



- US stocks accelerate as new administration takes office ([link](#))
- The ECB is expected to cut by 25 bps next week ([link](#))
- Bank of Japan expected to hike by 25 basis points to 0.50% tomorrow ([link](#))
- China unveils plan to boost institutional flows into equity market ([link](#))
- Turkish lira holds steady as central bank delivers expected rate cut ([link](#))
- Chilean pension reforms could potentially double net domestic pension flows ([link](#))

[Mature Markets](#)

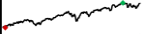





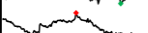




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Markets are cautiously optimistic with major equity indexes close to record highs

Equity index futures in the US are mixed, but many markets in Europe are continuing their strong start to the year as Germany's DAX reached another all-time high. Market sentiment is quite positive as the S&P 500 and Nasdaq came within striking distance of new records yesterday. Surveys of fund managers reveal that they are bullish. Government bond yields are slightly higher in both the US and the euro area after a strong rally in recent days sent yields significantly lower. The benchmark US 10-year Treasury yield hit 4.80% earlier in the month before falling as low as 4.58% last Friday. The dollar was stronger against most major currencies. Meanwhile, all eyes remain fixed on the White House for the latest potentially market moving announcement. In other news, China announced new measures to boost institutional investment into its flagging equity market. The CSI 300 is one of the few major exchanges to have started the year in the red. The Norges Bank stayed on hold while guiding towards a March rate cut.

Key Global Financial Indicators

Last updated: 1/23/25 7:33 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6086	0.6	4	2	25	3
Eurostoxx 50		5204	0.0	2	7	17	6
Nikkei 225		39959	0.8	4	2	9	0
MSCI EM		43	0.1	3	0	11	2
Yields and Spreads			bps				
US 10y Yield		4.64	2.9	3	5	51	7
Germany 10y Yield		2.54	1.3	0	22	19	18
EMBIG Sovereign Spread		315	-4	-6	-17	-84	-9
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		43.4	-0.1	1	0	-8	1
Dollar index, (+) = \$ appreciation		108.4	0.2	-1	0	5	0
Brent Crude Oil (\$/barrel)		79.3	0.4	-2	9	0	6
VIX Index (% change in pp)		15.3	0.2	-1	-1	3	-2

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

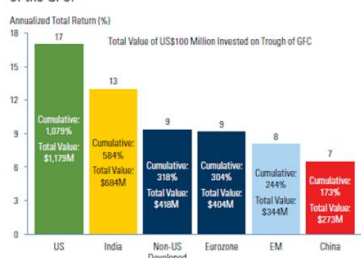
Mature Markets

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United States

US stocks snapped their early January losing streak and pushed higher as the new administration takes office. The S&P 500 started the year down almost 1% but has since rebounded by almost 5%. The average analyst forecast for the S&P 500 at the end of last year was for a 6.9% gain, and the index is already well on its way (although it lags many European peers which have enjoyed even stronger starts, with the DAX hitting an all-time high). Some analysts are worried that US equities are very expensive and at risk of a correction. Others are more optimistic, pointing out that the US equity market has led global markets since the Global Financial Crisis. US companies are generally much more profitable and have grown their earnings much faster. The US is also uniquely positioned to benefit from AI and other high tech developments, as it has multiple companies that are leading the way in these fields.

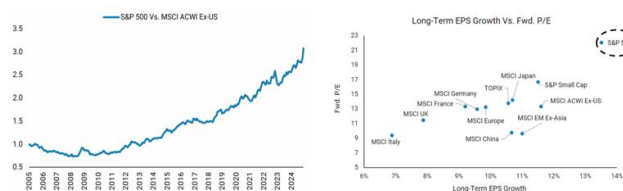
Exhibit 23: Annualized and Cumulative Equity Returns Since March 2009
US equities have significantly outperformed since the trough of the GFC.



Data as of December 31, 2024.
Note: All non-US equity returns are measured by MSCI indices in US dollars.
Source: Investment Strategy Group, Bloomberg.

Morgan Stanley

US Exceptionalism is backed by Results – But is it Achievable/Sustainable?



Source: FactSet, Morgan Stanley Research.

The latest Bank of America investor survey shows that sentiment remains very bullish. However, the index for global growth expectations dipped slightly from 7.0 to 6.1, suggesting that some of the post-election euphoria has worn off. Investors are bullish on the dollar, crypto, and US equities and are bearish on US Treasuries and US fixed income more broadly. Investors are also very bearish on China. Cash levels are very low at 3.9%, showing that fund managers are almost fully invested. Bank of America analysts think that cash levels below 4% are a sell signal, and this measure has been below 4% for two months in a row. Their data show that since 2011 there have been 12 such sell signals which led to global equity declines averaging -2.4% in the following month and -0.7% in the following three months.

