GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

TUESDAY, JANUARY 27, 2026

LEAD EDITOR: TIMOTHY CHU

- **Implied volatility has surged across precious metals to historical levels** (link)
- **Silver rally has diverged from investor positioning, pointing to rising fragility** (link)
- **Japanese yen weakens and bond yields rise ahead of 40-year JGB auction** (link)
- **Euro well placed to gain on USD weakness, with no 2026 ECB cuts priced in** (link)
- **Emerging market ETFs continue to draw strong inflows** (link)
- **China yuan snaps two-day strengthening streak as dollar rebounds overnight** (link)

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Markets Risk-On but Await Catalysts; Elevated Volatility in Metals and FX

Risk appetite in markets overnight and this morning is firm, though subdued, despite new tariff threats and amid volatility in precious metals. Global equity markets were higher this morning, with S&P 500 futures indicating a +0.2% open and European and Asian bourses broadly in the green, as traders await potential catalysts from corporate earnings results and the FOMC meeting tomorrow. Elevated volatility was observed in precious metals, with silver fluctuating wildly, falling by 14% yesterday to erase its intraday gain before rising again during today's overnight session. Currency markets have also experienced significant moves. Yesterday, President Trump's threats of increasing US tariffs on Korea from 15% to 25%, should the Korean legislature fail to enact the US-Korea trade agreement, weighed on the won. However, while steadier, the dollar has continued to broadly depreciate this morning, despite showing strength during Asian trading hours. Contacts note a growing perception that US authorities are more comfortable with, or even supportive of, an implicit weak-dollar regime, particularly following unconfirmed reports of FX coordination between the US and Japan. USDJPY continues to fall and now stands at 153, down from 159 just last Friday. Meanwhile, sovereign yields in Japan have risen as investors remain cautious ahead of Wednesday's JGB auction. Contacts report that JGB investors are continuing to reassess their positions amid heightened volatility, with some on the sidelines and others entering attractive yields.

Key Global Financial Indicators

Last updated: 1/27/26 7:53 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6950	0.5	0	0	16	2
Eurostoxx 50		5979	0.4	1	4	15	3
Nikkei 225		53334	0.8	1	5	37	6
MSCI EM		59	0.2	2	8	40	8
Yields and Spreads					bps		
US 10y Yield		4.23	1.8	-6	10	-31	6
Germany 10y Yield		2.88	1.6	2	2	35	3
EMBIG Sovereign Spread		243	-2	-4	-13	-72	-10
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		47.5	0.2	1	2	9	2
Dollar index, (+) = $ appreciation		96.7	-0.4	-2	-1	-10	-2
Brent Crude Oil ($/barrel)		65.4	-0.3	1	8	-15	7
VIX Index (%, change in pp)		16.1	-0.1	-4	2	-2	1

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

Mature Markets

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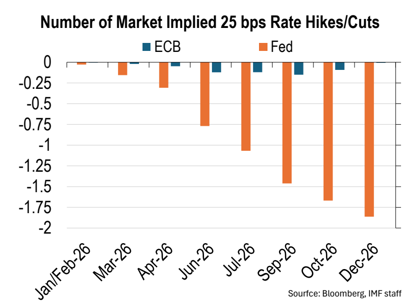
United States

US risk assets kicked off the week with bullish sentiment. US equities advanced ahead of key megacap earnings, with forward guidance exceeding expectations at around half of reporting firms so far, pointing to a nascent broadening of growth beyond the tech sector. The S&P500 index rose by 0.5%, its fourth consecutive advance while the tech-heavy Nasdaq was up by 0.4%. Sentiment was also supported by better-than-expected data from the Dallas Fed's manufacturing index and the Atlanta Fed's GDPNow estimate for Q4 2025 (+5.4%). That said, risk appetite is likely to remain in check amid a heavy earnings calendar and key central bank meetings later this week. Treasury yields closed modestly lower, supported by a strong 2-year note auction. The DXY was down 0.6% yesterday and approaching the lower end of its range since mid-2025, with the yen's sharp rally adding pressure on the dollar. Investors are also likely weighing the prospects of a new government shutdown at the end of January, with an 80% probability priced on Polymarket.

