GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

FRIDAY, JANUARY 23, 2026

LEAD EDITOR: TIMOTHY CHU

- **Foreign demand for US assets shows no clear signs of a buyers' strike** (link)
- **The Bank of Japan holds it benchmark rate unchanged at 0.75%** (link)
- **Strong fixing raises expectations for further RMB strength** (link)
- **Euro weakens on mixed PMIs in Europe** (link)
- **Mexico's early-January inflation comes in below expectations** (link)
- **Benin sells Africa's first Eurobonds of the year amid revived sentiment** (link)

Mature Markets | Emerging Markets | Market Tables

Markets steady as focus shifts after volatile week

Markets were mixed overnight and this morning as focus shifted from geopolitics back to fundamentals. S&P 500 futures pointed to a flat open, with Intel dropping up to 13% in pre-market trading after a lackluster earnings forecast, while European bourses were moderately weaker and Asian bourses ended broadly higher. While equities are regaining their footing, the dollar drifted lower against major currencies and remains around 1% weaker since the Greenland tariff announcement, suffering its biggest weekly drop since June. For now, no clear buyers' strike of US assets has materialized, though contacts note a strong drive to diversify into alternatives like EMs, which are heading toward a strong start. Emerging market sovereign spreads are at their tightest since 2012/2013. Gold also continues its march toward the $5,000/oz. level, with other precious metals still climbing. Elsewhere, the Bank of Japan held its benchmark rate unchanged at 0.75%, though the meeting was broadly perceived as hawkish, with earlier or accelerated rate increases seen as more likely. In Europe, PMIs disappointed, leading to a weaker euro. Despite the renewed calm following the climbdown in Greenland tensions, geopolitics remains in the background as Ukraine–Russia and Iran developments play out. Back in the United States, markets will be attuned to earnings season, which will begin in earnest next week.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
1/23/26 8:01 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6913	0.5	0	0	13	1
Eurostoxx 50		5924	-0.5	-2	3	14	2
Nikkei 225		53847	0.3	0	7	35	7
MSCI EM		59	0.8	2	8	38	7
Yields and Spreads					bps		
US 10y Yield		4.24	-1.0	1	7	-41	7
Germany 10y Yield		2.90	0.8	6	3	35	4
EMBIG Sovereign Spread		244	-4	-6	-9	-71	-9
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		47.3	-0.1	1	2	8	1
Dollar index, (+) = $ appreciation		98.4	0.0	-1	0	-9	0
Brent Crude Oil ($/barrel)		65.1	1.5	1	4	-17	7
VIX Index (%, change in pp)		16.1	0.5	0	2	1	1

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

Mature Markets [back to top](#)

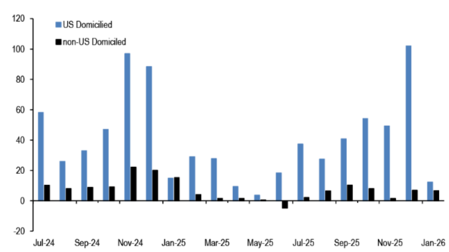
United States

Yesterday, improved sentiment helped markets shake of the week's earlier risk-off tone, with more than 80% of the S&P 500 advancing and the Russell 2000 outperforming. Sentiment was also bolstered by robust US data; 3Q GDP was revised slightly up to 4.4, November personal spending remained solid, and jobless claims continued to signal a steady labor market. The November PCE print matched expectations but offered little insight into the current inflation or policy outlook. The US yield curve flattened as short-term yields rose, with the market-implied probability of 2 rate cuts this year edging lower, and longer-term yields declined moderately.

Foreign demand for US assets shows no clear signs of a renewed buyers' strike. Foreign demand for U.S. assets shows no clear signs of a renewed buyers' strike. Tensions over Greenland have revived questions about a potential "buyers' strike" of U.S. assets, particularly from Europe, where investors hold several trillion dollars in U.S. equities and bonds. However, high-frequency flow indicators show muted shifts in January. ETF data reveal that non-U.S.-domiciled investors have continued to buy U.S. equity funds in January at roughly the same pace as in late 2025. However, flows since tariff tensions began around March 2025 have, on average, been lower. On the bond side, January inflows from foreign investors remain modestly softer than late-2025 averages but are still net positive, in stark contrast to the net sales recorded last spring.

