



- **Equities gain and Treasury yields ease after US President Trump's inauguration** ([link](#))
- **France's first syndicated bond sale in eight months attracts significant investor demand** ([link](#))
- **Threat of new US tariffs weighted on Chinese financial markets** ([link](#))
- **Indian equities fell to its weakest level since last June amid foreign outflows** ([link](#))
- **EM Eurobond issuances moderate after record start of the year** ([link](#))
- **Special Feature: Corporate Earning Monitor Q3 2024** (attached)

[Mature Markets](#)







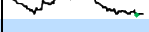




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## Risk-on Sentiment prevails amid uncertainty

**Equity markets mostly continue to gain while sovereign yields edge lower, with markets remaining focused on the US policy agenda.** Amid relief that no immediate tariffs have yet been imposed by the US administration, equity markets generally continue to gain with US equity futures this morning also supported by robust corporate earnings results. Treasury yields continued to ease yesterday, likely reflecting optimism that a more gradual approach on tariffs would be taken. Contacts again note the significant uncertainty regarding potential tariffs, however, and Chinese financial markets were weighed down by threats by US President Trump to impose tariffs on China. In the meantime the dollar index has retraced all its gains made in 2025, and following Monday's threat to impose tariffs on Canada and Mexico, the CAD and MXN are now roughly 1% stronger respectively, compared to last Friday. This morning emerging market currencies were mostly stronger against the dollar, with the Malaysian ringgit outperforming its Asian peers after Bank Negara Malaysia kept its benchmark interest rate unchanged at 3%, as expected. Elsewhere, France's first syndicated bond sale in eight months attracted significant investor demand while in India, equities reached the weakest level since last June, amid foreign outflows.

Key Global Financial Indicators

Last updated: 1/22/25 12:38 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>							
S&P 500		6049	0.9	4	2	25	3
Eurostoxx 50		5223	1.1	4	7	17	7
Nikkei 225		39646	1.6	3	2	8	-1
MSCI EM		43	1.1	4	1	12	2
<b>Yields and Spreads</b>							
US 10y Yield		4.57	-0.2	-8	5	47	1
Germany 10y Yield		2.51	-0.1	-5	22	22	14
EMBIG Sovereign Spread		319	-2	-3	-13	-80	-5
<b>FX / Commodities / Volatility</b>							
EM FX vs. USD, (+) = appreciation		43.4	0.3	1	0	-8	1
Dollar index, (+) = \$ appreciation		108.0	0.0	-1	0	5	0
Brent Crude Oil (\$/barrel)		79.4	0.1	-3	9	-1	6
VIX Index (% change in pp)		14.8	-0.2	-4	-4	2	-3

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

## Mature Markets

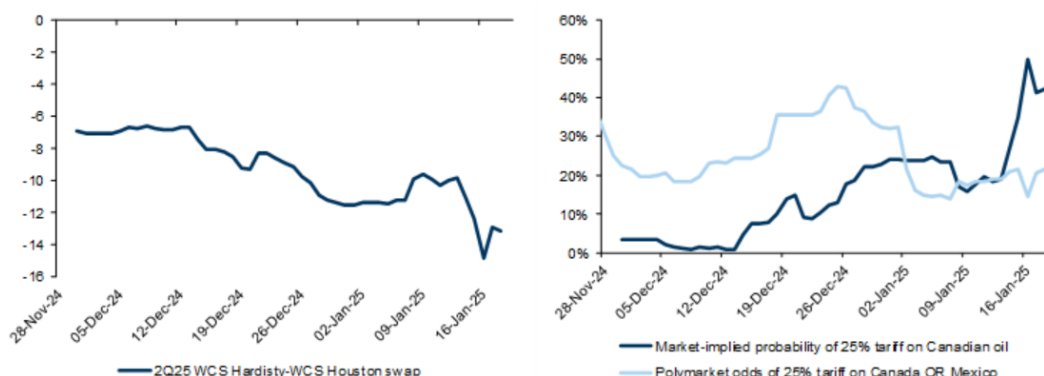
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### United States