Euro area

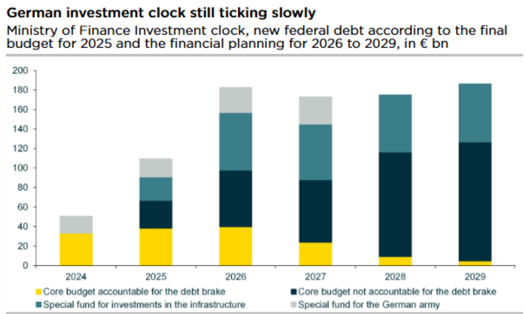
European equities opened narrowly higher this morning, despite the news of an EU-India trade deal. The EURO STOXX 50 traded 0.15% higher, led by the technology sector (+0.7%). European sovereign yields traded marginally higher across jurisdictions and maturities. Commission president Von der Leyen trade called the agreement between the EU and India the "mother of all trade deals." According to the European Commission, the deal is expected to double EU goods exports to India by 2032; however, the deal is only expected to eliminate up to €4bn per year in duties on European products. Under the deal, tariffs on cars should gradually go down from 110% to as low as 10%, though European automakers' stocks still dropped by 0.6% on the day.

The euro appears well positioned to benefit from broader US dollar weakness, according to Bloomberg. While the currency is little changed against the dollar this morning, it is up 1.1% year-to-date. Bloomberg notes that the euro tends to behave as a higher-beta G10 currency and that the ECB appears to have concluded its rate-cutting cycle, in contrast to the Federal Reserve. Markets expect both the FOMC and the ECB to hold rates at their upcoming meetings tomorrow and next week, respectively. However, market-implied rates indicate scope for up to two Federal Reserve rate cuts later-on this year.

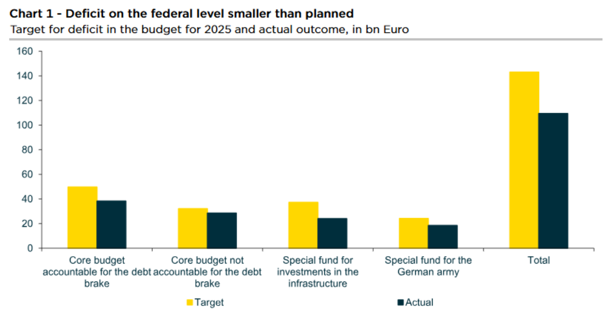


Germany

Despite elevated market expectations for a fiscal-led growth pickup, near-term fiscal support appears more limited than hoped for. According to Commerzbank, final budget outturns for 2025 show that core deficit and infrastructure investments undershot plans, with federal spending around €37 billion below the medium-term financial framework. This implies that a sizable share of outlays has yet to translate into delivered activity, delaying the growth impact. This contrasts with market sentiment, as the Bank of America European Fund Manager Survey Indicates that 67 percent of European investors view German fiscal stimulus as the main catalyst for stronger growth. The 10yr Bund yield has increased by more than 50 bps since January 2025 (up 1.5 bps today, trading around 2.88%).



Source: BMF, Commerzbank Research



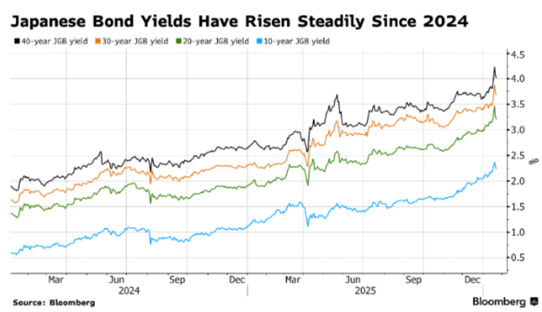
Source: Federal ministry of finance, Commerzbank Research

Greece

MSCI launched a consultation proposing to reclassify Greece from Emerging to Developed Market. Based on feedback from market participants supporting a waiver of the size and liquidity persistency rule, MSCI proposed moving the MSCI Greece Index to Developed Markets, with changes reflected across all relevant global and regional composite indices. The reclassification would be implemented in a single step at the August 2026 Index Review. FTSE Russell upgraded Greece to "developed market" last October; this will come into effect in September. Greek stocks have outperformed DM European peers this year, having advanced 9% year-to-date (+1.3% today).

