



- President Trump repeat pledge to impose tariff on Canada and Mexico on Feb 1 ([link](#))
- Gold price reaches record high amid heightened tariff uncertainty ([link](#))
- Markets scale up ECB rate cut bets ([link](#))
- South Africa delivers hawkish cut noting material risk from external environment ([link](#))
- EM bond issuance in January 2025 surpasses total issuance in January 2024 ([link](#))

[Mature Markets](#)

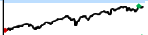


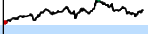







| [Emerging Markets](#)

| [Market Tables](#)

Equities set to end month on optimistic note amid renewed tariff threats

Equities are marching higher boosted by strong corporate earnings while the dollar is strengthening as tariff threats were renewed. Europe's STOXX 600 equity index continues to gain with the index set for its best monthly performance in two years, boosted by strong earnings reports, with US equity futures also advancing. Euro area sovereign yields continue to ease as markets dial up ECB rate cut expectations for 2025 after disappointing growth data yesterday, and also preliminary inflation data from France this morning pointing to easing price pressures. In the US, inflation data released this morning was largely in line with expectations. In the meantime the US dollar is strengthening ahead of the February 1 deadline, that US President Trump yesterday reiterated, for imposing 25% tariffs on Canada and Mexico. Bloomberg reports that traders are preparing for excessive volatility in the Canadian dollar. Gold prices were little changed this morning after reaching a record high. On the policy front, South Africa's rate cut yesterday was seen as leaning hawkish, with the central bank warning that uncertainty in the external environment have increased risks to the inflation outlook.

Key Global Financial Indicators

Last updated: 1/31/25 12:58 PM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6071	0.5	-1	3	25	3
Eurostoxx 50		5306	0.5	2	8	14	8
Nikkei 225		39572	0.1	-1	-1	9	-1
MSCI EM		43	1.7	1	3	13	3
Yields and Spreads			bps				
US 10y Yield		4.52	0.2	-10	-5	61	-5
Germany 10y Yield		2.47	-4.8	-10	10	31	10
EMBIG Sovereign Spread		316	-2	1	-22	-84	-9
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		43.5	-0.1	-1	2	-8	2
Dollar index, (+) = \$ appreciation		108.2	0.4	1	0	5	0
Brent Crude Oil (\$/barrel)		76.8	-0.1	-2	3	-6	3
VIX Index (% change in pp)		15.3	-0.6	0	-2	1	-2

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

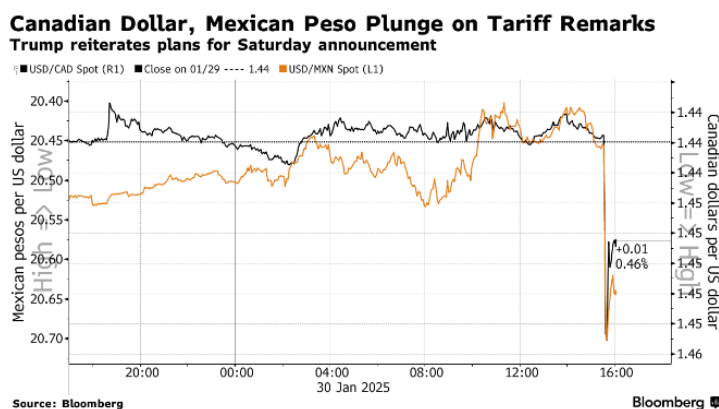
Mature Markets

[back to top](#)

