



- Crowded positioning and erratic trading in commodities weighed on risk sentiment ([link](#))
- Soft Tokyo inflation print reinforces view that BOJ will tighten policy gradually ([link](#))
- Surveys say next ECB move is more likely to be a hike than a cut ([link](#))
- Stronger euro acting as a modest additional headwind for earnings ([link](#))
- Onshore yuan steady on Friday but closed stronger for a tenth consecutive weekly gain ([link](#))
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Markets Remain Cautious Amid Volatile Gold Prices, Fed Chair Nomination

The Treasury curve steepened modestly, and global equities were mixed this morning. President Trump announced Kevin Warsh would be his nominee for Chair of the Federal Reserve. 2y Treasury yields declined 1–2 bps, while 10y and 30y yields rose 2–3 bps. Meanwhile, precious metal prices sharply declined overnight before recovering amid erratic trading since yesterday. Crowded positioning and unsustainable increases in gold and silver prices exacerbated market volatility, which appears to have been initially triggered by a sharp reversal in copper futures on Thursday. Gold quickly retraced part of the overnight move and remains marginally higher on net compared to last Friday. The dollar edged higher, with the euro (-0.3%) and yen (-0.5%) weaker, after data suggested that Japan did not formally intervene in the currency market last week. European equity markets outperformed, with China posting losses and US equity futures trading slightly lower. *Theme of the week:* Renewed dollar weakness (-1.8% this week) and the long-term upward move in gold prices (+17% YTD) forced market participants to reconsider the extent of global rebalancing and geopolitical uncertainty. Analysts are increasingly focused on whether global portfolio managers will reallocate away from US dollar assets, particularly with JGB yields looking more attractive, non-US equities outperforming, and currency moves making US returns less appealing. European domiciled US equity funds saw small outflows this week, and some reports suggest that a few investors are tilting marginal assets away from the US, but there are still limited signs of a broad shift in allocations. Data release to watch: TIC data on US portfolio flows in December on February 18.

Key Global Financial Indicators

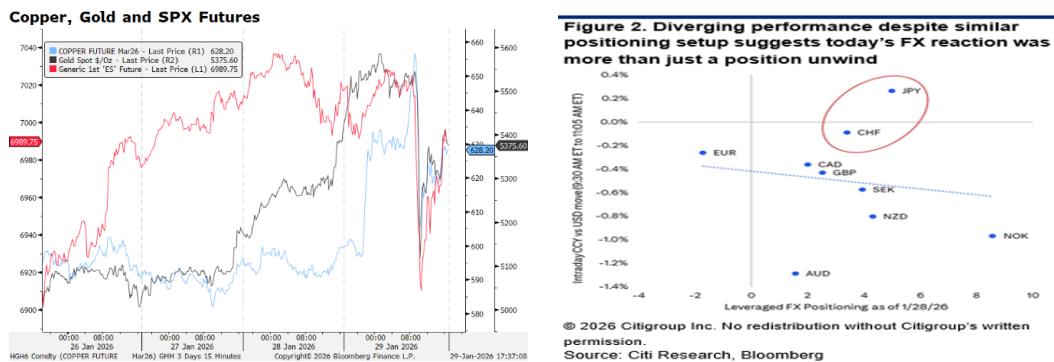
Last updated: 1/30/26 7:54 AM	Level		Change from Market Close					YTD	
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M			
Equities									
S&P 500		6969	-0.1	1	1	15		2	
Eurostoxx 50		5951	1.0	0	3	13		3	
Nikkei 225		53323	-0.1	-1	6	35		6	
MSCI EM		60	-0.5	3	10	40		10	
Yields and Spreads									
US 10y Yield		4.25	1.8	2	13	-27		8	
Germany 10y Yield		2.85	0.7	-6	-1	33		-1	
EMBIG Sovereign Spread		245	2	0	-12	-74		-9	
FX / Commodities / Volatility									
EM FX vs. USD, (+) = appreciation		47.6	-0.3	0	2	9		2	
Dollar index, (+) = \$ appreciation		96.5	0.3	-1	-2	-10		-2	
Brent Crude Oil (\$/barrel)		70.5	-0.4	7	14	-8		16	
VIX Index (% change in pp)		17.8	0.9	2	3	2		3	

