GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

WEDNESDAY, FEBRUARY 25, 2026

LEAD EDITOR: JOHANNES S. KRAMER

- **Within the leveraged finance segment, software borrowers emerge as the weaker tail** (link)
- **Private equity faces liquidity issues as weaker portfolio companies are difficult to sell** (link)
- **European bank stocks are rebounding after solid earnings news from major lenders** (link)
- **Japan yield curve bear steepens as BOJ board picks reinforce reflation expectations** (link)
- **The onshore Chinese yuan logged its longest winning streak in more than 15 years** (link)
- **Naira steady after Nigeria surprised yesterday with smaller than expected cut to 26.5%** (link)

Erratum: The version of the Global Markets Monitor sent this morning had a typo in the Japan paragraph. This is corrected here.

Mature Markets | Emerging Markets | Market Tables

Calmer Waters Ahead of NVIDIA Earnings

Risk tone improved across markets as near-term AI fears ease, albeit tariff headlines stay noisy. In the United States, the tech sector led a rebound on Tuesday, lifting the S&P 500 after recent weakness, as investors took comfort from comments that AI tools may complement, not replace, existing business models. Attention now turns to NVIDIA's earnings later today as the next near-term bellwether for sentiment. In rates, the bond rally faded, with 10-year Treasury yields back toward 4.06% as risk assets steadied, and curve moves pointed to a mild pullback from Monday's risk-off extremes. Asia extended gains, led by Japan, where the Nikkei notched another record as the yen weakened after fresh signals of a more cautious stance on further Bank of Japan tightening, including moves to replace outgoing board members with more dovish picks. Asian equities more broadly also advanced, led by Taiwan and Korea. Technology shares, including Samsung and SK Hynix, continued to lead as key enablers of AI investment. In Europe, banks helped the STOXX 600 move higher after encouraging earnings news. In Emerging Markets, policy easing continued with the central bank of Nigeria, Bank of Thailand, and National Bank of Hungary cutting rates. In South Africa, markets look ahead to the 2026 Budget later today, with investors focused on fiscal credibility and its implications for rates and the rand.

Key Global Financial Indicators

Last updated: 2/25/26 8:34 AM	Level: Last 12m	Level: Latest	Change from Market Close: 1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6890	0.8	1	0	16	1
Eurostoxx 50		6163	0.8	1	4	13	6
Nikkei 225		58583	2.2	4	11	54	16
MSCI EM		63	1.6	3	6	42	14
Yields and Spreads					bps		
US 10y Yield		4.05	2.3	-3	-17	-24	-12
Germany 10y Yield		2.72	0.8	-2	-19	26	-14
EMBIG Sovereign Spread		247	0	4	3	-74	-6
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		47.8	0.1	1	1	8	3
Dollar index, (+) = $ appreciation		97.9	0.0	0	0	-8	0
Brent Crude Oil ($/barrel)		71.4	0.9	2	8	-2	17
VIX Index (%, change in pp)		19.0	-0.6	-1	3	0	4

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

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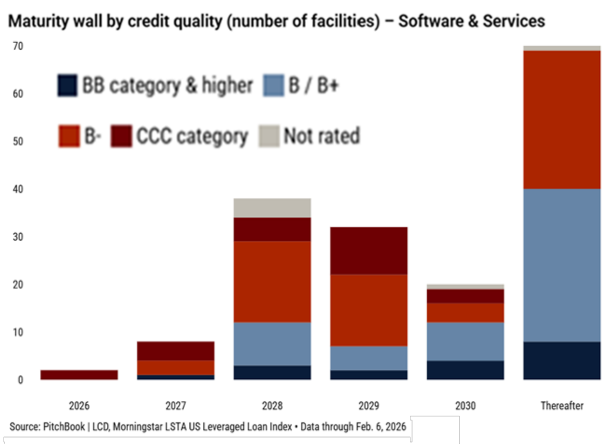
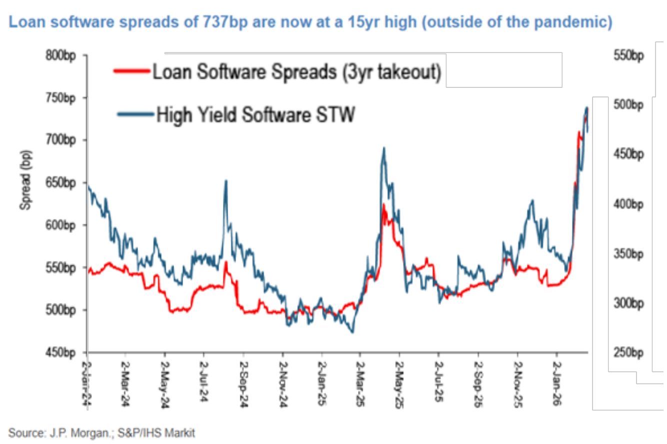
United States

