



- 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](#))

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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	
Equities			%				%
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
Yields and Spreads			bps				
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
FX / Commodities / Volatility			%				
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 ± 1.5 standard deviations. Data source: Bloomberg.

Mature Markets

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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%.

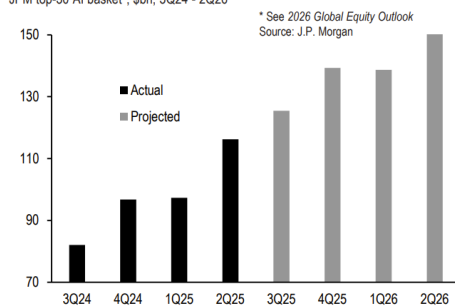
Item	Period	Surveyed	Actual	Prior	Revised
Initial Jobless Claims	Jan 3	212k	208k	199k	200k
Continuing Claims	Dec 27	1900k	1914k	1866k	1858k
Nonfarm Productivity	3Q P	5.0%	4.9%	3.3%	4.1%
Unit Labor Costs	3Q P	-0.1%	-1.9%	1.0%	-2.9%
Trade Balance	Oct	-\$58.7b	-\$29.4b	-\$52.8b	-\$48.1b

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.

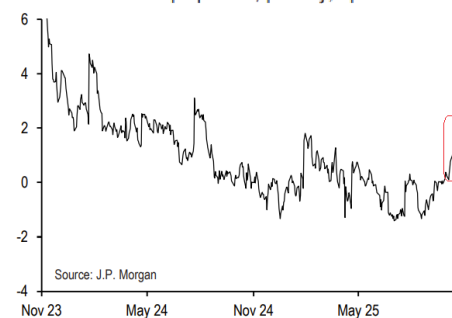
Financing needs for AI and data centers continue to affect funding and rates markets. Street estimates for investment-grade bond issuance tied to capital spending range between \$200–700bn in 2026, with JPM Morgan analysts expecting about \$300bn of supply in the first half (left chart). These projections 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



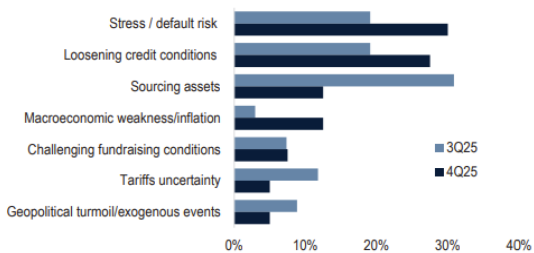
10Y swap spread deviation relative to the term structure of swap spreads, past 2y; bp



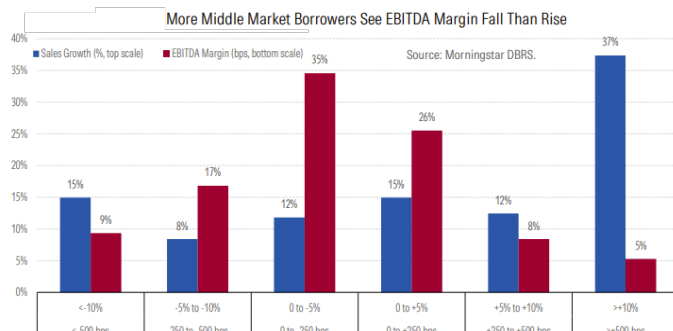
Surveys and rating agency reports suggest private credit direct lending faces rising leverage, shrinking margins, and elevated default risk—especially among weaker middle-market firms. A recent PitchBook survey shows “stress/default risk” and “loosening credit conditions” among the top

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.

Which of the following will be the biggest headwind facing private credit market participants in the next six months?



Source: PitchBook | LCD • Data through Dec. 15, 2025



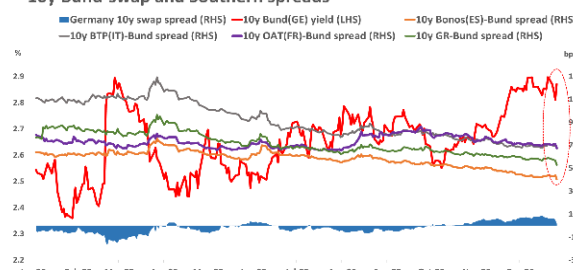
Source: Morningstar DBRS.

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.