**Risk assets gain on Tuesday after President Trump's inauguration but uncertainty remains.** Contacts note that investors have been reassured somewhat after the new administration did not introduce immediate new tariffs, raising traders' hopes that the President only use tariffs as a negotiation tool and that the worst outcomes would not materialize. While nervousness for what could lie ahead remain, for now, investors' base case is that potential tariff measures would not derail US growth, albeit with a great deal of uncertainty. Treasury yields declined across the term structure (10y -5bps to around 4.6%; 2y -1bps to around 4.3%), and equity markets gained, with the S&P500 (+0.8%) closing at its highest level so far this year. Amongst the steps taken, President Trump rescinded ex-president Biden's executive order on AI, announced a new AI investment, and scheduled to meet Congressional Republican leaders to discuss tax cuts later Tuesday. Meanwhile, the SEC announced the creation of a task force to develop a regulatory framework for digital assets, criticizing the agency's approach under the previous administration. AI-related shares and small caps outperformed, while Bitcoin rebounded. The Brent crude price fell back to \$79/bbl yesterday with Goldman Sachs highlighting as contributing factors President Trump not imposing immediate sanctions on Iran or Russia on his first day in office, and also market expectations for US supply after Monday's declaration of National Energy Emergency. The dollar depreciated against major currencies yesterday.

**Analysts estimate that some commodity markets are pricing in high probabilities of tariffs.** According to Goldman Sachs Research, relatively high near-term tariff risk is priced in for copper and Canadian oil markets. The analysts find that the oil market is pricing in roughly a 40% probability of a 25% US tariff on Canadian goods, including oil, that President Trump has referenced, based on price differentials in and outside the US. The 40% probability is higher than the odds-implied probability in a prediction market. Similarly, the analysts estimate that the copper market is pricing in roughly a 50% probability of a 10% US tariff on copper by the end of Q1.

**Exhibit 3: The Widening in Canadian Oil (WCS) Locational Differentials Indicates A Sharp Repricing Of Tariff Risks**



WCS Hardisty-WCS Houston differentials need to be at least \$7/bbl wide to cover uncommitted pipeline transportation costs. The polymarket probability refers to the question: "Will Trump impose 25% tariff on Mexico OR Canada? The market implied probability for tariffs on Canada alone is thus likely lower.

Source: Polymarket, Goldman Sachs Global Investment Research

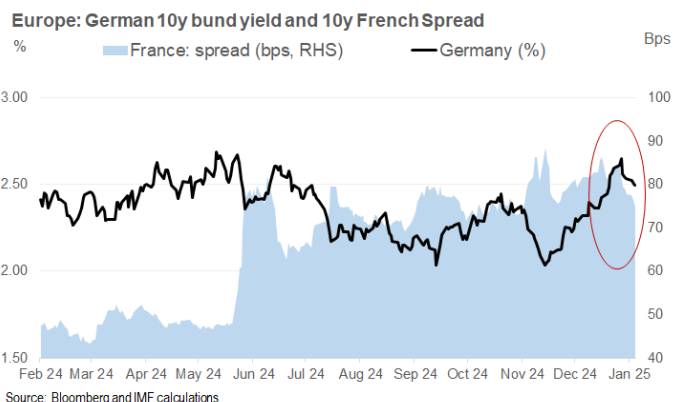
### Europe

**European equities were trading higher this morning with several indices reaching record highs.** The Stoxx 600 index was 0.7% higher in early morning trade and reached an intraday record high for the first time since last September, according to Bloomberg data. Some commentary suggests the positive tone in risk assets indicates investor optimism at the lack (so far) of US tariffs on Europe, while others point to

corporate earnings, particularly in the health care sector alongside more attractive valuations for European equities, relative to US equities. YTD, the Stoxx 600 is up 4.3%, outperforming the S&P 500, which is up 2.8% YTD. The euro was slightly firmer against the dollar (+0.2%) to trade at 1.0454 this morning, while European government bond yields were fractionally lower (2-year bund yield at 2.21%; 10-year Bund yield at 2.50%).