Figure 1: Monthly net flows into ETFs that invest in US equities

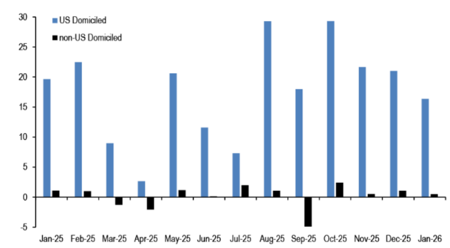
In $bn per month.



Source: Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

Figure 2: Monthly net flows into ETFs that invest in US bonds

$bn per month.



Source: Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

Steepener trades in vogue as long-term bonds face further upside risks. Geopolitical tensions and mounting fiscal concerns have revived attention to steepener trades, as investors position for long-dated yields to rise relative to the front end. The dispute over Greenland had reinforced concerns that renewed tariff threats could weigh on growth, limiting upside pressure on short-term rates. Even with Greenland-related tariffs now off the table, investors are sanguine about inflation dynamics, while fiscal dynamics remain a key concern. Rising government deficits and increased defense spending are pushing long-end yields higher in Europe, and even more forcefully in Japan, where long-term yields reached record highs this week. As a result, the 2s–30s curves in the United States and Europe have widened to their steepest levels in years, while Japan's curve spread is now the widest on record. Overall, barring surprises in inflation, investors see further upside risk to long-term yields as fiscal concerns persist, further fueling the trade.

Long-Dated Bonds Back in Spotlight After Japan Flare-Up

Investors expect long-dated notes to underperform, steepening yield curves

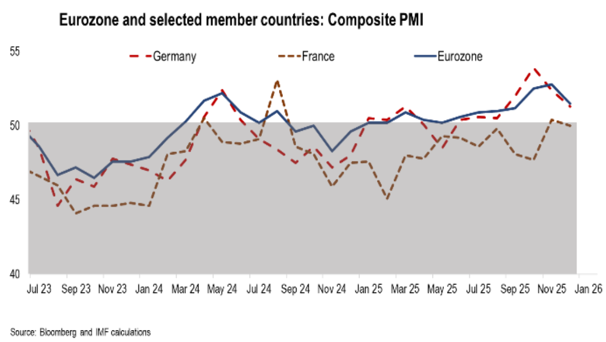
Source: Bloomberg Bloomberg

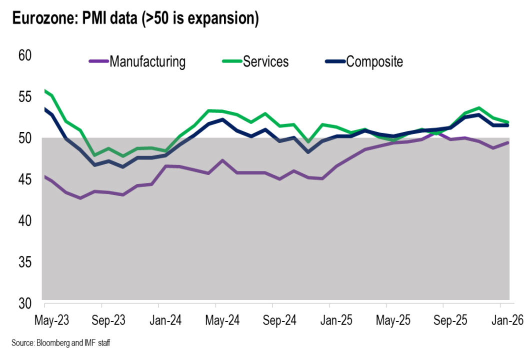
Euro area

European equities edged lower this morning, mirroring US equity-index futures and reportedly amid a global diversification drive. European bourses broadly traded in the red today. The Stoxx 600 index was down by 0.4%, with moderate losses across nearly all sectors save for energy (1%) and defense (0.6%)

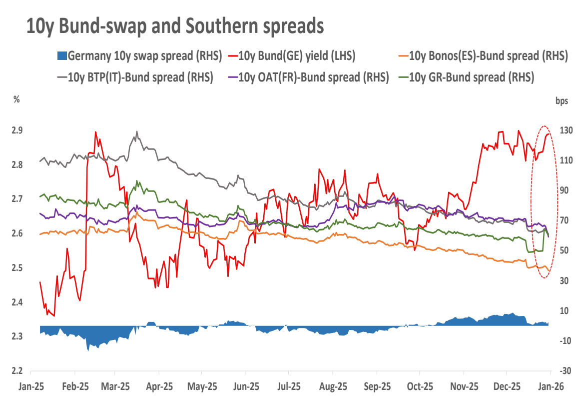
stocks, with the former supported by rising oil prices (Brent +1.4%) and the latter by the IPO of the armored vehicle maker CSG NV, whose shares gained as much as 28% after the market open in the Netherlands.

