Weekly Macro and Markets View

2 February 2026

Highlights and View

The Eurozone economy grows 0.3% QoQ in Q4 2025, marking a strong end to the year

Surging investment intentions are the main source of economic optimism for 2026, offset by a more downbeat consumer outlook.

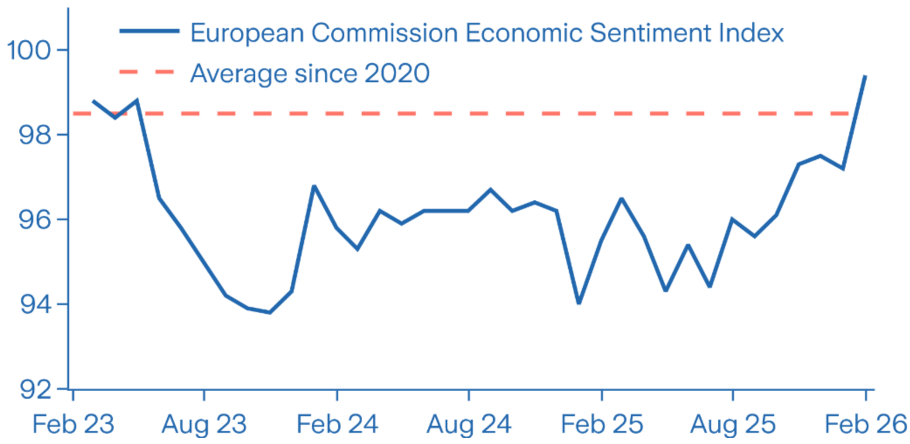
President Trump nominates Kevin Warsh to become the next Fed Chair

Warsh has been more hawkish on the Fed's balance sheet than the other candidates were, which led to the USD having its strongest day since last summer.

A number of equity markets struggle to new highs in a rather choppy trading week

Earnings dominated equity moves, with generally good reports. We saw spectacular results from SK Hynix and Samsung and impressive numbers from Apple and Meta, while disappointing news from SAP hit global software names.

The Eurozone economy is resilient at low growth levels



Source: Bloomberg

Last week brought plenty of important economic data in the Eurozone. Chief among them was the reported Q4 2025 GDP growth of 0.3% QoQ, a touch higher than consensus expectations. Germany's own economy matched this 0.3% growth rate, which increases our confidence that it will finally record genuinely positive GDP growth in 2026 after six years of stagnation. Survey data across the bloc is picking up, particularly in business confidence. Overall, the Eurozone economy is showing resilience and even tentative signs of acceleration. Yet, growth levels in Europe remain low in absolute terms, and there is limited evidence yet of permanent increases in potential growth rates. Accelerating business and broad infrastructure investment, bolstered by German fiscal expansion and coordinated defence spending, will likely help here. However, lagging consumer confidence is still an offsetting factor. While the overall Eurozone unemployment rate remains historically low, at 6.2%, employment growth is slowing. Survey indicators suggest firms are on aggregate intending to slightly reduce staffing levels, consistent with falling vacancy rates. This means that despite low unemployment levels, wage growth itself continues to slow as labour bargaining power weakens. Part of the current mismatch is explained by job losses in struggling traditional industries, which have not yet been fully offset by scaling up alternatives.

US

'Courtesy demands reciprocity'

As was widely expected, the Fed kept rates on hold, within a range of 3.50-3.75%, at its meeting last week. Governors Miran and Waller dissented in favour of a 25bp cut, but according to Chair Powell there was broad support for keeping rates steady. The statement generally sounds more upbeat noting the 'solid pace' of economic activity and 'some signs of stabilisation' in the unemployment rate. Jerome Powell stated that the FOMC was 'well positioned' after delivering 75bps of rate cuts in late 2025, so is not signalling any urgency for policy changes in the near term. On Friday, President Trump nominated Kevin Warsh to become the next Fed Chair. Warsh has been more hawkish on the Fed's balance sheet than other candidates were, which led to the US dollar having its strongest day since July last year. Last week we also received the Conference Board's latest consumer confidence survey, which shows households' becoming the gloomiest in more than a decade, though weak sentiment has not translated in subdued consumer spending so far.