### France's first syndicated bond sale in eight months attracts significant investor demand.

According to Bloomberg data, orders for the new €10bn note maturing in 2042 exceeded €130bn yesterday, beating the previous record of €98bn set a year ago with a bid to cover ratio of 13.0x. Pricing for the issue settled at around eight bps over comparable bonds. Elsewhere, French Finance Minister Lombard said that he had secured support from Brussels for his deficit reduction plan. The new administration is targeting a budget deficit of 5.4% this year, slightly larger than the 5% targeted by the previous government. The 10Y French-German bund spread has narrowed to around 74bps, down from 83bps at the end of December. Separately, ECB Governing Council member Nagel said that he expects inflation to reach the 2% target by mid-2025, allowing policymakers to lower rates towards the neutral rate. This morning ECB President Lagarde, speaking at Davos, said that policymakers will maintain a gradual approach to easing monetary policy and that “we don’t see ourselves behind the curve”. Money market pricing for ECB rate cuts expects around 100bps of easing by December 2025, broadly unchanged relative to a week ago.



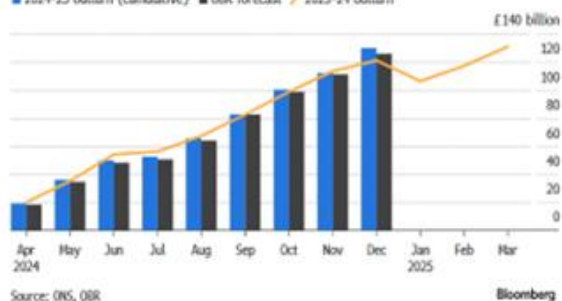
### United Kingdom

**Debt interest costs push up UK government borrowing.** UK government borrowing rose to £17.8bn in December 2024, more than double the figure recorded in the prior year and the highest figure for December since the pandemic, according to Bloomberg data. The main driver of the increase was the cost of servicing inflation-linked debt, which accounts for around a quarter of the total stock of UK government debt. In addition, increases in welfare payments and public-sector pay also added to the increase in borrowing. Chief Treasury Secretary Jones reiterated the government’s commitment to its fiscal rules saying that they remain “non-negotiable” and that the government will retain an “iron grip on public finances”. Gilt yields were little changed this morning. Over the past week 10-year gilt yields have declined substantially (-14bps to 4.59%) outperforming German bunds (-5bps to 2.50%) and US Treasuries (-8bps to 4.57%), while money markets have added to expectations of BoE easing and now expect around 67bps of easing by December 2025, up from 56bps last week.

