GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JANUARY 22, 2026

LEAD EDITOR: TIMOTHY CHU

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Risk appetite returns as Greenland fears subside

Markets broadly recovered yesterday after President Trump reversed course on tariff threats regarding the acquisition of Greenland. News that a framework deal with NATO had been reached on the issue, and that the discussion did not involve the territory's sovereignty, sparked a relief rally as investors faded escalation. Global risk assets look set to continue the rally this morning, with S&P futures higher by 0.6%, the Stoxx 600 up by 1%, and the Korean KOSPI briefly surpassing the 5,000 level, bolstered by a renewed AI narrative. Gold, which surged amid recent heightened geopolitical tensions, pared gains but remains up 3% since the beginning of the week, suggesting that "Sell America" sentiment lingers. The dollar also strengthened but is still almost 1% weaker against the euro since Monday. US Treasury yields are modestly higher this morning but bull-flattened across the curve yesterday, with 30-year yields falling by 6bps amid the Greenland news and the US Supreme Court's skepticism regarding attempts to remove Fed Governor Lisa Cook. Spillovers from Japan have also abated, with JGB markets continuing to stabilize; some fund managers reportedly see higher yields as now attractive. UK gilt yields rose moderately, with contacts attuned to speculative reports that PM Starmer may face a possible leadership challenge. Elsewhere, in Australia, an unexpectedly lower unemployment print fueled bets for rate hikes by the RBA next month, leading to a rise in front-end yields and supporting strength in the AUD.

Key Global Financial Indicators

Last updated: 1/22/26 8:33 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6876	1.2	-1	0	13	0
Eurostoxx 50		5945	1.1	-2	4	14	3
Nikkei 225		53689	1.7	-1	6	34	7
MSCI EM		58	1.7	1	8	37	6
Yields and Spreads			bps				
US 10y Yield		4.26	1.8	9	10	-35	9
Germany 10y Yield		2.88	-0.5	6	-2	35	2
EMBIG Sovereign Spread		248	-2	-7	-7	-71	-5
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.2	0.2	1	2	8	1
Dollar index, (+) = $ appreciation		98.6	-0.2	0	0	-9	0
Brent Crude Oil ($/barrel)		64.2	-1.7	1	3	-19	5
VIX Index (%, change in pp)		16.1	-0.8	-1	2	1	1

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

Mature Markets

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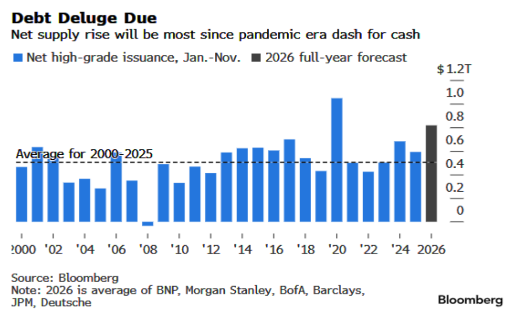
United States

Initial jobless claims came in slightly below expectations for the week of Jan. 17 (200k vs. an expectation of 209k), suggesting the labor market is stabilizing after a volatile spell, while continuing claims fell to 1.85 million, the lowest since November. The third estimate of 3Q GDP was marginally stronger than forecast (4.4% vs. 4.3%), and core PCE for the quarter matched expectations (at 2.9%). November PCE is due later today. Stock futures held their gains and Treasury yields edged higher led by the front end.

	3Q	3Q	2Q	1Q	4Q	3Q
Q/q SAAR	**Updated**	**Initial**	**2025**	**2025**	**2024**	**2024**
Real GDP	4.40%	4.30%	3.80%	-0.60%	1.90%	3.30%
PCE	3.50%	3.50%	2.50%	0.60%	3.90%	4.00%
GDP Price Index	3.80%	3.80%	2.10%	3.60%	2.40%	1.80%