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

Mature Markets[back to top](#)**United States**

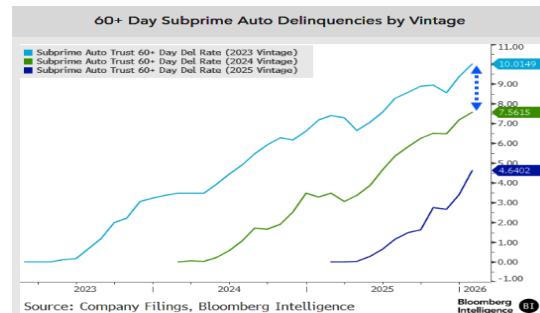
US PPI inflation came in above expectations at 3% y/y (vs 2.8% expected) and 0.5% m/m (vs 0.2% expected). Ex. Food and energy, PPI printed at 0.7% m/m (vs 0.2% expected). Treasury yields ticked slightly higher after the release, and equity futures weakened.

Market volatility spiked amid a sharp intraday swing in commodity prices. Gold and silver prices experienced intraday swings of 7.5% and 11% respectively following a sharp reversal in Comex copper futures, which had rallied nearly 10% overnight. The unwinding was reportedly driven by the liquidation of sizable OTC and futures positions rather than any fundamental catalyst. Risk-off dynamics broadened after equity markets opened, as Microsoft shares fell 12%, the largest intraday decline since 2020, amid lingering skepticism over whether rising AI-related capex will translate into earnings growth. The parallel sell-off in equities and commodities underscored that precious metals have been trading like risk assets at times. **The dollar and Treasury bonds rallied (-2 bps) amid a spike in the VIX to 20, consistent with traditional flight-to-safety dynamics, unlike some other recent market action.** The broader FX reaction displayed similar characteristics, rather than a pure positioning unwind. Funding currencies outperformed during the sell-off, with JPY and CHF rallying more than positioning alone would have implied, while high-beta currencies underperformed, including the Mexican peso, Brazilian real and South African rand.



Rising stress in subprime auto credit is emerging as a localized but persistent pocket of vulnerability.

Delinquency rates on older subprime auto loan vintages continue to deteriorate, with 60+ day delinquencies for the 2023 cohort approaching 10 percent, while the 2024 vintage is now following a similar trajectory, underscoring the cumulative impact of prolonged credit stress. While most stressed vintages have materially paid down and benefited from structural credit enhancement, the persistence and breadth of deterioration raise the risk of further losses as newer cohorts age, underscoring downside risks to consumer credit and select segments of securitized markets.

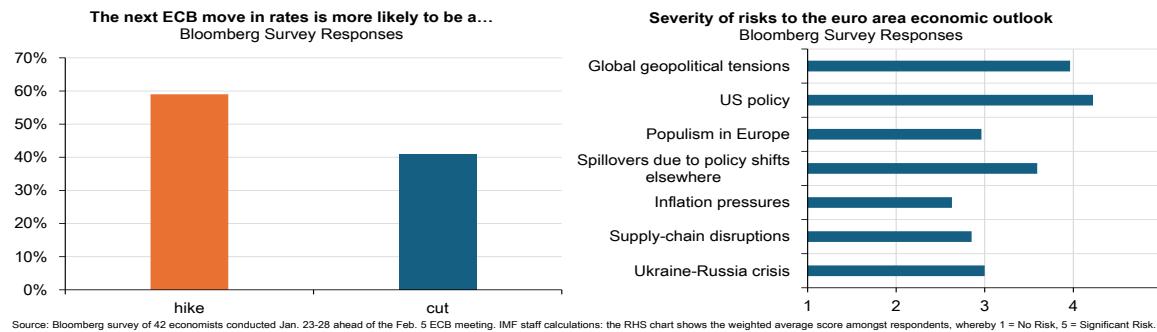
**Euro area**

European stocks traded higher today (+0.6%), mostly driven by a partial recovery of SAP and financials outperforming. Following last week's IPO of Czech defense group CSG, Euronext's CEO said today that the "pipeline on aerospace and defense is unprecedented," and that investors are looking to diversify away from the US into Europe. Today, euro area sovereign yields edged up marginally, with little movement over the week—in sharp contrast with this week's volatile dynamics in FX, equity, and commodity markets.

