



THURSDAY, JANUARY 8, 2026

LEAD EDITOR: JOHANNES S. KRAMER

- AI data-center buildout continues to impact funding and rates markets ([link](#))
- Private credit faces mounting strain amid tighter margins and soft growth ([link](#))
- JGB front-end rallies on soft wage growth data while weak auction weighs on long-end ([link](#))
- Krona edges lower as softer December CPI data anchors current Riksbank policy rate ([link](#))
- EM bond issuance climbs to \$807.5 bn in 2025, led by Latam and corporates ([link](#))
- CGB supply builds with frontloaded local and central government issuance activity ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

## Frontloaded Supply Weighs on Longer-Term Bonds Globally

**Global bond markets brace for early-year issuance ramping up across major economies.** In the US, markets are digesting expectations for up to \$700 bn in 2026 corporate issuance, largely tied to AI and data center spending, with associated hedging flows driving swap spreads wider. EGB came under pressure amid broad syndication activity and supply from France, Spain, and Italy. Bund yields rose across the curve, led by the long end, and analysts expect ECB tightening and supply to keep term premia elevated through 2026. The ECB's latest consumer expectations survey showed unchanged inflation expectations while economic sentiment softened. In Japan, a weak 30-year auction weighed on long-end JGBs, despite softer wage data lowering front-end yields. In China, CGB yields eased modestly ahead of Friday's record 10-year auction, after rising for most of 2026 on expectations of aggressive early-year issuance. In Ghana, inflation fell to a four-year low, reinforcing expectations for continued policy easing in 2026. Broader risk sentiment softened—euro area equities fell, led by cyclical sectors, and swap markets remain strained by structural funding pressures as dealers warehouse growing bond issuance supply.

Key Global Financial Indicators

Last updated: 1/8/26 8:48 AM	Level		Change from Market Close					YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		
<b>Equities</b>								
S&P 500		6921	-0.3	0	1	17		1
Eurostoxx 50		5898	-0.4	2	3	18		2
Nikkei 225		51117	-1.6	1	1	29		2
MSCI EM		57	-0.8	4	4	36		4
<b>Yields and Spreads</b>								
US 10y Yield		4.16	1.6	0	0	-53		0
Germany 10y Yield		2.88	6.4	2	1	33		2
EMBIG Sovereign Spread		251	1	-3	-7	-63		-3
<b>FX / Commodities / Volatility</b>								
EM FX vs. USD, (+) = appreciation		46.6	0.0	0	1	9		0
Dollar index, (+) = \$ appreciation		98.8	0.1	0	0	-9		0
Brent Crude Oil (\$/barrel)		61.0	1.7	0	-2	-20		0
VIX Index (%, change in pp)		15.8	0.4	1	-1	-2		1

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

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

**Data this morning confirmed a resilient but cooling labor market, labor market backdrop.** Initial jobless claims came in at 208K (exp. 212K), broadly in line with forecasts, with seasonal adjustments smoothing out a typical post-holiday rise. The trade deficit narrowed sharply to \$29.4 bn in October—the smallest since 2009—driven by falling imports, while unit

labor costs dropped and productivity rose, easing inflation pressures ahead of Friday's payrolls report. Markets showed little immediate reaction with US Treasury yields slightly up (+1bps) across the curve and 10-year Treasuries yielding 4.18%.

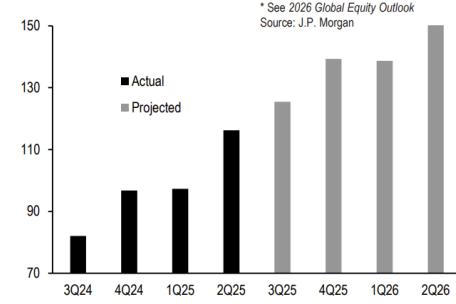
Item	Period	Surveyed	Actual	Prior	Revised
Initial Jobless Claims	Jan 3	212k	<b>208k</b>	199k	200k
Continuing Claims	Dec 27	1900k	<b>1914k</b>	1866k	1858k
Nonfarm Productivity	3Q P	5.0%	<b>4.9%</b>	3.3%	4.1%
Unit Labor Costs	3Q P	-0.1%	<b>-1.9%</b>	1.0%	-2.9%
Trade Balance	Oct	-\$58.7b	<b>\$-29.4b</b>	-\$52.8b	-\$48.1b

**On Wednesday, risk sentiment slipped with broader equity market declines, partly offset by gains in large-cap technology stocks.** On aggregate, the S&P 500 fell (-0.3%). Treasury yields declined (-3bps) to 4.17% at the 10-year tenor, driven mainly by lower real yields, while the U.S. dollar remained flat.