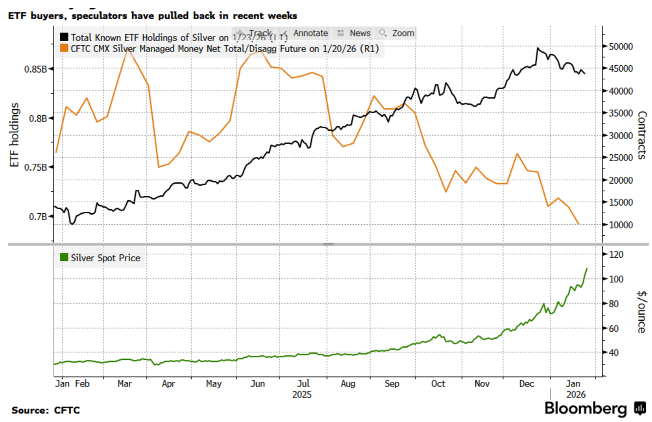
Japan

Government bond yields rose ahead of Wednesday's 40-year auction. Today, 10- and 30-year benchmark yields rose 5bps and 4bps to 2.28% and 3.66%, respectively, as investors remain on guard for another meltdown in JGB market ahead of Wednesday's auction. Market views on Japanese government bonds remain divided as volatility at the long end persists. The recent rout in super-long JGBs, driven by fiscal expansion fears and election-related uncertainty, has pushed many domestic life insurers to the sidelines, worrying that a potential consumption-tax cut and unclear BOJ rate-path could keep yields biased higher. At the same time, a growing camp—including PIMCO and other global asset managers—sees value emerging in long-tenor JGBs, citing attractive yields, curve steepness, and expectations that the Ministry of Finance and Bank of Japan may act to stabilize markets if volatility intensifies. Speculation that the Government Pension Investment Fund could reallocate toward domestic bonds is adding a possible bullish catalyst, as even a modest shift could help anchor the long end and support the yen. However, some market experts caveat that aggressive buying of JGBs may be limited given the September US-Japan agreement stated that "government investment vehicles such as pension funds continue to invest abroad for risk-adjusted return and diversification purposes." Today, yen weakened (-0.3%) to $/154.57. Equities rebounded (Nikkei 225: +0.8%), led by semiconductors and exporters.

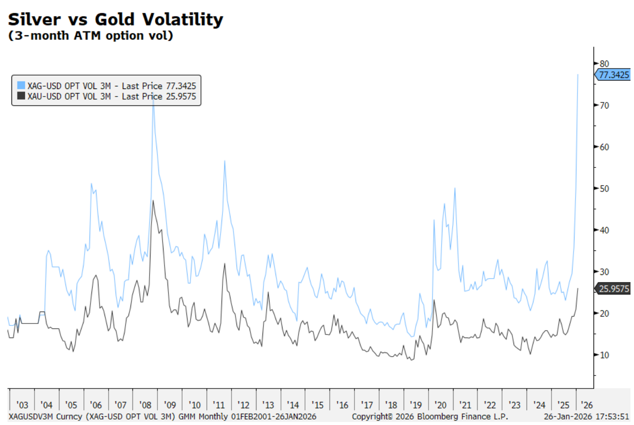


Commodity Markets

Silver's recent surge is showing signs of growing fragility as price gains increasingly diverge from underlying investor positioning. Silver rose a further 4.5% on Monday to a fresh record after an 14% intraday spike, the largest since the GFC, capping a parabolic rally of 45% YTD and 84% since December. Yet core sources of demand appear to be fading. Holdings in silver ETFs have been declining since late December following a sharp volatility spike and a brief but steep price correction. Higher margin requirements amid elevated volatility have also curtailed speculative participation, evidenced in the CFTC data. Market anecdotes point to retail buying in Asia and precautionary demand from industrial users amid supply concerns.



