



- US Treasury yields expected to follow economic data lower as economy slows ([link](#))
- Narrowing valuation gaps could push US stocks to outperform in 2026 ([link](#))
- Venezuelan bonds rallied after weekend developments ([link](#))
- Japanese equities extend record rally despite rising JGB yields ([link](#))
- Metal commodities surge on first trading day after Venezuela events ([link](#))
- US subordinated bank debt market rallies as UBS leads renewed issuance cycle ([link](#))
- Shekel steady as Isreal delivered surprise rate cut to 4% yesterday ([link](#))

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## Global Rally Continues Despite Uncertain Outlook

Stocks in Japan set yet another record and the MSCI Asia Pacific index marked another new high as China and Hong Kong SAR also registered very strong starts to 2026. China's CSI 300 is at a four-year high. For Japan, this is the best four day start to a year since 1990. Many markets in Europe were also higher, although the US equity index futures complex was mixed. Japanese government bond (JGB) yields continued their relentless rise, with the 10-year JGB yield hitting 2.13%, another post-1999 high. Some analysts speculate that this is a sign of optimism for the Japanese economy rather than a cause for concern. Meanwhile, US Treasuries reversed yesterday's gains to push yields higher, but euro area bond yields were lower on softer PMI and inflation data. Commodity prices remained in focus after the recent events in Venezuela, as copper prices marked an all-time high above \$13K and the prices of other metals soared. In the subordinated bank debt market, investors welcomed new AT1 issuance from UBS amidst tightening spreads.

Key Global Financial Indicators

Last updated: 1/6/26 7:52 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6902	0.6	0	0	16	1
Eurostoxx 50		5911	-0.2	3	3	19	2
Nikkei 225		52518	1.3	4	4	31	4
MSCI EM		57	1.1	4	4	34	4
Yields and Spreads			bps				
US 10y Yield		4.18	1.8	6	4	-45	1
Germany 10y Yield		2.86	-1.4	0	6	41	0
EMBIG Sovereign Spread		249	-2	-8	-8	-70	-4
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.6	-0.1	0	0	8	0
Dollar index, (+) = \$ appreciation		98.5	0.2	0	-1	-9	0
Brent Crude Oil (\$/barrel)		61.9	0.2	0	-3	-19	2
VIX Index (% change in pp)		15.1	0.2	1	0	-1	0

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

## Mature Markets

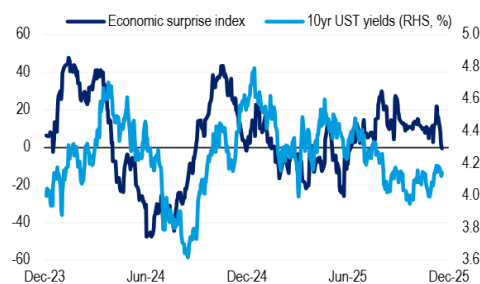
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### United States

**US Treasury rates are expected to track US economic data more closely in the months ahead, reverting to the long term trend, with a slowing economy keeping rates low.** The normal relationship between Treasury rates and the US Economic Surprise Index broke down in mid-to-late 2025, when Treasury yields stayed low despite stronger than expected economic data. Analysts at Bank of America attribute this to concerns about the accuracy of US data at the time and expectations of a more dovish bias from the Fed. Now that Fed expectations have solidified around just two more rate cuts in 2026, and with increases in Treasury issuance expected to come at the short end of the yield curve, the path seems clear for Treasury yields to decline if the economic data is weaker than expected. However, the forward curve is pricing marginally higher rates in the year ahead, with the 10-year yield expected to rise by around 25 bs to just above 4.40% and the two-year yield expected to rise by 10 bps to 3.55%.