**Financing needs for AI and data centers continue to affect funding and rates markets.** Street estimates for investment-grade bond issuance tied to capital spending range between \$200–700bn in 2026, with JPM Morgan analysts expecting about \$300bn of supply in the first half (left chart). These projections hinge on firms' ability to rely on their cash buffers and the momentum of the AI rollout. Market contacts report a shift toward shorter-dated issuance. JPMorgan analysts note that \$100–150bn in floating-rate construction loans were originated in 2025. About half of these loans are hedged for interest-rate risk. Borrowers use pay-fixed, receive-floating swaps to hedge the duration gap between short-term obligations and longer-term cash flows, creating visible pressure in funding markets (right chart). Swap spreads—defined as the difference between swap rates and Treasury yields—have risen, mainly because swap rates held up while Treasury yields declined on optimism around possible regulatory easing for primary dealers. In contrast, swap rates stayed elevated due to these hedging flows, rising issuance supply, and higher short-term funding costs. Taken together, the recent increase in swap spreads seems less about renewed demand for Treasuries and more about persistent funding pressures in private markets that are holding swap rates up. For 2026, JPMorgan expects construction loan origination to continue growing at last year's pace, suggesting these flows are likely to have a more lasting impact on swap spreads.

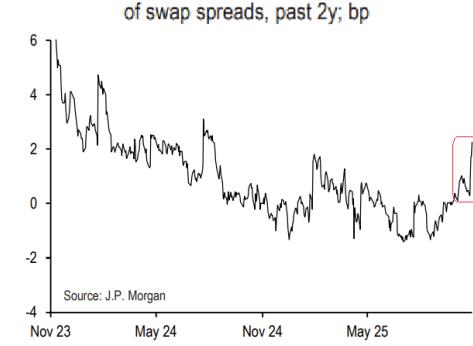
Figure 14: AI-related capex has been growing for the past few quarters and is expected to continue to do so

Total reported quarterly capex and projected total capex of the constituents of the JPM top-30 AI basket\*, \$bn; 3Q24 - 2Q26



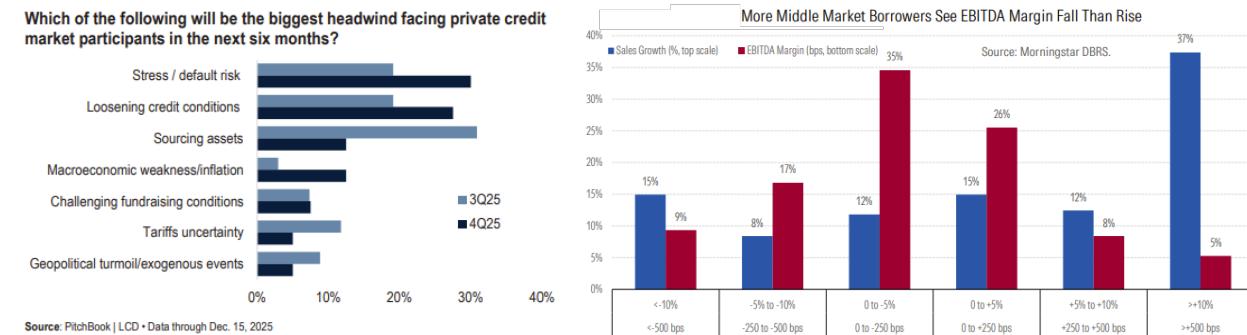
\* See 2026 Global Equity Outlook  
Source: J.P. Morgan

10Y swap spread deviation relative to the term structure of swap spreads, past 2y; bp



**Surveys and rating agency reports suggest private credit direct lending faces rising leverage, shrinking margins, and elevated default risk—especially among weaker middle-market firms.** A recent PitchBook survey shows “stress/default risk” and “loosening credit conditions” among the top