#### Borrowing After Nine Months is Running Ahead of Forecast

UK budget deficit

■ 2024-25 outturn (cumulative) ■ OBR forecast / 2023-24 outturn



#### UK: Currency and gilt yields



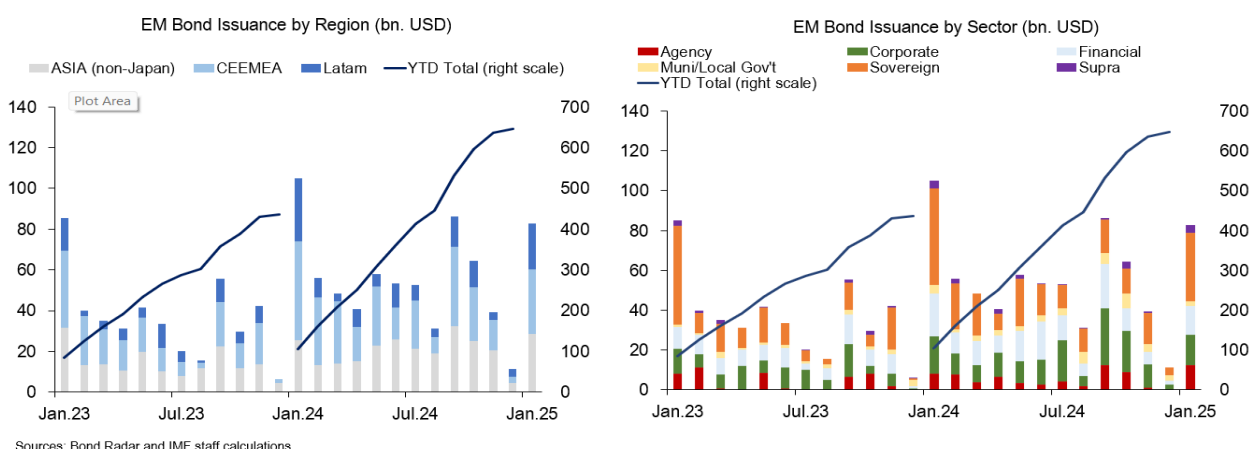
## Emerging Markets

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**EMEA equities and currencies mostly traded higher this morning as markets continued to rally on headlines of no immediate US tariffs.** In CEE, equities edged higher with those in Poland (+1.3%) outperforming. The Polish zloty advanced (+0.3%) against the euro, trading at PLN 4.23/€, despite today's Polish industrial production data disappointing (+0.2%y/y growth reported for December (versus expected 2.5%, from -1.5%y/y). In Türkiye equities gained (+0.2%) while the lira was little changed against the dollar trading at TRY35.64/\$. **Asian equities and currencies were mixed with Chinese assets underperforming amid renewed tariff threats from Trump while others gained.** In line with market expectations, **Bank Negara Malaysia (BNM) kept its benchmark interest rate unchanged at 3%.** BNM expects growth momentum to continue and inflation remaining under control this year. Following the central bank decision, the Malaysian ringgit gained 0.9% against the dollar, outperforming its Asian peers. **Regional assets in Latin America were mixed as market participants assessed the decline in commodity prices and evolving US trade policies.** The Mexican peso depreciated -0.6% against the US dollar following the announcement that Mexico could face potential tariffs of up to 25% on goods exported to the US. The Chilean Peso also declined marginally (-0.2%), weighed down by copper prices. Local currency government bond yields eased, in line with US rates, with 10-year Mexico and Colombia bond yields declining -20 and -16 bps, respectively. Local equities posted modest gains, with the broad MSCI Latin America index rising by 0.29%.

## Emerging Market Bond Issuance

**EM international bond issuances moderated in the past week.** Issuances moderated to \$22.9bn, declining from a record \$60bn at the start of the year, according to data compiled by Bond Radar. Although market access has become more challenging, Benin's issuance of a \$500mn 6-year bond last week saw strong demand, with demand for the bond amounting to \$3.5 bn (7x oversubscribed) and the yield of the bond 8.625%, lower than the initial-price talks of 9.25–9.375%. Benin's successful issuance marks the first African sovereign dollar-bond offering in 2025. In contrast, Bahrain's Arab Banking Corp. (ABC) canceled its inaugural AT1 bond sales as investors withdrew their orders after its final price was set at 7.875%, lower than the initial price talk of around 8%. ABC halted the \$400 mn transaction despite initially garnering over \$750 mn in orders at the initial price talk. This cancellation marks the first pulled deal in the CEEMEA region for 2025. Year-to-date aggregate issuances currently stand at \$83 bn, slightly lower than the \$105 bn recorded in January 2024.



## China

### Threat of new US tariffs weighted on Chinese financial markets.

US President Trump indicated possible new tariffs on Chinese goods and said a 10% tariff could come as soon as next month. The onshore yuan depreciated by 0.1% against the US dollar to CNY 7.275, the most in three weeks, while the offshore CNH weakened to 7.278 per dollar. Meanwhile, the benchmark CSI 300 Index fell for the first time in five days (-0.9%) and the Hong Kong Hang Seng Index lost 1.6%, underperforming its Asian peers. While the 10% levy is lower than the 60% mentioned on the campaign trail, market observers expect heightened uncertainty to persist. That said, currency market traders noted that bearish Renminbi sentiment appears to be declining. Dollar-offshore yuan implied volatility, a measure of the currency pair's expected future movement, continued to fall even after Trump's renewed threat of tariffs on China, with the three-month tenor falling the most since December. Traders noted that hedge funds have been unwinding dollar-offshore yuan option trades this week, as the outlook for the Renminbi begins to stabilize.

