



- **US tech stocks stage a partial rebound after Monday's selloff** ([link](#))
- **Riksbank cuts rates by 25bps, as expected** ([link](#))
- **Downside surprise in Australian inflation opens door for quicker rate cuts** ([link](#))
- **BoE launches new repo facility for eligible non-bank financial institutions** ([link](#))
- **Chile holds key rate unchanged in line with expectations** ([link](#))
- **Special Feature: EM Local Currency Bond Holdings Monitor** ([attached](#))

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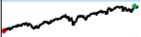






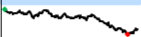


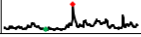
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Focus shifts to the FOMC

Global equity markets have stabilized following Monday's tech sector led selloff, with attention shifting to today's FOMC meeting. Futures markets are pointing to a muted open for US equities, while European equities were trading in the green this morning on the back of better-than-expected corporate earnings data from the tech sector. A relatively quiet session in Asia where several markets are closed for the Lunar New Year. Sovereign bond yields continue to edge lower, with 10Y US Treasury yields lower year-to-date, while 10Y UK gilt yields are approaching levels seen at the start of the year. On the monetary policy front, Sweden's Riksbank delivered an anticipated rate cut and the Bank of Canada is also expected to ease rates at its policy meeting later today. Meanwhile, the FOMC is expected to keep rates on hold, however market attention will be on any guidance during the press conference given increased tariff rhetoric in recent days. Finally, Q4 earnings from US Magnificent-7 companies will also be in the spotlight, following the selloff at the start of the week.

Key Global Financial Indicators

Last updated: 1/29/25 12:38 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6068	0.9	0	2	23	3
Eurostoxx 50		5239	0.8	1	7	13	7
Nikkei 225		39415	1.0	-1	-1	9	-1
MSCI EM		42	0.7	0	0	9	2
Yields and Spreads			bps				
US 10y Yield		4.53	-0.4	-8	-10	45	-4
Germany 10y Yield		2.55	-1.8	2	15	31	18
EMBIG Sovereign Spread		320	-2	1	-8	-79	-4
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		43.6	0.0	0	1	-8	2
Dollar index, (+) = \$ appreciation		108.2	0.3	0	0	4	0
Brent Crude Oil (\$/barrel)		77.0	-0.7	-3	4	-7	3
VIX Index (% change in pp)		16.5	0.1	1	1	3	-1

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

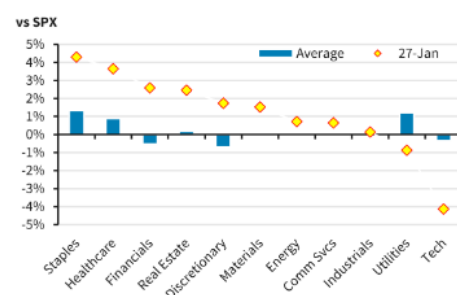
Mature Markets

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United States

After Monday's deep selloff, US tech stocks staged a partial rebound with the NASDAQ up 2%. Market participants now generally believe that calls for a realignment of the AI industry are premature and advancements like DeepSeek may in fact supercharge the AI-driven productivity narrative. However, investors are expected to be more selective in AI investments, making the upcoming earnings season even more important. Consensus expects tech sector EPS will grow by 16% yoy in Q4, more than double the S&P500's projected growth of 7.5%; however, the gap is expected to narrow in 2025. Some participants noted this trend has contributed to the recent broadening of equity market gains beyond the tech sector, while Monday's market actions indicated a clear rotation away from the tech sector. Treasury yields held steady ahead of the FOMC meeting.