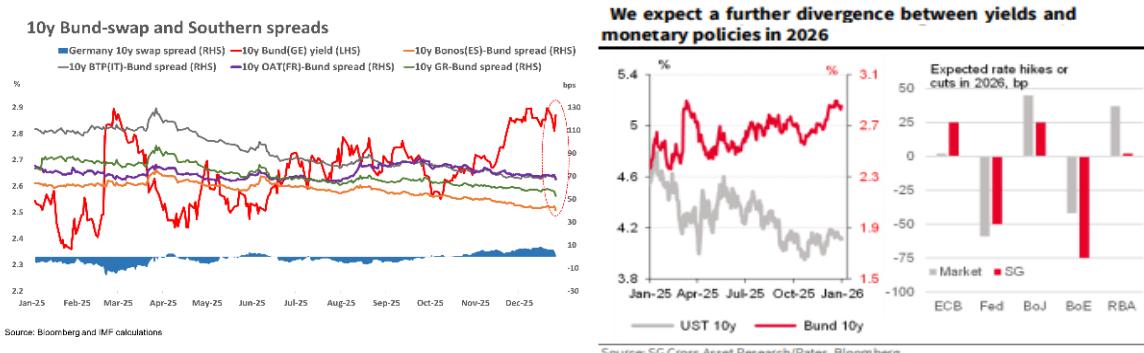
concerns, with “macroeconomic weakness/inflation” ranked fourth (left chart). Morningstar DBRS’s 2026 outlook for direct lending is similarly negative. Its sample of middle-market borrowers shows a larger share facing margin compression compared to a year ago (right chart). Leverage has also increased, and the weakest firms remain under pressure from soft revenues, narrowing margins, and thinning liquidity. Downgrades are expected to stay elevated, with defaults likely concentrated in the lowest rating buckets. Broader macro and trade policy uncertainty are also expected to weigh on smaller firms next year.



## Euro area

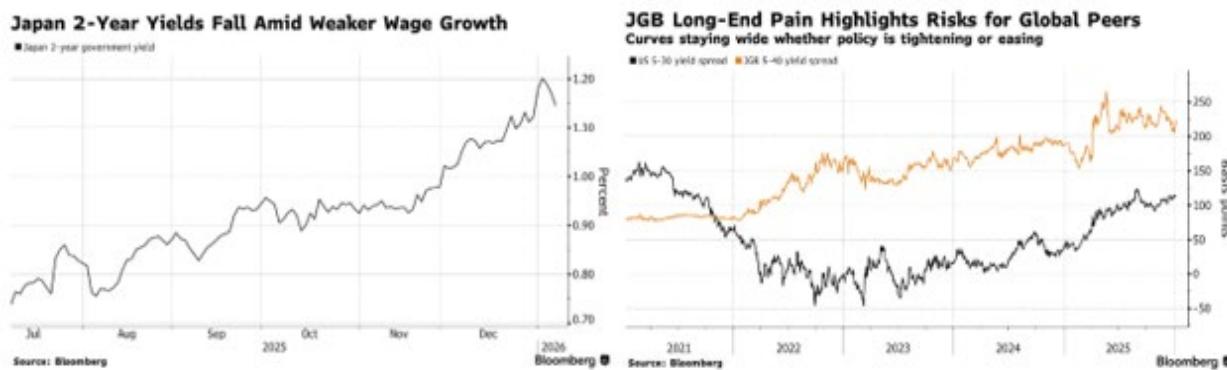
**European equities traded lower this morning, tracking global risk-off sentiment.** The Stoxx 600 declined (-0.3%), with only financials (+0.3%) and banks (+0.7%) bucking the downward trend. Across regions, all major European bourses declined, except for Spain’s IBEX 35 which fractionally gained (+0.1%). The euro remained at \$1.1678/€, following the ECB’s latest consumer expectations survey. One-year-ahead inflation expectations held at 2.8% in November (vs. 2.7% expected), while three-year expectations stayed at 2.5%, in line with consensus. Meanwhile, the Eurozone’s economic sentiment index dipped to 96.7 in December (vs. 97.1 expected), with ING flagging weak consumer confidence as a continued drag on spending, despite support from rising real wages.

**EGBs inched lower this morning, giving back gains from yesterday’s rally.** Bund yields rose across maturities, led by the long end (30y: +3bps to 3.47%; 10y: +3bps to 2.87%). The move followed a wave of sovereign supply, with France selling €6.8 bn of 2035 OATs at 3.53% (bid-to-cover: 1.98) and Spain issuing €2 bn of 2033 Bonos at 2.93% (bid-to-cover: 2.08) and €1.4 bn of 2043 Bonos at 3.80% (bid-to-cover: 1.87). Southern spreads remained broadly stable (left chart). Strategists at Societe Generale expect term-premium rebuilding and a continuation of the ECB’s quantitative tightening to push yields higher through 2026, forecasting the 10y Bund yield to trade in a 2.5–3% range in H1 and rise toward 3.25% by year-end with little scope for ECB rate hike repricing before 2027 (right chart). Against that backdrop, the strategists see the 5-year tenor bonds offering the most attractive carry profile while issuance-heavy calendars are weighing on the carry profile longer tenors.