**Exhibit 1: US rates slightly rich to economic surprises**

10Y rates have compressed despite 2H25 rise in eco surprise index

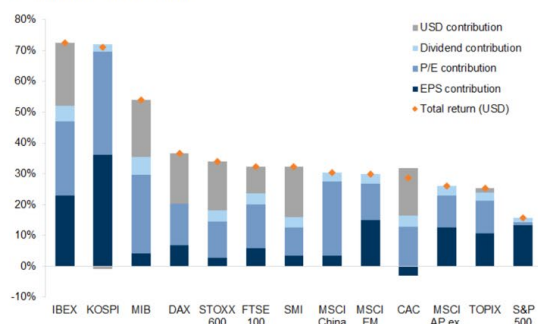


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

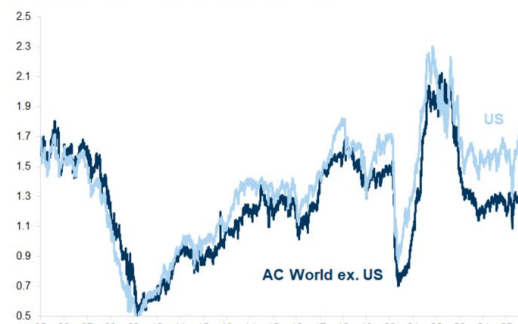
**Narrowing valuations could lead US stocks to outperform global peers in 2026.** A major trend in 2025 was the outperformance of equity markets in other countries relative to US stocks. This was notable in local currency terms but was even more striking in dollar terms due to the deep depreciation of the dollar last year. 2025 was an outlier this century, as US stocks have traditionally led the world despite much richer valuations due to the much higher profits generated by US corporations. The same was true last year, but non-US companies did better because the tariff shock (wrongly) depressed earnings expectations for US stocks, while non-US markets gained through the expansion of earnings multiples. As a result, the valuation gap between US and non-US equities has begun to decrease. If this continues, US valuations may start to look more attractive and US stocks could outperform again in 2026.

**Exhibit 2: Nearly all major equity markets have outperformed the US in 2025 in local and in USD terms**  
Decomposition of YTD return in USD



Source: Datastream, STOXX, Goldman Sachs Global Investment Research

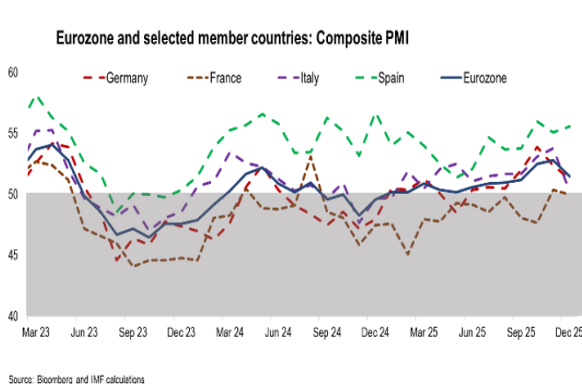
**Exhibit 3: The PEG ratio between US and the rest of the world has gradually started to close**  
PEG ratio (12m fwd P/E divided by second 12m fwd EPS growth)



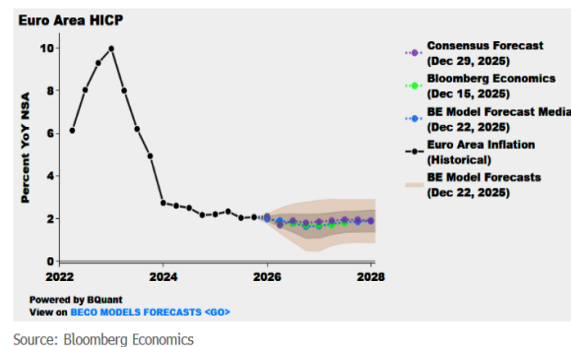
Source: Datastream, Goldman Sachs Global Investment Research