Figure 4. Sector relative moves were noticeably different vs. similar risk-off days over the last 4 years

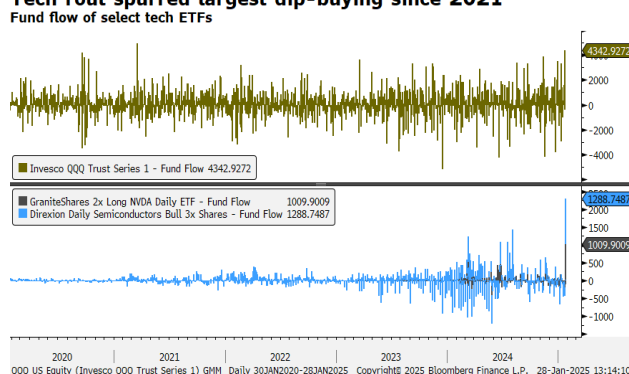


'Risk-off days' defined as trading days when the S&P 500 was down at least 1%, and UST 10Y yield/VIX 1d moves were in the bottom/top decile over the last 4 years.

Source: Bloomberg, Barclays Research

The slump in tech stock spurred the largest dip-buying rush since 2021. Investors poured \$4.3bn into the Invesco QQQ ETF, its largest single day inflow since 2021, according to Bloomberg data. In addition, despite the double-digit plunge on Monday, some leveraged semiconductor ETFs saw near record inflows.

Tech rout spurred largest dip-buying since 2021

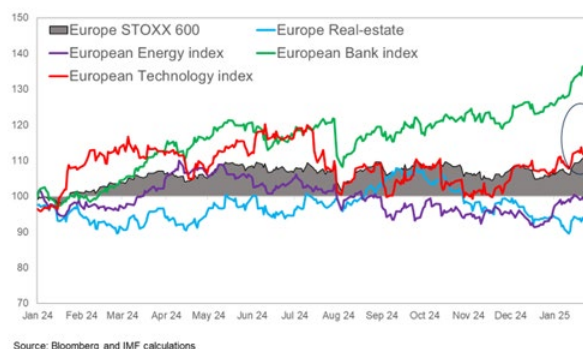


Europe

European equities continued to gain this morning (Stoxx 600 +0.7%), led by gains in the technology sector, while sovereign yields eased ahead of the FOMC meeting later today. The technology sector rallied (+3.7%), with Dutch company ASML Holdings NV shares gaining as much as 12% in Amsterdam after its reported booking orders vastly exceeded expectations, with the company's CEO pointing to AI as a clear driver according to Bloomberg. Europe's technology index has retraced losses seen earlier this

week and is now roughly 5% higher YTD. European sovereign bond yields were lower this morning (10y bund yield -2bps to 2.54%) and southern spreads were mostly narrowing. The 10-year Italian spread over bunds was 2bps lower this morning as 10y Italian yields eased (-3bps) after spiking yesterday late in the European trading session on media reports that PM Meloni was being investigated by Italian prosecutors. Bloomberg reports that these concerns have now dissipated. Elsewhere, 10Y French-Bund spreads were slightly wider at 75bps on media reports of growing tensions within the Socialist Party which may impact on budget negotiations. On the data front, Spain's Q4 economic growth data surprised on the upside and a separate data release showed the annual growth rate of adjusted loans to the private sector increased to 2.0%/y in December (from 1.5%). **The euro was weaker against the dollar (-0.2%), trading at around \$1.04/€.**

European Stocks: Selected Indices, Jan 2024 = 100



Sweden

The Swedish krona was little changed after the Riksbank cut its policy rate by 25bps to 2.25%, as expected. The Riksbank has now cut its policy rate by 175bps since May 2024. The accompanying press statement stated that while economic activity is weak, there are signs of a rebound. UBS analysts note that according to the central bank's guidance, today's rate cut could be the final cut in the easing cycle if baseline forecasts hold. However, the central bank also noted that the policy rate could be impacted by economic policy in the US and Europe, and Sweden's economic recovery as well as the krona exchange rate. Taking into consideration downside risks to Germany's growth (given Germany is an important trading partner) and US tariff uncertainty together with a broadly favorable inflation outlook for Sweden, UBS analysts see another 25bps rate cut in March as a possibility – especially if economic growth does not rebound. A separate data release this morning showed the Q4 GDP indicator increasing to +0.2%q/q (versus expected +0.3% from -0.1%). The Swedish krona was trading at around 11.46 against the euro, roughly similar to levels seen at the start of the year.