### Yuan Option Volatility Falling Despite Tariff Risks

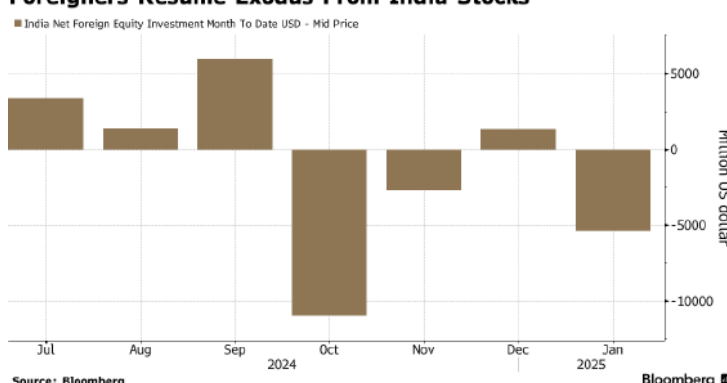


## India

### Indian equities fell to its weakest level since last June amid foreign outflows.

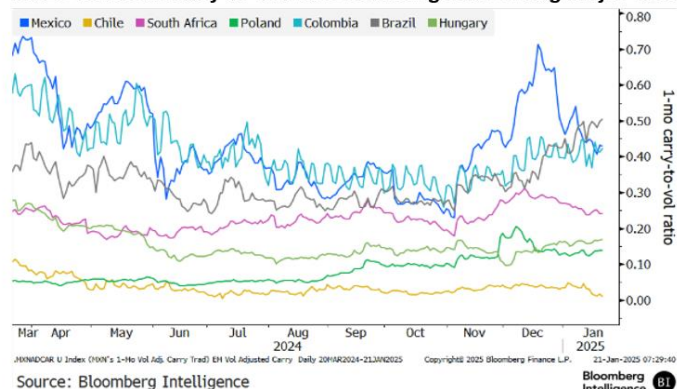
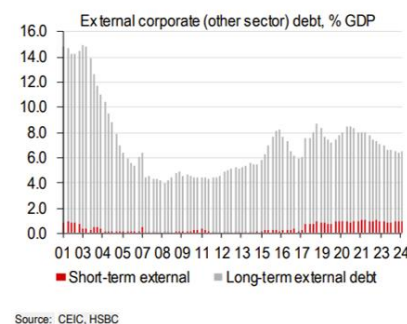
Global funds pulled out \$5.4 bn from Indian equities on a net basis in January, per Bloomberg, more than offsetting robust domestic inflows into mutual funds. Since October, global funds have withdrawn over \$17 bn from Indian equities. Analysts note that worries about India's growth outlook, combined with weak corporate earnings results have weighted on the benchmark NSE Nifty 50 Index, which has lost 12% since September and is currently at its lowest level since June. Bloomberg data show that foreign investors have mainly sold shares of financials, energy and other sectors vulnerable to slowing growth. That said, Indian shares remain expensive globally, with a forward PE ratio of about 19. In comparison, the S&P 500, which is near its historic high, has a forward PE ratio of 22 and has gained 6% since last October. Investors are shifting their focus to the federal budget announcement on February 1 for insights on government measures to stimulate consumption and growth.

### Foreigners Resume Exodus From India Stocks

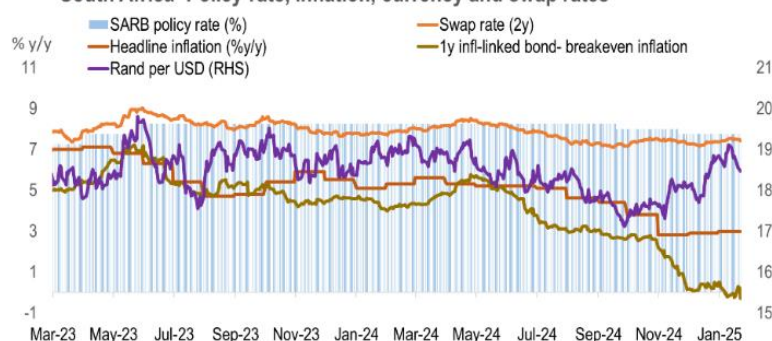


## Brazil

**High carry offered by Brazilian Real may deter speculators to open shorts at current levels.** The Brazilian Real continues to provide significant value for carry trades despite recent depreciation pressures, with a one-year interest rate now exceeding 10%, thus making it costly for investors to position themselves against the currency. Bloomberg analysts highlight that the 1-month carry-to-vol ratio is now the highest amongst major EM currencies, despite its recent volatility (*left chart*). Earlier last week, HSBC analyst also noted that the Brazilian Real is less vulnerable to global trade policies and external risks (*right chart*), while investors are also cognizant of central bank's intervention. Nevertheless, while downside risk to the currency appears to be manageable, the analysts argue that a significant strengthening of the currency would require a positive catalyst.