United States

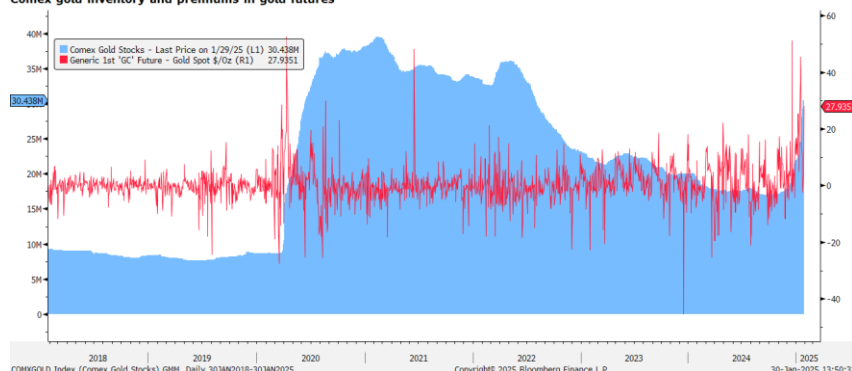
Markets held steady this morning after PCE showed limited price pressure in December. PCE inflation rose to 0.3% mom in December with annual rate up to 2.6%/y/y, as expected. Core PCE inflation edged up to 0.2% mom and the annual rate held at 2.8%/y/y. Personal spending increased more than expected by 0.7% mom, with prior reading revised up from 0.4% to 0.6% as personal income grew 0.4% mom. Employment cost came in at 0.9%q/q as expected. **US stocks gained yesterday after the GDP report showed economic resilience.** Small cap firms outperformed, with Russell 2000 index up by 1.6%, buoyed by strong consumer spending. Over 80% of S&P500 members gained but the technology sector continued to struggle. Treasury yields saw modest declines.

Canadian dollar and Mexican peso weaken sharply after Trump reiterated his pledge to impose 25% tariffs on Mexican imports starting February 1. Shortly before market close yesterday, President Trump reiterated his plan to impose 25% tariffs on both Mexico and Canada, causing both currencies to fall sharply—with the Canadian dollar ending the day roughly 0.5% weaker and the Mexican peso closing 1.1% weaker. Bloomberg analysts note that President Trump's reasons for the tariffs include illegal immigration, drug trafficking, and trade deficits. The scope of the tariffs remains unclear, notably whether Canadian oil would be exempted. Treasury yields edged higher, and some market participants noted that the absence of yield curve flattening suggests investors currently view this as a negotiating tactic, similar to what played out in the case of Colombia. ING analysts note that both the Canadian dollar and the Mexican peso could see major downside risks if tariffs are officially imposed tomorrow, arguing that markets are still treating tariff threats with caution. The Canadian dollar was little changed this morning, now roughly 0.7% weaker than at the start of the year, with Bloomberg also reporting this morning that the cost of hedging against price swings in the Canadian dollar during the next week has increased to levels last seen in October 2022. The Mexican peso has been one of the worst performing major EM currency since President Trump's inauguration but remains roughly 0.7% stronger against the dollar YTD. President Trump's statement yesterday also triggered an immediate decline in shares of US automakers (GM -4%, Ford -1.5%, Tesla -1.8%).



Gold price rallies to record high amid a surge in US inventory, with traders pointing to tariff concerns and profitable arbitrage. COMEX gold inventory has risen sharply since November to over 30mn troy ounces, reminiscent of the spike observed at the onset of the COVID crisis. Traders attributed the rise to tariff concerns and profitable arbitrage, as investors capitalize on the widening premium of gold futures over spot prices. Notably, gold exports to the US from Switzerland, Europe's main refining hub, jumped 11-fold in December. The spot price of gold rose as much as 1.4% to \$2798/ounce on Thursday, a new record high, supported by demand from macro hedge funds and trend-following investors.

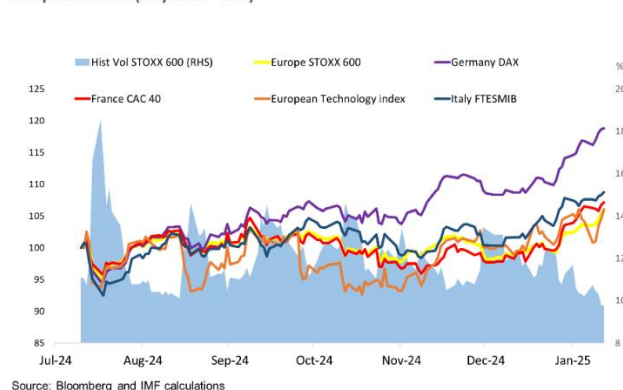
Gold Price Hit Record as US Stockpiles Soar
Comex gold inventory and premiums in gold futures