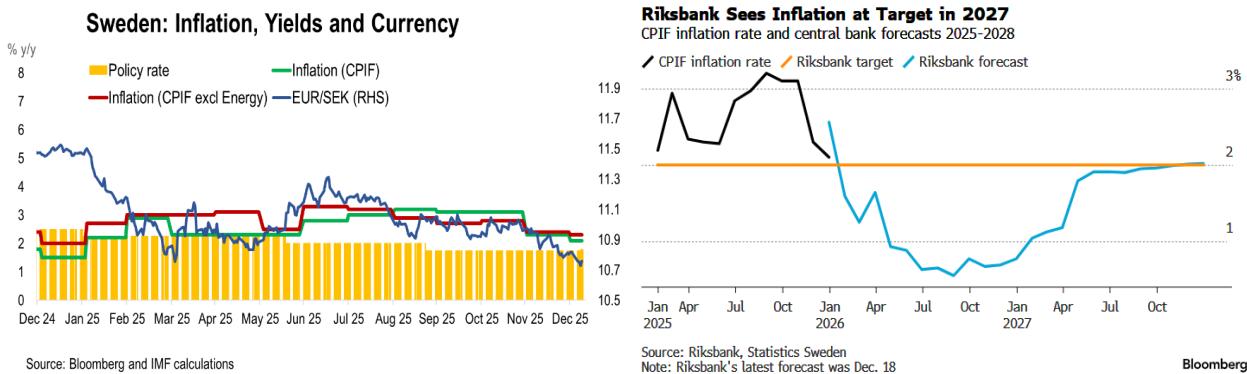
## Japan

**JGB yields twist-steepened, with front-end rates falling on soft wage data, while long bonds came under pressure after a weak 30-year auction.** While base pay held steady in November at a 2.0% y/y pace, overall nominal wages rose just 0.5% y/y (exp. +2.3%), dragged down by a 17% drop in seasonal bonuses. Real cash earnings fell by -2.8% y/y (exp. -1.2%), the sharpest decline since January 2025. In response, JGB yields declined (-4bps) to 1.12% for the 2-year tenor and to 2.07% for the 10-year (left chart). Bank of Japan policy expectations softened, with overnight forwards now assigning 88% odds of a hike by July, down from 95% two days ago. Longer-dated yields were more resistant: the 30-year yield held at 3.49%, while the 40-year rose (+6bps) after a soft 30-year JGB auction (right chart). The bid-to-cover ratio slipped to 3.14, below its 12-month average of 3.405. The yen was little changed at \$156.74. Equities extended losses (Nikkei 225: -1.6%) amid ongoing China-Japan tensions.



## Sweden

**Inflation surprised to the downside with market participants seeing little chance of further cuts.** December data released today shows headline CPI slowing to 2.1% y/y (exp. 2.3% from -0.2%) and core inflation slowing to 2.3% y/y (exp. 2.6% from 2.4%). The 2-year yield dropped (-4bps) to 2.04%, while 10-year bonds are yielding 2.9%. The krona weakened (-0.3%) to SEK10.76/€. Despite the softer print, the Riksbank is expected to stay on hold at 1.75% through 2026 as inflation has trended steadily lower over 2025, and real yields remain positive (left chart). Analysts point to policy-driven disinflation—mainly food VAT cuts—rather than demand weakness. Bloomberg analysts expect inflation to fall to 1.1% in 2026 before returning to target in 2027 (right chart), with the next rate move likely being a hike. Nomura and UBS analysts see no further cuts, while JP Morgan analysts flag downside risk in H1 while keeping a hike in 2027 as a base case. With core inflation cooling but still above 2%, the Riksbank appears in a good spot keeping policy rates at their current level for 2026, barring a deeper inflation undershoot.