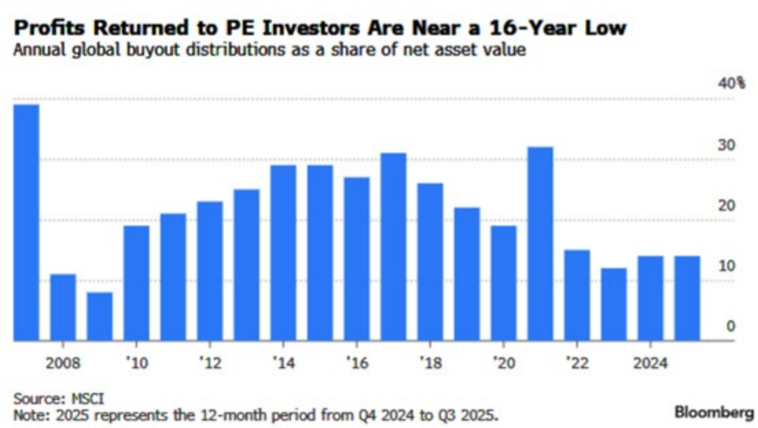
Stronger consumer confidence data provided support for equities. Consumer confidence printed at 91.2 (exp. 87.1 from revised 89.0). The details pointed to resilient spending and steadier expectations, supporting the view that the early-year slide in January might have been overdone. The S&P 500 gained (+0.8%). 10y Treasury yields rose (+2bps) to 4.05%. The U.S. dollar appreciated (+0.2%) versus majors.

Software still looks like the weakest pocket of leveraged finance. More than half of software borrowers in the syndicated loan market are rated B-/CCC or lower. That points to loose deal terms set in the low-rate period before March 2022, when the Fed began its last hiking cycle. At the time, many deals baked in very strong EBITDA growth. In many cases today, EBITDA barely covers interest. The AI disruption narrative has made growth forecasts look less certain, so investors are less willing to assume these firms can refinance on the easy terms they had before. That has led to fast repricing in the names seen as least able to carry today's debt load without a real step up in earnings. Maturity volumes over the next two years look modest, but they remain skewed toward the lowest rated borrowers (left chart). The broader leveraged loan market remains open, but software spreads are at a 15-year high, excluding the pandemic peak (right chart). That keeps restructuring high on the list for the least profitable borrowers.





Private equity continues to face liquidity constraints. For a fourth consecutive year, distributions have remained subdued at about 14% of Net Asset Values, near post-2008 lows (chart below). While PE sponsors have been able to exit top-performing assets, weaker portfolio companies remain difficult to sell. Policy uncertainty has widened the valuation gaps between buyers and sellers, and higher interest rates alongside compressed valuation multiples have raised the EBITDA growth required to generate target internal rates of return (IRRs). Holding periods for PE investments have lengthened to around seven years, up from the traditional five to six, mechanically reducing IRRs. The result is a negative loop: fewer exits mean fewer distributions, low distributions hurt fundraising, and investors are becoming more selective, especially with fresh worries about private equity exposure to software.