Sweden: Policy rate, Inflation, and Currency



United Kingdom

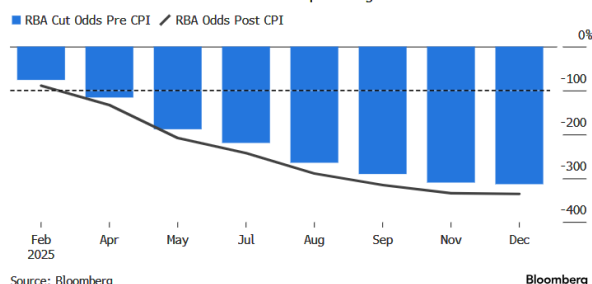
The Bank of England yesterday launched its new contingent repo facility for eligible non-bank financial institutions. The BoE yesterday announced that the Contingent Non-Bank Financial Institution Repo Facility (CNRF) is open for applications. The facility will be activated at the BoE's discretion, during episodes of severe gilt market dysfunction that temporarily increase non-bank financial institutions' demand for liquidity. The facility will lend cash directly to eligible insurance companies, defined benefit occupational pension schemes and liability driven investment funds against UK sovereign debt. The pricing of borrowing from the facility will be calibrated in a manner that disincentivizes usage in normal conditions.

Australia

Downside surprise in inflation opens door for quicker rate cuts.

Both headline and core inflation data for Q4'24 came in below the Reserve Bank of Australia's (RBA) and consensus expectations at 2.4%/y/y (2.5% exp, 2.8% prior) and 3.2%/y/y (3.3% exp, 3.5% prior) respectively. According to Bloomberg, immediately following the data release, the Australian dollar fell (-0.4%) against the US dollar, while the yield on policy sensitive 2Y government bonds fell by over 6bps to 3.77% and money markets scaled up expectations of a rate cut next month's policy meeting to more than 90%. Analysts at Goldman Sachs note that today's data suggests that inflationary pressures have eased materially and expect measures of inflation to stabilize near the midpoint of the RBA's 2–3% target band in 2025. The analysts expect the RBA to begin its easing cycle next month and now expect "back-to-back rate cuts at the April and May meetings" with a terminal rate forecast of 3.25%. Previously the analysts had expected a quarterly pace of rate cuts at the February, May, August, and November meetings.

Traders Closer to Pricing In February RBA Cut After CPI
Soft inflation data also boosts confidence for rapid easing



Emerging Markets

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A relatively quiet session in Asia with a number of equity markets in the region closed for the Lunar New Year. **EMEA equities were mostly higher this morning while currencies were mixed as a more positive tone in markets supported EM assets.** In CEE, equities outperformed in Czechia (+0.6%) and in Hungary (+0.7%, where the forint was little changed against the dollar. The Polish zloty slid by -0.2% against the euro today, trading at PLN4.21/€, after having touched 4.20 in early morning, its highest level since 2018. In South Africa equities rose by +1% and the rand advanced by +0.1% against the dollar, to trade at ZAR 18.66/\$, ahead of the MPC meeting tomorrow when the central bank is expected to cut its policy rate by -25bps to 7.50%. In Türkiye the lira was little changed against the dollar, trading at TRY35.77/\$, while equities traded sideways. Elsewhere, the central bank of Georgia kept its benchmark rate unchanged at 8% today, in line with expectations. **Latin American stocks and currencies were mixed Tuesday.** Equities in Colombia (+2.9%) and Chile (+0.1%) gained while Brazil (-0.7%) and Mexico (-0.3%) lagged. Currency performance was switched as the Brazilian real (+0.7%) and Mexican peso (+0.6%) appreciated, and the Chilean peso (-0.6%) and Colombian peso (-0.5%) depreciated.