**BRL's 1-month carry-to-vol ratio is the highest among major EMs****7...fortunately, BRL depreciation does not imply any serious financial stability concerns due in part to low external corporate debt****South Africa****Inflation surprises on the downside in December.**






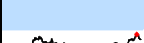



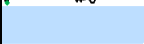

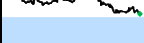











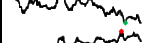

The rand edged higher (+0.2%) against the dollar this morning, trading at ZAR18.48/\$, while stocks gained +0.5% and 10y South Africa's domestic government bond yields declined by -6bps to 10.31%, after the December inflation print showed headline inflation increased by less than expected (3.0%/y versus expected 3.2%, from 2.9% in November) while core inflation unexpectedly eased (3.6%/y in December versus expected increase to 3.8% from 3.7%/y). The South African Reserve Bank (SARB) has already cut its policy repo rate by -50bps since September, and analysts at Deutsche Bank and Bloomberg expect the central bank to pause easing in 2025 after the January cut given rising inflationary pressures from increasing wages. With inflation at the lower bound of the SARB's 3%–6% target range since November, money markets are currently pricing in another -25bps rate cut with 42% likelihood at the upcoming SARB's MPC meeting on January 30. Deutsche Bank analysts forecast inflation at 4.9% by the end of 2025 and averaging at 4.5% in 2026, against GDP growth of 1.7% in 2025 supported by structural rail and port reforms involving private investments and by fiscal consolidation with the deficit forecast to decline to 3.7% of GDP in 2025/26.

**South Africa- Policy rate, inflation, currency and swap rates**

*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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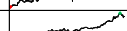









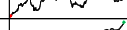










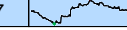

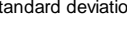


## Global Financial Indicators

1/22/25 12:53 PM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
<b>Equities</b>			%				%
United States		6,049	0.9	3.6	2.0	24.7	3
Europe		5,223	1.1	3.8	7.4	16.6	7
Japan		39,646	1.6	3.1	1.2	8.6	-1
China		3,797	-0.9	0.0	-3.5	17.5	-4
Asia Ex Japan		73	0.9	4.3	-0.1	16.1	1
Emerging Markets		43	1.1	4.2	0.6	11.8	2
<b>Interest Rates</b>			basis points				
US 10y Yield		4.6	0	-8	5	47	0
Germany 10y Yield		2.5	0	-5	22	22	14
Japan 10y Yield		1.2	1	-6	14	54	10
UK 10y Yield		4.6	0	-14	8	69	2
<b>Credit Spreads</b>			basis points				
US Investment Grade		117	0	-3	-3	-11	-3
US High Yield		296	-1	-13	-22	-95	-32
<b>Exchange Rates</b>			%				
USD/Majors		108.0	-0.1	-1.2	0.4	4.5	0
EUR/USD		1.04	0.1	1.4	0.3	-4.1	1
USD/JPY		155.9	0.3	-0.4	-0.8	5.3	-1
EM/USD		43.4	0.3	0.9	-0.1	-8.4	1
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		79.4	0.1	-3.3	9.4	4.4	6
Industrials Metals (index)		144.7	-0.8	0.4	2.5	7.6	3
Agriculture (index)		58.8	-0.2	1.1	4.9	-4.0	3
<b>Implied Volatility</b>			%				
VIX Index (%, change in pp)		14.8	-0.2	-3.9	-3.5	1.7	-2.5
Global FX Volatility		8.4	0.0	-0.6	-0.7	1.0	-0.8
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		85	-2	5	-1	-19	-1
Italy		107	-1	-7	-9	-48	-9
France		75	-2	-5	-5	25	-8
Spain		62	-2	-3	-8	-30	-8