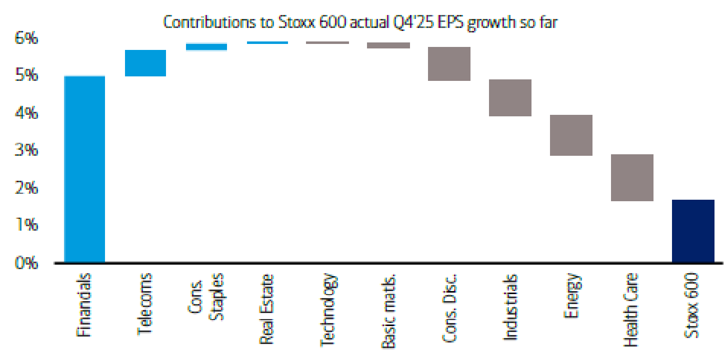


Euro Area

This morning, European risk assets traded firmer. The STOXX 600 gained (+0.5%), led by banks (+1.8%). Sentiment improved as markets took a breather from the recent AI disruption scares, supported by earlier gains in Asian stock markets. Yields on 10y bund edged higher (+1bps) to 2.71% with spreads across jurisdictions and maturities in line with a modest risk-on sentiment. The euro fractionally appreciated (+0.1%) versus the US dollar to $1.1775/€. Unrelated, Bloomberg surveyed economists on the prospect of Christine Lagarde leaving her post early. Most respondents see an early departure as likely; in case of which Klaas Knot is seen as the most probable successor, while Pablo Hernández de Cos is viewed as the frontrunner if Lagarde completes her term.

European bank stocks are rebounding after strong earnings news from several big lenders. HSBC rose (+5%) after reporting results that beat expectations today. Banco Santander also gained (+2.8%) after laying out a plan to lift net income above €20 bn by 2028, according to a Bloomberg news article today. Banks were among the top performers in the STOXX 600, helping the broader index higher and supporting confidence in Europe's earnings outlook. So far this reporting season, results have generally come in better than expected.

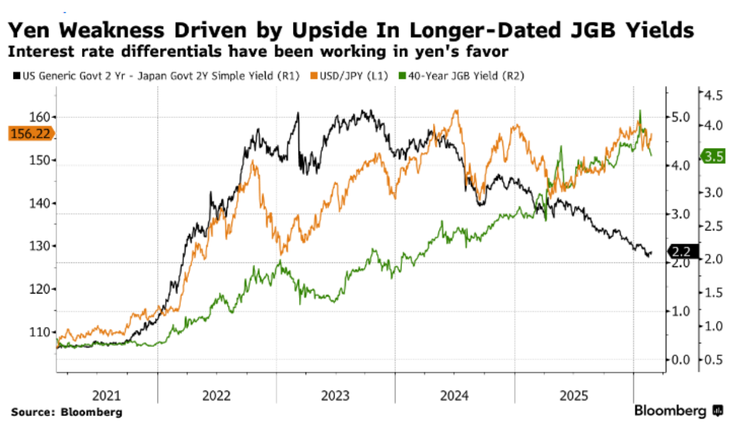
Exhibit 3: Financials have been the primary positive contributor for index earnings growth thus far, which has been offset by the drag from healthcare, energy and industrials
Contribution to Stoxx 600 year-on-year EPS growth in Q4'25 so far (%pts)



Source: BofA European Equity Quant Strategy, Factset
Based on companies that report quarterly figures

Japan

The Nikkei hit a fresh record after PM Takaichi nominated two reflationist academics to the Bank of Japan board. The nominees, Messrs. Asada and Sato, are seen as favoring active fiscal support and continued accommodative monetary policy. That fits the view that Takaichi will lean cautious on near term rate hikes. The Nikkei 225 gained (+2.2%), helped by tech, while the TOPIX rose (+0.7%) but lagged as bank shares underperformed as odds of a near-term rate hike further diminished. Driven by higher break-even inflation, longer dated bond yields jumped (2y flat 1.21%; 10y +5 bps to 2.13%; 30y +8 bps to 3.36%), reflecting anticipation of the longer-term impact of continued stimulus policies. Bloomberg analysts remark that the historical relationship between $/yen and the gap between US and Japanese short-term yields broke down around mid-2025, taken over by focus on the selloff in longer-dated JGBs, largely due to concerns around Japan's fiscal position.