Europe

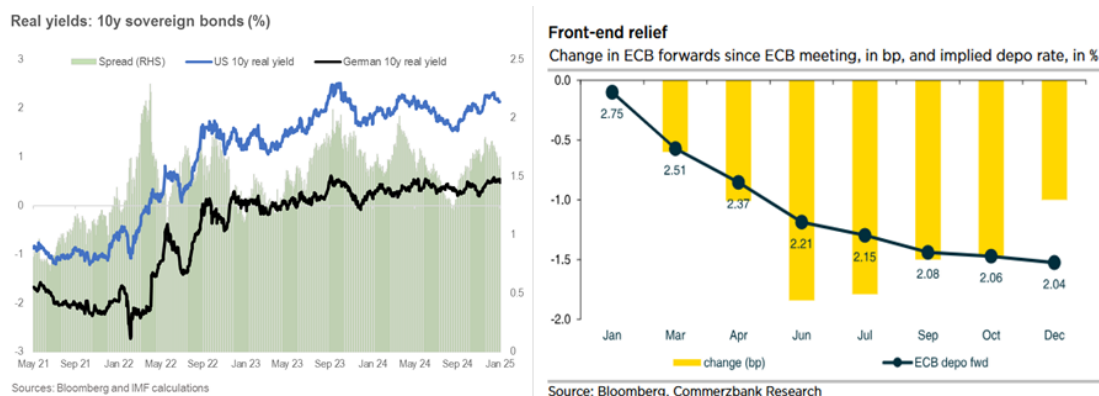
European equities continued to edge higher this morning (Stoxx 600 index +0.4%) with the technology sector still outperforming (today up by 1.2%, +6.7% YtD). This follows on the back of revived sentiment after yesterday's release of strong earnings from US tech companies. All major European bourses were trading in the green with Italian (FTSE MIB +0.4%) and French (CAC 40 +0.3%) equities outperformed. **The euro was little changed against the dollar (-0.1%) this morning**, trading at around \$1.0383/€. JP Morgan notes that the week confirmed divergence of policy between Europe and the US and expect a stronger dollar after announcement of first wave of new US tariffs on Saturday. Bloomberg reports that DTCC data indicate that positions in option trades targeting the drop of the euro to parity against the dollar have doubled in January.

European Stocks (July 2024= 100)



Euro area sovereign bond yields ease as markets price in more ECB rate cuts in 2025. The ECB yesterday cut its policy rates by 25bps, taking the benchmark deposit rate to 2.75%, in line with expectations. The ECB restated that it continues to follow a data-dependent meeting-by-meeting approach, and not pre-committing to a particular rate path. Earlier in the day, data showed that major euro area economies saw weaker than expected growth in Q4, after which sovereign yields were sharply lower. Today's data showed inflation declining across main states in Germany in January, and consensus expects headline inflation at the whole country level (to be released later today) to print on a sequential basis at 0.1% m/m, down from prior 0.5% (inflation est. unchanged at 2.6% y/y). France's preliminary January inflation print was also lower than expected. Separately, **the ECB's survey of 1-year and 3-year ahead inflation expectations showed mixed results**, with 1y inflation expectations rising to 2.8% in December (versus expected increase to 2.7% from 2.4%), while 3y ahead inflation expectations remained steady at 2.4%. Money markets are now pricing-in roughly 30bps of rate cuts by March, thus pricing a larger 50bps cut with 21% likelihood. **Markets have moved to price -83bps of additional easing by the December**