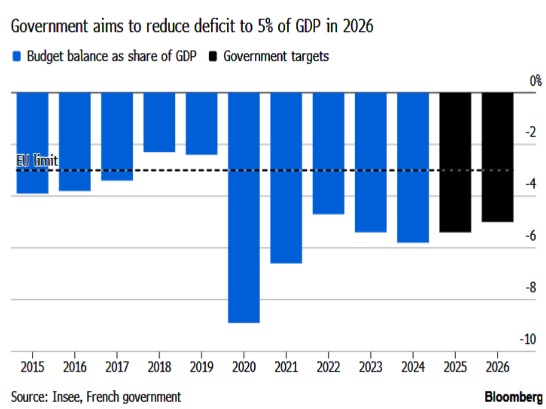
The euro continued to weaken against the dollar (-0.2%) to $1.1732/€ after January PMIs showed mixed results, disappointing overall in France and the Eurozone, but slightly better than expected in Germany. The Eurozone composite PMI held steady at 51.5 (below the 51.9 consensus), with services falling to 51.9 (vs. 52.6 expected) and manufacturing still in contraction at 49.4. France had similar dynamics, while Germany's composite PMI rose to 52.5 (vs. est. 51.7pts, from prior 51.3pts), driven by a higher services PMI (53.3 vs 52.7 prior), though manufacturing remained week. Bloomberg notes that the Eurozone composite PMI remains below late-2025 averages, suggesting the Eurozone economy is "muddling through" tariff uncertainty, with weak external demand and momentum making near-term ECB tightening unlikely; GDP is expected to grow just 0.2%q/q in 1Q 2026. HSBC expects today's data won't change ECB policy, forecasting rates on hold with a slight downside risk to support stable-lower front-end yields and a range bound euro. ING points to subdued hiring expectations in January but still persistent price pressures but altogether don't see the ECB moving rates soon.





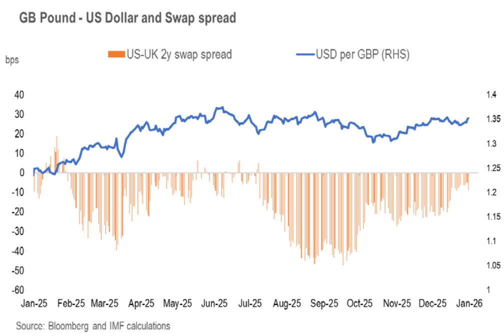
European government bonds (EGBs) were little changed this morning, with Bund yields marginally higher (about 1bp) across tenors. Southern EGBs outperformed Bunds on longer tenors, with French bonds taking the lead, as the 10y OAT-Bund spread narrowed by 3bps to 60bps, to return a tad below the 10y BTP-Bund spread (-1bps at 61bps). Franch PM Lecornu survived two no-confidence votes today, increasing the chances of passing the 2026 budget by using Article 49.3 (with no parliamentary approval). The budget is expected to reduce the deficit to 5% of GDP in 2026 from 5.3% in 2025, although later than planned and through significant political concessions. Analysts at Eurasia Group see this stabilizing near-term political risk to reassure markets, but stress that the latest adjustments proposed rely on temporary measures and higher spending (the government initially targeted a 2026 deficit of 4.7% of GDP according to Bloomberg). This will likely postpone credible long-term fiscal consolidation until after the 2027 presidential elections.

