GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, JANUARY 28, 2026

LEAD EDITOR: TIMOTHY CHU

- **US dollar slumps to 4-year low, supporting precious metals** (link)
- **European stocks lower as disappointing luxury sales offset strong chip demand** (link)
- **Japanese yen retreats, 40-year JGB sees strong auction** (link)
- **China's Vanke gains vital backing from holders of yuan-denominated bonds** (link)
- **Mexico's central bank signals a pause in the rate-cutting cycle** (link)

Mature Markets | Emerging Markets | Market Tables

Tech Shares and Precious Metals Muscle Higher; Dollar Under Pressure

Global equities were mixed, with gains driven by tech outperformance, the dollar faced additional pressure following Trump's comments yesterday, and precious metals continued to rise. Equity markets in Asia continued to track record highs amid a strong AI theme, while European stocks broadly fell after disappointing LVMH results offset blockbuster ASML earnings. S&P 500 futures indicated further gains this morning after a solid set of earnings yesterday. Meanwhile, the dollar regained some footing and is flat in the early hours today. However, this follows a nearly 3-sigma move lower in the dollar DXY index yesterday, after Trump's late afternoon remarks that recent dollar underperformance was "great" accelerated a so-far sustained decline. Weak US consumer sentiment, government shutdown fears, and speculation of a weak-dollar policy may have also pressured the USD, though some contacts consider the selloff overdone. Dollar weakness spread to higher Treasury yields, with the 30yr rising by up to 6 bps. Precious metals continued their ascent, with gold and silver rising by 3% and 8%, respectively. In Japan, the yen saw some weakness after several days of rapid appreciation and the 40yr JGB auction drew strong demand after earlier caution. Elsewhere, contacts were attentive to comments by Trump that a "massive armada" was heading towards Iran; crude oil prices rose by about 4%. Looking ahead to later today, traders will be on watch for the outcome of this afternoon's FOMC meeting, where the Fed is likely to stay on hold.

Key Global Financial Indicators

Last updated: 1/28/26 8:07 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities					%		%
S&P 500		6979	0.4	3	1	15	2
Eurostoxx 50		5961	-0.6	1	4	15	3
Nikkei 225		53359	0.0	1	6	35	6
MSCI EM		60	2.0	5	10	42	10
Yields and Spreads					bps		
US 10y Yield		4.24	-0.2	0	11	-29	7
Germany 10y Yield		2.85	-2.6	-3	-1	28	-1
EMBIG Sovereign Spread		242	-1	-8	-14	-80	-12
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		47.8	0.0	1	3	10	3
Dollar index, (+) = $ appreciation		96.2	0.0	-3	-2	-11	-2
Brent Crude Oil ($/barrel)		68.0	0.6	4	12	-12	12
VIX Index (%, change in pp)		16.4	0.1	0	3	0	1

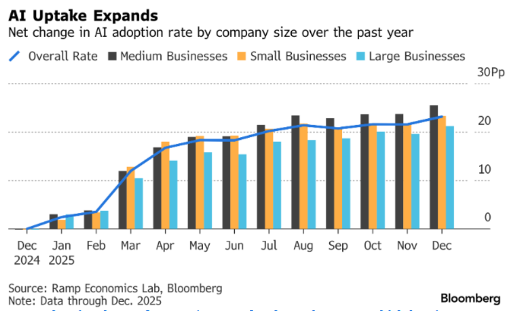
Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