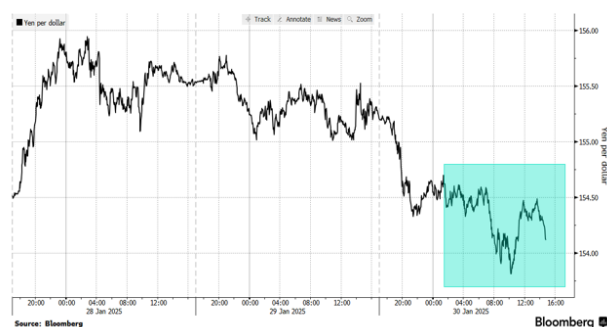
2025 ECB meeting, against -64bps priced-in for the remaining of 2025 on Wednesday. European sovereign bond yields continued to ease this morning, with larger moves seen at the short-end and the curve slightly bull-steepening (2y Bund yields -7bps to 2.12%; 10y Bund yield -3bps to 2.48%). Southern spreads were little changed. Analysts at Commerzbank believe the US PCE data, due later today, will determine whether Bunds and Treasuries can close the week on a firmer note, they expect 10y Bund yields to continue to trade in a new range below 2.5% in the coming weeks.



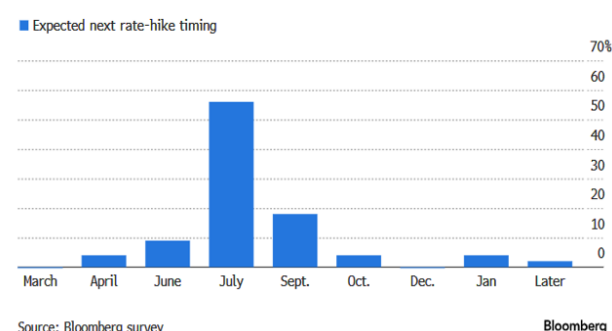
Japan

The yen strengthens after Bank of Japan (BOJ) deputy governor signals that rates could be hiked further this year. The yen gained roughly 0.4% against the dollar on Thursday, closing at about 154.1/USD, after remarks from BoJ deputy governor Himino echoed expectations that the central bank might continue to raise rates this year, following a 25bps hike last week. A steady shift towards positive yields should be “ideal”, the deputy governor continued, if the bank’s economic and price outlooks were to be materialized. In addition to hiking its policy rate, the BOJ took another step towards tighter policy last week by terminating a major lending program—expected to shrink its balance sheet by about 10% by early 2028. Himino’s remarks were interpreted as hawkish, and the odds of a BOJ hike by July 2025 increased to 70% (from 60% prior to the BOJ meeting); swaps traders now fully price-in a 25bps rate hike by October. Most economists surveyed by Bloomberg also expect the BOJ to raise rates again in July. While 10-year JGB yields trended higher after last week and closed 2 basis points higher on Thursday, the interest rate differential vs the US remains significant, which analysts predict will continue to pressure the yen downwards. Data released this morning showed an upside surprise in retail sales, while a separate data release showed Tokyo’s CPI excluding food rising to 2.5%/y, in line with expectations. The Japanese yen weakened this morning but remains roughly 1.6% stronger against the dollar YTD.