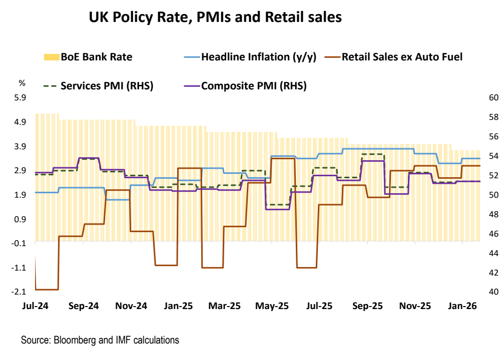




United Kingdom

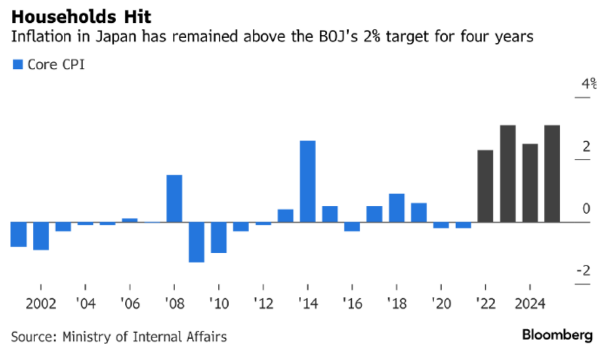
The pound sterling continued to advance (0.2%) against the dollar this morning, to trade at $1.3529/£, with gilts yields higher on the front end (2y yield +3bps at 3.70%), after today's data on retail sales and the **January PMI survey results came stronger than expected**. Retail sales rose in December by 3.1%y/y (vs. est. 1.7%), from 2.6% in November, while the January composite PMI printed at 53.9pts (vs. est. 51.5pts) from prior 51.4pts, led by the rise of the services PMI to 54.3pts (vs. est. 51.7pts) from 51.4pts in December. Manufacturing PMI surprised at 51.6pts vs consensus expectations (50.6pts). Money markets pared down bets of rate cuts by the Bank of England in 2026, pricing-in total easing of about -38bps by December, against -44bps priced-in yesterday.





Japan

In line with expectations, the Bank of Japan held its benchmark rate unchanged at 0.75% and raised its inflation outlook. The BOJ also noted that it is monitoring the impact of its December rate hike and is awaiting the outcome of the upcoming snap election in early February that could affect Japan's fiscal spending. MPC board member Takata voted for a rate hike to 1%, following the 25-bps hike in December that raised the policy rate to 0.75%, its highest level in three decades. The rest of the board voted to leave rates unchanged. Notably, inflation projections were revised higher, as headline inflation had already exceeded the 2% BOJ target for four years. The BOJ also softened its assessment of economic risks and noted that the negative impact of US tariffs is receding. All Nippon Asset Management and Amundi noted that Board member Takata's dissent suggests that the pace of policy rate increase could be accelerated from the current pace of every 6 months. Nomura noted that a rate increase in April is becoming more probable. **The JGB yield curve flattened following the BOJ decision.** Yields on the 2-year note rose 3 bps to 1.23% while long-dated bond yields fell, with the 30-year falling 4bps to 3.60% and the 40-year bond yield 7bps lower (3.90%). Meanwhile, the yen ended the day little changed after initially weakening following the BOJ decision (¥157.96/$).



Emerging Markets back to top

EMEA equities posted modest gains overall, led by Saudi Arabia and Türkiye, with Borsa Istanbul 100 Index rebounding 1.2% today after dipping yesterday on a smaller-than-expected 100bps rate cut by the central bank. Czech defense group CSG raised €3.3 billion via an Amsterdam listing, as European defense stocks remain ~20% higher year-to-date, albeit slightly below record highs reached earlier this week. Yesterday, Georgia successfully issued a five-year USD-denominated bond, supported by tight EM spreads and improving global risk sentiment following easing tariff tensions. CEE currencies weakened marginally against both the US dollar and the euro.

In the Asian region, equities posted broad-based, though modest gains while currencies strengthened amid dollar weakness. The Malaysian ringgit outperformed (+0.9%), supported by BNM's decision to leave its policy rate unchanged at 2.75% on Thursday. Meanwhile, the yen held steady after initially depreciating from BOJ's decision to leave policy rate unchanged.

Latin American assets posted gains on Thursday. Stocks gained in Mexico (+0.5%), Brazil (+2.2%), and Chile (+2.3%), while Colombia's and Peru's equity markets slipped 0.5% and 0.4%, respectively. Currencies appreciated in Brazil (+0.5%), Chile (+0.6%), and Colombia (+1.9%) against the US dollar.