Mature Markets

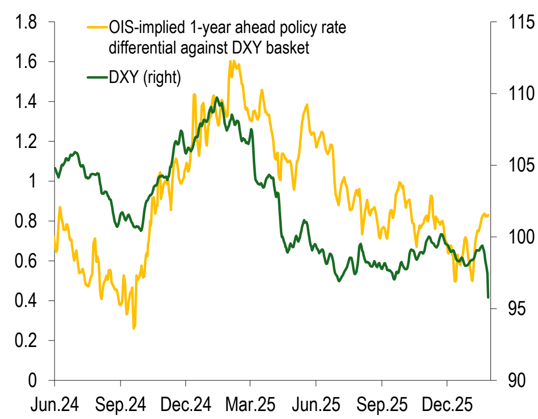
back to top

United States

US stocks rose to fresh record highs, with risk sentiment supported by solid corporate earnings despite weak consumer confidence. The S&P500 gained 0.5% led by the Mag7 cohort, which begin reporting tomorrow and have outperformed the broader market in recent sessions. After a period of consolidation in late 2025, concerns around AI demand seem to have eased, with latest private sector data showing continued rise in AI adoptions across firms. Notably, small- and medium-sized business are leading the recent adoption gains even as they lag in absolute terms, suggesting that they may stand to be the key beneficiaries from AI as labor costs account for a larger share of their expenses.



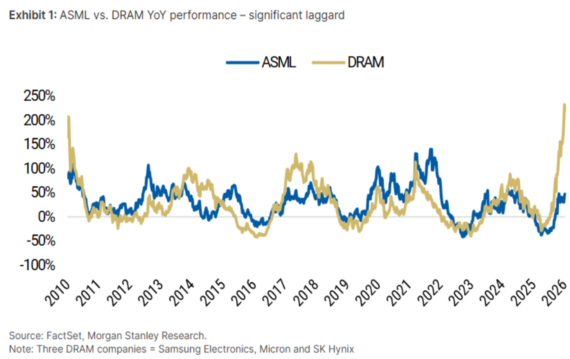
The US dollar slumped to 4-year low supporting precious metals. The dollar index (DXY) weakened sharply by 1.3%, its largest single-day drop since the week of Liberation Day, amid rising speculation of coordinated efforts to guide the dollar weaker against key trading partners. The move accelerated late in the session after President Trump said he was not concerned about the dollar's decline. Precious metals rallied sharply in response, with gold up 3% to $5180/ounce and silver gaining another 8%. Today's price action was notable in scale, with the DXY nearing a 3 standard deviation move, while gold and silver registered roughly 3.4 and 4.4 sigma moves. Some investors caution that the dollar's decline may be overdone considering the rate differentials, while others argue it underscores lingering policy risks reminiscent of the post-Liberation Day period. In addition, the move appears to be flow driven rather than purely sentiment. FX option volume cleared through the DTCC hit the second highest level on record on Monday, surpassed only during the April 3 selloff, and positioning appears heavily one-sided, with most of the trades positioning for further dollar weakness.

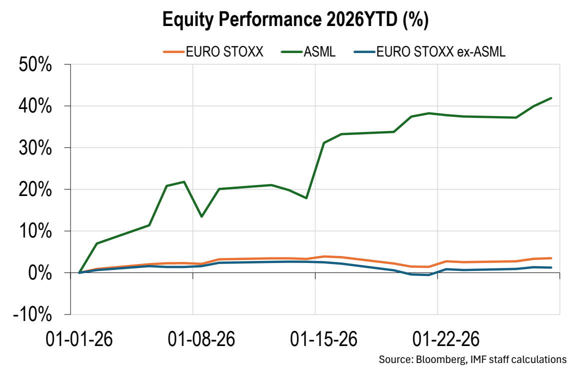


Euro area

European stocks edged lower, with earnings driving a divergence across sectors (see below). Government bond yields declined across jurisdictions and maturities (~-2bps), except in the UK, where long-end yields edged up marginally. The US dollar recovered modestly after this week's earlier declines, with the euro weakening by 0.6% but remaining around 2% stronger year-to-date.