Emerging Markets

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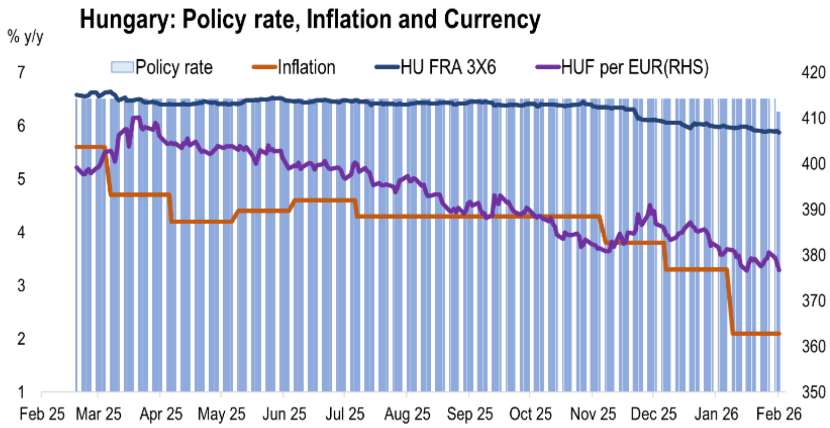
This morning, EMEA equities rebounded with currencies also firm. In CEE, equities rose across the region with Hungary outperforming (+1.2%), while currencies were little changed against the euro, with the forint continuing to appreciate (+0.4%) towards HUF376.44/€ after the central bank of Hungary yesterday cut its policy (-25bps) to 6.25%. In South Africa, ahead of the 2026 Budget later today, the rand continued to appreciate (+0.4%) towards ZAR15.91/$ with stock markets also up (+1%). In Türkiye, the lira remained flat at TRY43.85/$ as stock markets declined (-1.3%).

In Asia, currencies strengthened broadly while equities extended gains. Currencies rose (EM Asia: +0.3%) to a 16-month high, based on the Bloomberg Asia Dollar Index. The Korean won (+0.5%) and Philippine peso (+0.4%) led the move. The Thai baht weakened (-0.2%) after the Bank of Thailand Monetary Policy Committee voted four to two to cut the one-day repurchase rate (-25bps) to 1%, the lowest level since September 2022. Asian equities also advanced (EM Asia: +1.7%), led by Taiwan POC (TAIEX: +2.1%) and Korea (KOSPI: +1.9%) for a second straight day, with technology shares—including Samsung and SK Hynix—still leading. The KOSPI has now crossed 6,000 index points, just one month after surpassing the 5,000 mark originally targeted by President Lee, and could get another lift from today's passage of a key corporate reform bill aimed at improving corporate transparency and shareholder returns.

Yesterday, Latin American stock markets and currencies saw broad strength. Equities advanced broadly throughout the region, led by Colombia (+1.8%), Peru (+1.7%), Brazil (+1.4%). Currencies appreciated Chile (+0.6%) and Mexico (+0.5%), while the Colombian peso weakened (-0.5%).

Hungary

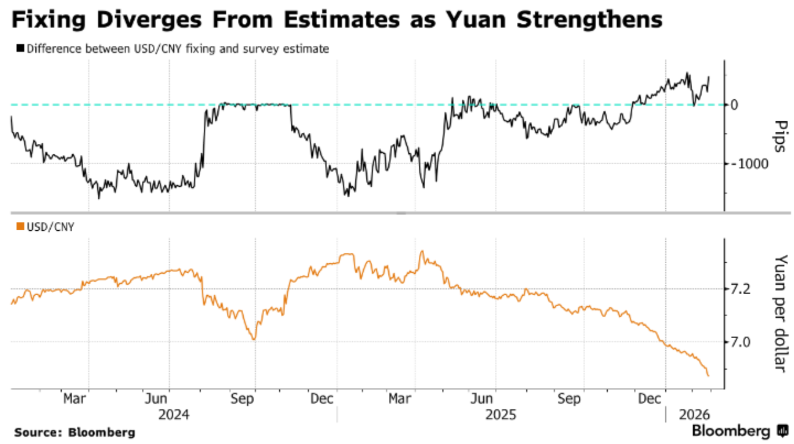
In a widely expected move, the National Bank of Hungary (NBH) cut its policy rate, as the forint continued to extend its gains. Validating consensus, the NBH yesterday cut its policy rate (-25bps) to 6.25%. It was the first policy move in 17 months, after headline inflation slowed to 2.1% y/y in January, at the bottom of the NBH's 3%±1 ppt. inflation target range. The forint extended its gains, rising (+0.4%) versus the euro to HUF376.44/€. Goldman Sachs analysts note the move through HUF380 leaves the forint at its strongest level since 2023 (up +5.6% versus the euro over the past twelve months) and see scope for another cut if February CPI stays soft. Deutsche Bank analysts share that view while warranting caution that higher inflation in the second half of the year could dim the prospects further easing. ING analysts anticipate two to three more cuts in 2026, while flagging FX volatility risks ahead of Hungary's 12 April elections. UBS analysts maintain a March hold as the base case, with further cuts conditioned on inflation forecasts falling below 3% and the forint staying firm.