## Emerging Markets

[back to top](#)

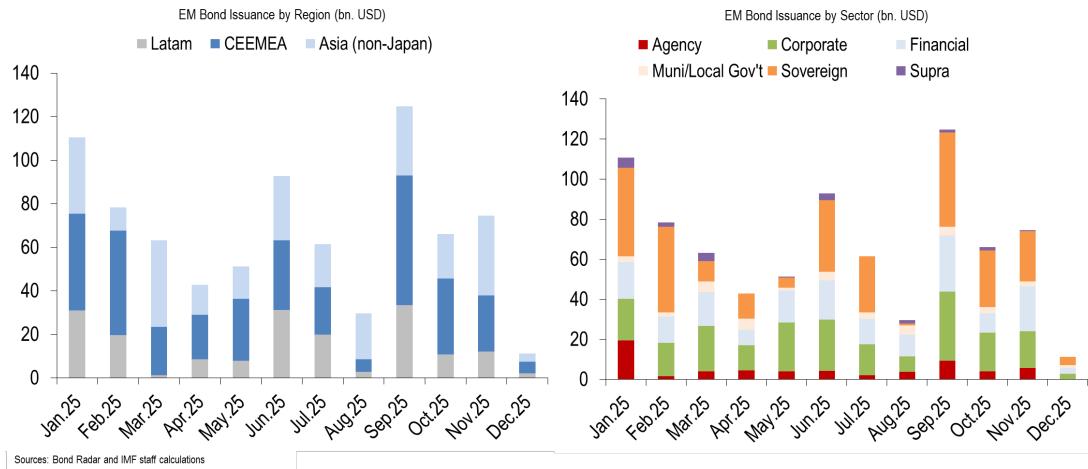
**This morning, EMEA markets showed scattered equity moves and rangebound FX.** In CEE, Romanian equities outperformed (+2.0%), lifted by gains in healthcare, while Polish stocks lagged (-1.5%) on weakness in materials and energy. CEE currencies traded mixed but stayed broadly stable against the euro. In South Africa, the rand slipped (-0.1%) to 16.47/\$ alongside a firmer dollar. In Türkiye, equities traded lower, while the lira held steady at 43.05/\$ following Tuesday's \$3.5 bn eurobond issuance.

**Asian currencies and equities slipped further.** Asian currencies depreciated to the dollar (EM Asia: -0.1%), with the Thai baht leading declines (-0.8%) after a drop in consumer confidence. The Philippine peso remained an outlier (+0.3%), rebounding from yesterday's record low. Asian equities continued to fall (EM Asia: -1.0%), led by Thailand (SET Index: -2.1%), Hong Kong SAR (Hang Seng: -1.2%), and India (SENSEX: -0.9%).

**Yesterday, Latin American stock markets fell across the region while currencies diverged.** Stock markets declined most in Argentina (-3.2%), followed by Brazil (-1%). Among currencies, the Argentine peso (+0.4%) advanced, while the Colombian peso (-0.8%), Brazilian real (-0.2%), and Chilean peso (-0.2%) depreciated against the dollar.

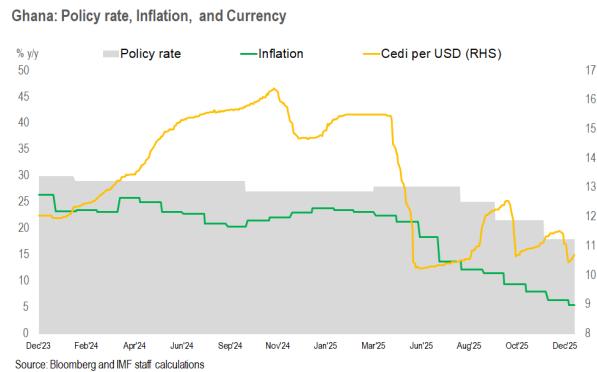
### EM Bond Issuance

**Primary market activity in 2025 outpaced the preceding year, led by Latam and corporates.** Issuance reached \$807.5bn in 2025, up from \$753.8bn in 2024. Volumes rose across all regions, with Latam posting the largest y/y gain at \$33 bn. By region, CEEMA accounted for 43% of total issuance, followed by Asia ex-Japan (34%) and Latam (23%). Corporates saw the biggest increase by sector, issuing \$39.5 bn more than in 2024. Sovereigns (35%), corporates (27%), and financials (22%) made up most of the supply. December was the quietest month in two years, with 2025 issuance slightly below 2024 levels (\$11.2 bn vs. \$11.3 bn). CEEMA dominated December volumes (49%), while sovereigns were the top sector (35%).