Japan

A mixed bag

Tokyo's inflation cooled in January. CPI slipped to 1.5% YoY, slightly below forecasts, and the core-core measure (excluding fresh food and energy) eased to 2.4%. Meanwhile, the labour market was steady. December's jobless rate was unchanged at 2.6%, and the job-to-applicant ratio edged up to 1.19. Headline inflation is expected to dip below 2% in early 2026 as food price effects fade, but underlying pressures remain robust, supported by firm wage growth and anchored expectations. On the activity front, retail sales disappointed in December, falling 0.9% YoY, while industrial production rebounded with a 2.6% YoY gain. JGB yields remain stable, and the yen is trading around 153 after a turbulent, intervention-fuelled week. All eyes are on Sunday's snap election: will Prime Minister Takaichi's bold move secure a majority for the LDP? The results could have significant implications for market pricing across government bonds, equities, and the currency.

LatAm

Brazil's BCB prepares to cut, Chile's BCCH reinforces disinflation path

Brazil's Central Bank (BCB) kept the Selic rate unchanged at 15% at its January meeting, broadly in line with market expectations. The BCB's Board provided explicit forward guidance that the easing cycle is set to begin in March, contingent on the baseline scenario materializing. Accordingly, the statement removed the previous reference to the possibility of resuming rate hikes. Looking ahead, market attention will focus on the pace and magnitude of the upcoming easing cycle. The BCB has stressed the need for 'serenity,' yet retains substantial room to cut, with the ex-ante real policy rate still above 10%, roughly 500bps above its estimated neutral level. In Chile, as expected, the Central Bank (BCCh) kept the policy rate unchanged at 4.5% following the 25bp cut delivered in December. The statement reaffirmed confidence in reaching the 3% inflation target this year, while highlighting short term downside pressures on inflation. Against this backdrop, we expect a further 25bp cut in March, aligning the policy rate with the midpoint of the neutral range.

Equities

Divergent performance continues

Investors had a lot to digest last week, but earnings season took centre stage. Generally, Q4 earnings are shaping up well, with the tech sector dominating the headlines. In the US, Microsoft managed to just meet high expectation while Apple and Meta surprised positively with good outlooks. The stocks closed the week -7.7%, +4.6% and +8.8% respectively. Asian tech rightly remains favoured. Samsung and HK Hynix surged on outstanding results, the latter up 18%, helping to lift the Kospi Index 4.7% on the week and to a remarkable gain of 24% YTD. It was not all good new, however, as investors continue to differentiate between stocks. SAP in Germany disappointed with the stock off 12.9% on the week, dragging down global software companies. Not only are there divergencies amongst stocks and sectors, but also across regions. Japanese stocks were under pressure as the yen rallied modestly, while those in Spain and Italy again notably outperformed France and Germany. We maintain this differentiation is healthy and rational but keep a watch out for increasing volatility.

Credit

A resilient January beckons the next wave of AI debt

Credit ended January on solid footing, emerging unscathed through geopolitical headlines, tariff threats and bond yield moves. In the US Investment Grade (IG) market, January issuance reached USD 208bn, the fifth highest monthly tally and the second-largest excluding the pandemic period, according to Bloomberg data. The elevated supply was met by strong demand, allowing new issue concessions to stay on average as low as 1bp. Consequently, US IG spreads were not only resilient, but even touched 71bps, the tightest level since 1998. Solid investor demand was once again visible last week, with US IG fund inflows totalling USD 5.4bn, the largest weekly tally since early 2021. Looking ahead, issuance is expected to be heavy again in the next few weeks as companies exit earnings blackouts. One key activity we will be monitoring is how much debt AI hyperscalers will issue. At current historical lows, we view US IG spreads as especially vulnerable to concerns surrounding the sustainability of the debt-fuelled AI race.

What to Watch

- The latest ISM surveys and labour market data will give crucial insights into the current state of the US economy.
- Eurozone inflation data is due on Wednesday and is likely to fall below 2% YoY. The ECB meets on Thursday and is expected to keep policy rates unchanged.
- PMIs, consumer confidence, and unemployment data will be published in Switzerland.
- Japan's snap election on Sunday is a key event to watch. The market is pricing in a 25bp rate hike by the Reserve Bank of Australia while the Reserve Bank of India is likely to keep rates unchanged.
- In LatAm, Banxico's is expected to hold the MPR steady, and Chile's January CPI is set to move under the target.

Disclaimer and cautionary statement

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