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

## Emerging Market Financial Indicators

Last updated: 1/22/2025 12:57 PM	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		7.27	0.0	0.9	0.4	-1.0	0.4		1.7	-2	1	-2	-88	-1
Indonesia		16285	0.3	0.2	-0.7	-4.0	-1.1		7.1	-2	-15	-1	45	5
India		86	0.3	0.0	-1.4	-3.8	-0.8		7.2	1	-16	-9	-5	-17
Philippines		59	0.0	0.2	-0.1	-3.8	-1.1		5.1	1	-1	16	-36	24
Thailand		34	0.8	2.7	1.2	5.5	0.8		2.4	0	0	12	-35	11
Malaysia		4.44	0.9	1.4	1.2	6.7	0.8		3.8	0	-1	-3	1	0
Argentina		1046	0.0	-0.6	-2.0	-21.5	-1.4		25.0	-38	86	-334	-5600	-421
Brazil		6.00	0.4	0.2	3.2	-16.9	2.9		15.3	3	-4	43	505	-65
Chile		997	0.6	0.9	-0.6	-8.8	-0.2		5.7	-4	-16	18	30	6
Colombia		4306	0.3	-0.3	2.6	-9.4	2.3		11.5	-9	-20	6	174	-35
Mexico		20.54	0.4	-0.4	-1.8	-16.3	1.4		10.1	-10	-20	-19	76	-21
Peru		3.7	0.2	1.2	-0.2	0.3	0.3		6.7	1	-5	-8	2	3
Uruguay		44	0.1	0.6	1.3	-11.6	0.5		9.7	2	5	4	41	5
Hungary		394	0.2	1.5	0.6	-10.5	0.9		6.6	-3	-17	21	85	18
Poland		4.05	0.6	2.1	1.2	-1.1	1.9		5.6	-4	-14	12	56	5
Romania		4.8	0.1	1.4	0.3	-4.1	0.7		7.8	4	8	37	150	51
Russia		98.9	0.9	3.7	2.4	-10.9	14.8							
South Africa		18.5	0.2	1.7	0.5	4.0	2.0		10.5	-6	-25	-3	-80	5
Türkiye		35.65	-0.1	-0.6	-1.2	-15.2	-0.8		27.6	-44	-120	-308	-11	-211
US (DXY; 5y UST)		108	-0.1	-1.2	0.3	4.5	-0.5		4.39	0	-5	2	37	1

	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		3,797	-0.9	0.0	-3.5	17.5	-3.5		95	4	-2	-67	-1	
Indonesia		7,257	1.0	2.5	2.3	0.0	2.5		94	1	-1	-17	3	
India		76,405	0.7	-0.4	-2.7	8.6	-2.2		88	0	5	-39	2	
Philippines		6,348	0.1	0.3	-2.9	-4.1	-2.8		86	1	1	-9	7	
Thailand		1,362	0.7	0.6	-1.8	0.4	-2.7							
Malaysia		1,588	0.5	1.6	-0.5	6.1	-3.3		71	-1	1	-21	1	
Argentina		2,619,719	3.3	-4.2	6.2	114.7	3.4		638	58	-33	-1332	1	
Brazil		123,768	0.3	0.9	1.4	-2.2	2.9		226	-5	-16	18	-21	
Chile		7,029	-0.1	1.9	4.9	18.7	4.8		119	1	5	-8	6	
Colombia		1,392	0.3	-0.4	1.8	9.5	0.9		315	-4	-7	6	-11	
Mexico		50,450	0.5	1.2	1.7	-7.8	1.9		304	-8	-8	-31	-8	
Peru		29,295	-1.2	-0.8	0.6	11.4	1.2		137	-3	-4	-18	-4	
Hungary		85,824	1.0	2.3	9.0	32.6	8.2		155	-2	-1	-13	0	
Poland		85,464	1.2	3.1	7.5	14.0	7.4		113	3	0	9	1	
Romania		17,004	0.5	0.0	1.6	9.8	1.7		257	5	18	43	22	
South Africa		85,199	0.3	2.0	0.7	17.8	1.3		296	5	5	-42	3	
Türkiye		10,049	0.4	3.2	3.3	25.5	2.2		274	9	14	-77	15	
EM total		43	0.2	4.2	0.6	11.8	1.7		359	-2	-9	-3	-5	

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

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