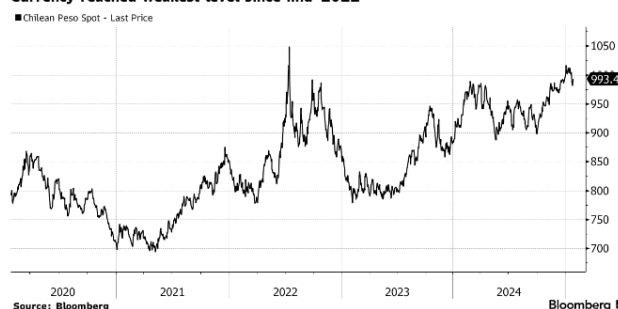
Chile

Chile pauses rate cutting campaign as expected, amid increased inflation risks and uncertainty.

The central bank unanimously held its key interest rate at 5% after three consecutive cuts of 25 bps. December headline and core CPI rose to 4.5% and 4.3% y/y, respectively. Policy makers cited the depreciation of the peso, higher labor costs, and rising electricity rates as factors impacting recent inflationary trends. The peso has weakened to levels this month last seen in July 2022, increasing the cost of imports. Additionally,

the press release acknowledges a rise in market volatility from the change in US government. The central bank left future rate decisions open, despite the current macro environment evolving in line with the assumptions made in its December Monetary policy report.

Chilean Peso Approached All-Time Low This Month
Currency reached weakest level since mid-2022

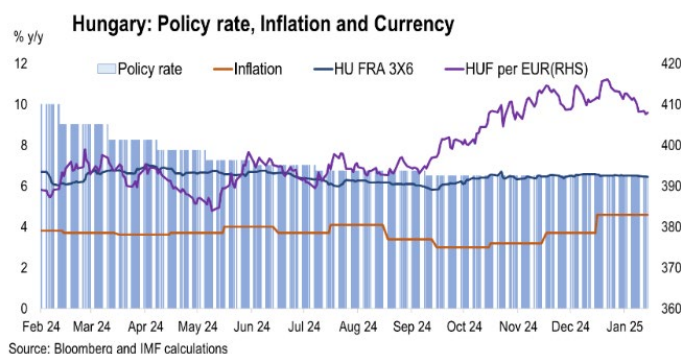


Hungary

Forint steady as Hungary holds rate at 6.5%, with hawkish guidance.

The forint was little changed against the euro this morning, trading at HUF407.95/€ (-0.1%), after the National Bank of Hungary (NBH) kept its policy interest rate unchanged yesterday at 6.5% for the fourth consecutive meeting, in line with expectations and, along with Romania, at the highest level in the EU. In a hawkish statement, the NBH disclosed plans of a “sustained pause” in the key rate

(the NBH cut its rate by -25bps the last time in September) as upside risks to inflation have materialized. Headline inflation surprised by jumping in December to 4.6%/y/y from prior 3.7%, well above NBH's 3% target. Deputy Governor Virag expects prices to grow further in January before returning to disinflation from February although from a higher-than-expected level. **The forint has weakened on the back of increased geopolitical risks by -4.6% against the euro in 4Q 2024**, before rebounding by 0.9% YtD. Money markets continue to price-in about -25bps of policy rates easing by June 2025, although analysts at OTP Bank and at Goldman Sachs believe that the central bank will have no room to cut rates in 2025 while Crédit Agricole foresees a resumption of the easing cycle in March. J.P. Morgan emphasizes that the upcoming change in NBH's leadership, with Finance Minister Varga replacing Governor Matolcsy in March adds uncertainty on future monetary policy direction, especially if economic conditions worsen.