### Euro Area

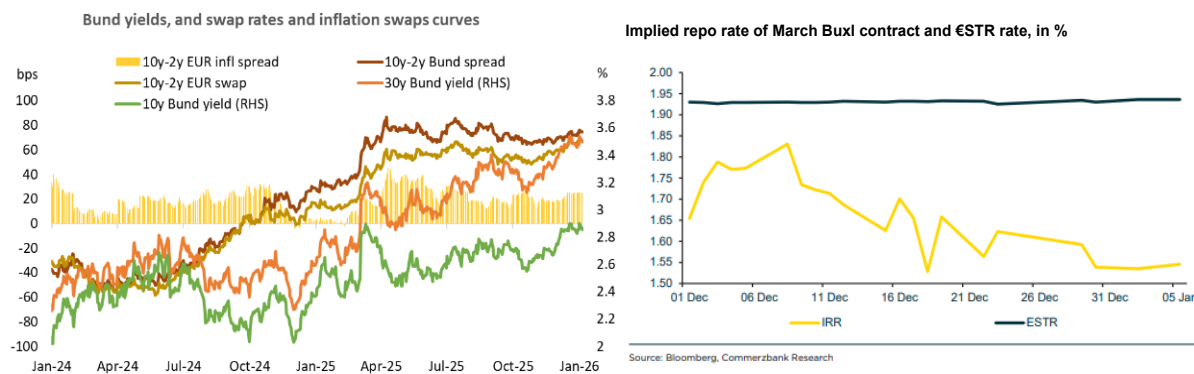
**European equities were slightly higher**, with the Stoxx 600 index up 0.2% as gains in the health care (1.5%) and energy (0.9%) sectors were offset by losses from tech stocks (-0.7%) and in the consumer discretionary goods (-0.7%) sector. Meanwhile, inflation and PMI data were both below forecasts. **Deutsche Bank** sees Europe facing a “two-economy problem” in 2026, with cyclical resilience offsetting structural rigidities. **Bloomberg** believes, however, that German consumers’ sentiment remains gloomier than economic data suggest, amid persisting uncertainties over the economy and broader geopolitics.



Model-Based Forecasts Flag Downside Risks



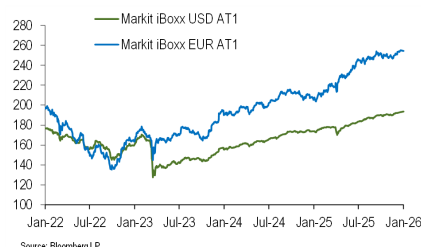
**Money markets scaled down bets of ECB's tightening by the end of 2026 after today's inflation readings**, pricing-in only 0.4% likelihood of a 25bps rate hike by the December 17 MPC meeting, against a 12% likelihood implied yesterday. In parallel, **European government bonds (EGBs) stayed bid, with yields declining marginally across tenors**, as the 2y, 5y and 10y Bund yields were by about 2bps lower at respectively 2.10%, 2.43% and 2.85%. **Commerzbank** highlights the **positive Buxl** (very long-term Bund future) **basis**, reflected in an implied repo rate of close to 1.5% (vs higher €STR rate and 2% ECB DFR). **Credit Agricole** sees the OAT-Bund spread broadly at fair value, with recent outperformance driven by positioning and carry rather than fundamentals, leaving OATs vulnerable to renewed political risks once temporary budget measures expire. Using a ratings-momentum framework, Credit Agricole remains supportive for further Italian rating upgrades, while downgrades for France, Belgium and Finland are possible but less likely than last year and with limited price impacts; analysts see low inflation and risk-assets performance still favoring intra-Eurozone spreads compression in 2026.



**The Additional Tier 1 (AT1) market regained momentum in 2025**, supported by banks' strong balance sheets, a lower rate environment, and redemption activity (Figure 1). Issuance reached approximately \$45 billion (+39% YoY) in euro denominated AT1s and \$32 billion (+4% YoY) in USD denominated AT1s.

**In 2025, UBS issued \$5 billion in USD AT1, bringing its total AT1 capital to \$20.3 billion.** This week, UBS became the first GSIB to access the USD AT1 market, issuing \$3 billion in perpetual notes callable in 2031 and 2036, with yields of 6.625% and 7%, respectively. The bank's offering drew more than \$21 billion in investor orders, according to Bloomberg, despite ongoing uncertainty around Swiss capital rules changes and the unresolved status of the Credit Suisse AT1s.