Yen holds gains after Himino’s speech



BoJ watchers see next most likely hike in July



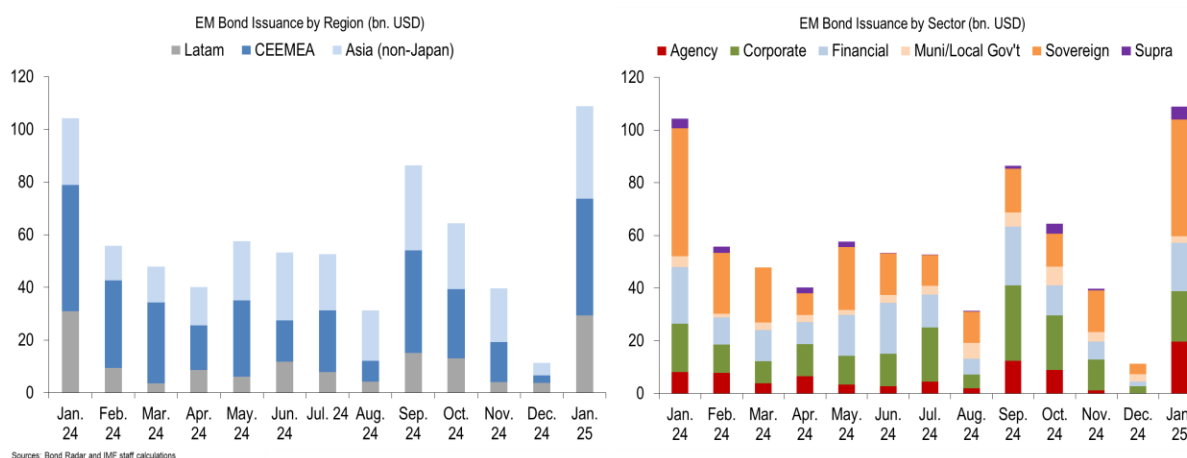
Emerging Markets

[back to top](#)

EMEA equities were mixed while currencies were mostly weaker. Equities in South Africa were slightly higher while CEE currencies were weaker against the euro. Flash Q4 GDP data for Czechia showed growth of 0.5%q/q, in line with consensus estimates, with little immediate market reaction to the data release. Elsewhere, according to Bloomberg, Romania plans to raise 7.2bn lei in local currency debt next month in a mix of short-term T-bill and longer-term securities. Meanwhile, in Türkiye the lira was weaker against a broadly firmer dollar, trading at TRY35.85/\$. **Latin American equities rallied, and currencies were mixed. Equities in Brazil (+2.8%) led the advance as the rest of the region followed.** The Chilean peso (+0.8%) and Colombian peso (+0.3%) appreciated, while the Mexican peso (-1.1%) underperformed after President Trump confirmed 25% tariffs on Mexico and Canada starting February 1. **In Asia the KOSPI weakened after Samsung Electronics reported a smaller-than-expected profit.** This follows the markets were closed for a four-day break. Markets in mainland China and Hong Kong are still closed for the Lunar New year holiday.

EM Bond Issuance

EM bond issuance in January 2025 has surpassed the total issuance recorded in January 2024. Total monthly issuance through Thursday reached \$108.9bn, surpassing the \$104.3bn recorded last January. Regionally, about 41% of the total issuance came from CEEMEA, followed by Asia ex-Japan (32%) and Latam (27%). Sovereigns dominated the sectoral issuance with 41%, while Agency, Corporate, and Financial had the next largest total issuance, all around similar amounts of about 17%. On a weekly basis, total issuance slowed to \$7.9bn from \$18.1bn last week. All bonds issued so far this week have fixed coupons, with maturities of one to 12 years.

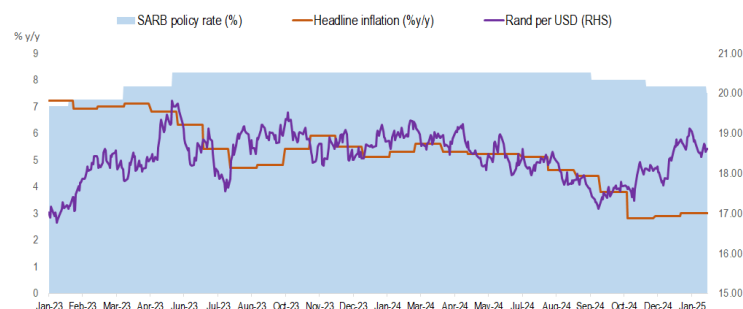


South Africa

The South African Reserve Bank delivers rate cut, in line with expectations, but with a hawkish lean. In line with expectations, the South Africa Reserve Bank (SARB) cut rates by 25bps yesterday, taking the policy rate to 7.50%. Analysts noted that the split decision (4–2 in favor of the rate cut) and the weight placed on global developments highlighted how global uncertainty was weighing on policymakers. The accompanying statement noted that the MPC considered a trade war scenario which “featured a universal increase of 10 percentage points in US tariffs with retaliatory measures by other countries”. Per the statement, the results of the simulation “projected the rand depreciating to nearly ZAR21/\$, with domestic inflation reaching 5% and the policy rate half a percentage point higher at its peak, relative to the baseline forecast”. Analysts at Goldman Sachs note that “the communication [from the SARB] was clearly hawkish and focused on the external environment, particularly the outlook for US monetary policy and risks relating to trade tariffs.” The analysts continue to expect domestic inflation developments to support a further 25bps