Source: Bloomberg and IMF calculations

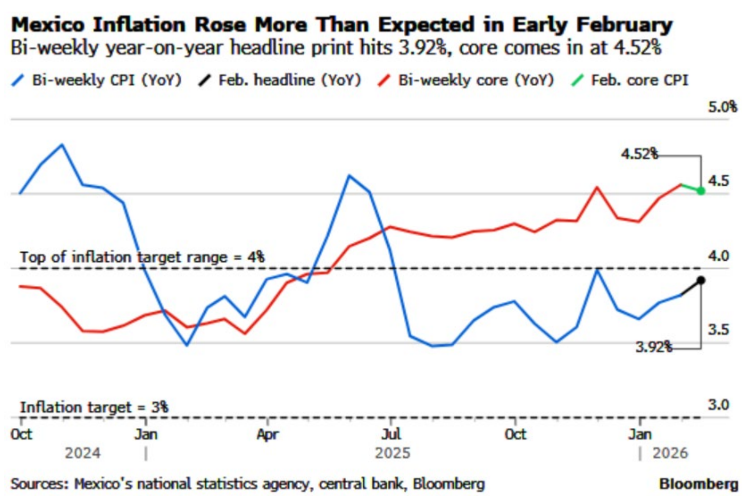
China

The onshore yuan logged its longest run of gains in more than 15 years. Both onshore CNY (+0.2%) and offshore CNH (+0.2%) appreciated, with CNY stronger for a ninth straight session across the Lunar New Year break, the longest winning streak since September 2010. The yuan fix was set at 6.9321/$, only 0.1% stronger than yesterday, suggesting the People's Bank of China is still leaning against excessive yuan gains. According to local media Shanghai Securities News, analysts warned against betting on one-way moves in the yuan. They said the path ahead will depend on changes in FX settlement demand and expectations for the dollar, and that regulators stand ready to step in if volatility drifts away from economic fundamentals. Beyond spot, support for the yuan is also building offshore. Hong Kong officials said today that authorities are expanding renminbi liquidity, bond issuance, and trading infrastructure to capture de-dollarization flows. Hong Kong aims to attract high-quality issuers to boost yuan issuance, work with the industry to establish an offshore yield curve, and promote easier FX quotes and transactions between the yuan and regional currencies to lower costs.



