a tender offer to tap existing dollar bonds. In **Latam**, currencies appreciated and equities mostly advanced on Friday. Regional currencies appreciated, with Mexico (+1.4%), Colombia (+1.4%), Chile (+1.3%), and Brazil (+1%) all strengthening. Mexican equities (+2.8%) outperformed, followed by Colombia (+2.1%), and Argentina (+1.5%), while Chile (-0.4%) bucked the trend.

**EM Fund Flows**

**EM funds recorded another week of net inflows, though momentum softened compared to the prior week.**

Inflows to both bond and equity funds decelerated markedly, dropping by about half from the prior week to \$1.6 bn and \$7.9 bn, respectively. The moderation in bond flows was reflected in both hard and local currency funds. The former saw outflows (-\$181 mn vs +\$1.1 bn the previous week) while the latter experienced a slowdown (+\$1.8 bn from +\$2.4 bn). Hard currency outflows were experienced across Asia ex-Japan and broad EM funds. By contrast, local currency inflows were largely driven by EM ex-China funds, while China focused funds had

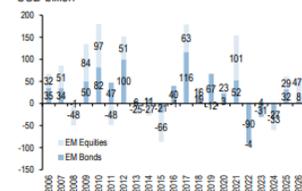
Figure 1: Weekly cross-asset flows

USD billion

Asset	9w flows (9w ago - current)	This wk	YTD
EM Bonds and Equities	8.5	54.7	
EM Bonds	1.6	7.7	
Hard Ccy	-4.2	2.8	
Local Ccy*	1.8	5.7	
o/w EM ex China	1.8	5.5	
o/w China	0.0	0.1	
EM Equities	7.9	47.9	
US HG	9.7	38.8	
US HY	0.6	0.6	
Global Equities	23.0	93.9	
EM Bond and Equity ETFs	7.3	48.7	
EM Bond ETFs	0.3	3.2	
EM Equity ETFs	7.0	43.5	
Non-resident EM flows*	-4.4	16.2	

Figure 2: EM bond and equity fund flows

USD billion



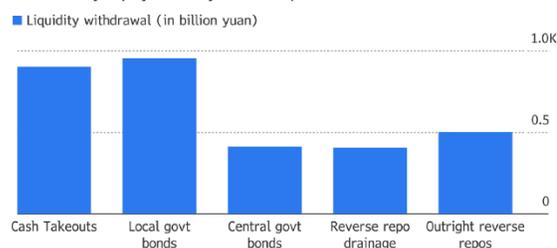
\*High-frequency non-resident EM portfolio flow data where available. \*Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

marginal inflows. Equity flows also cooled, as ETFs (+\$7 bn from +\$13.3 bn) and non-ETFs (+\$939 mn from +\$1.6 bn) saw inflows fall. Despite the slowdown, regional equity flows remained in positive territory, led by Asia ex-Japan (+\$1.6 bn).

## China

**The People's Bank of China (PBOC) is boosting liquidity to meet heightened cash demand during the Lunar New Year holidays.** The PBOC injected a total of RMB 600 bn (\$86.4 bn) via a 14-day repo arrangement late last week, the first time in two months. Holiday spending, heavy government bond issuance and corporate liquidity demand are expected to further drain liquidity. Specifically, the authorities are front-loading government bond sales ahead of the holidays. In addition to RMB 412 bn of issuance from the central government, RMB 950 bn of LG bonds are expected in the first two weeks this month, roughly 18% more than the amount issued in all of January, according to Guolian Minsheng Securities and Bloomberg. Lastly, given a strengthening RMB, exporters are converting dollar earnings into RMB, with Sinolink Securities and Deutsche Bank expect such conversions to further tighten market liquidity.