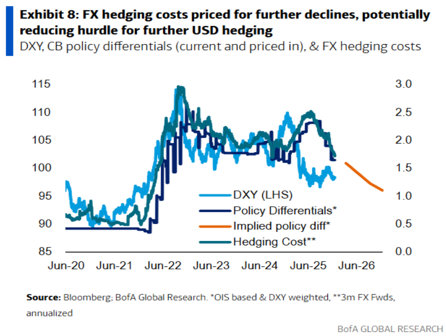
Source: Bloomberg

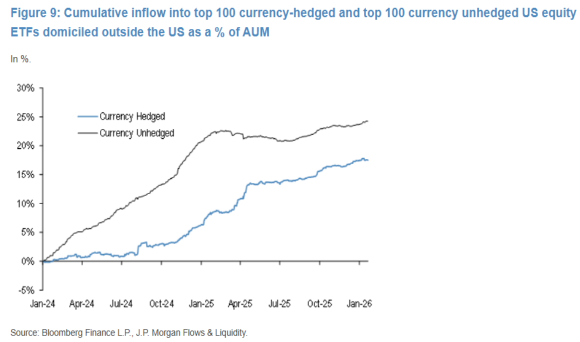


Yesterday, equity markets rallied as geopolitical tensions around Greenland eased throughout the day. President Trump's Davos speech, which ruled out the use of military force and omitted mention of tariffs, brought improved though cautious sentiment to markets. That sentiment was later bolstered by Trump's announcement that Greenland-linked tariffs would not proceed, citing a frame agreement with NATO. The fade of an imminent threat triggered a broad rally: US equities (SPX, +1%) and the dollar (DXY, 0.2%) jumped, longer-term Treasury yields fell (10yr, -4.6bps), and gold pared gains. Elsewhere, US Supreme Court justices voiced skepticism over the President's attempt to dismiss Fed Governor Lisa Cook, citing risks to Fed independence and potential market disruption; a ruling is expected by July.

Thin credit spreads leave corporate credit markets exposed to a looming supply surge in 2026. Corporate credit issuance is expected to bounce back in 2026, after high rates following the 2020 issuance bonanza kept activity muted in the past few years. A revival in corporate M&A **and** accelerated funding needs from AI-related investment/hyperscalers point to increased net new issuance, potentially exceeding $1 trillion. According to some contacts, however, the surge in supply is arriving at a moment when corporate credit's demand may be weakening**;** foreign appetite for US risk could soften following geopolitical tensions, and a rotation toward private and structured markets could erode the buyer base**.** Lower-rated borrowers are also increasingly exposed to refinancing risk. With spreads so far defying geopolitical stress and remaining at historical tights, corporates face a market highly vulnerable to repricing as supply builds. Some contacts note that, should the markets price in further geopolitical shocks or an AI bust, there could be a sharp reset in valuations.

Dollar hedging remains stable despite geopolitical risks and lower hedging costs. While the dollar has appreciated since the start of the year, several analysts remain bearish, pointing to geopolitical risks, trade policy re-emerging as a key foreign-policy tool, and lingering concerns over the Federal Reserve's independence. Heightened depreciation risks could lift dollar hedging demand, especially at a time when hedging costs are falling in line with lower US policy rates. The risk is that higher hedge ratios, in turn, can increase USD forward selling, generating persistent headwinds for the dollar at a time when global investors reassess their appetite for US assets. **Nonetheless**, current market signals show little evidence of increase**d** hedging activity. JP Morgan analysts note that flows into hedged and unhedged ETFs remain broadly proportional, and the cross-currency basis continues to narrow, both indications that a stress-driven rise in hedging demand has not materialized, even **amid mounting** geopolitical risks.



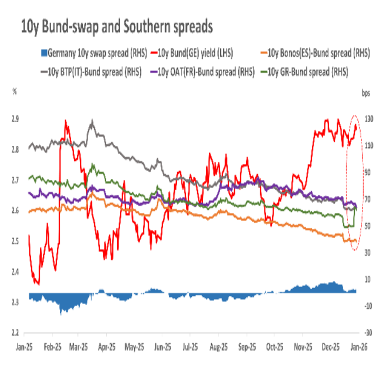


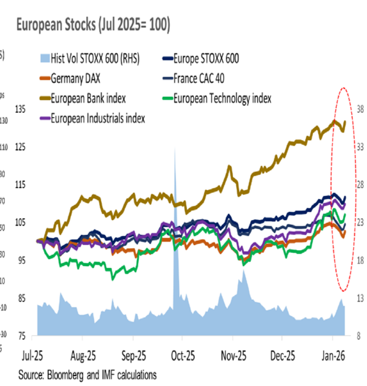
Euro area

European equities rebounded this morning alongside global peers on eased US Greenland-related tariff concerns. The Stoxx 600 index was up by 1%, with gains across nearly all sectors, led by outperformance in technology (+1.7%) and banking (1.4%). German's DAX (+1.3%) led all European bourses. On the day, the euro edged marginally (0.1%) higher against the dollar, trading tight at around $1.17/€, after the currency dipped below the 1.17 level yesterday Greenland developments.