Option-implied volatility has surged across precious metals to historical levels, suggesting potential for elevated downside risks. Options markets are now pricing in significantly larger moves than those seen ahead of the October drawdown. Three-month implied volatility in gold has climbed to 26%, with option prices implying an 8% move over the horizon. Volatility in silver has surged towards historical highs, with current three-month implied vols near 77%, consistent with moves of up to 20%. Meanwhile, Bloomberg reported that more physical holders are unable to sell anywhere near spot prices, suggesting growing price dislocations. Taken together, weakening core participation and elevated volatility pricing suggests markets are increasingly vulnerable to a sharp reversal.



Emerging Markets

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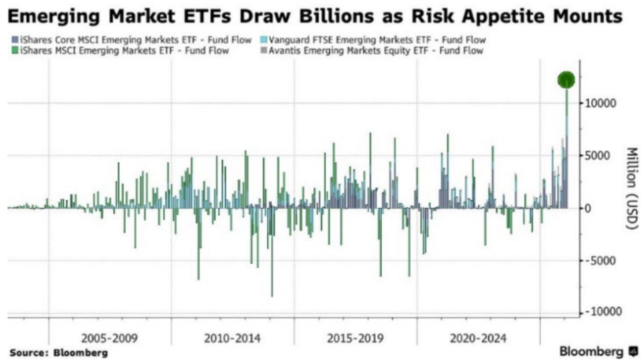
EMEA currencies mostly strengthened today, showing resilient EM sentiment despite tariff news and a steady dollar, while equities were mixed. In CEE, the Polish zloty firmed slightly against the euro as economic data confirmed strong momentum in 4Q 2025, and Hungary's stock market rose 1% ahead of an expected hold on interest rates by the central bank at 6.5%. The South African rand edged up alongside flat equities, while the Turkish lira dipped modestly and stocks fell by 0.6%. Elsewhere, Cameroon became today the second African nation, after Benin last week, to sell dollar-denominated bonds in 2026, as it issued $750m 5y bond at a yield of 10.125% according to Bloomberg, vis-à-vis a yield of 10.75% on 7y dollar bonds issued in 2024, when it last went to market. Cameroon is rated B-, six levels into junk, by S&P.

Asian currencies were mixed (EM Asia: flat), with the Malaysian ringgit (+0.3%) extending its rally and the Indian rupee (+0.3%) stronger after the holiday weekend. The Korean won (-0.4%) lagged behind regional currencies after Trump's threat to lift tariffs to 25% from 15%. Asian equities rallied strongly (EM Asia: +1.9%) thanks to tech heavyweights such as Samsung, SK Hynix and TSMC. Advances were led by Korea (KOSPI: +2.7%), Thailand (SET Index: +2.1%) and Malaysia (Kuala Lumpur Composite: +1.6%).

In Latin America, most equity markets posted gains, except in Brazil, where stocks edged slightly lower. Among regional currencies, the Argentine and Colombian pesos weakened, while the Brazilian real and Chilean peso appreciated.

