



- Widespread support for Fed independence calms markets as gold remains bid ([link](#))
- Equity volatility remains low amid early-year policy and macro surprises ([link](#))
- Long-end EGB pricing remain sensitive to Dutch pension fund news flow ([link](#))
- Talks of a potential snap election in Japan weigh on JGBs and the yen ([link](#))
- Forint strengthens as December inflation dims case for January rate cut ([link](#))
- In China, equity market optimism spurs increased margin loan borrowing ([link](#))

[Mature Markets](#)

[Emerging Markets](#)

[Market Tables](#)

The “Takaichi Trade” is Back

The yen and Japanese government bonds came under renewed pressure as PM Takaichi prepares to dissolve parliament and call a snap election. The “Takaichi trade”—higher Nikkei, weaker yen, steeper JGB curve—is back. Markets are pricing in looser fiscal policy under her mandate, with officials pushing against currency depreciation through verbal intervention. Still, the risk of official FX action is growing as USDJPY flirts with the ¥160 threshold again, a level that triggered intervention in 2024. In the US, public backing for Fed independence helped calm investors, with gold and the Swiss franc remaining bid. Yet some market contacts caution that the bigger near-term risk to sentiment may not be subpoenas or geopolitics, but rather sticky inflation and a tight labor market. Both could push Treasury yields higher, testing the calm in rates and equity volatility. While today’s December inflation for the US release largely validated expectations, a small downside surprise of the core inflation release caught most of the attention. In the Euro area, Dutch pension fund PFZW’s strong demand for duration helped flatten the long end of the euro swap curve, with 30-year swaps now trading at their widest discount to Bunds since November. The move caught some investors off guard, especially those positioned for steepening, expecting pension de-risking under the Dutch transition from defined benefit to defined contribution schemes. Emerging market currencies gained as high carry continues to offer support. The Hungarian forint strengthened after December inflation came in firmer than expected, leading markets to price out a January rate cut.

Key Global Financial Indicators

Last updated: 1/13/26 8:53 AM	Level		Change from Market Close					YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M			
Equities									
S&P 500		6977	0.2	1	2	20		2	
Eurostoxx 50		6028	0.2	2	5	22		4	
Nikkei 225		53549	3.1	3	5	39		6	
MSCI EM		58	1.4	2	7	42		6	
Yields and Spreads									
US 10y Yield		4.18	0.6	1	0	-60		1	
Germany 10y Yield		2.86	2.1	2	1	25		1	
EMBIG Sovereign Spread		252	0	2	-4	-68		-2	
FX / Commodities / Volatility									
EM FX vs. USD, (+) = appreciation		46.8	0.0	0	1	9		0	
Dollar index, (+) = \$ appreciation		98.9	0.1	0	1	-10		1	
Brent Crude Oil (\$/barrel)		65.1	1.9	7	6	-20		7	
VIX Index (%, change in pp)		14.9	-0.2	0	-1	-4		0	

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

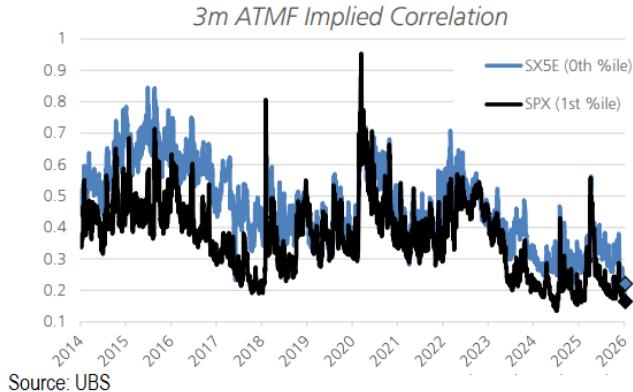
Mature Markets[back to top](#)**United States**

December inflation largely validated expectations with small downside surprise of the core inflation release catching most of the attention. Monthly headline inflation data printed at 0.3% m/m (exp. 0.2% from 0.3). Core headline inflation fell slightly short of consensus estimates at 0.2% m/m (exp. 0.3% vs. 0.16%). Yearly increases printed at 2.7% (exp. 2.7% from 2.7%) for headline and for core at 2.6% (exp. 2.7% from 2.6%). The dollar index weakend (-0.2%) to \$1.1665/€ after the release, while 10-year Treasury yields declined (-2bps) to 4.17%.