European earnings are underperforming early in the season, with a stronger euro acting as a modest additional headwind rather than a dominant driver. According to Bank of America, the recent USD weakening has lifted the euro by only around 1%, far short of the scale typically required to materially dent STOXX Europe 600 earnings expectations, despite uneven sectoral effects. Bank of America sees limited further USD downside this year, implying that FX is unlikely to be a key driver for European equities. Commerzbank instead points to softer European industrial momentum and renewed tariff uncertainty as more meaningful risks, particularly for cyclical sectors already facing ambitious earnings expectations, while AI-linked earnings strength remains concentrated in the US. According to Morgan Stanley (MS), EUR/USD strength is unlikely to derail the recent positive European diversification inflow story for now, though risks rise as the currency moves higher. MS estimates that a 5% trade weighted EUR appreciation reduces euro area exports by 1.5% and growth by 0.3 pp, with France, Italy, and Spain's economic growth most sensitive.



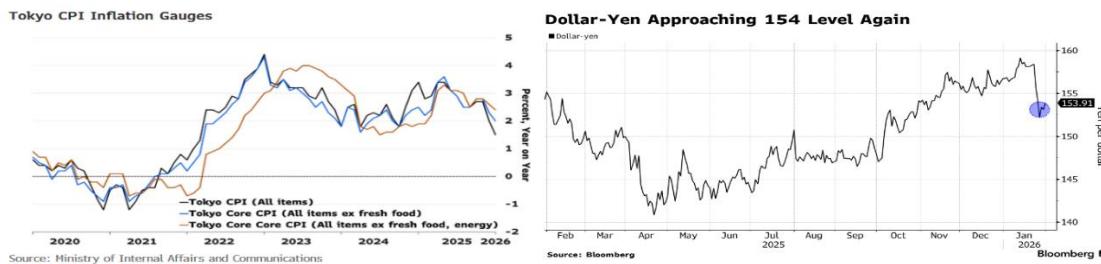
The European Central Bank is expected to hold next week, and surveys and market pricing point to a market expectation that the ECB is “done.” Most analysts surveyed by Bloomberg believe that the ECB’s next move (further down the line) could be a rate hike rather than a cut. At the same time, market reports point to next week’s euro area inflation flash estimate for January. Surveyed economists expect it to come in at 1.8% y/y, down from 1.9% previously, although some analysts see scope for a 1.7% print. The flash estimate will be released on Wednesday, with the ECB’s rate decision following the day after. No ECB cuts or hikes are priced for 2026. Surveyed economists see US policy as a key risk to the euro area outlook, followed by geopolitical tensions.



Japan

Soft Tokyo inflation reinforced expectations that the Bank of Japan will tighten policy gradually. January Tokyo CPI came in below expectations, with core inflation easing to 2.0% y/y (vs 2.2% expected) and the ex. fresh food & energy measure slipping to 2.4%. Headline inflation fell to 1.5% (vs 1.7% expected), driven by easing food price pressures. The softer readings may have reduced the urgency for immediate tightening, echoing Governor Ueda’s recent balanced message that the BOJ is watching underlying trends into the new fiscal year before stepping up the pace of tightening. Overnight indexed swaps are pricing in a 64% probability of a rate hike by April, down from 74% on Monday. The yen weakened further (-0.6%) to

JPY154/USD, while Ministry of Finance data suggested there was no formal intervention in January. Some analysts felt that the reported nomination of Kevin Warsh as Fed Chair would limit near-term upside in the yen given his stance on balance sheet reduction. JGB yields declined modestly (2y -2 bp, 10y -1 bp, 30y unchanged) after 2y auction saw solid demand.



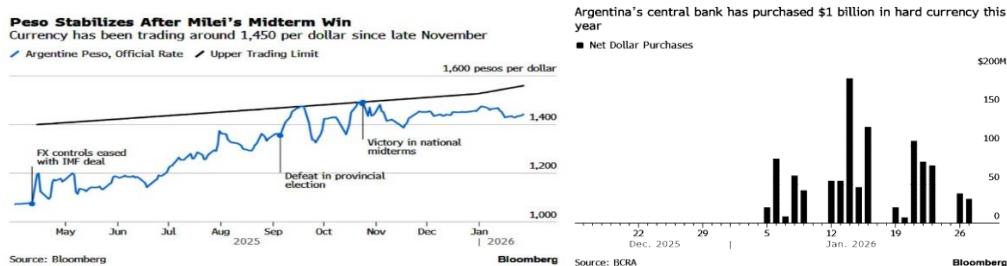
Emerging Markets

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In EMEA, most currencies were weaker this morning, while some equity markets underperformed amid the decline in metals prices. Hungarian equities outperformed, up 0.8%, while South African stocks fell 4% and the rand fell 1% given the correlation with gold prices. Turkish assets edged lower after a strong week, with the lira down 0.2% and equities down 0.6%. **Asian currencies generally weakened, with Thai baht (-0.9%) underperforming regional peers.** Asian equities declined noticeably (EM Asia: -1.5%), led by Hong Kong SAR (Hang Seng: -2.1%), Taiwan POC (TAIEX: -1.5%) and China (CSI 300: -1.0%). **In Latin America, regional equity markets declined on Thursday, with Chile underperforming down 0.9%.** Brazilian stocks fell as much as 1.7% before closing 0.8% lower. Most major currencies ended the day slightly higher after intraday losses triggered by the sharp swings in commodity prices and broader risk sentiment. The Colombian peso closed 0.9% higher.

