GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, JANUARY 15, 2026

LEAD EDITOR: SANJAY HAZARIKA

- **China to lower rates and expand lending to boost growth** (link)
- **Steeper US yield curve flags interest rate risk** (link)
- **US technology sector expected to lead again in 2026, but risks are growing** (link)
- **Rising oil prices reflect geopolitical concerns** (link)
- **German economy registers growth for first time since 2022** (link)
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Global markets rally as geopolitical tensions appear to subside

Many markets around the world were in rally mode today as signs emerged that tensions between the US and Iran could be subsiding. The Euro Stoxx 600 index set a new record today, while stocks in Germany and Japan have broken multiple records already this year. US equity index futures are also higher, with S&P 500 futures pointing to a potential fourth record close in 2026. Oil prices are down sharply this morning on the geopolitical news, further boosting sentiment. Strong results from Taiwan POC's TSMC led to a rally in other chip stocks such as Europe's ASML and raised hopes for a broader rally in technology stocks today. In the US, Morgan Stanley announced very strong earnings as its shares gained in premarket trading, but good results from Goldman Sachs were not enough to prevent a decline in its shares. The dollar was stronger against the euro and the yen, while government bond yields in the US and euro area were slightly higher.

Key Global Financial Indicators

Last updated: 1/15/26 7:58 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6927	-0.5	0	2	16	1
Eurostoxx 50		6039	0.6	2	5	20	4
Nikkei 225		54111	-0.4	4	10	40	7
MSCI EM		58	0.4	2	7	38	6
Yields and Spreads					bps		
US 10y Yield		4.15	1.4	-2	-3	-51	-2
Germany 10y Yield		2.82	1.0	-4	-3	26	-3
EMBIG Sovereign Spread		256	3	5	0	-67	2
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.8	0.1	1	1	9	0
Dollar index, (+) = $ appreciation		99.2	0.2	0	1	-9	1
Brent Crude Oil ($/barrel)		63.9	-3.9	3	6	-22	5
VIX Index (%, change in pp)		16.2	-0.5	1	0	0	1

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

Mature Markets

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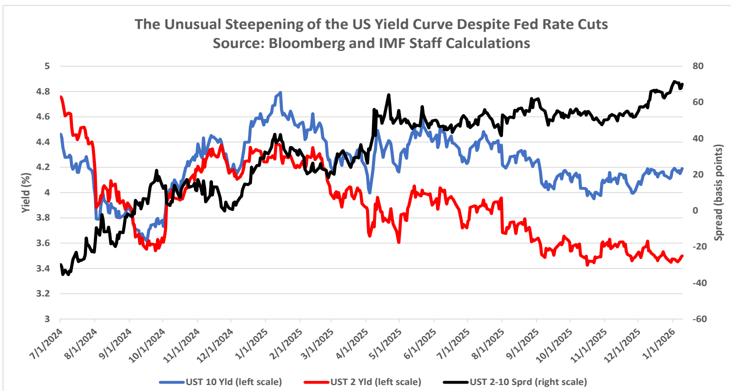
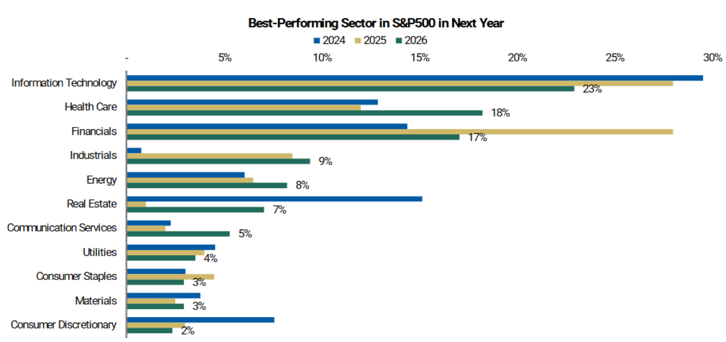
United States

The US yield curve has steepened during the course of Fed interest rate cuts which began in September 2024, but unlike in most previous easing cycles the steepening has been bearish. While shorter maturity Treasury yields have declined, longer maturity Treasury yields have increased despite the rate cuts. This appears to reflect market expectations of higher interest rate risk (expressed as a higher term premium), due to a range of uncertainties on multiple fronts. Market participants remain worried about the possible inflationary impact of tariffs, whose impact may be lagged, and which may still have the potential to disrupt supply chains and distort trade flows. Some are concerned that the large AI-related expenditures by the hyperscalers and other technology companies could push US inflation higher, especially via the rising cost of electricity. Expansionary US fiscal policy could also have an inflationary impact. While the outlook is uncertain, there is widespread agreement that the greatest risk for financial markets in 2026 is an unexpected surge in global interest rates, which would be highly disruptive and a major threat to financial stability.