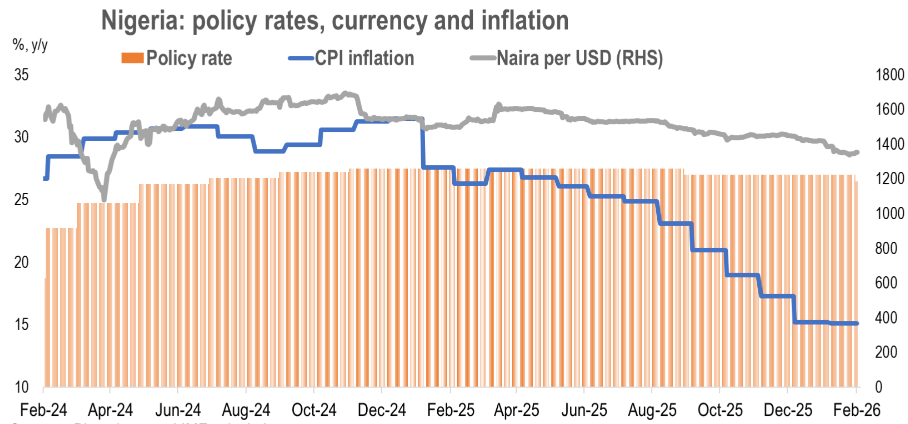
Mexico

Mid-February CPI broadly validated expectations. In the bi-weekly release through February 15, core inflation came in at 4.52% y/y (exp. 4.57% from 4.56%), while headline inflation rose to 3.92% y/y (exp. 3.89% from 3.82%). Banco de México kept its benchmark rate unchanged at 7% on February 5, pausing an easing cycle in which it lowered rates from 11%. According to market contacts, the print helps ease concerns that tariffs are putting coincident pressure on consumer prices, keeping open the possibility of a cut at the next meeting on March 26. That said, other contacts note the bi-weekly data predates the latest tariff back-and-forth and that the pass-through of the tariffs could arrive with a lag, which might not rule out higher domestic inflation later if trade frictions intensify. Banco de México also pushed back its forecast for inflation to return to target to 2027Q2, citing persistent core inflation.



Nigeria

In a smaller-than-expected move, the central bank of Nigeria cut its policy rate, as the naira stayed firm. Leaning against consensus, the central bank yesterday cut its policy rate (-50bps) to 26.5%, whereas analysts expected a bigger cut (-100bps). In reaction, the naira edged higher (+0.2%) versus the dollar, trading today at NGN1354.53/$. Inflation slowed to 15.1% y/y in January, helped by improved FX liquidity and rising foreign portfolio inflows, alongside the naira's appreciation (+9.9% versus the dollar over the past twelve months). Bloomberg analysts expect rate cuts to continue through 2026 as inflation cools and the external position improves, with inflation seen near 10% by year-end. JP Morgan analysts maintain their call for -700bps of cuts throughout the year, including a large cut (-200bps) in May, potentially taking the policy rate to 20% by year-end. They see inflation falling to 9.9% y/y as early as May, keeping real rates elevated at 16.3%, though election-related fiscal risks remain a key upside risk to their call. Gross FX reserves rose to a 13-year high of $50.4 bn in mid-February 2026, covering over nine months of imports and supporting the naira.



Sources: Bloomberg and IMF calculations

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Global Financial Indicators

2/25/26 8:34 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,906	0.8	0.4	-0.1	16.0	1
Europe		6,163	0.8	1.0	3.6	13.1	6
Japan		58,583	2.2	3.6	10.8	53.6	16
China		4,736	0.6	0.2	0.6	19.6	2
Asia Ex Japan		106	1.6	2.9	6.3	41.5	14
Emerging Markets		63	1.6	2.9	6.0	41.5	14
Interest Rates					basis points		
US 10y Yield		4.1	2	-3	-17	-24	-12
Germany 10y Yield		2.7	1	-2	-19	26	-14
Japan 10y Yield		2.1	5	-1	-12	77	7
UK 10y Yield		4.3	2	-5	-19	-18	-15
Credit Spreads					basis points		
US Investment Grade		114	-1	3	12	-3	7
US High Yield		350	-3	9	38	22	13
Exchange Rates					%		
USD/Majors		97.9	0.0	0.2	0.3	-8.0	0
EUR/USD		1.18	0.1	0.0	-0.8	12.1	0
USD/JPY		156.7	0.5	1.2	1.6	5.1	0
EM/USD		47.8	0.1	0.6	0.9	7.5	3
Commodities					%		
Brent Crude Oil ($/barrel)		71.4	0.9	1.5	9.8	3.5	18
Industrials Metals (index)		171.7	0.6	2.2	-0.6	18.1	5
Agriculture (index)		53.9	0.0	1.1	0.3	-10.5	1
Gold ($/ounce)		5188.9	0.9	4.2	3.6	78.0	20
Bitcoin ($/coin)		66150.4	3.3	-2.4	-23.5	-25.4	-25
Implied Volatility					%		
VIX Index (%, change in pp)		19.0	-0.6	-0.6	2.9	-0.4	4.0
Global FX Volatility		7.4	0.0	0.1	0.7	-0.8	0.5
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		60	-1	0	0	-22	1
Italy		60	-1	-1	-1	-53	-10
France		55	-1	-2	-4	-19	-16
Spain		40	-1	3	4	-22	-3

