

Weekly Market Snapshot Asia: Disruption by Design

Weekly Recap

- This week will be relatively busy with several major companies publishing their earnings and the US Federal Reserve meeting on Wednesday.
- Following threats to impose new tariffs on European countries opposition the US acquisition of Greenland, President Trump has refrained from imposing additional tariffs and removed his threat to seize Greenland by force leading to a relief in the markets.
- A new trade deal was signed between Europe and India on Tuesday
- Gold and Silver are hitting new all-time highs on the current fears of geopolitical uncertainties while the US Dollar is dropping.

Snapshot

Asia: It is all about policy not politics

Taking advantage of a high approval rating, Prime minister Sanae Takaichi has called for a snap general election to take place on 8 February. This led to the yen weakening and JGB rising with long term yields hitting multi years highs.

Following this, the Bank of Japan (BoJ) meeting kept the policy rate unchanged. But after a hawkish press conference, markets saw a move in dollar-yen strengthening. This has led to speculations about a possible although not confirmed intervention from the BoJ and or from the Fed. To note that Asian currencies have been in the past managed by local governments to be weaker compared to the US dollar in order to boost export competitiveness.

Lately, a boost of re-industrialization in the US and the West is taking place. This restructuring could lead over time to a lower populism, rising real wages and higher incomes. It also helps reduce trade deficits, thereby lowering global imbalances. Furthermore, appreciating currencies and equity markets go together allowing Asian equities, including Japan, of benefiting from improving corporate governance.

	27/01/2026	% Chg	Return Trend	
Market	Level	1 Wk	1 Month	1 Year
Stocks				
S&P 500	6979	+2,7%	↗	↗
Euro STOXX 50	5995	+1,7%	↗	↗
FTSE 100	10208	+0,8%	↗	↗
Nikkei 225	53359	+1,1%	↗	↗
MSCI EM	1529	+3,3%	↗	↗
Bonds				
	Yield			
US 10Y	4,2	-0,3%	↘	↗
Gm 10Y	2,9	-0,8%	↗	↗
UK 10Y	4,5	+1,5%	↗	↗
Jp 10Y	2,2	-1,9%	↘	↘
IG Credit				
	Yield			
US	5,0	-1,2%	↗	↗
EU	3,2	-1,1%	↗	↗
UK	5,1	+0,6%	↗	↗
Alternatives				
Gold	5281	+9,3%	↗	↗
Copper	6,0	+3,4%	↗	↗
S&P Global Infra	3696	+2,9%	↗	↗
EU REITs	1667	+1,3%	↗	↗
BBG Hedge Fds	1807	-0,0%	↗	↗

THE RALLY ON PRECIOUS METALS ACCELERATED BEGINNING OF JANUARY



Source: BNP Paribas, Bloomberg

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Early Snap Japanese Elections

Taking advantage of a high approval rating among the Japanese population, Prime minister Sanae Takaichi has called for a snap general election to take place on 8 February, earlier than expected. She has also pledged that her party would reduce the consumption tax rate on food which would be decreased from 8% to 0% for a two-year period. A victory of her party, could reinforce her to push for looser fiscal and monetary policies hence pressuring the JPY further.

Global FX policy

In fact, following this announcement, yen weakened and JGB rose. Last week 40-year yields moved above 4% while 30-year yields moved above 3%. This weakness in the Yen led to a response from the Bank of Japan (BoJ) which has been behind the curve, resulting to further yen weakness. Following the meeting of BoJ last Friday, the central bank kept its policy rates unchanged, but the press conference following the meeting sounded more hawkish and presented estimates for a higher GDP as well as inflation.

Since then, markets saw a five-figure move in dollar-yen strengthening. This has led to speculations about an intervention from the BoJ and or from the Fed. While not confirmed, such intervention has drawn comparisons with the Plaza Accord in 1985, where several central banks intervened to weaken the US Dollar.

LONG TERM BOND YIELDS HAVE SURGED TO NEW MULTI-YEAR HIGHS



Impact on Asian Equities

History shows that Asian currencies have generally been managed by local governments to be weaker compared to the US dollar. This was usually done in order to boost export competitiveness. However, this also drove global imbalances, export and import deficits, and encouraged populism. While we don't expect the same Plaza Accord, a Mar a Lago Accord where Asian governments are under more pressure to allow modest market driven Asian FX appreciation would be welcomed. In that regard, the PBOC recently also allowed the USDRMB trade below 7.0.

With the current restructuring of the global trading system, driven by the higher US tariffs, a boost of re-industrialization in the US and the West is taking place. This restructuring could lead over time to a lower populism, rising real wages and higher incomes. It also helps reduce trade deficits, thereby lowering global imbalances. Furthermore, appreciating currencies and equity markets go together. We have also witnessed this in Europe. In this context, Asian equities, including Japan, are benefiting from improving corporate governance, while India is focusing on longer term growth. In addition, Asian Technology—forming the foundation of the AI build-out, with companies in Korea, Taiwan, and China—is benefiting from the AI capex cycle.

Moreover, markets have recently experienced inflows into Europe and Japan. As investors are overweighted on US equities due to their large outperformance in the past years, a current rebalancing is being noted. That being said, investors are not abandoning US assets entirely but are merely rebalancing their portfolios to reduce high exposures.

A SNAP ELECTION COULD ENCOURAGE LOOSER FISCAL AND MONETARY POLICY



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