Benin

Yesterday, Benin sold Africa's first foreign-currency sovereign bond of the year after risk sentiment improved and global market volatility eased. Bloomberg reports that the deal comprised a $500 million seven-year sukuk yielding 6.2% alongside a $350 million tap. The sukuk bond's pricing reportedly tightened from the initial guidance of ~6.875%, helped by strong demand from new Gulf investors. According to Bloomberg, the transaction may open the door for regional peers such as Cameroon and Ivory Coast, while the Democratic Republic of the Congo plans a debut offering later this year. EM sovereign spreads are at the tightest since 2012/2013; this may push investors toward higher-yielding African sovereigns, including first-time Eurobond issuers, Bloomberg market intelligence suggests.

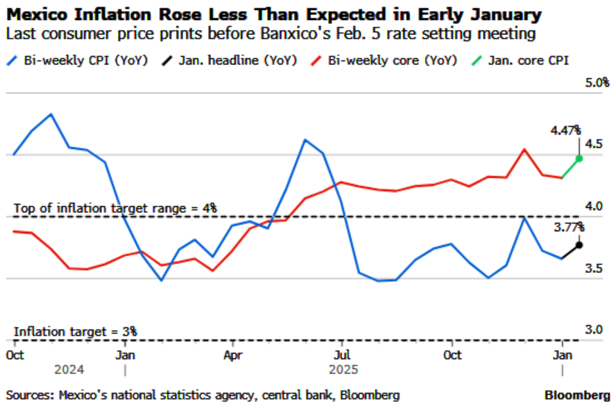
China

The strongest RMB fixing in two years raised expectations for further appreciation. The RMB's daily reference rate was set at RMB 6.9929 against the dollar by the PBOC, the first decline below the symbolic RMB 7 per dollar level since May 2023. Market observers, including the Australia & New Zealand Banking Group perceive the new fixing level as suggesting room for the RMB to gain further, despite current dollar weakness. Both the onshore and offshore RMB had rallied below the RMB 7/$ level in late December and outperformed many of its Asian peers. Over the last four quarters, the offshore CNH has gained 5.2% against the dollar while the onshre CNY gained 4.5%. RMB forward contracts for 3 months currently imply a rate of RMB 6.92/$ by April.

Meanwhile, **the PBOC injected a record amount of funds into the banking system to support market liquidity** as cash demand is expected to rise ahead of the Lunar New Year holiday in mid-February The PBOC injected a net RMB 1 tn ($144 bn) of medium to long-term liquidity into banks thus far in January, the highest on record, according to Bloomberg. The increase in funding supply, along with recent PBOC official comments about room for further easing, reinforced expectations for continued monetary policy support. **CGB yields fell by 2 to 3 bps across the yield curve** with the 2-year yield 5bps lower since mid-January, driven by expectations of policy easing while equity market gains moderated. Mizuho Securities expects the PBC to lower banks' reserve requirement rate ("RRR") by 25 bps in each quarter for the first half of 2026.

Mexico

Mexico's early-January inflation came in below expectations, with headline CPI at 3.77% y/y and core inflation at 4.47%, strengthening the case for Banxico to pause at its February meeting after 12 consecutive rate cuts. While core pressures remain elevated due to sticky services inflation and pass-through from higher excise taxes, the softer-than-expected headline helps limit near-term rate pressure. Contacts note that Banxico's restraint helps preserve Mexico's still-high real rate differential, while low FX volatility and a global environment favorable to carry trades should continue to underpin MXN even as gradual rate cuts resume later in the year.



This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), 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 Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.