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

Emerging Market Financial Indicators

2/25/2026 8:35 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		6.87	0.2	0.6	1.3	5.6	1.8		1.9	0	0	-4	3	-8
Indonesia		16785	0.2	0.6	0.0	-2.6	-0.6		6.2	0	2	0	-51	19
India		91	0.0	-0.3	1.1	-4.1	-1.2		7.2	1	2	-10	20	16
Philippines		58	0.4	0.6	2.5	0.7	2.3		4.8	9	-1	7	-29	16
Thailand		31	-0.2	0.7	0.0	8.4	1.4		2.0	1	0	0	-35	23
Malaysia		3.89	0.1	0.2	1.9	13.7	4.3		3.5	-1	-1	0	-28	1
Argentina		1379	0.0	1.3	4.2	-23.1	5.2		33.6	-93	-38	-134	602	126
Brazil		5.14	0.3	1.9	2.8	11.9	6.5		13.1	-3	-8	-36	-166	-49
Chile		857	0.5	0.8	0.9	10.0	5.1		5.2	3	2	-4	-64	-12
Colombia		3708	-0.1	-0.7	-0.7	11.4	1.9		13.7	18	70	138	221	85
Mexico		17.17	0.0	0.2	1.1	19.2	4.9		8.6	-6	-2	-22	-114	-37
Peru		3.4	0.0	-0.3	-0.2	9.7	0.2		5.8	2	4	-7	-58	3
Uruguay		38	0.1	1.0	-1.5	11.0	1.5		7.1	-2	-9	-15	-257	-39
Hungary		319	0.7	0.8	0.6	19.5	2.5		6.3	1	2	-10	-18	-27
Poland		3.58	-0.1	-0.2	-1.2	9.9	0.1		4.3	-2	1	-15	-129	-27
Romania		4.3	0.1	0.0	-0.8	9.5	0.2		6.1	-1	-5	-35	-120	-53
Russia		76.9	-0.8	-0.2	-0.7	12.3	2.4							
South Africa		15.9	0.7	1.3	1.2	16.1	4.4		8.2	3	2	-30	-241	-37
Türkiye		43.87	0.0	-0.3	-1.2	-16.9	-2.1		30.3	4	45	121	183	67
US (DXY; 5y UST)		98	0.0	0.1	0.3	-8.0	-0.5		3.62	3	-3	-20	-51	-10

	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		4,736	0.6	0.2	0.6	19.6	2.3		110	7	38	15	35
Indonesia		8,322	0.5	0.1	-7.3	26.0	-3.8		106	0	14	9	20
India		82,276	0.1	-1.7	0.9	10.3	-3.5		89	5	-2	-4	-1
Philippines		6,620	1.1	3.5	5.5	7.7	9.4		86	1	8	-3	11
Thailand		1,516	1.7	3.4	16.0	23.1	20.3						
Malaysia		1,748	-0.4	0.4	0.2	10.0	4.0		63	3	4	-13	4
Argentina		2,812,414	1.8	3.3	-9.1	23.2	-7.8		551	32	19	-182	-18
Brazil		192,396	1.4	3.4	7.6	52.7	19.4		200	-2	8	-26	-3
Chile		11,082	0.6	2.0	-3.6	51.5	5.7		93	-2	2	-32	2
Colombia		2,396	-3.0	1.2	-3.5	45.3	15.9		265	2	4	-60	-12
Mexico		70,935	0.4	-0.3	4.0	33.7	10.3		212	-1	-3	-98	-5
Peru		3,496	1.8	8.4	8.0	106.2	35.3		114	1	9	-32	5
Hungary		126,240	1.2	-1.2	0.9	46.3	13.7		134	5	-3	-17	-5
Poland		127,360	1.2	1.6	4.1	38.8	8.6		88	-5	-3	-26	-3
Romania		29,098	-0.4	1.0	7.2	65.6	19.1		162	-1	-4	-87	-14
South Africa		126,985	1.5	3.6	3.8	44.7	9.6		233	4	6	-75	15
Türkiye		13,847	-1.5	-2.9	6.6	46.5	23.0		257	11	14	-12	23
EM total		63	1.4	2.9	6.0	41.5	14.5		265	4	5	-107	-7

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

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