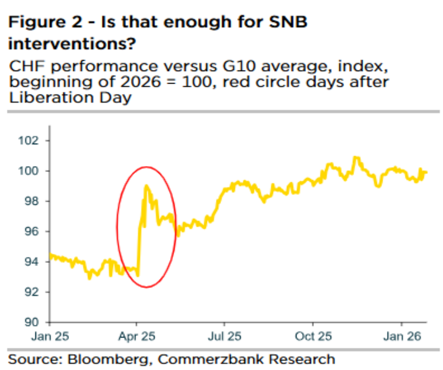
European semi-conductor firm ASML turned artificial intelligence into real orders, but not enough to offset luxury problems elsewhere. ASML shares jumped to a record high after the company reported €13.2bn in Q4 orders, far exceeding expectations (~€8bn), underscoring a powerful AI-driven upswing in demand for chipmaking tools. This new intake lifts the order backlog to €38.8bn, covering all of 2026 sales and extending well into 2027. Morgan Stanley points to pent-up DRAM demand as a key upside for ASML and put the stock and European semiconductors at overweight earlier this year. However, the European technology sector's outperformance may hinge largely on ASML. By market capitalization, ASML accounts for 43% of the EURO STOXX Technology subindex, and almost 5% of the broader EURO STOXX index. Therefore, ASML is by itself responsible for about 40% of the positive performance of the broader index year-to-date, not taking into account today's advances (+7%). By contrast, luxury company LVMH disappointed with lower-than-expected Christmas sales. This offset the positive news from ASML, pulling European stocks in the red (EURO STOXX -0.2%). Bloomberg writes that luxuries are likely hampered by cost-of-living pressures, tariffs and geopolitical uncertainty.





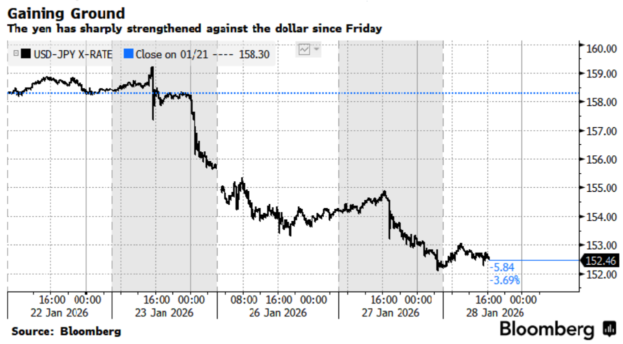
Switzerland

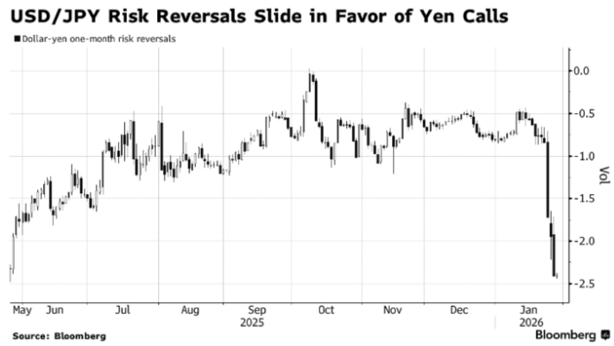
Recent Swiss franc strength is unlikely to warrant near-term SNB FX intervention, Commerzbank says. Since the "Greenland tariff" announcement, the Swiss franc (CHF) has strengthened by 4.4% versus the US dollar. But recent franc strength largely reflects global safe-haven demand and broad underperformance of the US dollar rather than an idiosyncratic CHF surge. Against a G10 average, the franc has moved mostly sideways in January, and past episodes of intervention (notably Q2–2025) coincided with a much faster and broader appreciation than seen now, according to Commerzbank.



Japan

The Yen weakened today after sharp overnight strength pushed yen to its strongest three-day rally since August 2024. Today, the yen depreciated (-0.3%) to $/152.65, after strengthening around 1.5% overnight on Trump's comment that he is comfortable with recent dollar weakness. Options market have reacted, with implied volatilities reaching recent highs on Tuesday (1-month 11.2; 3-month 10.0), and one-month risk reversals having fallen over the past week to their lowest level since May 2025, signaling a sharp increase in demand for protection against yen strength. Despite the rally, Citigroup strategists see continued weakening bias in the run-up to next month's election but suggested that higher Japanese bond yields may eventually give investors an incentive to pull cash from overseas and reinvest domestically, thereby supporting the yen.