rate cut at the March meeting, followed by a pause with cuts at alternating meetings until a terminal rate of 6.50%. However, the analysts view risks as being tilted towards a “more backloaded and draw out cutting cycle” given yesterday's split MPC vote and focus on upside inflation risks from external factors. This morning, the South African rand was trading weaker against the dollar at 18.61/\$ on news that state-owned power company Eskom may implement rotational blackouts over the weekend.

South Africa: Policy rate, inflation, currency

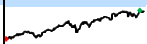




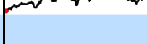






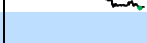









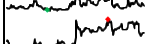
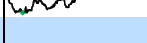
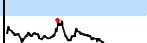


Source: Bloomberg and IMF calculations

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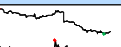









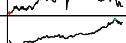


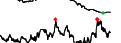

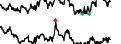





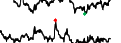

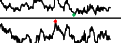









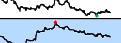
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Global Financial Indicators

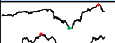











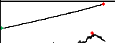

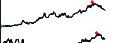








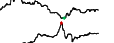











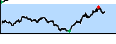
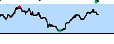
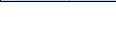
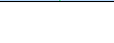
1/31/25 1:00 PM	Level		Change				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
United States		6,096	0.5	-0.1	3.6	25.8	4
Europe		5,303	0.4	1.6	8.3	14.1	8
Japan		39,572	0.1	-0.9	-0.8	9.4	-1
China		3,817	-0.4	-0.3	1.1	19.3	-3
Asia Ex Japan		73	1.6	1.0	1.7	16.4	2
Emerging Markets		43	1.7	1.3	3.3	12.6	3
Interest Rates			basis points				
US 10y Yield		4.5	0	-10	-5	61	-5
Germany 10y Yield		2.5	-4	-9	11	31	11
Japan 10y Yield		1.2	3	1	14	51	14
UK 10y Yield		4.5	-2	-9	-3	74	-3
Credit Spreads			basis points				
US Investment Grade		117	0	0	-2	-10	-3
US High Yield		301	-1	4	-29	-82	-28
Exchange Rates			%				
USD/Majors		108.3	0.4	0.8	-0.2	4.8	0
EUR/USD		1.04	-0.1	-1.1	0.3	-4.0	0
USD/JPY		154.8	0.4	-0.7	-1.5	5.4	-2
EM/USD		43.5	-0.1	-0.7	1.6	-8.0	2
Commodities			%				
Brent Crude Oil (\$/barrel)		76.8	-0.1	-2.2	2.9	0.5	3
Industrials Metals (index)		142.1	-0.8	-1.5	1.3	2.1	1
Agriculture (index)		59.1	-1.0	0.4	3.8	-3.8	4
Implied Volatility			%				
VIX Index (%, change in pp)		15.3	-0.6	0.4	-2.1	0.9	-2.1
Global FX Volatility		8.3	0.0	0.3	-0.9	0.6	-0.9
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		87	0	1	1	-18	1
Italy		109	1	0	-7	-47	-7
France		74	-1	0	-9	24	-9
Spain		60	0	-1	-9	-32	-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		98	5	-2	-64	2	
Indonesia		7,109	0.5	-1.0	-0.8	-1.8	0.4		96	7	-1	-18	5	
India		77,501	1.0	1.7	-1.3	8.2	-0.8		83	-8	-8	-38	-3	
Philippines		5,863	-4.0	-8.1	-11.2	-12.6	-10.2		83	-1	-5	-12	4	
Thailand		1,315	-1.6	-2.9	-5.1	-5.0	-6.1							
Malaysia		1,557	0.3	-1.9	-4.5	2.7	-5.2		72	2	0	-20	2	
Argentina		2,599,329	2.1	-1.0	2.6	106.2	2.6		619	-26	-21	-1323	-18	
Brazil		126,913	2.8	3.6	5.5	-0.7	5.5		227	10	-24	2	-20	
Chile		7,254	0.4	2.6	8.1	21.2	8.1		118	5	2	-14	5	
Colombia		1,543	2.2	9.0	11.8	20.9	11.8		316	4	-11	16	-10	
Mexico		52,050	1.0	1.9	5.1	-9.3	5.1		317	7	0	-19	5	
Peru		29,156	0.9	0.4	0.7	8.2	0.7		142	4	-1	-5	1	
Hungary		85,809	0.7	0.7	8.2	34.0	8.2		149	1	-11	-24	-6	
Poland		87,345	-0.3	1.8	9.8	12.8	9.8		111	4	-4	4	-1	
Romania		17,010	0.0	-0.3	1.7	9.7	1.7		240	-15	0	43	5	
South Africa		86,068	0.4	2.1	2.3	15.4	2.3		296	3	-1	-48	3	
Türkiye		10,017	-0.7	-0.9	1.9	17.9	1.9		259	-1	-6	-96	0	
EM total		43	0.5	1.3	3.3	12.6	3.3		351	-3	-22	-12	-13	