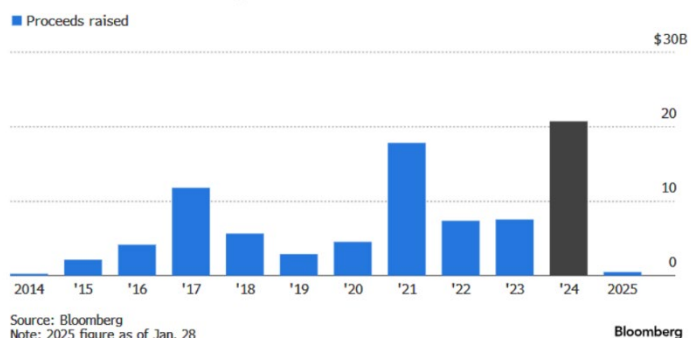


India

The equity market experienced an historic IPO boom despite an historic decline.

Demand was strong, and indications are that 2025 will be another good year. There are 50–60 applications in the pipeline and analysts expect another record year. There have been 23 IPOs already, with the stocks seeing average gains of 15%. This comes despite a poor start to the year, with the major local indexes down 2–3%. Some analysts warn that the situation is not entirely optimistic, as a number of last year's big IPOs have seen their shares suffer steep declines. One good sign is that a number of foreign companies have chosen to list on the Indian exchange.






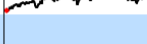













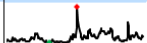





Indian IPO Proceeds Surged to Record in 2024



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.

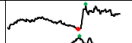










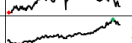












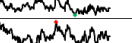





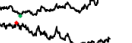



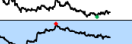
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Global Financial Indicators

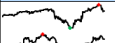






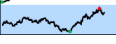
1/29/25 12:40 PM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,068	0.9	0.3	1.6	23.1	3
Europe		5,236	0.8	0.6	6.9	12.9	7
Japan		39,415	1.0	-0.6	-1.2	9.3	-1
China		3,817	-0.4	-0.3	1.1	19.3	-3
Asia Ex Japan		72	0.9	-0.5	-1.1	12.7	0
Emerging Markets		42	0.7	-0.1	0.4	9.2	2
Interest Rates			basis points				
US 10y Yield		4.5	0	-8	-10	45	-4
Germany 10y Yield		2.5	-2	2	15	31	18
Japan 10y Yield		1.2	-1	0	7	47	10
UK 10y Yield		4.6	-3	-5	-5	71	2
Credit Spreads			basis points				
US Investment Grade		117	0	0	0	-8	-3
US High Yield		303	0	7	-18	-76	-26
Exchange Rates			%				
USD/Majors		108.2	0.3	0.0	0.2	4.4	0
EUR/USD		1.04	-0.3	-0.1	-0.1	-4.0	0
USD/JPY		155.4	-0.1	-0.7	-0.9	5.4	-1
EM/USD		43.6	0.0	0.2	0.9	-7.7	2
Commodities			%				
Brent Crude Oil (\$/barrel)		77.0	-0.7	-2.6	4.3	-0.3	3
Industrials Metals (index)		141.9	0.2	-1.9	-0.2	1.9	1
Agriculture (index)		59.5	1.0	1.2	5.1	-1.4	4
Implied Volatility			%				
VIX Index (% change in pp)		16.5	0.1	1.4	0.5	2.9	-0.9
Global FX Volatility		8.2	0.0	0.0	-0.9	0.7	-1.0
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		85	-2	0	1	-14	0
Italy		108	-1	1	-6	-42	-7
France		75	2	2	-7	27	-8
Spain		61	0	-1	-8	-28	-9