Global Financial Indicators

1/23/26 8:01 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,913	0.5	-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	0.8	1.3	7.9	36.9	6
Interest Rates			basis points				
US 10y Yield		4.3	-1	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

1/23/2026 8:01 AM	Exchange Rates: Level		Exchange Rates: Change (in %)					Local Currency Bond Yields (GBI EM): 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		6.96	0.1	0.1	0.9	4.6	0.3		1.9	0	-3	-1	23	-3
Indonesia		16822	0.4	0.4	-0.2	-3.2	-0.8		6.2	0	6	9	-88	14
India		92	-0.4	-1.2	-2.5	-6.0	-2.3		7.3	6	4	-3	15	26
Philippines		59	0.1	0.5	-0.4	-0.6	-0.4		4.8	0	4	14	-29	12
Thailand		31	0.6	0.7	-0.2	9.0	1.0		2.0	-1	12	20	-43	25
Malaysia		4.01	0.8	1.3	1.4	10.9	1.3		3.6	4	3	4	-24	7
Argentina		1429	0.0	0.1	1.5	-26.7	1.6		36.0	59	275	518	980	359
Brazil		5.28	0.1	1.7	4.7	12.2	3.7		13.5	-7	2	-27	-173	-9
Chile		870	0.0	1.9	4.4	13.6	3.6		5.2	0	2	-7	-50	-8
Colombia		3599	0.1	2.7	4.5	17.6	5.0		12.3	4	19	35	92	-55
Mexico		17.44	0.2	1.1	2.7	16.9	3.3		8.8	-9	-5	-18	-117	-14
Peru		3.4	0.1	0.2	0.4	10.9	0.3		5.9	-1	-8	1	-87	10
Uruguay		37	1.1	3.2	4.6	16.3	4.3		7.3	-2	-6	-29	-240	-25
Hungary		325	-0.2	2.0	1.8	21.0	0.5		6.4	-5	-5	-11	-13	-13
Poland		3.58	-0.2	1.6	0.0	13.0	0.3		4.4	-1	-4	-15	-115	-13
Romania		4.3	-0.2	1.1	-0.5	10.1	-0.1		6.5	-3	-2	-21	-126	-17
Russia		75.9	0.3	2.7	3.0	31.7	3.8							
South Africa		16.1	0.0	1.6	3.4	14.7	2.6		8.6	-8	-4	-22	-186	1
Türkiye		43.36	-0.2	-0.2	-1.2	-17.8	-0.9		29.4	-11	-58	-114	170	-23
US (DXY; 5y UST)		98	-0.1	-1.0	0.4	-9.0	0.0		3.84	-1	2	10	-62	11

	Equity Markets: Level		Equity Markets: Change (in %)					Bond Spreads on USD Debt (EMBIG): 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		4,703	-0.4	-0.6	1.0	22.7	1.6		71	-2	-7	-22	-4
Indonesia		8,951	-0.5	-1.4	4.8	24.9	3.5		92	1	6	2	6
India		81,538	-0.9	-2.4	-4.1	8.2	-4.3		89	12	-2	3	-1
Philippines		6,333	-1.0	-2.0	4.4	0.6	4.6		78	1	3	-4	3
Thailand		1,314	0.2	3.0	4.4	-2.9	4.3						
Malaysia		1,720	0.2	0.4	2.6	9.3	2.4		59	-2	1	-9	0
Argentina		3,066,435	0.6	4.5	-1.6	16.8	0.5		551	-26	-26	-92	-18
Brazil		175,589	2.2	6.5	9.4	43.4	9.0		193	-5	-11	-27	-10
Chile		11,517	2.3	3.2	10.7	63.3	9.9		89	-6	-2	-27	-2
Colombia		2,434	-0.5	3.8	17.3	74.2	17.7		259	-5	-6	-51	-18
Mexico		68,348	0.5	2.5	4.2	33.9	6.3		214	-7	-2	-94	-3
Peru		3,159	-0.9	2.0	18.9	80.8	22.3		105	-7	3	-32	-4
Hungary		124,558	-0.5	1.8	12.2	47.6	12.2		137	-4	-1	-11	-2
Poland		122,649	-0.8	0.8	5.6	43.9	4.6		90	-3	-1	-19	-1
Romania		27,054	1.1	-1.2	11.6	58.6	10.7		166	-12	-11	-85	-10
South Africa		122,207	0.6	1.7	4.8	45.6	5.5		223	-9	3	-64	5
Türkiye		12,975	1.0	2.4	14.9	28.3	15.2		240	-6	3	-23	6
EM total		59	-0.5	1.6	8.1	37.6	7.3		259	-6	-11	-96	-12

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

back to top