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

Last updated: 1/31/2025 1:04 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	-3	-5	-82	-3
Indonesia		16300	-0.2	-0.8	-1.2	-3.2	-1.2		7.0	-1	-7	-6	35	-5
India		87	0.0	-0.5	-1.2	-4.1	-1.2		7.1	2	-4	-24	-5	-24
Philippines		58	-0.1	-0.1	-0.9	-3.6	-0.9		5.1	0	0	21	-38	21
Thailand		34	0.2	-0.1	1.3	5.3	1.3		2.4	1	-3	1	-35	2
Malaysia		4.46	-1.5	-1.9	0.3	6.1	0.3		3.8	0	-1	-2	1	-2
Argentina		1051	0.0	-0.4	-1.9	-21.4	-1.9		25.8	-5	42	-340	-4739	-340
Brazil		5.84	0.6	1.2	5.7	-15.2	5.7		15.1	-34	-36	-82	483	-86
Chile		987	-0.3	-0.5	0.8	-5.9	0.8		5.8	0	1	10	41	10
Colombia		4161	-0.1	0.4	5.9	-5.9	5.9		11.4	-4	2	-44	180	-45
Mexico		20.68	0.3	-2.0	0.7	-16.8	0.7		10.0	-7	0	-37	57	-35
Peru		3.7	-0.1	-0.1	1.0	2.4	0.5		6.7	0	-5	5	6	5
Uruguay		43	0.3	0.5	1.9	-9.3	1.9		9.7	1	2	-6	41	3
Hungary		393	-0.3	-1.0	1.2	-9.7	1.2		6.4	-3	-14	-3	34	-4
Poland		4.06	-0.3	-1.1	1.8	-1.4	1.8		5.6	-4	-6	-1	47	-2
Romania		4.8	-0.1	-1.1	0.2	-4.0	0.2		7.3	-6	-40	6	108	6
Russia		98.7	-0.4	-1.0	15.0	-9.0	15.0							
South Africa		18.6	-0.3	-1.3	1.1	0.2	1.1		10.5	3	-6	0	-88	0
Türkiye		35.86	-0.2	-0.5	-1.4	-15.4	-1.4		27.2	-32	-19	-275	-50	-252
US (DXY; 5y UST)		108	0.4	0.8	-0.2	4.8	-0.2		4.32	1	-10	-6	49	-6

[back to top](#)