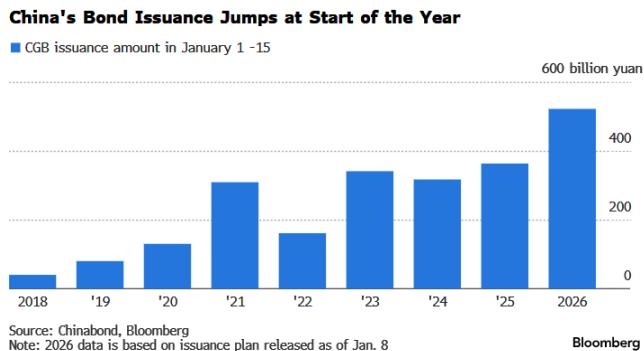
### Ghana

**December annual headline inflation hits a four-year low.** Data released yesterday show that annual inflation decelerated further in December to 5.4% y/y (from 6.3%), the lowest rate since 2021 and the twelfth consecutive month of disinflation. Lower food prices catered for most of the inflation decline. On the back of today's data, Goldman Sachs analysts anticipate the Bank of Ghana to continue easing in 2026. Their call is for a terminal rate of 14.0% by Q3 2026, 4pp lower than the current 18% policy rate. They note the risk of a more front-loaded easing cycle following the -350bp rate cut at the November meeting as well as on-going support from higher gold prices and the current account surplus, which should support the currency. The cedi was slightly depreciating (-0.2%) to the dollar toward 10.7/\$.



## China

**Investors remain focused on issuance supply ahead of the largest ever 10-year CGB bond auction.** On Friday, China will auction off CNY180bn of 10-year government bonds. Total CGB issuance for the first half of January is set to hit a two-week record of CNY522 bn (see chart). Yields had been climbing since the start of 2026, as markets priced in frontloaded supply after Shanghai Securities News flagged an early start to local government bond sales aimed at boosting infrastructure spending. On the day, longer yields eased slightly (-1 to 2bps) with CGBs yielding 1.88% at the 10-year tenor and 2.32% at the 30-year. Meanwhile, the yuan strengthened, with onshore CNY up (+0.1%) and offshore CNH up (+0.2%), despite a slightly weaker daily fixing at 7.0197/\$.



*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) and Srujanan Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators

1/8/26 8:48 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>							
United States	6,922		-0.3	1.1	1.1	17.0	1
Europe	5,898		-0.4	1.8	3.0	18.0	2
Japan	51,117		-1.6	1.2	0.9	29.1	2
China	4,738		-0.8	1.9	3.0	25.3	2
Asia Ex Japan	97		-0.7	4.0	4.4	35.5	4
Emerging Markets	57		-0.8	3.6	4.1	36.0	4
<b>Interest Rates</b>							
basis points							
US 10y Yield	4.2		2	0	0	-53	0
Germany 10y Yield	2.9		6	2	1	33	2
Japan 10y Yield	2.1		-4	2	11	90	2
UK 10y Yield	4.4		0	-6	-11	-38	-6
<b>Credit Spreads</b>							
basis points							
US Investment Grade	109		0	2	-3	-10	2
US High Yield	329		0	-7	-13	16	-7
<b>Exchange Rates</b>							
%							
USD/Majors	98.8		0.1	0.5	-0.3	-9.5	0
EUR/USD	1.17		0.0	-0.6	0.3	13.2	-1
USD/JPY	156.7		0.0	0.0	0.5	-1.0	0
EM/USD	46.6		0.0	0.1	0.7	8.6	0
<b>Commodities</b>							
%							
Brent Crude Oil (\$/barrel)	61.0		1.7	0.2	-1.9	-15.2	0
Industrials Metals (index)	167.6		-0.8	2.6	7.0	18.9	3
Agriculture (index)	54.7		0.1	2.4	-1.1	-2.8	2
Gold (\$/ounce)	4426.6		-0.7	2.5	5.6	66.3	2
Bitcoin (\$/coin)	89925.1		-1.2	-0.6	-1.5	-4.8	3
<b>Implied Volatility</b>							
%							
VIX Index (%), change in pp	15.8		0.4	0.8	-0.9	-1.9	0.8
Global FX Volatility	6.6		0.0	-0.4	-0.1	-2.5	-0.4
<b>EA Sovereign Spreads</b>							
10-Year spread vs. Germany (bps)							
Greece	53		-4	-6	-8	-23	-6
Italy	67		-4	-3	-3	-46	-3
France	67		-4	-4	-5	-13	-4
Spain	40		-4	-3	-7	-24	-3