Chart 2: BofA Global FMS investors remain bullish

Percentile rank of FMS growth expectations, cash level, and equity allocation



Source: BofA Global Fund Manager Survey.

BofA GLOBAL RESEARCH

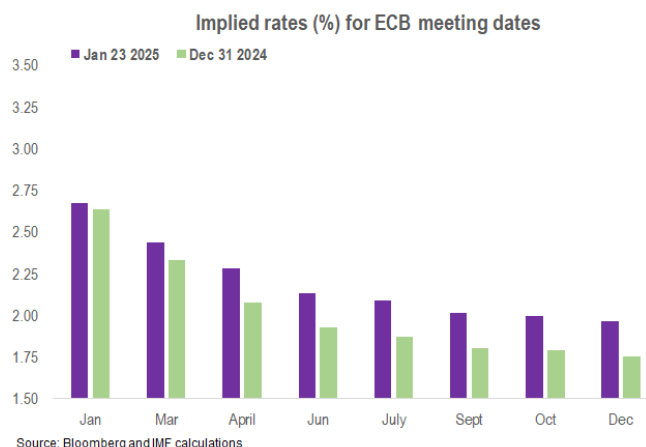
Euro Area

European equities were trading marginally higher this morning. The Stoxx 600 index was flat while the European banking sector index was up 0.7%, extending its gains to around 7% YTD, following a 26% increase last year. Germany's DAX set yet another record. UBS analysts note that the largest listed European and UK banks are expected to return around €123bn to shareholders via a combination of increased dividends as well as buy backs. The euro was steady against the dollar at 1.0413, while European government bond yields were fractionally higher, but trading within recent ranges (2Y bund yield at 2.24%; 10Y Bund yield at 2.54%). Yesterday, Spain issued €15bn via a syndicated bond sale of a new 10Y

benchmark bond which received orders of €143bn, and additional sovereign bond sales from France and the UK earlier this morning were well received.

The ECB is expected to deliver 25bps rate cut next week.

Consensus expectations are that the ECB will cut rates at next week's policy meeting, taking the deposit rate to 2.75%. Analysts at Credit Agricole note that recent data developments support the case for an easing in policy rates next week and expect the ECB to reiterate its data-dependent approach to future rate cuts. They also expect President Lagarde to face a raft of questions on developments in the US and how policies from the new Trump administration might impact on the Euro Area's economic outlook and the currency, which declined by over 6% against the dollar last year and is only marginally higher YTD (+0.6%; 1.0412). Morgan Stanley analysts note that higher uncertainty around the path for inflation given geopolitical developments, higher energy prices and the weaker currency will support the ECB's "continued gradualism in rate cuts." Money markets currently anticipate around 95bps of easing from the ECB through December 2025, down from around 115bps at the end of 2024.



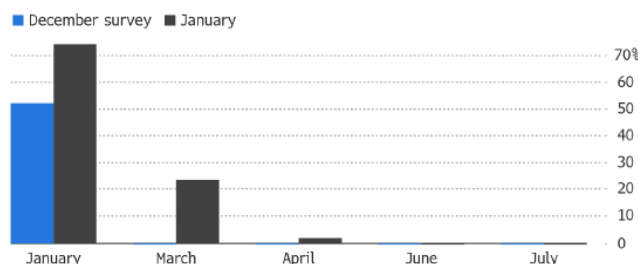
Japan

The Bank of Japan is widely expected to raise its benchmark policy rate to 0.5% tomorrow

at the conclusion of a two-day meeting. The 25-bps rate increase, should it materialize, will push the overnight call rate to its highest level since February 2007. Analysts noted that the two key considerations Governor Ueda laid out last month—Japan's wage hike momentum gaining traction, and no major market shocks following the initial days of President Trump's second term—have both cleared. Indeed, overnight-indexed swaps suggest a near certainty of a rate increase at the meeting, more than doubling from the end of last month. Traders will focus on the policy rate outlook, including whether BOJ considers 0.5% as coming closer to the neutral level; analysts generally see 1% as the terminal rate for the current rate hike cycle. Moreover, the BOJ's quarterly inflation outlook will also draw close attention. In a Bloomberg survey, analysts expect a 0.1 ppt increase in the inflation forecast for fiscal 2024 and 2025.