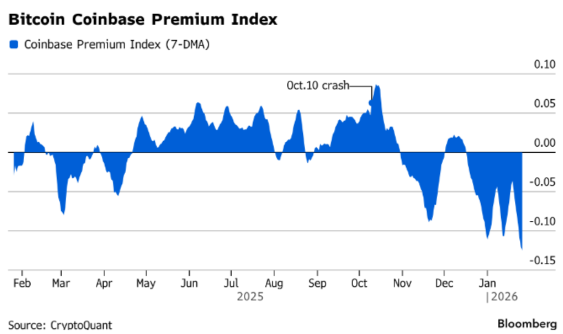




Today, **government bond yields fell after 40-year JGB auction drew the strongest demand since March**. Bid-to-cover ratio was 2.76, much higher than the 12-month average of 2.53. Benchmark bond yields fell noticeably (2-yr -3bp to 1.24%; 10-yr -5bp to 2.23%; 30-yr -3bp to 3.63%).

Digital Assets

Crypto assets remain under pressure amid weak underlying demand. In contrast to the broad rally in commodities and other assets, crypto has failed to gain traction in the so-called debasement trade. Bitcoin has struggled to break above $90K and remains 30% below its October peak, underscoring subdued demand. The Bitcoin premium index, which tracks the bitcoin price difference between the US-based exchange Coinbase and offshore exchange Binance, has remained deeply negative since November, suggesting limited participation from US-based institutional investors and other long-term buyers. US investors have also pulled back from spot Bitcoin ETFs, a key demand channel, with net outflows of about $110mn so far in January amid broader geopolitical uncertainty.



Emerging Markets

back to top

EMEA currencies mostly weakened as the dollar attempted to rebound, while equities continued to rise. In CEE, currencies fell against the euro, led by the Czech koruna (-0.3% to CZK24.29/€); Romanian stocks outperformed (+1.5%). South Africa's rand slipped (-0.1% to ZAR15.87/$), with equities up 0.9%. The Turkish lira was little changed (TRY43.41/$), while Turkish stocks surged 2%, buoyed by positive momentum and reports of new and elevated positioning in a top-performing BlackRock fund, as well as Fitch's recent outlook upgrade. Ghana's cedi was steady (GHS10.92/$) ahead of a likely 250bps rate cut today by the Bank of Ghana. Mozambique's rate decision is also expected, with the policy rate currently at 9.5%.

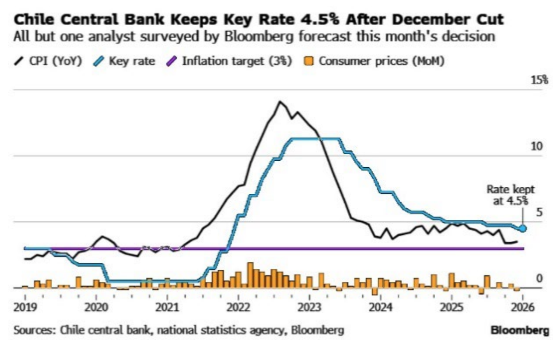
Asian currencies broadly strengthened overnight (EM Asia: +0.3%) after Trump's indifferent tone towards dollar weakness near the end of the US session. The Malaysian ringgit (+0.8%) and Korean won (+0.6%) led gains. Asian equities continued to rally (EM Asia: +2.2%), with Hong Kong SAR (Hang Seng: +2.6%) reaching a four-year high led by financials and property developers, while Korea (KOSPI: +1.7%)

and Taiwan POC (TAIEX: +1.5%) continued to be supported by technology shares. Indonesian stocks plunged (Jakarta Composite: -7.3%) after MSCI warned on “fundamental investability issues” and a potential downgrade to frontier-market status.

Yesterday, in Latin America, equity markets in most economies posted gains, while Colombia’s stock market declined. Among regional currencies, most major economies saw currency appreciation, except Argentina, whose currency slightly depreciated.