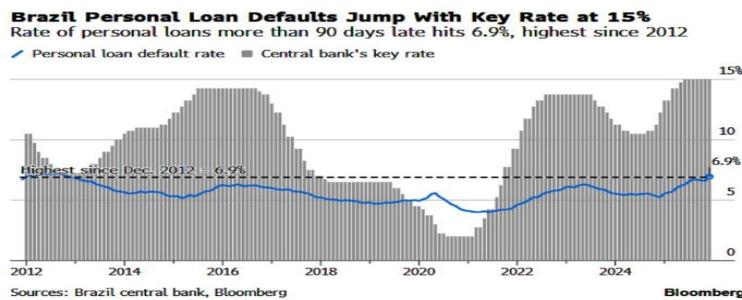
Argentina

The Argentine peso has stabilized in recent months amid greater political certainty and high interest rates, allowing the central bank to boost foreign reserves. Bloomberg reported that local money market holdings denominated in pesos have risen 7% in January, with subdued volatility boosting the appeal of earning returns in pesos, where interest rates are well over 30%. The central bank also has continued its foreign currency purchase program, acquiring more than \$1 bn YTD.



Brazil

Brazil's economy is showing signs of strain amid high real interest rates, with high job losses and elevated loan delinquency rates. Brazil shed nearly 620k formal jobs last month, well above economists' expectations. The personal loan default rate climbed to 6.9 percent in December, the highest level in nearly thirteen years. Markets are pricing in around 250 bps of easing this year after the central bank signaled an upcoming March rate cut.

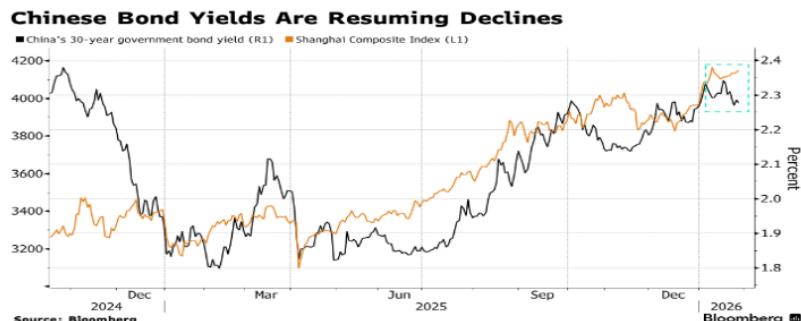


China

Onshore yuan steady on Friday but closed stronger for a tenth consecutive weekly gain, its longest streak since 2013. Today, onshore CNY was steady while offshore CNH depreciated (-0.1%), after the yuan was fixed stronger at 6.9678. Despite the US Treasury sharpening its rhetoric by calling the currency "substantially undervalued" and urging Beijing to allow faster appreciation, market participants still see the People's Bank of China as favoring a controlled, incremental strengthening path to avoid disorderly FX flows. According to a survey conducted at Goldman Sachs' global conference in Hong Kong, more than 90% of investors expect the yuan to appreciate in 2026, with 44% projecting the exchange rate at 6.80-7.00 by end-2026.



Chinese banks have ramped up government bond purchases this month, fueling a rotation into government bonds just as equity momentum cools. Record fund injections from People's Bank of China and easing loan demand have left banks well-funded with cash. Heavy buying at the long end has pulled 30y yields lower for a second consecutive week, while auction demand continues to produce robust bid-to-cover ratios. Regulatory tweaks in line with global standards have also expanded banks' duration capacity, helping absorb elevated issuance. Today, 10y and 30y government bond yields closed at 1.81% and 2.26%, respectively, down 8 bps from the January 7 peaks. With funding conditions stable and policy leaning accommodative, the curve is biased to flatten, and strategists expect the 10y yield to trade between 1.7-2.1% range this year.