Public support for Fed independence helped calm investor nerves, while gold and safe-haven currencies gained. Widespread support for Fed independence publicly backed Fed Chair Powell after news broke that the Department of Justice is looking into his conduct. Senator Thom Tillis (Republican, North Carolina) said he would block all future Fed nominations until the case is resolved. That raises the risk of delays in appointing new governors, including Powell's eventual successor. His term as chair ends in May 2026, and as governor in January 2028. A 10-year bond auction went smoothly, with demand near yearly averages. Treasury yields edged higher, with the 10-year at 4.18% and the 30-year at 4.8% (both +2bps). Gold continued to outperform (+2%), alongside the Swedish krona and Swiss franc (both +0.4%).

Equity volatility remains low, even as 2026 has brought more surprises than expected. The S&P 500 erased early losses to close at 6,977 (+0.2%), supported by broader market participation. Financials lagged after the White House proposed a one-year cap on credit card rates at 10%, pushing the KBW Bank Index down 1%. Under the surface, correlations among S&P 500 stocks remain low (see chart). According to UBS, this reflects investors rotating holdings during dips rather than pulling out of the market—helping to keep volatility down despite large single-stock moves. With the index rally starting to look stretched, analysts suggest using low-cost index calls to express equity exposure from here.

Index implied correlations are at record lows for many indices and ETFs, even though longer-run spot moves have often been very large to the upside (driving protected value in low-cost calls).

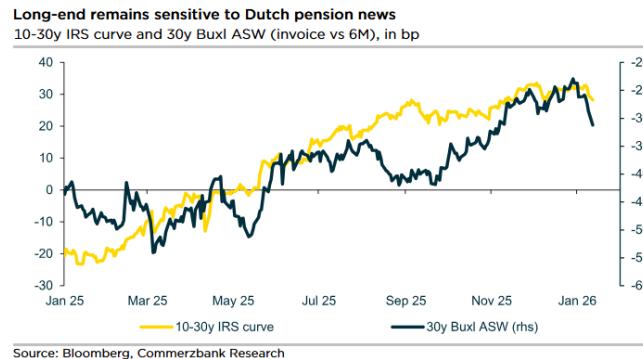


JPMorgan beat expectations with improved net interest income (NII) guidance. The bank topped both revenue (+0.9% vs. consensus) and EPS (\$5.23/share, +4.5%) forecasts in Q4, driven by strong trading revenues of \$8.2 bn. However, investment banking fees fell short, dropping to \$2.35bn (vs. est. \$2.55bn) as debt underwriting declined 2% y/y and missed internal guidance by 18%. NII came in at \$25 bn (+0.5%) for the quarter, with the bank guiding to \$103 bn NII in 2026—up from \$95 bn in 2025. Full-year net income was \$55.7 bn, slightly below last year's record \$57 bn. The CET1 ratio (standardized) stood at 14.5% at year-end, down from 15.7% in 2024, with a Q4 payout ratio of 82%. CEO Jamie Dimon highlighted the firm's focus on long-term capital deployment, pointing to the Apple Card as a “*patient and thoughtful*” use of excess capital. JPM shares initially rose as much as 2% in pre-market trading (from -1% yesterday), while paring gains into the open.

Euro area

European equities edged lower in early morning trade ahead of US inflation data. The Stoxx 600 was lower (-0.2%), retreating from yesterday's record high close, led by declines in the utilities and materials sectors. Among regional stock indices France's CAC40 underperformed (-0.5%). The euro traded fractionally weaker to the dollar to trade at \$1.1666/€. Greece issued a €4bn 10Y bond.

Long-end European government bonds remain sensitive to Dutch pension fund news flow. Yesterday, the 30-year swap rate declined (-5bps) to 3.13% with the 10s30s swap curve flattening (-2bps) to 30bps after PFZW, the second largest pension fund in the Netherlands came out with news that it would hedge a larger share of interest rate risk for younger age members of its pension plan. According to the revised transition plan, PFZW plans to hedge around 20% of the risk for members under the age of 50, which is more than market participants had expected and more than other funds that have transitioned. Bank of America analysts note that the life cycle choice is the single most important input into gauging the amount of fixed income and hedging required under the new defined contribution system. The analysts expect the 10s30s swap curve to steepen further to around 40–45bps from current levels, but expect some volatility given steepener positioning ahead of expected shifts in Dutch pension fund demand has become crowded. This morning, European government bond yields were trading 1–3bp higher across the board led by the long-end amid significant supply. Intra-EMU government bond spreads remained steady with the 10Y BTP-Bund spread at 62bps and the 10Y OAT-Bund spread at 67bps.