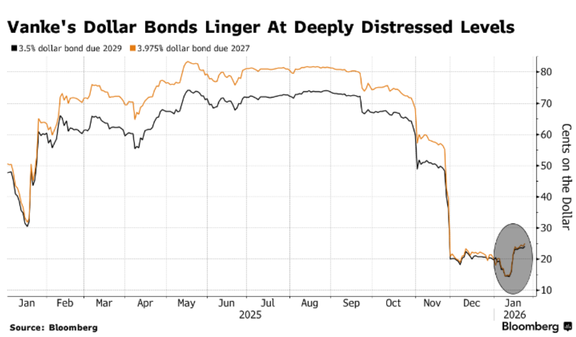
Chile

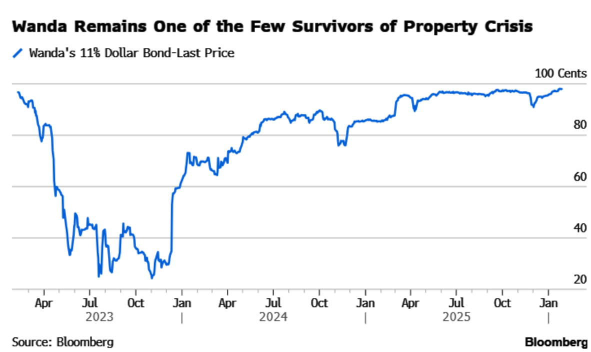
Chile’s central bank kept its benchmark interest rate steady at 4.5%, following two rate cuts last year. This decision, which comes after a total of 50bps of rate reductions in 2025, was broadly in line with economists’ expectations. Policymakers mentioned that inflation is expected to reach the 3 percent target in the coming months, although they anticipated an uptick above that level toward the end of the year. In December, the central bank revised upward its 2026 growth outlook, projecting GDP expansion of as much as 3% as investment gains momentum. Meanwhile, the new administration of Jose Antonio Kast has pledged to reduce corporate taxes and roll back regulations, measures expected to stimulate economic activity. According to the national statistics agency, consumer prices rose 3.5% year over year in December.



China

China Vanke gained vital backing from holders of two yuan-denominated bonds late Tuesday. All investors in the CNY2.0 bn and CNY3.7 bn notes—both originally due in December—approved a revised extension plan. Under the agreement, Vanke will repay 40% of the principal on January 28, with the remainder scheduled for coming December. Bloomberg estimates the partial repayments total about CNY2.5 bn, in addition to CNY413 mn due Friday on a separate bond. To support these obligations, major shareholder Shenzhen Metro Group has committed to providing up to CNY 2.36 bn in loans to help cover principal and interest on publicly issued bonds. These steps have allowed Vanke to avert an immediate default despite ongoing liquidity pressures. Authorities have also instructed the company to devise a comprehensive restructuring plan as it continues to manage nearly $50 bn in interest-bearing debt.

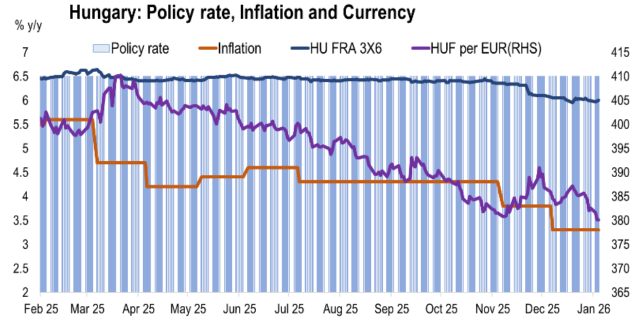




Market sentiment improved modestly following the Vanke news, with Hong Kong- and Shenzhen-listed shares rising 3.6% and 2.3% respectively. In the broader market, the development has encouraged Dalian Wanda to reportedly prepare a CNY300–350 mn, two-year dollar bond issuance at around 13% yield, joining other high-yield issuers such as China Oil & Gas Group and Shui On Land that tapped the dollar bond market earlier this month.