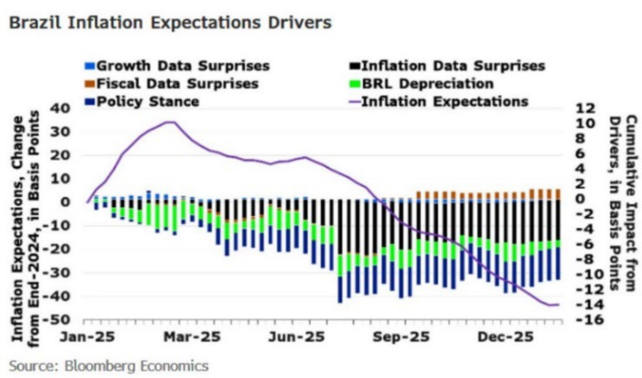
Emerging Market ETFs

The boom in emerging market ETFs shows no sign of slowing, fueled by investors' efforts to diversity from U.S. assets. According to Bloomberg, inflows to U.S.-listed emerging market ETFs, both broad-based and country-specific, reached $6.83 billion in the week ending January 23, bringing cumulative inflows over the past 14 weeks to $36.2 billion. Analysts note that the strong performance of emerging markets in 2025 has revived investors' interest in reallocating portfolios toward these ETFs, which offer valuable diversification from concentrated US mega-cap tech exposure and benefit from supportive macro trends. So far this year, the MSCI Emerging Market Index has gained 7.2 percent, outpacing the S&P 500's 1 percent gain. Within emerging markets, Asia attracts the most attention, driven by its prominent role in the fast-growing artificial intelligence sector.



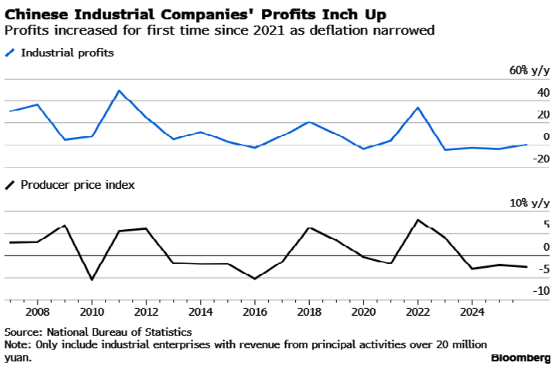
Brazil

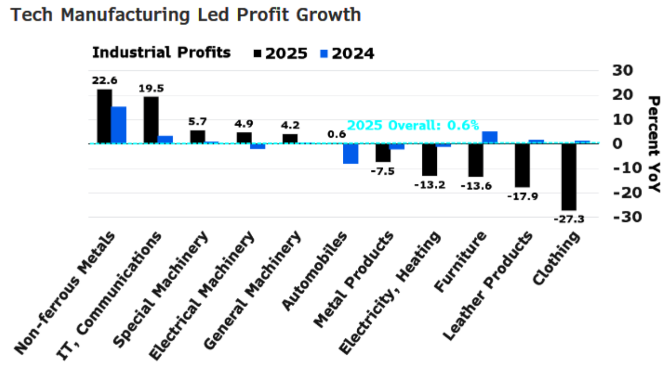
Brazil's inflation expectations remain high, posting a challenge to the long-awaited start of monetary easing. According to Bloomberg, the median analyst forecast places inflation in Q3 2027 (the relevant horizon for Banco Central do Brasil's upcoming policy decision) at 3.7 percent, an improvement from 4.6 percent less than a year ago but still above the 3 percent target midpoint. Its next policy meeting is scheduled for Wednesday. While markets anticipate the beginning of rate cuts later this year, analysts expect policymakers to hold the benchmark rate at 15 percent for a fifth consecutive meeting this week, keeping it at its highest nominal and real levels in nearly two decades.