10y Bund-swap and Southern spreads



Source: Bloomberg and IMF calculations

We expect a further divergence between yields and monetary policies in 2026



Source: SG Cross Asset Research/Rates, Bloomberg

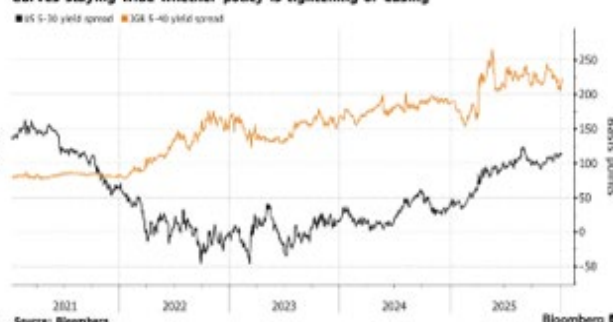
Japan

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.

Japan 2-Year Yields Fall Amid Weaker Wage Growth



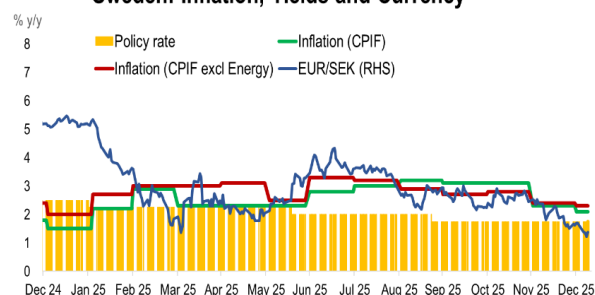
JGB Long-End Pain Highlights Risks for Global Peers
Curves staying wide whether policy is tightening or easing



Sweden

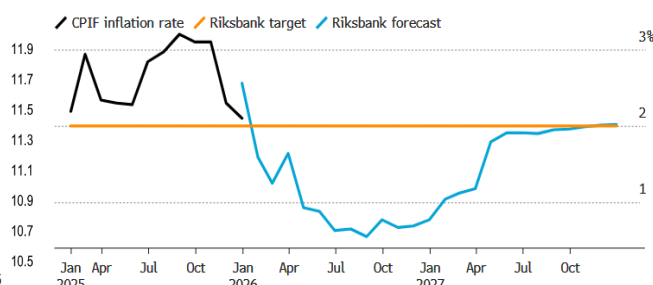
Inflation surprised to the downside with market participants seeing little chance of further cuts. December data released today shows headline CPI slowing to 2.1% y/y (exp. 2.3% from -0.2%) and core inflation slowing to 2.3% y/y (exp. 2.6% from 2.4%). The 2-year yield dropped (-4bps) to 2.04%, while 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.

Sweden: Inflation, Yields and Currency



Riksbank Sees Inflation at Target in 2027

CPI inflation rate and central bank forecasts 2025-2028



Emerging Markets

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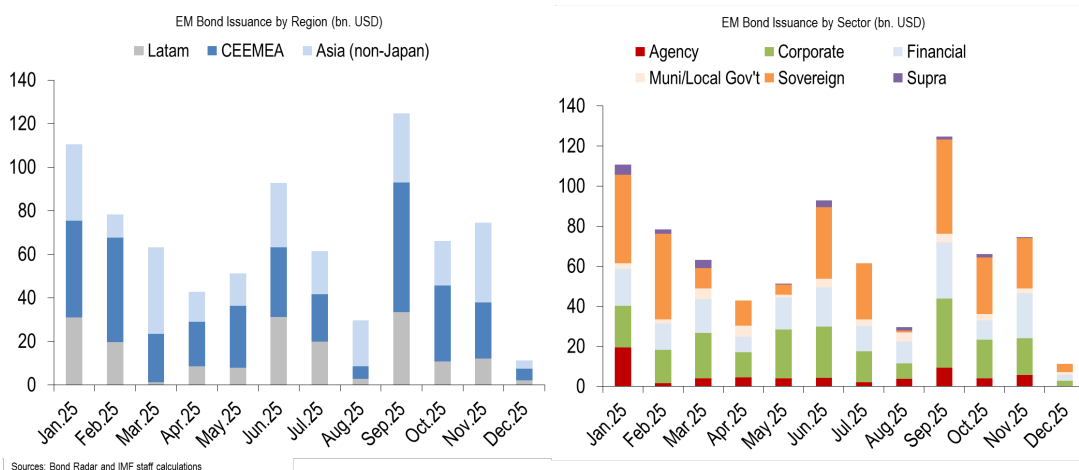
This morning, EMEA markets showed scattered equity moves and rangebound FX. In CEE, Romanian equities outperformed (+2.0%), lifted by gains in healthcare, while Polish stocks lagged (-1.5%) on weakness in materials and energy. CEE currencies traded mixed but stayed broadly stable against the euro. In Soth 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