**PBOC is Adding Cash Supply Amid \$456 Billion Shortage**  
China already deployed 14-day reverse repos last week



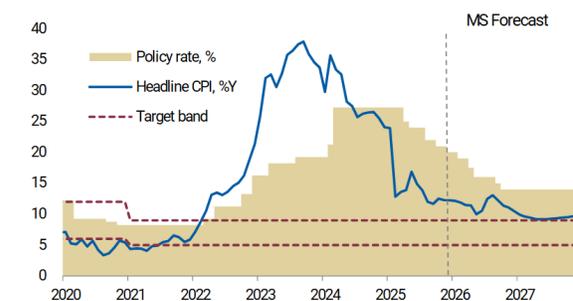
Source: Bloomberg  
Note: Reverse repo drainage takes cash withdrawal from Feb. 9 to 13 into consideration; The rest items cover first two weeks of February

Bloomberg

## Egypt

**Morgan Stanley expects the Central Bank of Egypt to continue easing policy, predicting a 100-bps rate cut at the February meeting.** Morgan Stanley forecasts inflation to ease to around 12.2% y/y, supported by a stable December print, decelerating food and regulated-items inflation, improving external balances, and a still-high ex-post real rate buffer of 7–8%. A still-high ex-post real rate suggests the CBE's policy stance remains restrictive, giving it space to cut rates while keeping real rates positive. The analysts expect the easing to remain paced, with cumulative cuts of around 600 bps over 2026 taking the policy rate to about 14% by year-end, while geopolitical risks and seasonal pressures around Ramadan could argue for a more cautious near-term stance.

Exhibit 1: We see room for 6pp of rate cuts in the remainder of the year to 14.00% versus 10.5%Y inflation at year-end

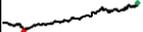
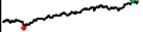
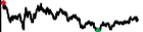
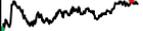
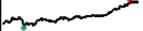
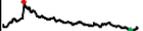
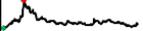
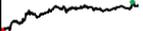
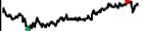
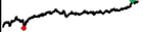
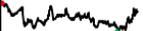
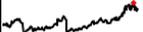
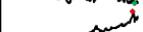
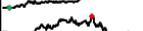
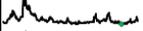
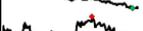


Source: Central Bank of Egypt, Haver Analytics, Morgan Stanley Research forecasts

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## Global Financial Indicators

2/9/26 8:03 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,925	2.0	-0.7	-0.6	14.9	1
Europe		6,011	0.2	0.1	0.2	12.9	4
Japan		56,364	3.9	7.0	8.5	45.3	12
China		4,719	1.6	2.5	-0.8	21.0	2
Asia Ex Japan		102	2.6	1.4	4.2	38.8	9
Emerging Markets		60	2.6	1.6	5.1	39.1	10
<b>Interest Rates</b>			basis points				
US 10y Yield		4.2	3	-4	7	-26	7
Germany 10y Yield		2.8	1	-2	-1	48	-1
Japan 10y Yield		2.3	6	5	19	99	22
UK 10y Yield		4.6	5	6	19	9	8
<b>Credit Spreads</b>			basis points				
US Investment Grade		107	-1	4	0	-9	0
US High Yield		330	-5	11	9	29	-6
<b>Exchange Rates</b>			%				
USD/Majors		97.2	-0.5	-0.5	-2.0	-10.0	-1
EUR/USD		1.19	0.6	0.8	2.1	15.3	1
USD/JPY		156.3	-0.6	0.4	-1.0	2.8	0
EM/USD		47.7	0.1	0.3	2.2	9.1	2
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		68.2	0.2	2.9	8.6	-3.2	13
Industrials Metals (index)		169.2	0.3	1.1	-0.3	14.7	4
Agriculture (index)		53.1	-0.1	0.5	-1.9	-12.3	-1
Gold (\$/ounce)		5015.1	1.0	7.6	11.2	72.4	16
Bitcoin (\$/coin)		68996.0	-2.4	-5.0	-23.7	-27.5	-21
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		18.5	0.8	2.2	4.0	2.0	3.6
Global FX Volatility		7.6	0.1	0.0	1.1	-1.0	0.7
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		61	-1	0	11	-26	2
Italy		62	-1	0	-2	-48	-8
France		60	0	2	-6	-12	-11
Spain		37	-1	1	-1	-26	-6