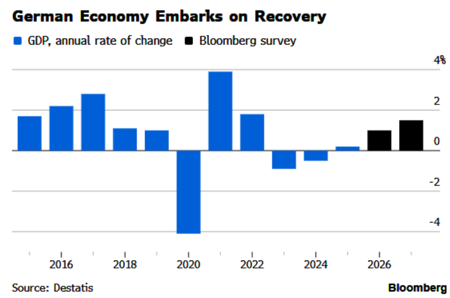
Surveys of portfolio managers by multiple banks find that the US technology sector is expected to lead local markets again in 2026. Healthcare and financial services are the next most popular sectors among investors. However, the proportion of those bullish on technology is not as high as it was in 2025 and 2024, when investors correctly identified technology as the leading sector in the year ahead. The large sums of money being spent on data centers and other AI-related capital expenditures, much of it funded by debt, raises the risks to the technology sector to an extent not seen in previous years. If the profits generated by these projects fall short of expectations, the fallout for technology stocks could be severe. Given the high degree of concentration in US equity indexes in the technology sector, and the sheer scale of AI-related investments in terms of US GDP, a meltdown in the technology sector could have a systemically negative impact on the broader US financial system, the US economy, and even the world economy.



Source: AlphaWise, Morgan Stanley Research

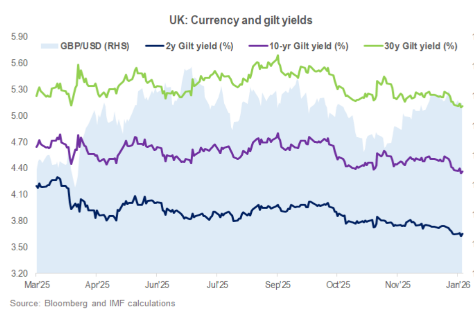
Europe

European equities were higher in early morning trade buoyed by positive news flow in the technology sector. The Stoxx 600 was (+0.3%) higher, to reach a new all-time high led by gains in the technology sector where shares of chipmaker ASML rose 7% in early trade following positive comments from its largest customer, Taiwan Semiconductor Manufacturing Company (TSMC). European bank shares were also higher, rising around 1%, while regional bourses were mixed. Brent crude prices reversed recent gains to trade around 4% lower this morning at $63.6/pb, following the US administration's latest comments on Iran. Gold prices registered a small decline this morning to trade at $4613/0z, with the precious metal already up by around 7% YTD.



The German economy registered growth for the first year since 2022. Annual GDP rose by 0.2% in 2025 according to figures from the German Statistical Office, registering the first annual rate of growth since 2022. Growth in the fourth quarter also expanded by 0.2%, in line with consensus expectations. Activity was driven by an increase in consumption and government spending while investment declined and trade acted as a drag. ING analysts believe today's data offer some optimism on the prospects for the German economy in 2026 and cite improving industrial orders data and defense related spending as reasons for their constructive outlook. That said, the analysts emphasize that further reforms must accompany the increased fiscal spending to support demand and drive growth. European government bond yields were trading slightly higher in early trade, led by the front end where the 2Y Bund yield was 1bp higher at 2.08%. Intra-EMU government bond spreads were slightly tighter with the 10Y BTP-Bund spread at around 63bp and the 10Y OAT-Bund spread at around 67bp. The euro was a touch weaker against the dollar to trade at 1.1636.