Figure 1. Euro and USD AT1 Indexes Show Renewed Investor Confidence

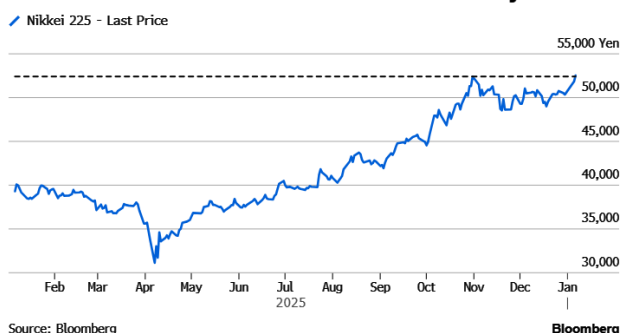


Note: The Markit iBoxx Index Contingent Convertible Liquid Developed Market AT1 indexes are benchmarks that track the performance of Additional Tier 1 (AT1) contingent convertible bonds issued by banks in developed markets.

## Japan

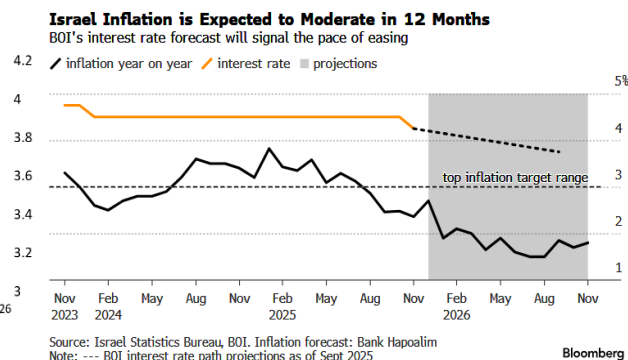
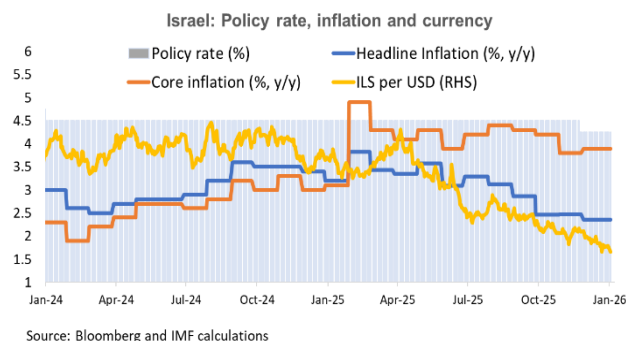
**The Yen extended overnight gains against the dollar on weaker-than-expected US manufacturing data and rising rate hike expectations.** In a speech to private bankers on Monday, Bank of Japan Governor Ueda said he intends to keep raising rates in line with inflation. Overnight indexed swaps are now pricing a 99% probability of a rate hike by July 2026, up from 89% last week. **Equities continued the record-breaking rally** (Nikkei 225: +1.3%; Topix: 1.8%), led by banking, metal, and oil shares. Strategists at Nomura Asset Management believe that the rally is being further fueled by a surge in buying among domestic retail investors topping up their tax-free NISA accounts for the new year. **Long-maturity bond yields rose despite solid demand at the first major government bond auction of the year.** Bid-to-cover ratio at the 10-year auction was 3.30, compared with 3.59 at previous auction and 12-month average of 3.24. Benchmark 10-year yield rose 1bp to 2.13% and 30-year yield rose 4bp to 3.49%, up 48 and 45 bps respectively since Oct 30. Traders now shift attention towards Thursday's 30-year bond auction.

Nikkei 225 Closes at Fresh Record on New Year's Rally



## Israel

The shekel was little changed against the dollar this morning, trading at ILS3.1584/\$, after closing **1% higher** yesterday 1% **versus** the greenback despite another surprise cut from the central bank of Israel (BOI). The BOI lowered its policy rate by 25bps, as it did in November, to 4%, while consensus expected a hold at 4.25%. Governor Yaron commented that “future interest-rate path will continue to be gradual and cautious,” with BOI’s projections indicating interest rates at 3.5% a year from now (two more cuts in 2026) after inflation slowed to 2.4%/y/y in November, within its 1–3% target range, and 12-month inflation expectations cooled to 1.7%. BOI’s revised growth estimate are 2.8% for 2025 (from prior 2.5%) and 5.2% for 2026 (assuming the ceasefire will hold in Gaza). Policymakers urged the government to meet the 3.9% deficit target, with the BOI now seeing debt stable at 68.5% of GDP through 2027.