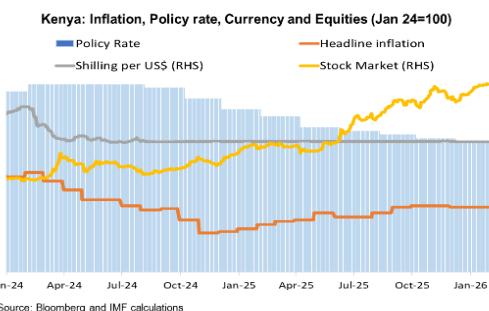




Kenya

The shilling was little changed after headline inflation eased in line with expectations to 4.4% y/y from 4.5%.

Core inflation stood at 2.2% y/y (2% in December). Inflation has remained at the lower end of the tolerance band since June 2024, allowing policymakers to cut the benchmark rate by 400 bps to 9% since August 2024. According to Bloomberg, today's data may persuade the MPC to lower rates further at its next meeting on February 10th, as the central bank projects inflation to remain below the 5% midpoint of its target range. Moody's upgraded its rating to B3 (from Caa1), six notches below investment grade, citing a reduced risk of default, triggering a rally in Kenya's dollar bonds (-12 bps). Kenya is reportedly set to issue around \$2 bn in USD bonds.



South Africa

The rand fell (-1%) and equities plunged (-4%) amid heavy losses (-9%) in the mining sector following the volatility in gold prices. South Africa's government bond yield curve bear-steepened, with the 2y yield 3 bps higher at 6.87%, while the 10y yield rose 10 bps to 8.07% amid a rise in breakeven rates. Yesterday, the central bank (SARB) meeting saw a split decision (rate hold), with two out of six MPC members preferring a 25 bp cut. Governor Kganyago stated that "near-term inflation forecast has fallen, with the rand stronger and a lower oil price." The central bank cut its 2026 inflation forecast to 3.3% (vs 3.5%), while flagging risks from heightened geopolitical uncertainty. Deutsche Bank saw yesterday's decision as a "dovish hold," with SARB's outlook allowing for further cuts to near 6% by end-2027. Separately, JPMorgan noted improved sentiment on South African banks after a 24% rally in the last six months, while insurers face challenges from prospects of structurally lower rates.

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.

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Global Financial Indicators

1/30/26 7:56 AM	Level		Change					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
Equities								
United States	6,969		-0.1	0.8	1.1	14.8	2	
Europe	5,951		1.0	0.1	2.7	12.7	3	
Japan	53,323		-0.1	-1.0	5.9	34.7	6	
China	4,706		-1.0	0.1	1.7	23.3	2	
Asia Ex Japan	102		-0.4	2.7	9.5	39.4	10	
Emerging Markets	60		-0.5	3.0	10.1	39.9	10	
Interest Rates								
US 10y Yield	4.2		2	2	13	-27	8	
Germany 10y Yield	2.8		1	-6	-1	33	-1	
Japan 10y Yield	2.3		-1	-1	19	104	19	
UK 10y Yield	4.5		0	0	1	-5	3	
Credit Spreads								
US Investment Grade	103		1	3	-5	-13	-4	
US High Yield	321		5	11	-20	19	-15	
Exchange Rates								
USD/Majors	96.5		0.3	-1.1	-1.7	-10.5	-2	
EUR/USD	1.19		-0.4	0.8	1.5	14.7	2	
USD/JPY	154.0		0.6	-1.1	-1.5	-0.2	-2	
EM/USD	47.6		-0.3	0.4	2.3	9.3	2	
Commodities								
Brent Crude Oil (\$/barrel)	70.5		-0.4	6.9	14.9	-0.4	16	
Industrials Metals (index)	172.6		-2.4	-0.1	4.9	20.5	6	
Agriculture (index)	53.4		-0.6	-0.6	-0.8	-10.6	0	
Gold (\$/ounce)	5092.3		-5.3	2.1	17.3	82.2	18	
Bitcoin (\$/coin)	82619.4		-2.1	-4.5	-6.3	-21.4	-6	
Implied Volatility								
VIX Index (%), change in pp	17.8		0.9	1.7	3.5	2.0	2.9	
Global FX Volatility	7.8		0.0	1.1	0.9	-0.4	0.9	
EA Sovereign Spreads								
10-Year spread vs. Germany (bps)								
Greece	62		1	1	3	-25	3	
Italy	62		1	1	-8	-46	-8	
France	59		1	0	-12	-16	-12	
Spain	37		1	1	-6	-23	-6	