European government bonds traded in a narrow range, with the Bund curve flattening slightly as long-end yields fell slightly. Crédit Agricole expects the Dutch pension reform to put only modest, targeted pressure on European swap rates, with receiving interests concentrated in the belly of the curve and unwinds at the long end. Long-term Bund asset-swap spreads are expected to underperform as Dutch pension funds reduce holdings of German debt. Southern EGBs modestly outperformed, narrowing BTP-Bund and OAT-Bund spreads by about 2 bps. HSBC notes that France's use of Article 49.3 reduces near-term risks but does not alleviate structural pressures on OAT yields, given expectations of a 2026 deficit near 5.3% of GDP. France's auction of €2bn in 7-year OATs cleared at a 3.14% yield with a bid-to-cover ratio of 2.9.

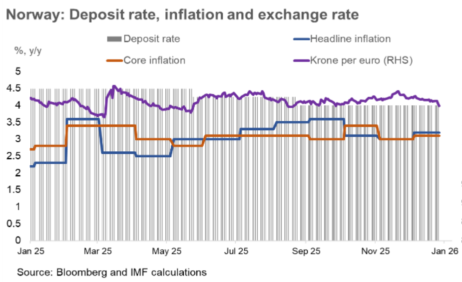
Contacts see a mixed outlook for European equities: Goldman Sachs sees near-term upside as limited because Europe has only a small share of global AI investment, data center capacity, and patents. AI-related spending is expected to add just 0.05% to annual GDP growth through 2030, with any meaningful valuation effects likely deferred to the 2030s. Meanwhile, JPMorgan's data indicates that fund flows into Europe remain positive but have moderated, with softer fixed-income inflows partly offset by stronger December equity inflows. Even so, medium-term sentiment looks more constructive, as Bank of America's survey shows widespread overweighting in European equities—especially cyclicals, tech, and banks. Most gains are expected to stem from earnings upgrades in 2026 rather than changes in discount rates.

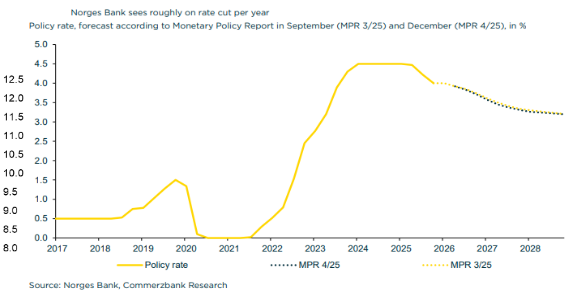




Norway

The krone rose 0.5% against both the euro (NOK11.58/€) and dollar (NOK9.90/$, +11.3% YtD) after Norges Bank kept its policy rate at 4% for the third consecutive meeting, as expected. Norwegian sovereign yields were little changed, and stocks rebounded 0.9% on easing Greenland tensions. Governor Wolden Bache indicated no hurry to cut rates due to high inflation (CPI 3.2% y/y in December) and persistent global uncertainty. The central bank signaled at least one cut in 2026 and a rate "somewhat above 3%" by end-2028. Commerzbank anticipates an unchanged policy rate in the medium term with gradual cuts of one per year until 2028, though geopolitical risks could prompt an earlier cut in 2026, posing short-term risks for the krone, which has advanced by 2.2% YtD against the euro.