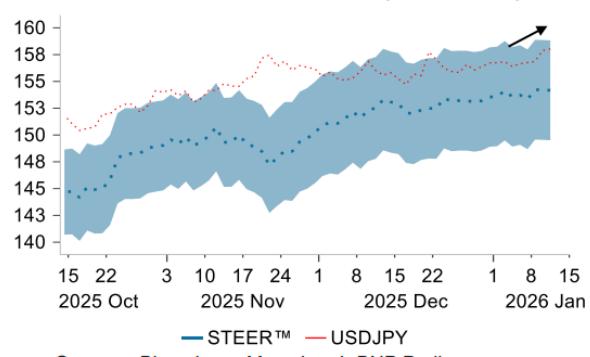


Japan

Japanese markets reopened on a positive note after Monday's holiday. The Nikkei rose (+3.1%), led by tech stocks, as investor sentiment improved on growing talk of a snap election.

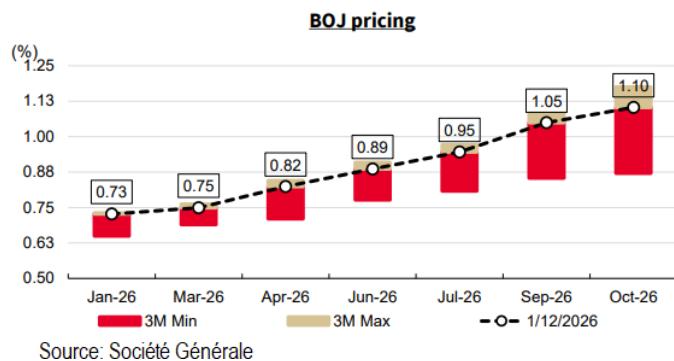
Talk of a snap election weighed on the yen and JGBs. Kyodo and Yomiuri News reported that PM Takaichi may dissolve the lower house as early as January 23. Possible election dates are February 8 or 15. A snap vote is seen as an attempt to solidify the ruling LDP's grip on power while approval ratings remain high. Market reaction showed caution. The yen dropped (-0.5%) to ¥158.94/\$, an 18-month low. The 10-year JGB yield jumped (+7bps) to 2.17%, the highest in nearly 3 decades. FX desks flagged rising intervention risk, with the Ministry of Finance sitting on roughly \$180bn in liquid reserves for potential interventions. Analysts at Mizuho and SMBC Nikko noted that USDJPY near ¥160/\$ has been a trigger point for action in the past. The pair has now entered the 158–162 "danger zone," where verbal warnings or outright intervention become more likely, especially given the persisting gap between yen pricing and its rate-based fair value estimate (see chart).

USDJPY short term value (FV=154.17)



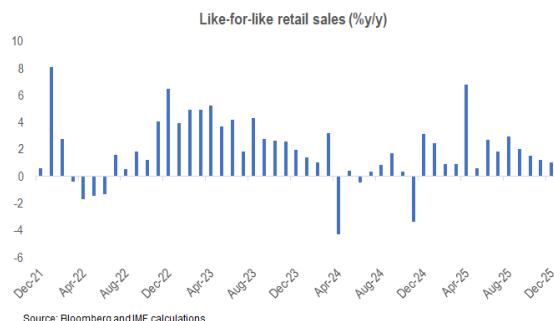
The yen's slide also revives speculation around the BOJ's policy path. Most economists still expect the next rate hike in June, but ongoing yen weakness could accelerate imported inflation. Wage data is helping build the case, anchoring current market pricing close to its 3-month ceiling (see chart). Life insurer

Meiji Yasuda plans to raise sales staff pay by 6.5% for the year ending March 2026 (up from 5%), while Nippon Life expects a hike of more than 6% in fiscal 2026. These developments may nudge the BOJ toward acting earlier—though Mizuho analysts still see the strongest case for a hike in July.



United Kingdom

Retail sales slowed for a fourth straight month in December, adding to signs of softening consumer demand. Like-for-like sales rose just 1.0% y/y (exp. 1.3%, from 1.2%), while credit and debit card spending fell 1.7% y/y—the sharpest decline since February 2021, according to data compiled by Barclays. Despite the weak data, overnight pricing for Bank of England (BoE) cuts was little changed, with markets still priced for -45bps of cuts by year-end. UBS analysts believe markets may be underestimating the chance of a February rate cut, especially if labor market data deteriorates further. They see current market pricing as “too timid,” with room for the Bank Rate to fall to 3% this year. Gilt yields edged higher in line with global peers. The 10-year rose (+2bps) to 4.39%, while pound sterling firmed slightly to \$1.3474/£.