## Commodities Markets

The price of metal commodities surged yesterday, the first trading day after the events in Venezuela. Gold and silver staged a major rally, with silver up as much as 6%. Platinum and palladium were also up around 6%. In contrast, oil prices were just 1–2% higher. Gold rallied by 64% in 2025, propelled by central bank purchases and large retail and institutional flows (especially hedge funds) chasing the dollar debasement safe haven trade, and many analysts are confident that it will reach \$5000/oz in 2026. Silver saw even larger gains due to the confluence between safe haven purchases and national security considerations, while palladium and platinum were driven higher by AI-related speculation. December saw particularly large moves in the prices of these commodities, and the past weekend's events only intensifies the speculative fervor driving metals prices. However, some analysts warn that these large rallies increase the odds of a significant pullback in future weeks.

### Precious Metals' Volatility Jumps

Number of sessions that saw moves as large as one- or three-sigma

Asset	1SD Moves December	1SD Moves 2025	3SD December	3SD 2025
Gold	4	70	1	2
Silver	16	60	3	5
Platinum	14	52	4	4
Palladium	9	58	2	4
SPX	0	40	0	3

Source: Bloomberg

Note: Counts absolute moves in either direction

Bloomberg

## Emerging Markets

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Asian equities continued their broad rally (EM Asia: +1.3%), having risen in all four trading sessions of 2026, with tech stocks such as TSMC, SK Hynix and Hitachi among the biggest contributors. MSCI Asia is now at a new record. Asian currencies strengthened (EM Asia: +0.1%), led by Malaysian ringgit (+0.6%) and Thai baht (+0.3%). Latin American currencies mostly appreciated and equities rallied. Markets in Mexico and Colombia were little changed.

Note: There was an error in yesterday's GMM; the 2025 annual return on the MSCI EM Index was 45.11% and not 5.11%. We regret the error.

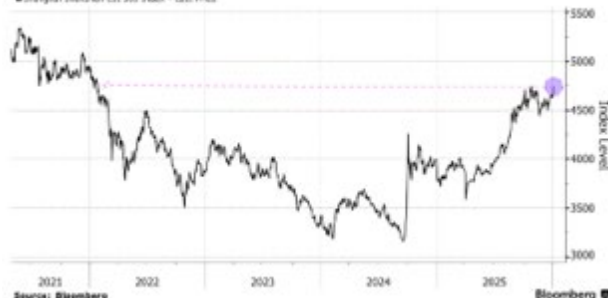
### China

Onshore equities climbed to a four-year high on sustained optimism over China's AI advances. Both onshore (CSI 300: +1.5%) and offshore (Hang Seng: +1.4%) equities advanced today, with CSI 300 closing at its highest level since January 2022. Since the end of Q3 2025, Chinese tech companies listed onshore has performed better than peers in Hong Kong, with ChiNext Index closing today only 0.1% from its October peak, while HSI Tech Index is 13% below its 2025 peak. The onshore outperformance is attributable to the government's support for advanced manufacturing at home, versus the lack thereof for EV and Internet companies that are more dominant in Hong Kong. As equities rally, investors are pulling back from

**Chinese government bonds**, with 10-year yield +3bp to 1.88% and 30-year yield +3bp to 2.31% today. According to Bloomberg analysts, macro investors are convinced expanded fiscal spending this year will fuel equity gains, while increased debt issuance would weigh on the bond market.