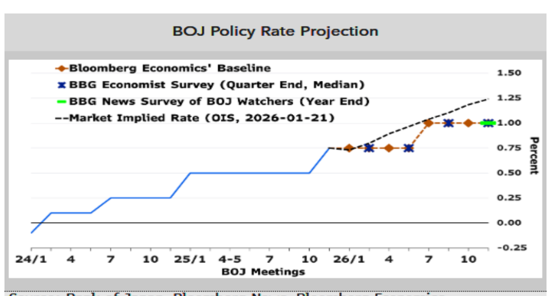




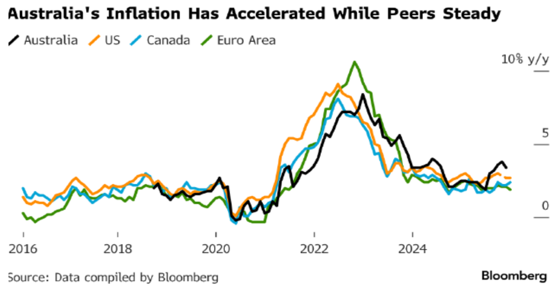
Japan

JGBs continue to recover as market sentiment stabilized. The yield on the 30-year bond fell as much as 10 bps intraday before settling at 3.64% (-6 bps) while 20- and 10-year yields also fell, ending the day at 3.18% (-5 bps) and 2.23% (-4 bps), respectively. The bond market recovered following Finance Minister Katayama's calls for calm while some fund managers reportedly saw the jump in yields as an opportunity for dip-buying. In diagnosing the causes of recent JGB market turmoil, analysts generally agree that thin market liquidity is one contributor to the sharp sell-off in the long end. According to Bloomberg, trading in the ultra-long JGB segment is dominated by a narrow base of institutional investors, such as life insurers. Meanwhile, reduced purchases by the BOJ, which was once a key buyer and remains the largest JGB holder, have added to market illiquidity. Notably, recent market volatility has reportedly prompted Korea Development Bank, a policy bank, to cancel the 10-year tranche of its debt offering priced on Wednesday.

Separately, **the BOJ is widely expected to hold its policy rate steady 0.75%** at the conclusion of its policy meeting tomorrow. Investors will focus on whether the BOJ brings forward its rate hikes given recent yen depreciation. Currently, analysts generally expect the pace of hikes to be once every six months. That said, imported inflation could rise given recent yen weakness. The yen was a regional underperformer over the last three months, having lost 4.3% relative to the dollar; it last traded at ¥158.77/$ (-0,3%).



Australia



An unexpected decline in unemployment fueled expectations for a rate hike next month. The December unemployment rate in Australia fell from 4.3% to to 4.1%, as the economy added more jobs than anticipated, leading traders to boost bets that the RBA could raise interest rates as early as next month. Money markets are now pricing a near 60% probablity of a rate hike in February, up from less than one-third before the jobs report. Earlier this month, RBA Deputy Governor Hauser described inflation as "too high" and noted that the easing cycle has likely ended. The policy-sensitive 3-year note rose 7 bps to 4.23%, its highest level since November 2023. Meanwhile, the Australian dollar gained 7% to $0.68/AUD, its strongest level in more than a year.

Emerging Markets back to top

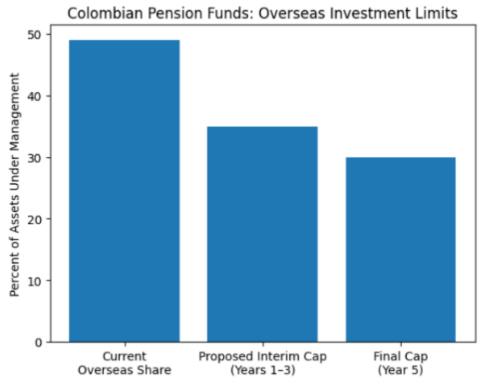
In EMEA, risk assets traded mostly in the green, benefiting from improved global risk sentiment and easing geopolitical tensions related to Greenland. Stocks in Hungary, Poland, the Czech Republic and Romania traded between 1–2% higher this morning. For Poland, December wage growth and industrial output came in higher than expected, and ING believes that the wage data makes a February rate cut less likely. EMEA currencies were little changed against the US dollar. On the issuance front, Bloomberg and Bondradar list possible benchmark issuances on the horizon for Benin (7yr USD-denominated sukuk) and Georgia (5yr USD-denominated, proceeds to be used to repurchase 2026 notes). Bloomberg also reports that the Democratic Republic of Congo is preparing to raise $750 million in April through its first international bond sale, with surging prices of metals expected to help sell notes at competitive yields.

Asian regional equities similarly posted broad-based gains as investor sentiment stabilized. In Korea, the Kospi benchmark climbed as much as 2.2% intraday to surpass 5,000, the target set by President Lee before paring gains (+0.8%); the Kospi has gained over 95% in the past 12 months, making it the best performing index globally. Meanwhile, the **Korean economy contracted (0.3%, q/q) in Q4 2025** due to a pullback in demand, though 2025 overall saw an expansion (1%, y/y) on the back of export-oriented sectors tied to chips. In currencies, the Indonesia rupiah outperformed (+0.3) after Bank Indonesia pledged to stabilize and strengthen the currency, while a decline in gold prices weighed on the Thai Baht (-1%). **Bank Negara Malaysia held its benchmark policy rate steady at 2.75%,** amid better-than-expected economic growth and low inflation; the ringgit gained 0.2% on the day.