China

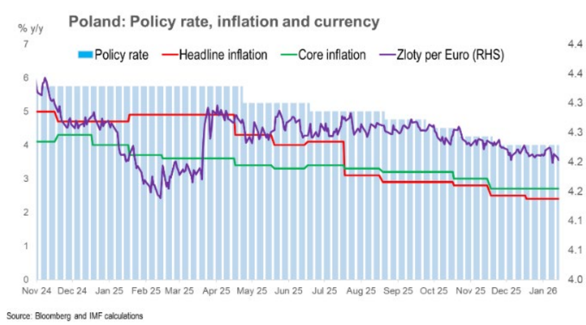
The yuan weakened versus the US dollar as People's Bank of China fixed the yuan slightly weaker today. Both onshore CNY and offshore CNH slightly weakened, in line with the weaker fixing at $/6.9858, while Bloomberg survey estimates were much weaker today at $/6.9581. Meanwhile, **China's industrial profits posted first yearly increase since 2021, rising 5.3% y/y in December**, lifting full-year gains to 0.6% after three consecutive years of contraction. The rebound was driven primarily by equipment and high-tech manufacturing, reflecting booming demand for AI-related and smart machinery. Measures to rein in price wars also helped stabilize automobile earnings, which edged up 0.6% following a sharp decline in 2024. Still, deflationary pressures linger due to weak domestic demand and persistent overcapacity, weighing on traditional consumer-goods sectors such as clothing and furniture. Bloomberg analysts emphasize that while recent improvements reflect early policy success, a broader and sustainable recovery in 2026 will require bolder steps to boost demand and address structural imbalances.





Poland

The zloty held firm (0.1%) against the euro at PLN4.20/€, with equities up 0.4% and bond yields slightly higher after December unemployment rose to 5.7%, matching expectations. Retail sales grew 5% y/y in December (below 5.7% consensus), reflecting strong consumer demand; PKO forecasts 3.5% GDP growth for 2025 in line with consensus. ING expects household consumption to rise over 3% in 2026, despite slowdowns in real income, due to low-cost imports from China. The NBP held its policy rate at 4% on January 14, with 2.4% y/y inflation, and may cut rates to just 50bps in 2026 according to Bank Pocztowy analysts due to strong economic development. Some policymakers see room for further rate cuts in February or March while others expressed more hawkish views given the large fiscal stimulus and accelerating growth.



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Global Financial Indicators

1/27/26 7:53 AM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		6,950	0.5	0.1	0.3	15.6	2
Europe		5,979	0.4	1.5	4.1	15.2	3
Japan		53,334	0.8	0.6	5.1	36.7	6
China		4,706	0.0	-0.3	1.0	23.3	2
Asia Ex Japan		100	0.0	1.4	7.3	39.8	8
Emerging Markets		59	0.2	2.2	8.0	40.3	8
Interest Rates					basis points		
US 10y Yield		4.2	2	-6	10	-31	6
Germany 10y Yield		2.9	2	2	2	35	3
Japan 10y Yield		2.3	5	-7	25	108	23
UK 10y Yield		4.5	1	5	0	-7	3
Credit Spreads					basis points		
US Investment Grade		102	0	-2	-6	-14	-6
US High Yield		314	2	0	-24	20	-22
Exchange Rates					%		
USD/Majors		96.7	-0.4	-2.0	-1.4	-9.9	-2
EUR/USD		1.19	0.4	1.8	1.4	13.7	2
USD/JPY		153.3	-0.6	-3.1	-1.8	-0.8	-2
EM/USD		47.5	0.2	1.5	2.3	9.3	2
Commodities					%		
Brent Crude Oil ($/barrel)		65.4	-0.3	0.8	8.6	-8.2	7
Industrials Metals (index)		172.3	-1.1	2.5	5.5	20.9	5
Agriculture (index)		53.7	0.3	1.2	-1.5	-8.3	0
Gold ($/ounce)		5085.2	1.5	6.8	17.4	85.5	18
Bitcoin ($/coin)		87895.8	-0.1	-1.4	0.3	-13.3	0
Implied Volatility					%		
VIX Index (%, change in pp)		16.1	-0.1	-4.0	2.5	-1.8	1.1
Global FX Volatility		7.2	0.0	0.3	0.3	-1.1	0.3
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		60	0	-4	1	-27	1
Italy		60	0	-5	-10	-51	-10
France		57	0	-10	-13	-17	-14
Spain		36	0	-3	-6	-26	-7