Emerging Markets

[back to top](#)

This morning, EMEA equities edged higher while currencies lacked trend. In CEE, equities gained, led by Hungary and Romania (both +0.9%). Regional currencies were little changed against the euro, except for the Hungarian forint, which strengthened +0.3% to HUF385.88/€ after December inflation slowed to 3.3% y/y (exp. 3.2% from 3.8%). In Turkey, equities rose (+0.5%), while the lira slipped (-0.1%) to TRY43.16/\$. The South African rand weakened (-0.2%) to ZAR16.42/\$ while the local stock market edged lower (-0.1%).

In Asia, regional currencies continued to weaken. The Korean won weakened for a ninth straight session (-0.4%), weighed down by continued outflows. Local investors kept shifting funds into overseas assets, while foreign investors remained net sellers of Korean stocks.

Yesterday, Latin American markets saw broad equity gains as currencies lacked clear direction. Within stock markets, Chile (+1.3%) and Mexico (+1.0%) led regional performance, while Brazil edged

lower. Within currencies, the Chilean peso rose (+1.0%) alongside a sharp intraday jump in copper prices on the London Metal Exchange. The Mexican peso gained slightly, while the Brazilian real weakened. Markets in Colombia were closed for the Epiphany holiday.

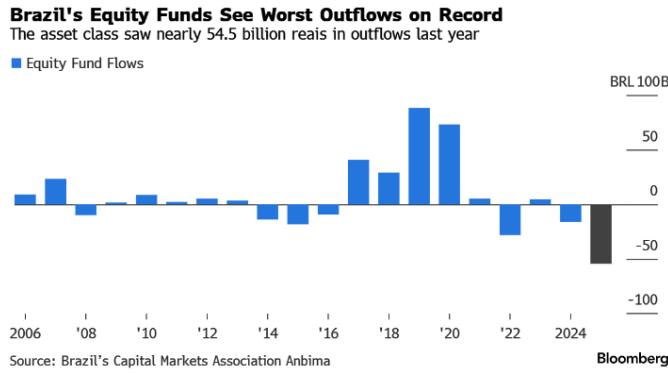
Emerging Markets

Emerging market assets advanced as the rising political uncertainty weighed on the dollar and revived interest in the “Sell America” trade. Most EM currencies strengthened, led by the Chilean peso (+1%) and South African rand (+0.6%), lifting the JPM EM currency index. Analysts noted that attractive EM carry could help offset rising geopolitical risks, particularly in Latin America and the Middle East. EM equities also gained, with the MSCI EM Index up (+0.9%) and trading near record highs, supported by strength in large-cap Asian tech and chipmakers.



Brazil

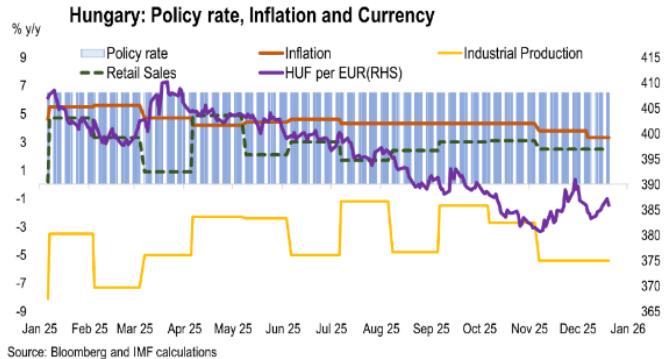
Strong foreign demand propelled Brazil's stock market in 2025, even as local investors stayed on the sidelines. The Ibovespa gained 24% for the year, supported by foreign inflows of \$4.7 bn—a sharp turnaround from \$6.0 bn in outflows in 2024. Despite the rally, domestic equity funds saw record redemptions of R\$54.5 bn (\$10.1 bn) as local investors continued to favor fixed income. With short-term rates near 15%, demand for yield remains strong. Market contacts expect local investors to stay underweight equities until rates fall, which would improve relative appeal and help stabilize fund flow.