**Chinese Stocks Hit the Highest Since January 2022**

■ Shanghai Shenzhen CSI 300 Index - Last Price



Source: Bloomberg

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**Home Advantage**  
Onshore Chinese tech beating peers in Hong Kong

■ China: (XII) ■ HK Tech (XLI)



Source: Bloomberg

Bloomberg

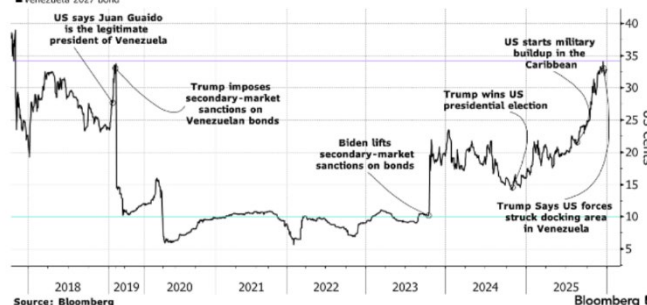
## Venezuela

### Venezuelan bonds rallied following developments over the weekend.

Venezuelan 2027 dollar-denominated bonds rose from 33 cents to over 42 cents on the dollar, and state-owned oil company Petroleos de Venezuela (PDVSA) 2026 dollar-denominated bonds increased from 24 cents to 32 cents on the dollar. Bloomberg analysts note that money managers have been buying up the country's debt over the past several months amid ongoing U.S. pressure on Venezuela. Even after Monday's rally, analysts point out the prices remain below their potential recovery value, assuming the country proceeds with a debt restructuring. Markets will be closely watching ongoing developments and any discussions regarding the restructuring, which—depending on the estimate—involves more than \$150bn of debt. Venezuela's equity index surged more than 16%, and major U.S. oil companies advanced following rhetoric regarding the U.S. reviving Venezuela's oil industry.

**Venezuelan Bonds Have Rallied Amid US Pressure**  
Notes traded for pennies on the dollar until 2023

■ Venezuela 2027 bond



Source: Bloomberg

Bloomberg

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## Global Financial Indicators

1/6/26 7:52 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,902	0.6	-0.4	0.5	15.5	1
Europe		5,911	-0.2	2.8	3.3	18.5	2
Japan		52,518	1.3	4.2	4.0	31.0	4
China		4,791	1.5	2.9	4.5	26.2	3
Asia Ex Japan		97	1.2	4.2	4.2	33.5	4
Emerging Markets		57	1.1	3.8	3.9	34.4	4
Interest Rates			basis points				
US 10y Yield		4.2	2	6	4	-45	1
Germany 10y Yield		2.9	-1	0	6	41	0
Japan 10y Yield		2.1	1	7	19	100	7
UK 10y Yield		4.5	-1	-1	2	-12	1
Credit Spreads			basis points				
US Investment Grade		109	0	1	-3	-11	2
US High Yield		331	-2	-9	-7	21	-5
Exchange Rates			%				
USD/Majors		98.5	0.2	0.4	-0.5	-9.0	0
EUR/USD		1.17	-0.2	-0.4	0.6	12.6	0
USD/JPY		156.4	0.0	0.0	0.3	-0.7	0
EM/USD		46.6	-0.1	0.4	0.5	8.4	0
Commodities			%				
Brent Crude Oil (\$/barrel)		61.9	0.2	0.7	-2.4	-14.1	2
Industrials Metals (index)		171.9	1.6	7.4	9.5	22.8	5
Agriculture (index)		54.2	0.2	0.2	-2.8	-4.2	1
Gold (\$/ounce)		4461.5	0.3	2.8	6.5	69.2	3
Bitcoin (\$/coin)		93814.8	-0.3	6.3	4.9	-7.7	7
Implied Volatility			%				
VIX Index (%, change in pp)		15.1	0.2	0.9	-0.3	-1.0	0.1
Global FX Volatility		6.7	0.0	-0.3	0.0	-2.3	-0.3
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		57	-1	-2	-2	-21	-2
Italy		69	-1	-1	0	-44	-1
France		71	1	0	-2	-11	0
Spain		42	-1	-1	-4	-24	-1