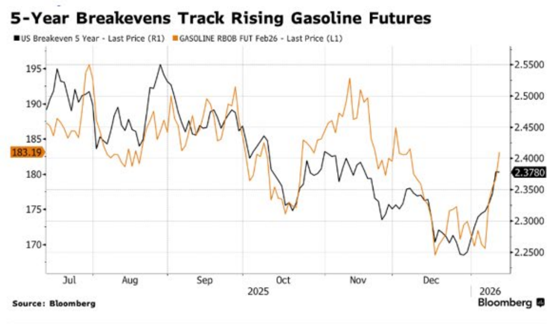
United Kingdom



Money markets pared expectations of BOE easing after monthly GDP surprises to the upside. Output rose by 0.3%m/m in November, ahead of consensus expectations of 0.1% and up from 0.1% in the prior month driven by an increase in manufacturing output. Immediately following the release, money markets trimmed back expectations of BoE rate cuts to 46bp of cuts this year, down from around 51bp priced yesterday. In parallel, gilt yields edged higher across the curve, led by the front-end with 2Y yields around 3bp higher at 3.65%. Analysts at UBS and Morgan Stanley continue to expect the BOE to deliver a 25bp rate cut at the February MPC meeting, to take Bank Rate to 3.75%, but they note that given today's better-than-expected data and the hawkish leaning tone from the December meeting, there are risks of a delay in the timing of the next rate cut. UBS argue that weak labor market conditions could allow the MPC to cut next month. Similarly, Deutsche Bank analysts point to next week's labor market and inflation releases as being more important drivers for BoE easing expectations.

Oil Markets

Oil prices are already up 7-8% this year, possibly reflecting potential geopolitical worries. This follows a year of steep declines (-18% for Brent oil) in 2025. The implications of the events in Venezuela remain uncertain with regard to oil supply, while rising domestic tensions in Iran and their potential impact on the wider geostrategic situation have increased volatility in the oil market and the European natural gas market, which has pushed up gasoline and natural gas prices in the US and Europe, respectively. Longer dated oil futures prices are also rising, indicating that traders may be positioning for higher prices in the future. Meanwhile, US Treasury Inflation Protected Security (TIPS) breakeven yields have moved up quite sharply, with the two-year breakeven yield higher by 22 bps and the five year breakeven yield is up 15 bps so far in 2026. TIPS breakeven yields are the yield on the equivalent maturity nominal Treasury less the yield on the TIPS and are a key market indicator of future inflation. The rise in gasoline (RBOB) futures is a key driver of higher TIPS breakeven yields.

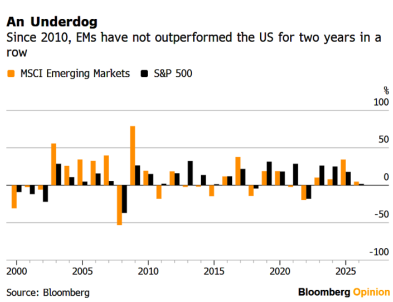


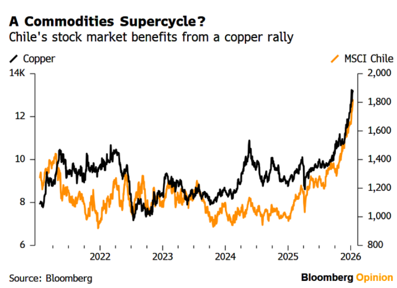
Emerging Markets back to top

EMEA equities edged higher this morning, while currencies were mixed. In CEE, equities continued to outperform in Romania (0.7%), while currencies were little changed against the euro, with the zloty only a touch higher trading at PLN4.20/€ after the national bank of Poland (NBP) kept its policy rate unchanged at 4% yesterday, in line with expectations. Angola cut by 100 bps to 17.5% yesterday. **Asian assets fluctuated in a tight range and ended the day little changed.** The Korean won renewed its depreciation against the dollar, despite verbal support from both US and Korean authorities. **Equity markets in Latin America rallied, led by Brazil (+2%) and Mexico (+1.6%), while currencies were mixed.** Argentina's central bank purchased $187 mn in local markets, lifting reserves to $44.7 bn.

Emerging Market Prospects in 2026

Emerging markets are entering 2026 with the same structural tailwinds that powered last year's gains, including a softer dollar, steady global growth, and a renewed push to diversify away from US assets. Even so, the MSCI EM Index has not outperformed US equities for two consecutive years since 2010. Beyond the macro backdrop, demand for commodities linked to AI infrastructure is rising, reinforcing support for resource exporters such as Chile (right chart). Venezuela's potential return to debt negotiations is highlighting how quickly investible narratives can shift as geopolitics evolve.