Looming Increase

Nearly three quarters of economists expect a BOJ hike Friday



Commodity Markets

The copper market is pricing in potential US tariffs. According to Goldman, the copper market is pricing in nearly 50% odds that the US will impose 10% tariffs on the metal by late Q1 this year. The analysis is based on the observed increase in the premium of the US copper price (COMEX) relative to the global LME benchmark, which reached \$460 per ton at the end of last week. The price differential, or price premium, could potentially be attributed to the increasing likelihood of US tariffs. The US depends heavily on imports, which constituted over 40% of its refined copper demand in 2024. If a tariff is implemented without any country-level exemptions, US copper prices will need to fully account for the tariff to ensure sufficient imports.

Emerging Markets

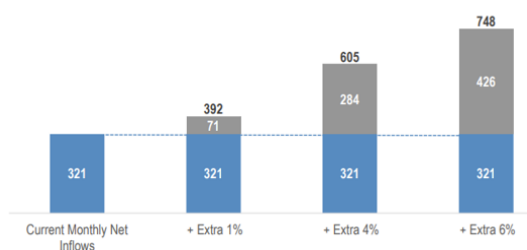
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EMEA equities and currencies were mixed this morning as investors lack clarity on extent and timing of US tariffs and wait for President Trump's speech later today in Davos. Equities traded in the red in CEE, with Hungary underperforming (-0.8%), while currencies were firmer against the euro. **Latam markets were mostly higher as immediate fears of US tariffs receded.** The real and the Chilean Peso led gains, appreciating +1.4% and 1.26%, respectively, against the US dollar. Local currency government bond yields continued to ease, while the broad MSCI Latin America index rose +1.3%. **Asian equities and currencies were mostly little changed on the day as investors continue to digest the implications of recent announcements—and perceived mixed signals—from President Trump.** The onshore and offshore RMB both weakened by 0.1% and remained well within their recent trading range.

Chile

Pension reforms could potentially double net domestic pension flows. As of December 2024, the Chilean pension system managed about \$186.4 bn in savings, with \$12.5 bn invested in Chilean equities, representing 6.7% of the total market capitalization. Under the current 10% contribution rate, the system receives approximately \$710 mn monthly with \$390 mn withdrawn for pension payments, resulting in net flows of around +\$320 mn. J.P. Morgan analyst estimates that a 1% increase in the contribution rate could generate an additional \$70 mn in monthly inflows, while increases of 4% and 6% could raise flows to \$284 mn and \$426 mn, respectively (*left chart*). The proposal under consideration includes a gradual increase in the contribution rate by up to 6%, therefore potentially doubling current pension flows. Despite appearance of consensus support across political parties (*right chart*), J.P. Morgan analyst also noted that the situation in the House remains less certain that the reforms will pass.

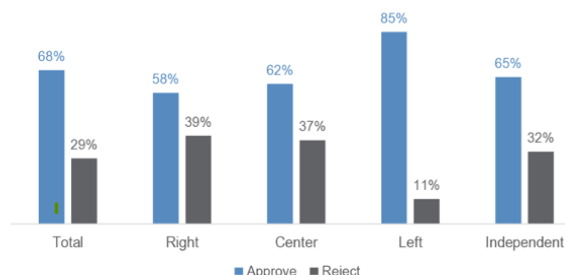
Monthly Net Inflows – Potential Impact



Source: Superintendencia de Pension Funds, J.P. Morgan

Position on Pension Reform

Based on what you know or have been informed, do you think Congress should approve or reject the pension reform agreed upon in the Senate's labor commission?



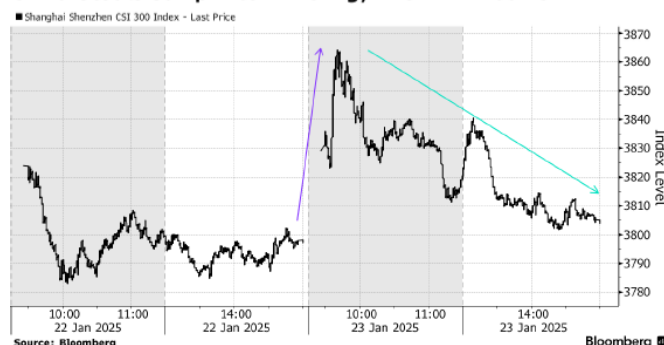
Source: Cadem Survey, January 19th, 2025, J.P. Morgan