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

Emerging Market Financial Indicators

1/27/2026 7:52 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		6.95	0.0	0.1	0.7	4.2	0.5		1.9	0	-4	0	20	-4
Indonesia		16766	0.1	1.1	0.1	-3.5	-0.5		6.2	-2	7	13	-77	18
India		92	0.3	-0.8	-1.9	-5.9	-2.0		7.4	3	6	16	25	29
Philippines		59	-0.2	0.6	-0.4	-1.1	-0.4		4.8	0	4	4	-30	9
Thailand		31	0.1	0.1	1.3	8.5	1.5		2.0	1	8	22	-38	25
Malaysia		3.95	0.3	2.6	2.7	10.8	2.7		3.5	-1	-7	-2	-30	0
Argentina		1438	-0.3	-0.2	1.0	-27.0	1.0		35.2	25	113	373	975	284
Brazil		5.26	0.5	2.2	6.0	12.3	4.1		13.4	-5	-19	-26	-207	-19
Chile		862	0.3	2.7	6.2	14.6	4.4		5.2	0	1	-9	-54	-8
Colombia		3682	-1.0	-0.7	0.4	14.0	2.6		12.4	10	28	30	124	-43
Mexico		17.31	0.3	1.7	3.9	19.5	4.0		8.9	3	-10	-18	-114	-12
Peru		3.4	0.1	0.2	0.6	11.7	0.4		5.9	0	-6	5	-85	10
Uruguay		38	0.5	1.5	3.6	15.0	3.1		7.3	2	-4	-24	-239	-22
Hungary		319	0.6	2.9	2.7	21.9	2.5		6.3	-5	-14	-22	-14	-22
Poland		3.52	0.5	2.2	1.9	14.0	1.9		4.4	-2	-5	-14	-121	-14
Romania		4.3	0.4	1.7	1.3	11.0	1.4		6.5	-2	-9	-23	-125	-20
Russia		76.4	0.0	2.0	2.7	27.2	3.1							
South Africa		16.0	0.3	2.7	4.3	17.1	3.6		8.5	-3	-26	-24	-200	-10
Türkiye		43.40	-0.1	-0.3	-1.1	-17.6	-1.0		29.0	-2	-70	-128	201	-56
US (DXY; 5y UST)		97	-0.4	-2.0	-1.4	-9.9	-1.7		3.83	1	-3	13	-51	10

	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		4,706	0.0	-0.3	1.0	23.3	1.6		71	-1	-7	-22	-4
Indonesia		8,980	0.1	-1.7	5.2	25.3	3.9		92	3	3	0	6
India		81,857	0.4	-1.7	-3.7	7.8	-3.9		88	-1	-4	-1	-2
Philippines		6,307	0.5	-0.7	4.0	2.5	4.2		77	2	0	-10	2
Thailand		1,334	2.1	2.9	6.0	-0.8	5.9						
Malaysia		1,771	1.6	4.2	5.6	14.1	5.4		58	-2	-1	-12	-1
Argentina		3,131,277	1.2	7.5	0.6	28.4	2.6		517	-54	-67	-117	-52
Brazil		178,721	-0.1	8.4	11.1	43.1	10.9		195	-2	-10	-26	-8
Chile		11,550	0.4	3.5	10.2	64.3	10.2		92	0	-2	-25	1
Colombia		2,522	1.6	5.0	21.1	76.0	21.9		266	6	-3	-44	-11
Mexico		68,706	0.7	1.8	4.7	32.9	6.8		212	-6	-7	-93	-5
Peru		3,313	2.4	7.3	23.8	91.9	28.2		105	-2	-1	-32	-4
Hungary		128,462	1.4	5.9	15.7	51.2	15.7		137	2	-6	-11	-2
Poland		124,839	0.5	3.2	7.5	45.9	6.5		90	2	-3	-20	-1
Romania		27,795	1.2	4.4	14.6	63.7	13.7		167	-7	-14	-90	-9
South Africa		124,488	-0.1	3.3	6.3	47.9	7.5		226	-1	4	-62	8
Türkiye		13,131	-0.4	2.5	16.3	31.3	16.6		241	-2	1	-17	7
EM total		59	1.3	2.2	8.0	40.3	8.2		258	-4	-14	-96	-14

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

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