Latin American assets joined the rally. Stocks gained in Mexico (+0.5%), Brazil (+3.3%), Chile (+0.9%), and Colombia (+1.8%). Currencies appreciated in Mexico (+0.7%), Brazil (+1.1%), and Chile (+1.2%) against the US dollar.

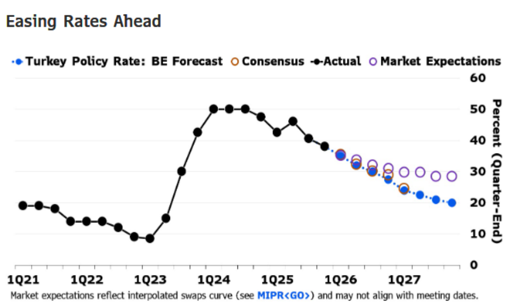
Colombia

The Colombian government has proposed a draft decree to cap local pension funds' overseas investments at 30% of assets under management, down from roughly 49% currently, with a gradual adjustment period that includes a 35% ceiling for the first three years and full compliance within five years. Pension funds, which manage about 527 trillion in pesos, would be required to submit adjustment plans and prioritize domestic assets for new contributions when needed. Market reaction was muted to the proposal, which was less aggressive than initially feared. So far, expectations of repatriation inflows have supported the peso and boosted interest in local debt, though the extent of regulations has sparked some debate among market participants.

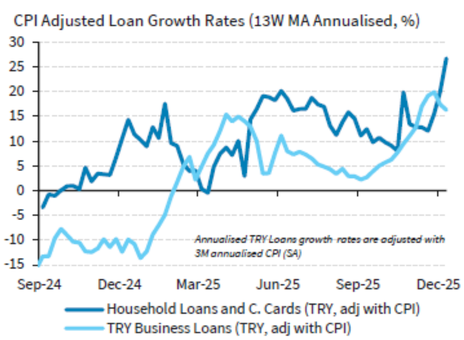


Source: Bloomberg and IMF staff calculation

The Turkish central bank cut its policy rate by 100 bps to 37% today, versus a 150bps cut expectation by surveyed economists. Analysts expect more rate cuts to follow in 2026, but the central bank stated that it will review the size of its steps prudently. The Borsa Istanbul 100 index erased earlier gains after the announcement, with banks underperforming (-2%). The lira strengthened marginally, trading in a tight range around 43.3 versus the US dollar. Bloomberg expects the policy rate to be around 27.5% by the end of 2026 but estimates year-end inflation at 22.3%, well above the central bank's 16% interim target for 2026 year-end. Barclays sees strong real loan growth as a risk to inflation (RHS).



Source: CBRT, Bloomberg Economics



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Global Financial Indicators

1/22/26 8:33 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,913	1.2	-0.2	0.5	13.6	1
Europe		5,945	1.1	-1.6	3.5	14.2	3
Japan		53,689	1.7	-0.8	6.5	34.4	7
China		4,724	0.0	-0.6	2.2	24.2	2
Asia Ex Japan		99	1.4	0.7	7.7	36.5	6
Emerging Markets		58	1.7	1.3	7.9	36.9	6
Interest Rates			basis points				
US 10y Yield		4.3	2	9	10	-35	9
Germany 10y Yield		2.9	-1	6	-2	35	2
Japan 10y Yield		2.2	-4	8	16	105	18
UK 10y Yield		4.5	3	10	-5	-15	0
Credit Spreads			basis points				
US Investment Grade		102	-1	-2	-9	-15	-6
US High Yield		310	-4	-7	-30	15	-27
Exchange Rates			%				
USD/Majors		98.6	-0.2	-0.4	0.3	-8.8	0
EUR/USD		1.17	0.2	0.9	-0.4	12.5	0
USD/JPY		158.8	0.3	0.1	1.1	1.4	1
EM/USD		47.2	0.2	0.9	1.7	8.5	1
Commodities			%				
Brent Crude Oil ($/barrel)		64.2	-1.7	0.6	4.2	-11.7	5
Industrials Metals (index)		167.9	-0.2	-3.9	6.0	16.1	3
Agriculture (index)		53.4	0.5	0.4	-1.1	-9.3	0
Gold ($/ounce)		4822.3	-0.2	4.5	8.5	74.9	12
Bitcoin ($/coin)		89928.9	-0.3	-5.6	1.9	-13.6	3
Implied Volatility			%				
VIX Index (%, change in pp)		16.1	-0.8	-0.7	2.0	1.0	1.1
Global FX Volatility		6.8	0.0	0.1	0.2	-1.4	-0.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		63	-1	11	4	-23	4
Italy		63	-2	1	-7	-44	-7
France		64	-2	-3	-8	-10	-7
Spain		39	-1	-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