Hungary

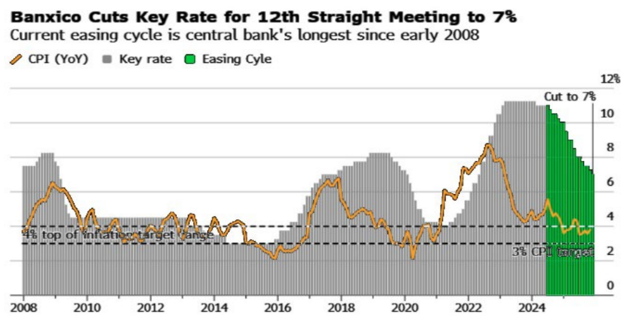
The forint edged lower (0.2%) against the euro this morning, after a 0.4% rise yesterday to trade around HUF380/€, its strongest in two years, following the central bank's (NBH) decision to keep rates unchanged at 6.5% (since September 2024) as expected. Government bond yields were steady, with forward rates pricing in about 50bps of easing by the second quarter. Equities were higher by 0.3%. The NBH maintained its hawkish stance, forecasting inflation below 3% in early 2026, rising toward 4% later in the year, and returning to target in the second half of 2027. Governor Varga stressed that the central bank does not have an exchange rate target and that the forint's strength (+6% on the euro Y/Y) is softening input costs and should gradually pass through to consumer prices. Analysts at ING, UBS, Barclays, OTP Bank, and Morgan Stanley all expect some rate cuts in 2026, though projections vary on timing and total easing, with most seeing initial cuts in February and March.



Source: Bloomberg and IMF calculations

Mexico

Mexico's central bank signaled a likely pause in its monetary easing cycle during its February meeting. In its 2026 monetary program report published on Tuesday, the bank said that policy decisions would consider the inflationary impact of new tariffs on Asian imports. Policymakers also highlighted ongoing uncertainty surrounding Mexico's trade relationship with the United States, noting that potential disruptions in bilateral trade could weigh on the economy and pose a downside risk to growth. In December, the central bank reduced its benchmark interest rate by 25 basis points to 7 percent, marking the twelfth consecutive cut since early 2024.



Sources: National statistics agency, central bank, Bloomberg

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.

Disclaimer: *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*

Global Financial Indicators

	Level		Change				
1/28/26 8:08 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
United States		7,008	0.4	1.9	1.1	15.5	2
Europe		5,962	-0.5	1.3	3.8	14.7	3
Japan		53,359	0.0	1.1	5.6	35.4	6
China		4,718	0.3	-0.1	1.7	23.6	2
Asia Ex Japan		102	1.9	4.6	9.4	41.3	10
Emerging Markets		60	2.0	5.3	10.1	42.0	10
Interest Rates					basis points		
US 10y Yield		4.2	0	0	11	-29	7
Germany 10y Yield		2.8	-3	-3	-1	28	-1
Japan 10y Yield		2.2	-5	-4	20	104	18
UK 10y Yield		4.5	0	7	2	-9	5
Credit Spreads					basis points		
US Investment Grade		103	0	0	-6	-14	-5
US High Yield		314	-1	0	-24	11	-22
Exchange Rates					%		
USD/Majors		96.2	-0.1	-2.6	-1.9	-10.8	-2
EUR/USD		1.20	-0.5	2.5	1.7	14.8	2
USD/JPY		152.6	0.3	-3.6	-2.2	-1.9	-3
EM/USD		47.8	0.0	1.5	2.8	9.7	3
Commodities					%		
Brent Crude Oil ($/barrel)		68.0	0.6	4.2	12.8	-4.2	12
Industrials Metals (index)		174.2	1.2	3.6	6.7	23.1	7
Agriculture (index)		53.9	0.1	1.5	-1.0	-8.5	1
Gold ($/ounce)		5285.7	2.0	9.4	22.0	91.3	22
Bitcoin ($/coin)		89927.8	1.1	0.8	2.8	-10.3	3
Implied Volatility					%		
VIX Index (%, change in pp)		16.4	0.1	-0.5	2.8	0.0	1.5
Global FX Volatility		7.6	0.0	0.7	0.6	-0.7	0.7
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		60	1	-4	2	-27	1
Italy		60	1	-5	-9	-50	-10
France		57	1	-9	-13	-16	-14
Spain		36	0	-4	-7	-26	-8