China

Chinese officials unveiled initiatives to boost institutional investment into equities. Six Chinese government agencies, including the PBOC, Central Financial Work Commission (CFWC), China Securities Regulatory Commission (CSRC), Ministry of Finance (MOF), Ministry of Human Resources and Social Security (MOHRSS), and National Financial Regulatory Administration (NFRA), jointly released a plan to increase the asset allocation of institutional investments to the stock market. The announced plan will include flows from insurance funds, pension funds, and national social security funds. CSRC chairman WU Qing that large state owned insurers are encouraged to allocate 30% of new premium incomes each year to the A-share market, while CSRC expects A-share holdings by mutual funds to grow at 10% per year in the next three years. Analysts noted that increased institutional participation in the stock market could help liquidity and reduce volatility. By one estimate, a disproportionate share of trading activities in the equity market can be attributed to retail investors. Although retail investors hold an estimated 25% of shares, they contributed to, on average, 80% of trading volume onshore (see the [Special Features on China's September equity market rally](#) from November 22, 2024). The CSI 300, having initially rallied by as much

as 1.8% following the release of the plan, ended the day just 0.2% higher, while the Hang Seng Index in Hong Kong SAR fell 0.4%.

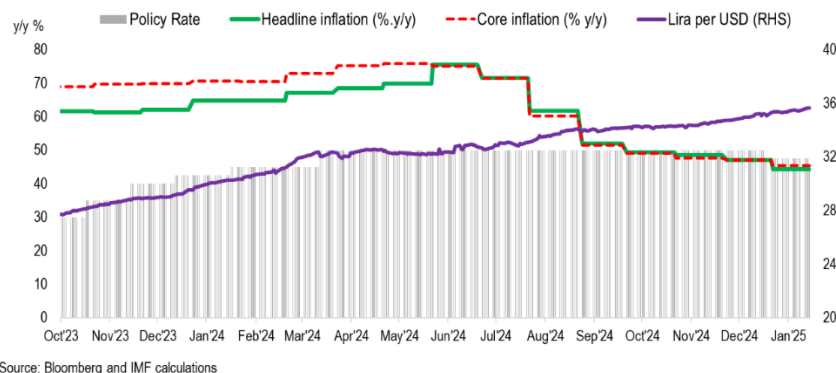
China Stocks Jump After Briefing, Then Trim Gains



Türkiye

The lira was little changed against the dollar, trading at TRY35.65/\$, after the central bank cut today its policy rate by -250 bps to 45% in line with expectations. Türkiye's domestic government bond yields declined (2-year yield -14bps to 35.46%, 10-year yield -5bps to 25.79%) while equities traded sideways. Today's decision is the second -250bps cut in a row since the central bank started easing in December when inflation slowed to 44.4%/y/y. In its statement, the central bank dropped reference to monthly inflation and signaled additional measures to manage excess liquidity. According to Bloomberg, markets see inflation at 27%/y/y at the end of 2025 while the central bank forecasts indicate 21%. Analysts at Bloomberg expect the central bank to keep reducing its policy interest rate through 2025 to reach 25% by year-end.

Türkiye: Inflation, Policy Rate and FX



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), 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

1/23/25 7:38 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,086	0.6	4.2	1.9	25.1	3
Europe		5,204	0.0	1.9	7.2	16.5	6
Japan		39,959	0.8	3.6	2.0	9.4	0
China		3,804	0.2	0.1	-3.3	17.7	-3
Asia Ex Japan		72	-0.1	2.9	-1.0	14.9	0
Emerging Markets		43	0.1	3.1	0.1	10.9	2
Interest Rates			basis points				
US 10y Yield		4.6	3	3	5	51	7
Germany 10y Yield		2.5	1	0	22	19	18
Japan 10y Yield		1.2	1	0	13	54	11
UK 10y Yield		4.6	2	-3	10	66	8
Credit Spreads			basis points				
US Investment Grade		117	0	-2	-3	-10	-3
US High Yield		295	-1	-10	-23	-92	-34
Exchange Rates			%				
USD/Majors		108.4	0.2	-0.6	0.3	4.6	0
EUR/USD		1.04	-0.1	1.0	0.0	-4.2	0
USD/JPY		156.5	0.0	0.9	-0.4	5.5	0
EM/USD		43.4	-0.1	0.9	0.2	-8.3	1
Commodities			%				
Brent Crude Oil (\$/barrel)		79.3	0.4	-2.5	9.6	4.8	6
Industrials Metals (index)		143.6	-0.7	-1.0	2.0	4.7	2
Agriculture (index)		58.9	0.1	1.2	4.5	-4.5	3
Implied Volatility			%				
VIX Index (%, change in pp)		15.3	0.2	-0.8	-1.5	2.8	-2.1
Global FX Volatility		8.2	0.0	-0.8	-1.0	0.7	-1.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		87	1	10	0	-19	1
Italy		109	2	-2	-8	-48	-7
France		75	2	-4	-6	26	-7
Spain		63	2	0	-7	-28	-6