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

### Emerging Market Financial Indicators

2/9/2026 8:02 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M	YTD	
	vs. USD		(+)= EM appreciation						% p.a.						
China		6.92	0.2	0.3	0.8	5.5	0.9		1.9	-1	-2	-9	24	-6	
Indonesia		16805	0.4	0.0	0.1	-2.7	-0.7		6.3	10	7	23	-60	23	
India		91	-0.1	0.8	-0.7	-3.6	-1.0		7.3	2	-1	19	13	27	
Philippines		58	0.2	0.7	1.4	-0.6	0.8		4.8	2	2	11	-25	16	
Thailand		31	1.1	1.2	0.6	8.6	1.0		1.9	-2	-10	15	-42	21	
Malaysia		3.94	0.3	0.3	3.5	13.6	3.2		3.5	-6	1	-1	-30	0	
Argentina		1432	0.8	1.0	2.5	-26.4	1.4		34.6	-13	128	102	798	228	
Brazil		5.21	0.3	1.0	3.1	11.2	5.6		13.2	3	10	-16	-181	-33	
Chile		856	0.0	1.0	4.5	12.3	5.2		5.2	0	1	-11	-62	-12	
Colombia		3682	0.8	0.4	1.0	12.4	2.5		12.8	2	27	16	141	-5	
Mexico		17.23	0.2	1.0	4.3	19.6	4.5		8.7	-4	-7	-11	-110	-29	
Peru		3.4	0.3	0.3	0.1	10.7	0.1		5.8	0	-2	-14	#VALUE!	-1	
Uruguay		39	0.5	0.0	1.2	12.6	1.4		7.3	-2	2	-20	-243	-24	
Hungary		317	0.8	1.8	4.5	23.7	3.1		6.3	3	1	-14	4	-19	
Poland		3.55	0.7	1.0	2.1	14.4	1.2		4.4	0	0	-15	-110	-16	
Romania		4.3	0.6	0.8	2.1	12.7	1.1		6.3	-2	-7	-34	-91	-35	
Russia		77.3	-0.4	-1.1	2.1	24.9	1.8								
South Africa		16.0	0.2	0.5	3.0	15.3	3.5		8.4	-5	-6	-26	-223	-24	
Türkiye		43.59	0.0	-0.3	-1.2	-17.4	-1.5		29.9	-22	37	59	175	28	
US (DXY; 5y UST)		97	-0.4	-0.4	-2.0	-10.0	-1.1		3.78	2	-5	3	-57	6	

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD		
	basis points														
China		4,719	1.6	2.5	-0.8	21.0	1.9		102	3	25	8	27		
Indonesia		8,032	1.2	1.4	-10.1	20.8	-7.1		97	4	8	2	11		
India		84,066	0.6	2.9	0.6	8.7	-1.4		84	1	-10	-13	-6		
Philippines		6,349	-0.7	0.8	0.0	5.2	4.9		80	1	0	-10	5		
Thailand		1,401	3.5	6.0	11.7	10.3	11.2								
Malaysia		1,751	1.1	0.6	3.8	10.1	4.2		59	3	-1	-14	0		
Argentina		2,977,119	1.5	-4.2	-3.6	23.2	-2.4		520	21	-55	-134	-49		
Brazil		182,950	0.5	0.1	12.0	46.8	13.5		193	2	-11	-31	-10		
Chile		11,205	-0.4	-2.4	2.5	53.8	6.9		92	2	-2	-32	1		
Colombia		2,370	2.1	-2.2	7.1	56.3	14.6		263	-2	-15	-66	-14		
Mexico		70,810	2.8	1.9	8.9	34.4	10.1		211	2	-5	-98	-6		
Peru		3,382	2.5	3.0	16.6	90.2	30.9		108	3	-2	-35	-1		
Hungary		129,573	-0.4	0.9	11.2	49.4	16.7		131	-4	-11	-27	-8		
Poland		125,922	0.5	0.7	3.6	41.2	7.4		93	3	0	-21	2		
Romania		27,254	0.0	0.7	5.9	59.7	11.5		160	-2	-20	-85	-15		
South Africa		119,340	-0.6	0.4	1.0	36.4	3.0		230	0	10	-82	12		
Türkiye		13,764	1.8	1.1	12.8	38.3	22.2		248	0	4	-14	14		
EM total		60	0.3	1.6	5.1	39.1	9.8		265	-1	1	-88	-6		

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

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