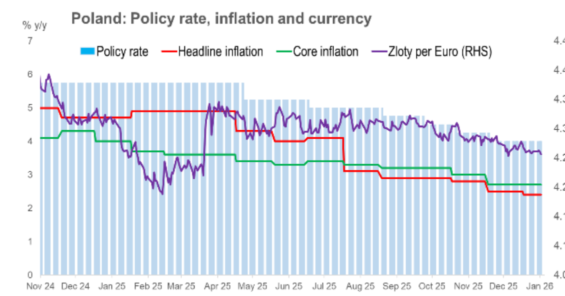
China

The PBOC is to cut relending rates and expand targeted credit support to boost growth. In a press briefing, the People's Bank of China's Deputy Governor Zou Lan indicated that the PBOC will lower the one-year relending rate by 25 bps to 1.25% to encourage bank lending, effective Monday. The relending facility for small businesses and agriculture will be merged with other existing facilities, effectively increasing the lending quota by an additional RMB 500 bn (about $72 bn), according to Bloomberg. A separate facility—totaling RMB 1 tr ($145 bn)—will be established for private companies. Moreover, the PBOC will also increase its relending quota for tech innovation and industrial upgrades from RMB 800 bn to RMB 1.2 tn. The PBOC had delivered one 10 bps cut to the policy interest rate in 2025, less than market expectations for about 40 to 60 bps.

In currency markets, market participants noted that dollar buying from state-owned banks have dampened investors' appetite to bet on strong RMB appreciation, despite a stronger-than-expected RMB fixing from the PBOC on the day. Indeed, Deputy Governor Zou noted in the press briefing that PBOC will seek to prevent currency overshooting and to maintain the stability of the yuan. Both t**he onshore and offshore RMB were little changed** on the day, settling at RMB 6.97/$.

Poland

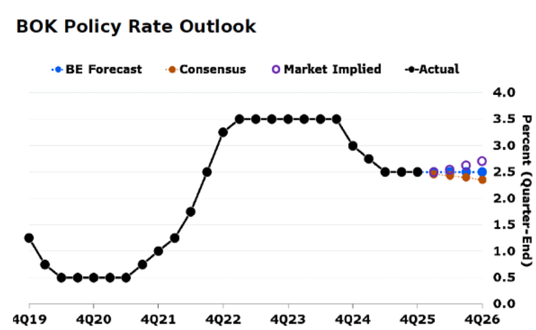
The national bank of Poland (NBP) **kept its policy rate unchanged at 4% yesterday,** in line with expectations. **The zloty edged marginally higher** (0.1%) against the euro this morning, trading at around PLN4.20/€, after closing the day flat yesterday. Polish equities partly retraced yesterday's losses (0.3%) while government bond yields continued to rise on the front end (2y yield +4bps since Tuesday at 3.67%) and ticked up today also on longer tenors (5y yield +2bps at 4.5% and 10y +1bp at 5.1%). The NBP paused easing yesterday after cutting rates by 175bps last year, with Governor Glapiński commenting last month on a shift to a wait-and-see stance now that inflation is now close to the NBP's 2.5% medium-term target (today's final figures confirmed headline inflation at 2.4%y/y in December). **Goldman Sachs** expects another cut in March, as the softer January CPI print comes only after NBPs' February meeting, and sees the terminal rate at 3.50% in 2Q. ING also expects the next cut in March but sees room for two more cuts (May and September), taking the reference rate to 3.25% before end-2026.