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

## Emerging Market Financial Indicators

1/8/2026 8:48 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	0.1	1.3	5.0	0.1		2.0	1	5	6	34		5		
Indonesia	16793	-0.1	-0.6	-0.6	-3.6	-0.6		6.0	1	0	-6	-102		0		
India	90	-0.2	-0.1	0.1	-4.6	-0.2		7.2	3	12	-5	-14		9		
Philippines	59	0.3	-0.6	-0.4	-1.3	-0.6		4.7	-4	0	4	-25		0		
Thailand	32	-0.8	0.0	1.1	9.8	0.0		1.8	3	9	6	-55		9		
Malaysia	4.06	-0.1	0.0	1.2	10.8	0.0		3.5	0	1	3	-31		1		
Argentina	1462	-0.1	-0.7	-1.9	-29.2	-0.7		33.8	17	142	348	843		142		
Brazil	5.38	0.2	1.8	1.0	13.6	1.8		13.4	2	-15	-20	-192		-15		
Chile	896	0.0	0.6	3.1	11.9	0.6		5.2	-6	-7	-2	-52		-7		
Colombia	3743	0.0	0.9	2.7	15.6	0.9		12.7	6	-15	65	112		-15		
Mexico	17.96	0.1	0.2	1.7	13.6	0.2		8.8	-4	-22	-4	-148		-22		
Peru	3.4	0.0	0.0	0.0	12.3	0.0		5.9	1	8	6	-84		8		
Uruguay	39	0.0	0.0	0.8	12.3	0.0		7.4	-8	-11	-34	-224		-11		
Hungary	329	0.0	-0.7	0.3	21.9	-0.7		6.4	-3	-9	-17	-17		-9		
Poland	3.61	0.0	-0.2	1.0	14.9	-0.5		4.5	-6	-7	-12	-114		-7		
Romania	4.4	0.0	-0.6	0.3	10.6	-0.6		6.7	0	-2	-18	-57		-2		
Russia	80.2	0.5	-1.8	-4.1	30.4	-1.8										
South Africa	16.5	-0.3	0.6	3.2	14.5	0.3		8.7	4	6	-6	-181		6		
Türkiye	43.05	0.0	-0.2	-1.1	-17.9	-0.2		29.5	16	-16	-132	24		-16		
US (DXY; 5y UST)	99	0.1	0.5	-0.3	-9.5	0.5		3.71	1	-1	-3	-75		-1		

	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	4,738	-0.8	1.9	3.0	25.3	2.3		76	1	-1	-18		1			
Indonesia	8,925	-0.2	3.2	3.1	26.3	3.2		91	5	4	-2		5			
India	84,181	-0.9	-1.2	-0.6	8.5	-1.2		90	0	0	2		0			
Philippines	6,321	0.5	4.4	5.8	-2.9	4.4		81	6	6	-3		6			
Thailand	1,254	-2.1	0.0	-1.3	-8.0	-0.5										
Malaysia	1,670	-0.4	-0.6	3.4	4.3	-0.6		59	0	-1	-12		0			
Argentina	161,773	-3.2	-1.2	-1.1	8.3	-1.2		583	14	-53	20		14			
Brazil	10,867	-1.0	0.4	2.3	35.2	0.4		207	4	4	-23		4			
Chile	2,172	-0.5	3.7	6.3	60.7	3.7		96	5	5	-18		5			
Colombia	64,872	-0.2	5.0	2.8	54.1	5.0		281	4	11	-35		4			
Mexico	2,758	-0.4	5.3	12.6	56.1	6.8		221	4	4	-73		4			
Peru	115,905	-0.6	4.5	7.4	43.0	4.4		112	3	17	-25		3			
Hungary	119,901	-2.1	2.8	8.9	47.6	2.3		143	4	8	-8		4			
Poland	25,296	1.6	5.2	6.9	47.8	3.5		96	5	10	-17		5			
Romania	116,947	-0.8	1.0	5.5	40.6	1.0		184	8	0	-50		8			
South Africa	11,990	-0.3	6.5	7.2	21.2	6.5		227	9	11	-57		9			
Türkiye	57	-0.4	3.6	4.1	36.0	3.9		246	12	7	-14		12			
EM total								268	-3	-3	-78		-3			

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

[back to top](#)