Hungary

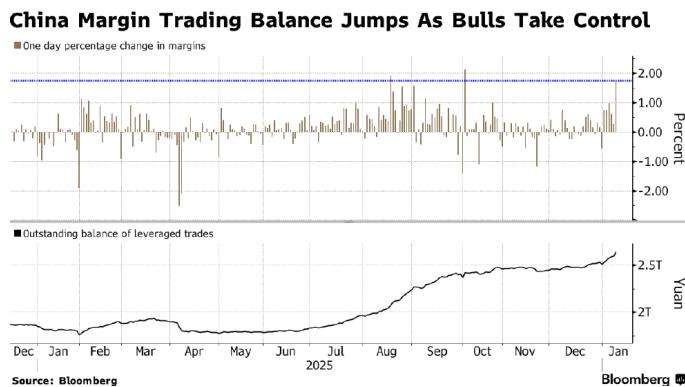
Upbeat December inflation data lowered expectations for a January rate cut by the National Bank of Hungary (NBH), giving the forint a modest boost. Headline CPI printed above expectations at 3.3% y/y (exp. 3.2%, down from 3.8% in November), driven by still-elevated services inflation at 6.8% y/y. NBH Governor Varga had called the December print “decisive,” as the central bank has kept its policy rate steady at 6.5% since September. In December, the bank shifted its forward guidance from ruling out cuts to a more flexible, meeting-by-meeting stance, helped by forint strength easing inflation pressures. Analysts at ING

now see little room for a rate cut in January but expect a clearer path in February if services inflation slows more meaningfully. Following the release, money markets pared back rate cut bets. Traders had previously priced in close to 50 bps of easing over the next three months. The forint gained (+0.3%) to HUF385.88/€, while bond yields rose across the curve. The 5-year yield increased (+3bps) to 6.21%, and the 10-year rose (+2bps) to 6.58%.



China

Margin lending rose alongside a surge in equity turnover. Optimism in Chinese stocks drove record trading activity on Monday, with combined turnover in Shanghai and Shenzhen hitting RMB 3.6tn (\$516bn). Margin loans rose 1.8% to RMB 2.65 tn (\$380bn), the biggest jump in three months (see chart). Gains were led by tech, with the Hang Seng Tech Index up over 6% year-to-date. Analysts cited investor interest in AI themes and ongoing policy support as key drivers. Still, there are signs of caution. According to Bloomberg, ETFs tracking the CSI A500 Index saw outflows this week after record inflows in December, suggesting some investors may be locking in gains or turning more selective.



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Global Financial Indicators

1/13/26 8:54 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
United States	6,982	0.2	0.5	2.3	19.6	2	
Europe	6,028	0.2	1.6	5.4	21.7	4	
Japan	53,549	3.1	3.3	5.3	39.2	6	
China	4,761	-0.6	-0.6	3.9	24.6	3	
Asia Ex Japan	99	1.4	1.8	7.7	42.2	6	
Emerging Markets	58	1.4	1.9	6.8	42.0	6	
Interest Rates							
basis points							
US 10y Yield	4.2	1	1	0	-60	1	
Germany 10y Yield	2.9	2	2	1	25	1	
Japan 10y Yield	2.2	8	4	22	97	11	
UK 10y Yield	4.4	2	-9	-13	-49	-9	
Credit Spreads							
basis points							
US Investment Grade	107	-1	-2	-7	-14	-1	
US High Yield	321	-1	-7	-22	6	-15	
Exchange Rates							
%							
USD/Majors	98.9	0.1	0.4	0.5	-10.0	1	
EUR/USD	1.17	0.0	-0.2	-0.8	13.9	-1	
USD/JPY	158.9	0.5	1.4	2.4	0.9	1	
EM/USD	46.8	0.0	0.2	0.9	9.1	0	
Commodities							
%							
Brent Crude Oil (\$/barrel)	65.1	1.9	7.2	6.9	-10.6	7	
Industrials Metals (index)	173.3	0.4	-0.1	11.9	20.3	6	
Agriculture (index)	53.3	-0.3	-1.7	-2.9	-8.9	0	
Gold (\$/ounce)	4613.7	0.4	2.6	7.2	73.2	7	
Bitcoin (\$/coin)	92059.5	1.2	0.9	2.1	-2.2	5	
Implied Volatility							
%							
VIX Index (%), change in pp	14.9	-0.2	0.2	-0.8	-4.3	0.0	
Global FX Volatility	6.6	0.0	0.1	-0.1	-2.7	-0.3	
EA Sovereign Spreads							
10-Year spread vs. Germany (bps)							
Greece	49	0	-8	-11	-37	-10	
Italy	63	0	-7	-6	-58	-7	
France	67	0	-5	-5	-18	-4	
Spain	40	1	-3	-5	-30	-4	