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	YTD		7 Days	30 Days	12 M	YTD			
China	4,706		-1.0	0.1	1.7	23.3	1.7		73	2	-5	-22	-2		
Indonesia	8,330		1.2	-6.9	-4.8	17.2	-3.7		95	3	4	0	9		
India	82,270		-0.4	0.0	-3.4	6.1	-3.5		80	-9	-13	-11	-10		
Philippines	6,329	1.7	-0.1	3.2	8.0	4.6		74	-4	-5	-14	-1			
Thailand	1,326		-0.4	0.9	5.2	0.8	5.2								
Malaysia	1,741		0.6	1.2	4.3	12.1	3.6		58	-1	-1	-14	-1		
Argentina	3,211,242		-0.6	4.7	5.2	23.5	5.2		496	-55	-84	-122	-73		
Brazil	183,134		-0.8	4.3	13.7	44.3	13.7		194	1	-12	-37	-9		
Chile	11,475		-0.9	-0.2	9.5	58.9	9.5		89	0	-7	-30	-2		
Colombia	2,493		-0.5	0.4	20.6	61.6	20.6		265	6	-3	-57	-12		
Mexico	69,492		-0.7	1.7	8.0	33.5	8.1		214	0	-6	-101	-3		
Peru	3,494	2.6	10.6	33.3	103.0	35.2			106	1	-5	-37	-3		
Hungary	128,600		0.6	2.8	15.8	50.8	15.8		136	-1	-8	-13	-3		
Poland	125,454		0.4	2.5	7.0	43.2	7.0		90	0	-5	-21	-1		
Romania	27,397		-0.9	0.9	12.1	61.0	12.1		167	1	-15	-73	-9		
South Africa	121,510	-3.0	-0.6	4.3	41.8	4.9		230	7	6	-68	12			
Türkiye	13,750		-0.6	5.8	22.5	36.4	22.1		247	7	5	-14	13		
EM total	60		-0.2	3.0	10.1	39.9	10.5		261	2	-11	-93	-10		

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

1/30/2026 7:53 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+)= EM appreciation						% p.a.						
China	6.95		0.0	0.2	0.7	4.2	0.5		1.9	0	-1	-3	23	-4	
Indonesia	16785		-0.2	0.2	-0.1	-3.1	-0.6		6.2	0	4	14	-77	19	
India	92		0.0	0.0	-2.4	-5.8	-2.3		7.3	-1	-1	18	25	25	
Philippines	59		0.1	0.3	-0.1	-1.0	-0.1		4.8	0	3	15	-25	15	
Thailand	31	-1.0	-0.9	0.1	7.2	0.1			2.0	4	4	26	-32	29	
Malaysia	3.95		-0.4	1.6	2.6	11.4	2.9		3.6	7	5	5	#VALUE!	6	
Argentina	1444		0.0	-1.1	0.9	-27.2	0.5		34.7	13	-122	284	892	237	
Brazil	5.22		-0.5	1.3	4.9	12.6	4.9		13.1	-7	-36	-50	-230	-45	
Chile	864		-0.6	0.3	4.1	13.9	4.2		5.2	-1	-4	-12	-60	-12	
Colombia	3641		0.9	-1.0	3.0	14.5	3.8		12.5	0	14	-3	105	-41	
Mexico	17.29		-0.4	0.4	4.1	19.9	4.1		8.7	-6	-11	-31	-133	-25	
Peru	3.3		0.0	0.2	0.7	11.1	0.5		5.8	0	-12	-6	-92	-2	
Uruguay	39	0.5	-3.5	1.1	11.8	0.6			7.3	-1	-2	-27	-241	-26	
Hungary	319		-0.5	1.3	2.8	22.6	2.5		6.4	4	-5	-18	-6	-18	
Poland	3.53		-0.5	0.8	1.8	14.6	1.7		4.4	0	-3	-13	-121	-16	
Romania	4.3		-0.4	0.8	1.2	12.0	1.4		6.4	-3	-11	-29	-99	-28	
Russia	75.9		-0.9	-0.2	4.5	29.6	3.8		8.4	-7	-23	-31	-208	-22	
South Africa	16.0	-1.4	1.1	4.0	16.5	3.8			29.4	16	-2	-26	185	-25	
Türkiye	43.50		-0.2	-0.3	-1.3	-17.8	-1.3								
US (DXY; 5y UST)	97		0.2	-1.1	-1.8	-10.5	-1.9		3.81	-1	-2	13	-51	8	

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