1/22/2026 8:33 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		6.97	-0.1	-0.1	0.9	4.3	0.2		1.9	-1	-4	0	22	-3
Indonesia		16885	0.3	0.0	-0.6	-3.6	-1.2		6.2	0	6	9	-89	14
India		92	0.1	-1.4	-2.2	-5.8	-1.9		7.3	1	2	-10	10	20
Philippines		59	0.2	0.5	-0.8	-1.1	-0.6		4.8	0	7	14	-30	12
Thailand		31	-1.0	0.0	-0.7	7.7	0.4		2.0	3	12	21	-44	26
Malaysia		4.04	0.2	0.4	1.0	9.9	0.6		3.6	1	4	2	-24	7
Argentina		1429	0.1	1.0	1.6	-26.7	1.6		35.4	76	260	459	1040	299
Brazil		5.32	0.0	1.0	5.2	11.8	3.0		13.6	-9	12	-9	-173	-2
Chile		871	0.4	1.4	4.4	13.8	3.4		5.2	0	2	-7	-52	-8
Colombia		3663	0.2	0.7	3.3	16.5	3.1		12.3	14	-7	-15	81	-59
Mexico		17.48	0.0	1.0	2.9	17.2	3.0		8.9	-11	7	-2	-121	-5
Peru		3.4	0.0	0.1	0.3	11.1	0.2		5.9	1	-6	1	-80	10
Uruguay		38	-0.5	1.6	3.0	14.4	2.6		7.3	-2	-5	-28	-240	-23
Hungary		327	0.6	1.6	1.1	20.7	0.1		6.5	-1	2	-7	-15	-8
Poland		3.59	0.4	1.0	-0.2	13.0	-0.1		4.4	-2	-5	-16	-120	-12
Romania		4.3	0.2	0.8	-0.5	9.9	-0.4		6.5	-3	2	-19	-123	-13
Russia		76.1	1.0	2.6	3.5	30.5	3.5							
South Africa		16.2	0.3	0.7	3.1	14.0	2.1		8.7	-11	1	-12	-183	9
Türkiye		43.28	0.0	-0.1	-1.2	-17.6	-0.8		29.5	-39	-64	-101	189	-11
US (DXY; 5y UST)		99	-0.2	-0.4	0.3	-8.8	0.3		3.85	2	8	13	-59	12

	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		4,724	0.0	-0.6	2.2	24.2	2.0		73	-2	-4	-22	-2
Indonesia		8,992	-0.2	-0.4	4.7	24.3	4.0		92	-5	5	-2	6
India		82,307	0.5	-1.3	-3.8	7.6	-3.4		92	1	-1	4	2
Philippines		6,399	1.1	-1.4	5.9	0.3	5.7		80	-4	5	-6	5
Thailand		1,312	-0.4	4.0	3.2	-2.4	4.1						
Malaysia		1,717	0.7	0.1	2.4	8.9	2.2		61	-1	3	-10	2
Argentina		3,047,554	3.6	4.1	-2.8	13.7	-0.1		568	-21	-13	-70	-1
Brazil		172,919	3.3	4.4	9.3	40.6	7.3		196	-9	-9	-30	-7
Chile		11,309	0.9	2.0	8.9	60.9	7.9		92	-6	0	-27	1
Colombia		2,445	1.8	6.9	18.9	76.9	18.2		262	-11	-15	-53	-15
Mexico		68,036	0.5	0.9	5.0	33.5	5.8		210	-16	-6	-94	-7
Peru		3,188	-0.1	4.4	20.8	82.1	23.4		103	-11	0	-34	-6
Hungary		124,410	2.6	3.1	12.2	45.3	12.0		139	-6	-1	-16	0
Poland		122,612	1.4	0.2	5.2	43.7	4.6		90	-5	-1	-23	-1
Romania		26,692	1.4	-1.5	11.0	56.8	9.2		173	-12	-5	-84	-2
South Africa		121,513	0.6	0.5	4.8	43.5	4.9		229	-4	8	-67	11
Türkiye		12,753	0.2	2.4	12.7	26.2	13.2		245	-12	6	-29	11
EM total		58	0.3	1.3	7.9	36.9	6.5		263	-6	-8	-95	-8

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

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