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

Emerging Market Financial Indicators

Last updated: 1/23/2025 7:40 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		7.29	-0.2	0.6	0.1	-1.6	0.1		1.7	0	1	-2	-86	-1	
Indonesia		16284	0.0	0.6	-0.5	-4.0	-0.9		7.1	-1	-15	-1	46	4	
India		86	-0.2	0.1	-1.6	-3.8	-1.0		7.2	1	-10	-8	-1	-16	
Philippines		59	-0.3	-0.2	-0.3	-4.3	-1.2		5.1	-1	-1	15	-37	22	
Thailand		34	-0.5	1.5	0.6	4.9	0.9		2.4	-2	-4	10	-36	8	
Malaysia		4.44	-0.2	1.3	1.0	6.4	0.6		3.8	2	0	-1	2	1	
Argentina		1047	-0.1	-0.6	-2.1	-21.6	-1.6		26.2	120	240	-214	-4893	-301	
Brazil		5.96	-0.3	1.6	3.9	-17.0	3.6		15.2	-7	14	36	491	-72	
Chile		993	-0.2	2.0	-0.1	-8.0	0.4		5.7	-2	-9	16	30	4	
Colombia		4266	0.9	0.9	3.6	-8.5	3.3		11.4	-7	-18	-1	176	-42	
Mexico		20.50	0.0	1.7	-1.6	-15.6	1.6		10.0	-13	-26	-32	63	-34	
Peru		3.7	0.3	1.2	0.1	0.6	1.0		6.7	0	5	-5	5	6	
Uruguay		43	0.7	1.3	2.0	-10.4	0.5		9.7	-2	0	2	40	3	
Hungary		394	0.0	1.5	0.4	-9.8	0.8		6.5	-7	-12	14	81	11	
Poland		4.05	0.1	2.2	1.2	-0.2	2.0		5.6	-6	-10	6	53	-1	
Romania		4.8	-0.1	0.9	-0.1	-4.2	0.4		7.8	-1	4	36	150	50	
Russia		98.9	0.3	4.8	2.3	-10.3	14.8								
South Africa		18.6	-0.5	1.4	-0.1	2.5	1.4		10.5	-5	-17	-9	-82	-1	
Türkiye		35.66	0.0	-0.6	-1.2	-15.1	-0.8		27.7	8	-109	-300	-13	-203	
US (DXY; 5y UST)		108	0.2	-0.7	0.3	4.6	-0.1		4.46	2	6	2	42	8	

	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		3,804	0.2	0.1	-4.5	16.1	-3.3		93	0	-4	-69	-3		
Indonesia		7,233	-0.3	1.8	2.4	0.1	2.2		90	-11	-5	-21	-1		
India		76,520	0.2	-0.7	-2.5	7.7	-2.1		86	-3	3	-40	0		
Philippines		6,379	0.5	1.8	-2.4	-4.5	-2.3		82	-11	-3	-12	3		
Thailand		1,344	-1.3	-0.6	-3.6	-2.7	-4.0								
Malaysia		1,577	-0.7	1.4	-1.6	4.9	-4.0		68	-6	-2	-23	-2		
Argentina		2,680,946	2.3	-0.9	7.2	122.2	5.8		643	39	-28	-1307	6		
Brazil		122,972	-0.3	0.3	1.8	-4.1	2.2		220	-10	-22	2	-27		
Chile		7,027	-0.2	1.0	5.4	17.8	4.7		116	-3	2	-12	3		
Colombia		1,382	-0.7	-0.9	-0.5	9.4	0.2		310	-3	-12	-2	-16		
Mexico		50,945	1.0	1.4	3.0	-8.2	2.9		308	2	-4	-26	-4		
Peru		29,224	-0.2	-1.8	0.6	10.3	0.9		137	-3	-4	-24	-4		
Hungary		84,765	-1.0	0.8	6.6	32.8	6.9		148	-12	-8	-19	-7		
Poland		85,260	0.0	3.1	7.1	14.3	7.1		109	-6	-4	4	-3		
Romania		17,044	0.1	0.2	1.1	11.9	1.9		251	-5	12	37	16		
South Africa		84,247	-0.5	0.7	-0.5	14.9	0.2		287	-6	-4	-51	-6		
Türkiye		10,124	0.2	2.6	5.2	27.3	3.0		263	-5	3	-94	4		
EM total		43	-0.3	3.1	0.1	10.9	1.8		354	-6	-13	-8	-10		

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

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