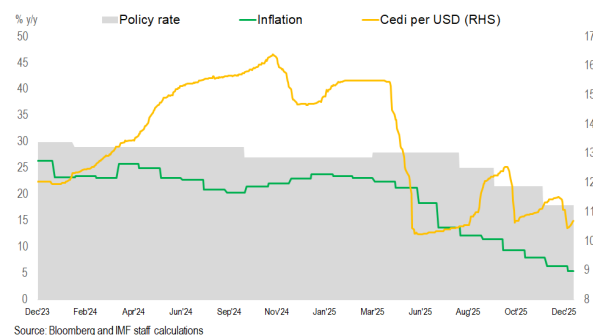
Primary market activity in 2025 outpaced the preceding year, led by Latam and corporates. Issuance reached \$807.5bn in 2025, up from \$753.8bn in 2024. Volumes rose across all regions, with Latam posting the largest y/y gain at \$33 bn. By region, CEEMA accounted for 43% of total issuance, followed 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/\$.

Ghana: Policy rate, Inflation, and Currency



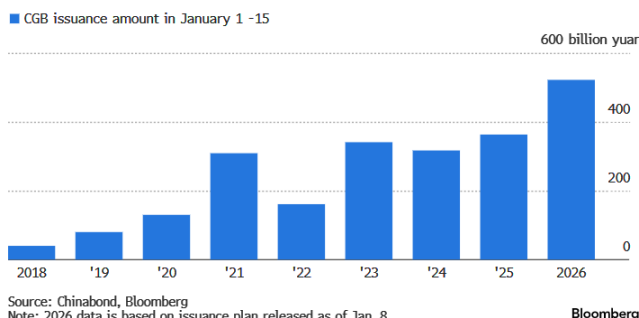
Source: Bloomberg and IMF staff calculations

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/\$.

China's Bond Issuance Jumps at Start of the Year



Source: Chinabond, Bloomberg

Note: 2026 data is based on issuance plan released as of Jan. 8

Bloomberg

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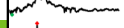
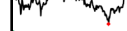




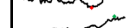


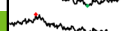

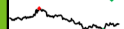
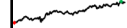
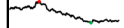













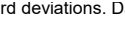


Global Financial Indicators

1/8/26 8:48 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
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
Interest Rates			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
Credit Spreads			basis points				
US Investment Grade		109	0	2	-3	-10	2
US High Yield		329	0	-7	-13	16	-7
Exchange Rates			%				
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
Commodities			%				
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
Implied Volatility			%				
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
EA Sovereign Spreads			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 ± 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		59	0	-1	-12	0	
Malaysia		1,670	-0.4	-0.6	3.4	4.3	-0.6							
Argentina			-3.2	-1.2	-1.1	8.3	-1.2		583	14	-53	20	14	
Brazil		161,773	-1.0	0.4	2.3	35.2	0.4		207	4	4	-23	4	
Chile		10,867	-0.5	3.7	6.3	60.7	3.7		96	5	5	-18	5	
Colombia		2,172	-0.2	5.0	2.8	54.1	5.0		281	4	11	-35	4	
Mexico		64,872	-0.2	0.8	2.1	30.7	0.9		221	4	4	-73	4	
Peru		2,758	-0.4	5.3	12.6	56.1	6.8		112	3	17	-25	3	
Hungary		115,905	-0.6	4.5	7.4	43.0	4.4		143	4	8	-8	4	
Poland		119,901	-2.1	2.8	8.9	47.6	2.3		96	5	10	-17	5	
Romania		25,296	1.6	5.2	6.9	47.8	3.5		184	8	0	-50	8	
South Africa		116,947	-0.8	1.0	5.5	40.6	1.0		227	9	11	-57	9	
Türkiye		11,990	-0.3	6.5	7.2	21.2	6.5		246	12	7	-14	12	
EM total		57	-0.4	3.6	4.1	36.0	3.9		268	-3	-3	-78	-3	

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

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