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

Emerging Market Financial Indicators

	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		3,817	0.0	-0.3	1.1	19.3	-3.0		95	0	-1	-67	-1	
Indonesia		7,166	0.0	0.2	1.2	-0.4	1.2		95	1	7	-15	4	
India		76,533	0.8	0.2	-2.2	7.6	-2.1		93	5	9	-30	7	
Philippines		6,153	0.0	-2.9	-5.7	-7.1	-5.7		90	4	14	-2	11	
Thailand		1,343	-0.2	-1.4	-4.1	-2.2	-4.1							
Malaysia		1,553	0.0	-1.8	-5.5	2.6	-5.5		72	1	4	-19	2	
Argentina		2,435,629	-0.1	-7.0	-5.5	94.3	-3.9		628	-10	0	-1229	-9	
Brazil		124,056	-0.6	0.6	3.1	-3.5	3.1		227	1	-17	8	-20	
Chile		7,035	0.0	0.1	4.9	16.0	4.8		119	0	11	-12	6	
Colombia		1,474	2.9	6.7	6.7	15.2	6.8		319	4	0	14	-7	
Mexico		51,536	-0.3	2.2	4.6	-9.9	4.1		317	13	9	-20	5	
Peru		28,935	-0.1	-1.2	-0.6	6.6	-0.1		141	4	5	-12	0	
Hungary		85,495	0.6	-0.2	7.6	35.3	7.8		153	-2	4	-13	-2	
Poland		86,407	0.2	1.3	8.2	14.7	8.6		114	1	5	13	2	
Romania		16,974	-0.3	0.3	0.3	12.1	1.5		251	-6	18	53	16	
South Africa		85,312	1.0	0.8	0.7	14.7	1.4		299	3	13	-38	6	
Türkiye		10,104	-0.2	0.0	0.8	19.3	2.8		264	-10	10	-78	5	
EM total		42	1.8	-0.1	0.4	9.2	1.6		356	-3	-7	-4	-8	

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

Last updated: 1/29/2025 12:44 PM	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		7.24	0.0	0.4	0.7	-0.9	0.8		1.7	0	-2	-4	-86	-3
Indonesia		16173	0.7	1.2	0.1	-2.9	-0.4		7.0	0	-8	-4	32	-3
India		87	0.0	-0.3	-1.2	-3.9	-1.1		7.1	-1	-9	-30	-12	-26
Philippines		58	0.0	0.1	-1.0	-3.7	-1.0		5.1	0	-4	20	-39	20
Thailand		34	0.4	0.2	1.0	5.4	1.0		2.3	-1	-10	3	-39	1
Malaysia		4.39	-0.3	1.9	1.6	7.7	1.8		3.8	0	-2	-2	0	-2
Argentina		1050	0.0	-0.4	-1.9	-21.4	-1.8		25.6	27	66	-407	-4938	-354
Brazil		5.86	0.0	1.3	5.4	-15.6	5.4		15.4	-2	7	-37	521	-58
Chile		990	0.4	0.1	0.5	-6.0	0.5		5.8	4	1	8	35	8
Colombia		4219	-0.5	2.1	4.4	-6.9	4.4		11.4	8	-8	-40	175	-43
Mexico		20.54	0.1	-0.2	0.5	-16.1	1.4		10.0	-1	-11	-32	63	-32
Peru		3.7	0.2	-0.1	0.6	2.0	0.1		6.7	0	3	0	6	9
Uruguay		43	0.3	0.9	1.4	-9.7	1.4		9.7	-1	-2	0	41	3
Hungary		392	-0.4	0.6	0.7	-8.4	1.3		6.5	0	-14	7	43	4
Poland		4.05	-0.6	0.2	1.5	-0.4	2.0		5.6	0	-2	4	47	3
Romania		4.8	-0.3	-0.1	0.0	-3.9	0.4		7.5	-10	-24	23	128	26
Russia		98.4	-0.4	0.8	12.2	-9.3	15.3							
South Africa		18.6	0.2	-0.9	0.9	0.9	1.1		10.5	-11	0	6	-78	5
Türkiye		35.77	-0.1	-0.3	-1.3	-15.2	-1.2		27.3	-2	-27	-263	-45	-238
US (DXY; 5y UST)		108	0.3	0.0	0.1	4.4	-0.3		4.32	-1	-11	-14	34	-6

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