Source: Bloomberg and IMF calculations

South Korea

Bank of Korea (BOK) held its base rate steady due to considerations about FX stability and housing risks. As widely anticipated, the BOK voted unanimously to keep its policy rate unchanged at 2.50%, extending a pause from last July after four rate cuts. Moreover, the possibility for additional rate cuts over the near term appears to be much reduced, with market consensus leaning towards the BOK remaining on hold for some time. BNP Paribas, for example, expects an extended pause, with the policy rate anchored at 2.5% through year-end. Governor Rhee said that won stability was a key factor behind the decision to hold rates steady, noting the won is "undervalued" relative to fundamentals. Financial stability risks, notably rising property prices in Seoul, continue to fuel concerns about a potential property bubble, limiting the case for further easing. The Kospi rose 1.6% to a fresh high, reportedly boosted by purchases from pension funds. Meanwhile, the won renewed its depreciation (-0.2%) to KRW 1478/$, erasing more than half of its overnight gain following verbal support from US Treasury Secretaty Bessent who posted on social media that "excess volatility in the foreign exchange market is undesirable" in reference to his meeting with Finance Minister Koo Yun Cheol earlier in the day. The won

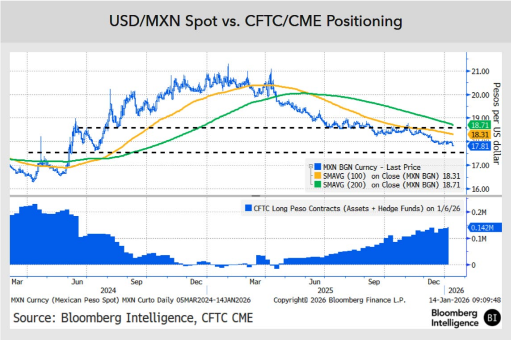


Source: Bloomberg Economics

has been under pressure as local investors continue to channel funds to US equities while nonresidents have been net sellers of Korean equities.

Mexico

After a soft start to 2026, the Mexican peso has realigned with LatAm peers, supported by resilient carry demand and a steadier domestic rates backdrop. Positioning has also improved, with CFTC/CME data showing non-commercial longs rebuilding since March, through still below 2024 highs. Carry remains the region's core support, even though Mexico's yield is lower than Brazil's, with 3-month implied rates around 7.2% for MXN verses roughly 13.6% for BRL. The peso partly compensates through lower volatility and a comparatively less noisy political environment, which helps sustain its appeal on a risk-adjusted basis.



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Global Financial Indicators

1/15/26 7:59 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,927	-0.5	0.1	1.6	16.4	1
Europe		6,039	0.6	2.3	5.0	20.0	4
Japan		54,111	-0.4	4.1	9.6	40.3	7
China		4,751	0.2	0.3	5.6	25.0	3
Asia Ex Japan		98	0.3	1.3	7.5	38.4	6
Emerging Markets		58	0.4	1.6	6.8	38.1	6
Interest Rates					basis points		
US 10y Yield		4.1	1	-2	-3	-51	-2
Germany 10y Yield		2.8	1	-4	-3	26	-3
Japan 10y Yield		2.2	-3	8	20	91	10
UK 10y Yield		4.4	3	-3	-13	-36	-11
Credit Spreads					basis points		
US Investment Grade		105	-1	-4	-8	-15	-3
US High Yield		323	4	-6	-20	14	-13
Exchange Rates					%		
USD/Majors		99.2	0.2	0.3	0.9	-9.1	1
EUR/USD		1.16	-0.2	-0.3	-1.1	12.9	-1
USD/JPY		158.6	0.1	1.1	2.2	1.4	1
EM/USD		46.8	0.1	0.5	0.9	8.7	0
Commodities					%		
Brent Crude Oil ($/barrel)		63.9	-3.9	3.1	6.0	-13.2	5
Industrials Metals (index)		173.5	-0.6	4.0	12.1	19.6	6
Agriculture (index)		53.1	-0.1	-2.6	-2.4	-8.7	-1
Gold ($/ounce)		4614.5	-0.3	3.1	7.2	71.1	7
Bitcoin ($/coin)		96969.3	-0.6	7.3	12.5	-2.7	11
Implied Volatility					%		
VIX Index (%, change in pp)		16.2	-0.5	0.8	-0.3	0.1	1.3
Global FX Volatility		6.7	0.0	0.2	0.0	-2.3	-0.2
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		51	-1	0	-9	-29	-8
Italy		63	-1	-2	-5	-51	-7
France		67	0	1	-4	-12	-4
Spain		39	-1	0	-5	-26	-4