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

Emerging Market Financial Indicators

1/13/2026 8:54 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)								
	Level		Change (in %)				YTD	Level		Change (in basis points)				YTD		
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M			
vs. USD		(+/-) = EM appreciation				% p.a.										
China	6.98	0.0	0.1	1.0	5.1	0.2		1.9		-1	0	3	27		1	
Indonesia	16865	-0.2	-0.7	-1.2	-3.5	-1.0		6.1	3	5	-2	-104	5			
India	90	0.0	0.0	0.6	-4.0	-0.3		7.2	11	11	1	-16	16			
Philippines	59	-0.1	-0.2	-0.5	-1.0	-0.9		4.7	0	-1	5	-36	4			
Thailand	31	-0.7	-0.7	-0.1	10.6	0.1		1.9	4	14	10	-47	18			
Malaysia	4.06	0.1	-0.3	0.9	11.2	0.1		3.5	-1	1	-6	-33	1			
Argentina	1468	0.0	0.0	-2.0	-29.2	-1.1		33.6	6	97	386	828	125			
Brazil	5.38	-0.1	-0.1	0.7	13.3	1.8		13.4	-5	0	-3	-209	-17			
Chile	883	0.1	1.2	3.6	14.0	1.9		5.2	1	-8	-5	-62	-9			
Colombia	3685	0.8	0.8	3.9	16.9	2.5		12.6	0	-18	20	112	-24			
Mexico	17.87	0.3	0.7	0.6	15.5	0.7		8.8	-1	-4	-17	-140	-13			
Peru	3.4	0.1	0.1	0.3	12.5	0.1		5.9	0	8	10	-78	15			
Uruguay	39	0.2	0.8	1.1	14.0	0.8		7.4	-2	-10	-32	-228	-14			
Hungary	331	0.1	-0.7	-1.2	21.7	-1.2		6.4	-6	-14	-36	-31	-18			
Poland	3.61	0.0	-0.2	-0.5	15.5	-0.5		4.5	2	-4	-19	-117	-5			
Romania	4.4	0.0	-0.2	-0.7	11.2	-0.7		6.5	-4	-16	-30	-111	-18			
Russia	78.8	-0.5	2.4	0.8	30.5	-0.1										
South Africa	16.4	-0.1	-0.3	2.4	16.1	0.9		8.7	-2	10	-12	-204	10			
Türkiye	43.16	-0.1	-0.3	-1.1	-17.8	-0.5		29.8	-10	42	-131	106	15			
US (DXY; 5y UST)	99	0.1	0.4	0.6	-10.0	0.6		3.76	0	4	2	-84	3			

	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	4,761	-0.6	-0.6	3.9	24.6	2.8		76	-2	0	-15	1				
Indonesia	8,948	0.7	0.2	3.3	28.6	3.5		91	1	7	2	5				
India	83,628	-0.3	-1.7	-1.9	9.3	-1.9		91	-1	-1	5	1				
Philippines	6,409	-0.2	1.4	6.2	1.7	5.9		76	-4	4	-3	1				
Thailand	1,235	-0.6	-3.1	-1.5	-7.8	-1.9										
Malaysia	1,708	0.8	2.1	4.3	8.4	1.7		60	0	3	-13	1				
Argentina	162,535	-0.4	-1.5	2.9	15.4	0.4		584	11	-50	5	15				
Brazil	11,147	-0.1	-0.7	1.1	36.6	0.9		201	-2	-1	-28	-2				
Chile	2,213	1.3	2.0	7.2	65.0	6.4		95	0	6	-22	4				
Colombia	66,746	1.2	3.7	5.0	57.3	7.0		275	-9	-3	-48	-2				
Mexico	2,994	1.0	2.7	3.1	33.9	3.8		222	5	7	-85	5				
Peru		3.2	10.5	16.6	71.7	15.9		111	2	16	-32	2				
Hungary	118,458	0.9	1.7	8.1	43.4	6.7		143	3	1	-8	4				
Poland	121,948	-0.1	1.3	7.2	50.6	4.0		93	1	6	-16	2				
Romania	26,281	-0.2	7.5	9.8	54.8	7.5		186	6	2	-52	10				
South Africa	120,492	0.3	1.5	6.3	46.9	4.0		229	12	10	-55	11				
Türkiye	12,387	1.1	3.0	9.5	27.3	10.0		247	7	8	-9	13				
EM total	58	-0.2	1.9	6.8	42.0	5.9		266	3	-3	-92	-5				

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

[back to top](#)