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

Emerging Market Financial Indicators

1/28/2026 8:07 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	0.1	0.3	0.9	4.3	0.6		1.9	1	-1	1	24	-3
Indonesia		16706	0.4	1.4	0.5	-3.2	-0.1		6.2	0	3	13	-78	18
India		92	-0.1	-0.1	-2.0	-5.7	-2.1		7.3	-2	8	14	25	27
Philippines		59	0.6	0.9	0.1	-0.5	0.1		4.8	6	2	10	-24	15
Thailand		31	0.0	0.1	1.3	9.2	1.5		2.0	0	2	22	-36	25
Malaysia		3.92	0.9	3.3	3.6	12.1	3.6		3.6	7	0	4	-24	6
Argentina		1444	-0.1	-0.9	0.9	-27.3	0.5		34.6	-57	4	316	930	228
Brazil		5.17	0.3	2.8	7.8	13.4	5.9		13.2	-15	-41	-41	-214	-34
Chile		854	0.6	2.4	7.2	16.3	5.4		5.2	-1	-1	-10	-51	-9
Colombia		3626	0.3	1.2	3.4	16.4	4.2		12.5	2	32	32	115	-41
Mexico		17.15	-0.1	2.0	4.9	19.9	5.0		8.8	-4	-22	-22	-122	-16
Peru		3.3	0.1	0.3	0.6	11.9	0.5		5.9	0	-3	3	-86	7
Uruguay		38	-1.1	-0.1	2.4	13.7	1.9		7.2	-6	-8	-30	-245	-28
Hungary		318	-0.8	3.4	3.2	22.8	2.9		6.3	-1	-16	-24	-16	-23
Poland		3.51	-0.6	2.7	2.3	14.8	2.3		4.4	0	-4	-14	-120	-14
Romania		4.3	-0.5	2.4	1.7	12.1	1.8		6.5	-1	-10	-24	-116	-21
Russia		76.3	-0.1	0.7	2.8	28.4	3.2							
South Africa		15.9	-0.1	2.4	5.1	17.7	4.3		8.5	-1	-31	-25	-215	-11
Türkiye		43.42	0.0	-0.3	-1.1	-17.7	-1.1		29.2	20	-63	-109	189	-36
US (DXY; 5y UST)		96	0.0	-2.6	-1.9	-10.8	-2.2		3.83	0	0	13	-50	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		4,718	0.3	-0.1	1.7	23.6	1.9		72	0	-6	-23	-3
Indonesia		8,321	-7.3	-7.7	-3.7	16.1	-3.8		90	0	1	-7	4
India		82,345	0.6	0.2	-2.8	7.6	-3.4		87	-6	-5	-5	-3
Philippines		6,356	0.8	0.4	5.0	3.3	5.0		75	-2	-2	-16	0
Thailand		1,339	0.3	1.6	6.8	-0.3	6.3						
Malaysia		1,756	-0.8	3.0	4.5	13.1	4.5		58	-2	-1	-14	-1
Argentina		3,244,320	3.6	6.5	4.2	33.2	6.3		498	-78	-86	-149	-71
Brazil		181,919	1.8	5.9	13.1	46.6	12.9		194	-1	-11	-32	-9
Chile		11,677	0.7	3.8	11.4	66.0	11.4		92	3	-2	-29	1
Colombia		2,496	-1.0	2.1	19.9	69.3	20.7		269	8	0	-48	-8
Mexico		68,878	0.2	1.8	4.9	33.6	7.1		213	-4	-6	-102	-4
Peru		3,367	1.6	5.5	25.8	98.8	30.3		103	-2	-3	-39	-6
Hungary		128,161	0.5	5.6	15.4	50.9	15.4		135	-1	-8	-18	-4
Poland		124,816	0.1	3.3	7.5	44.8	6.5		88	1	-5	-27	-3
Romania		28,009	1.4	6.5	15.5	64.5	14.6		165	-8	-17	-96	-11
South Africa		124,542	0.9	3.1	6.4	47.5	7.5		224	-6	2	-80	6
Türkiye		13,383	2.1	5.1	18.5	32.2	18.8		241	-4	1	-25	7
EM total		60	0.7	5.3	10.1	42.0	10.3		258	-6	-14	-101	-13

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

back to top