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

Emerging Market Financial Indicators

1/15/2026 8:01 AM	Exchange Rates: Level, Last 12m	Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Latest	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.97	0.1	0.2	1.2	5.2	0.3		1.9	0	-4	3	26	1
Indonesia		16896	-0.2	-0.6	-1.4	-3.4	-1.3		6.1	2	8	1	-110	8
India		90	-0.1	-0.5	0.5	-4.0	-0.5		7.3	0	9	3	-8	18
Philippines		59	-0.1	-0.5	-0.7	-1.5	-0.9		4.7	4	5	6	-39	5
Thailand		31	0.1	0.3	0.2	10.1	0.3		1.9	-3	5	7	-56	14
Malaysia		4.06	-0.2	0.1	1.0	10.9	0.1		3.5	-3	1	-6	-31	1
Argentina		1453	0.0	0.7	-1.0	-28.4	-0.1		32.8	-109	-103	300	867	39
Brazil		5.38	0.2	0.1	0.7	11.7	2.1		13.4	6	2	0	-189	-13
Chile		883	-0.1	1.6	3.6	13.9	1.9		5.2	0	-3	-5	-70	-9
Colombia		3685	0.0	1.2	3.9	16.8	2.4		12.3	-23	-37	-8	68	-52
Mexico		17.79	0.0	1.0	1.1	15.0	1.2		8.9	0	10	-15	-148	-12
Peru		3.4	0.0	0.1	0.3	12.3	0.1		5.9	0	4	15	-79	14
Uruguay		39	-0.1	0.7	0.9	13.8	1.1		7.3	-3	-6	-36	-230	-18
Hungary		332	-0.1	-0.5	-1.3	20.5	-1.4		6.4	5	-1	-28	-34	-10
Poland		3.62	-0.1	-0.3	-0.8	14.3	-0.9		4.5	2	-1	-21	-128	-8
Romania		4.4	-0.2	-0.4	-1.0	10.4	-1.0		6.5	3	-13	-27	-117	-15
Russia		78.5	-0.1	2.4	1.2	30.6	0.3							
South Africa		16.4	0.2	0.9	2.6	14.7	1.1		8.7	-2	3	-14	-210	8
Türkiye		43.19	0.0	-0.3	-1.1	-17.9	-0.5		30.1	43	69	-93	133	53
US (DXY; 5y UST)		99	0.2	0.3	0.9	-9.1	0.9		3.73	2	0	0	-72	0

	Equity Markets: Level, Last 12m	Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Latest	Change (in basis points): 7 Days	30 Days	12 M	YTD
								basis points					
China		4,751	0.2	0.3	5.6	25.0	2.6		75	-1	-1	-16	0
Indonesia		9,075	0.5	1.7	5.4	26.8	5.0		97	6	13	4	11
India		83,383	0.0	-1.9	-1.5	8.2	-2.2		91	1	-1	3	1
Philippines		6,488	1.5	2.6	7.1	3.5	7.2		84	3	12	-1	9
Thailand		1,261	1.4	0.6	0.1	-6.7	0.1						
Malaysia		1,715	0.2	2.7	4.1	10.3	2.1		62	3	5	-10	3
Argentina		2,950,111	-2.8	-4.1	-2.1	9.1	-3.3		589	6	-45	9	20
Brazil		165,146	2.0	1.4	1.6	34.6	2.5		205	-2	3	-26	2
Chile		11,238	-0.3	2.9	9.1	62.9	7.2		98	2	9	-20	7
Colombia		2,262	1.1	4.1	8.1	61.8	9.4		273	-8	-5	-46	-4
Mexico		67,403	1.6	3.9	4.8	34.2	4.8		226	5	11	-86	9
Peru		3,054	1.9	10.7	18.8	69.4	18.2		114	2	19	-26	5
Hungary		120,971	0.3	4.4	10.5	44.1	9.0		145	2	3	-12	6
Poland		121,749	0.4	1.5	5.5	46.9	3.8		95	-1	8	-15	4
Romania		26,927	0.8	6.7	12.1	58.4	10.2		185	1	1	-68	9
South Africa		121,287	0.4	3.7	7.5	45.2	4.7		233	6	14	-58	15
Türkiye		12,338	-0.3	2.1	7.7	26.7	9.6		257	11	18	-8	23
EM total		58	0.6	1.6	6.8	38.1	5.6		270	2	1	-91	-2

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

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