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

## Emerging Market Financial Indicators

1/6/2026 7:57 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		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		6.98	0.1	0.2	1.3	4.9	0.1		1.9	1	2	2	32	1
Indonesia		16758	-0.1	0.1	-0.4	-3.3	-0.5		6.0	0	-5	-7	-98	0
India		90	0.1	-0.4	-0.1	-4.8	-0.3		7.1	-4	-2	-9	-24	5
Philippines		59	-0.2	-0.6	-0.4	-1.6	-0.4		4.7	5	5	9	-16	5
Thailand		31	0.1	0.6	2.0	10.7	0.7		1.8	3	1	0	-57	3
Malaysia		4.05	0.6	0.0	1.6	11.5	0.3		3.5	2	0	4	-31	2
Argentina		1469	0.4	-0.9	-2.4	-29.6	-1.2		32.6	16	76	234	622	28
Brazil		5.40	0.1	1.3	0.6	13.2	1.7		13.4	-1	-22	-22	-205	-17
Chile		902	0.2	-0.2	2.4	12.1	-0.2		5.3	-1	-1	4	-35	-1
Colombia		3757	0.5	-0.4	2.3	15.6	0.5		12.8	-8	32	74	110	-6
Mexico		17.96	-0.2	0.2	1.7	13.2	0.3		8.9	-8	-16	9	-144	-10
Peru		3.4	-0.1	0.1	0.0	11.9	0.0		5.8	3	2	1	-87	6
Uruguay		39	0.0	0.5	0.4	12.5	0.4		7.5	-1	-4	-26	-219	-4
Hungary		329	-0.5	-0.2	0.5	21.7	-0.5		6.5	-4	-4	-12	-6	-4
Poland		3.60	-0.1	-0.1	1.2	13.8	-0.3		4.5	-1	2	-6	-107	-1
Romania		4.3	-0.2	-0.5	0.5	10.0	-0.4		6.7	-2	-2	-18	-57	-2
Russia		80.8	0.6	-1.9	-4.8	33.1	-2.5							
South Africa		16.4	-0.1	1.2	4.0	13.4	1.1		8.6	-3	-9	-11	-183	0
Türkiye		43.04	0.0	-0.2	-1.1	-18.0	-0.2		29.3	6	-28	-143	8	-27
US (DXY: 5y UST)		98	0.2	0.4	-0.5	-9.0	0.2		3.72	2	5	1	-71	0

	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		4,791	1.5	2.9	4.5	26.2	3.5		78	0	1	-18	3	
Indonesia		8,934	0.8	4.6	3.5	26.1	3.3		90	-1	3	-4	4	
India		85,063	-0.4	0.5	-0.8	8.8	-0.2		92	-1	2	8	2	
Philippines		6,318	2.5	4.6	6.2	-3.5	4.4		80	1	5	-3	5	
Thailand		1,275	-0.4	0.8	0.1	-8.3	1.2							
Malaysia		1,672	-0.5	-0.5	3.5	2.6	-0.5		60	1	0	-10	1	
Argentina		3,130,197	0.1	0.5	2.8	11.7	2.6		573	-7	-63	-13	4	
Brazil		161,870	0.8	0.9	2.9	34.9	0.5		203	-3	0	-30	0	
Chile		10,745	2.5	2.5	5.1	58.5	2.5		95	-1	4	-18	4	
Colombia		2,134	3.2	2.5	1.0	52.9	3.2		284	16	14	-37	7	
Mexico		65,014	1.4	-0.9	2.6	32.8	1.1		217	-3	0	-91	0	
Peru		2,710	3.2	2.0	10.0	54.9	4.9		109	-2	14	-30	0	
Hungary		115,143	1.7	3.8	5.7	44.0	3.7		140	-4	5	-17	1	
Poland		120,337	0.0	3.2	9.4	46.4	2.6		92	-3	6	-21	1	
Romania		24,890	0.0	4.3	5.2	45.4	1.8		179	-2	-5	-57	3	
South Africa		118,198	1.4	1.9	5.1	39.5	2.0		217	-7	1	-70	-1	
Türkiye		11,933	2.0	7.0	8.4	18.3	6.0		240	-2	1	-18	6	
EM total		57	0.0	3.8	3.9	34.4	3.9		263	-9	-8	-94	-8	

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

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