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- **US stocks near correction territory** ([link](#))
- **Indian rupee at historic low despite central bank intervention** ([link](#))
- **Markets reduce ECB rate hike expectations on war optimism** ([link](#))
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## Markets Hopeful that the War in the Middle East Could Be Near the End


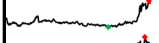




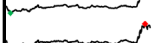

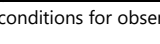
**Global markets rallied on hopes that the war in the Middle East could be close to the end.** Comments from US leaders suggested that hostilities could end in the next two or three weeks, and the US President is to make a speech to the nation at 9pm EST later today. Asia surged overnight, led by a massive 5.2% rally in Japan, and Europe took up the baton this morning with the Euro Stoxx 50 up strongly by 2.4%. US equity index futures are also higher, although the moves were more modest. Government bonds also made gains, with Treasury and bund yields down by 3–5 bps and even larger moves in UK gilts. Oil prices declined on the news, although they remain at \$100 or above. However, the Brent futures market indicates that oil will average \$85 over the next year, compared to \$70 before the war began. In addition, the Strait of Hormuz remains closed and there was news of further attacks on sites in the region.

Key Global Financial Indicators

Last updated: 4/1/26 7:55 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6529	2.9	0	-5	16	-5
Eurostoxx 50		5726	2.8	1	-7	8	-1
Nikkei 225		53740	5.2	0	-7	50	7
MSCI EM		57	3.7	0	-9	30	4
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.28	-3.8	-5	34	11	11
Germany 10y Yield		2.95	-5.7	-1	30	26	9
EMBIG Sovereign Spread		289	0	16	30	-60	35
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.5	0.5	1	-3	4	0
Dollar index, (+) = \$ appreciation		99.5	-0.5	0	2	-5	1
Brent Crude Oil (\$/barrel)		101.3	-2.6	-1	40	36	66
VIX Index (% change in pp)		24.2	-1.0	-1	4	2	9

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

## Key Global Inflation and Energy Indicators

Last updated: 4/1/26 7:56 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Oil and Gas</b>			%				%
Brent Crude Oil (\$/barrel)		101	-2.6	-1	40	36	66
WTI Crude Oil (\$/barrel)		99	-2.8	9	47	38	72
Natural Gas (Netherlands TTF)		48	-4	-11	53	14	81
<b>Breakeven Inflation</b>		%	bps				
USD: 2Y		2.8	-1.9	7	31	-8	50
USD: 5Y		2.5	-1.6	1	8	-4	16
USD: 5Y5Y		2.3	-1	-2	-6	-6	-12
EUR: 2Y		2.7	-8.1	11	80	94	104
EUR: 5Y		2.3	-6	5	36	40	49
EUR: 5Y5Y		2.1	-2	-1	3	2	4

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

## Global Financial Markets in Q1 2026

**With Q1 2026 in the books, global financial markets ended the stormy first quarter under pressure, although recent price moves were more favorable.** The war in the Middle East has completely reversed the strong start to the year, where expectations of central bank rate cuts, strong corporate earnings, robust global growth, and optimism about tech companies led to major rallies around the world and record new highs in many countries. Now, however, falling equity prices, soaring oil prices and interest rates and a strong dollar have darkened the outlook. Central bank pricing has turned hawkish. Global supply chain disruptions are multiplying, and inflation expectations are building up. Asia is feeling the strongest impact from the crisis, but each day the Strait of Hormuz remains closed increases the risk that the crisis will move further westwards. The Q1 earnings season starts next week, and the forward guidance from companies will be scrutinized even more closely than usual for clues about the potential impact of the war on corporate profits in the weeks ahead. Signs of exhaustion with the AI capex trade could also be a risk factor for markets.

## Selected Market Variables 4pm EST March 31, 2026

Source: Bloomberg

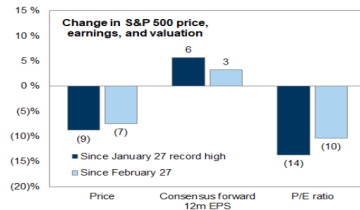
Market Variable	Level and Move in Q1 2026
10-Year Treasury	4.32% (+10 bps)
10-Year Bund	3% (+30 bps)
10-year JGB	2.35% (+30 bps, highest since 1997)
10-Year CGB	1.82% (-3 bps)
10-Year Gilt	4.92% (+55 bps)
EUR	1.1561 (dollar stronger by 1.6%)
JPY	158.67 (dollar stronger by 1.2%)
CNH	6.8870 (dollar weaker by 1.3%)
Brent Oil	\$104 (+94.5%)
S&P 500	6528 (-4.6%)
Euro Stoxx 600	583 (-1.5%)
Shanghai CSI 300	-3.9%
Korea KOSPI	+19.9% (but in a bear market with a 20% drawdown)

**Mature Markets**

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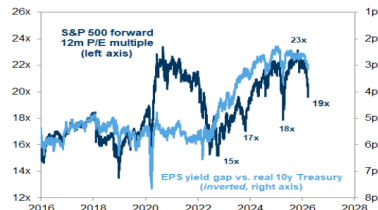
Prior to Tuesday’s turnaround, US stocks were near correction territory, with the S&P 500 down almost 9% from the January 27 record high. The index has spent days below the 200-day moving average in a decline that accelerated sharply after the war began. The index’s earnings multiple is already well into correction territory—according to Goldman, its forward price earnings ratio fell from 22x on January 28 to 19x, a 14% decline. This multiple compression occurred despite the fact that consensus earnings forecasts have increased by 3% on aggregate, suggesting that the market is being driven by the war situation rather than fundamentals. The 10-year Treasury began a 50 bps surge between March 1 and March 27, a two standard deviation move which put further pressure on equity prices. Tuesday’s nearly 3% rally provided some relief, but the continued closure of the Strait of Hormuz and an escalation of the war could trigger another volatile leg downwards.

Exhibit 1: The S&P 500 has declined by 9% from its January high



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 2: The S&P 500 P/E multiple has declined from 23x last October to 19x today



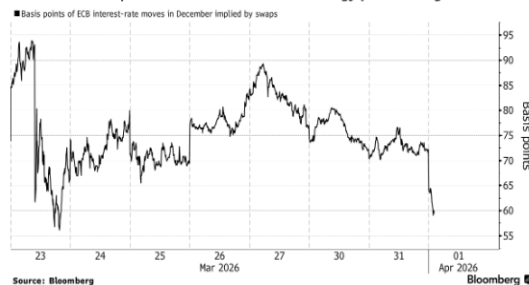
Source: FactSet, Goldman Sachs Global Investment Research

**Europe**

European equities were higher in early morning trade on reports that the end of the Iran war could be coming closer into view. The Stoxx 600 was trading around 2.0% higher, with the banking sector index outperforming (+3.3%), while Brent crude oil prices were lower at \$103/bl, having briefly traded below the \$100 mark. Regional bourses were also trading in positive territory while the euro was firmer against a broadly weaker dollar to trade at 1.1584. Elsewhere, MSCI reclassified Greece from emerging market to developed market.

Markets pared back ECB rate hike expectations on hopes of de-escalation. Comments by President Trump suggesting that the war in Iran could be ending in the next “two to three weeks” prompted oil prices to decline and led to markets paring back expectations of ECB rate hikes. Prior to the latest headlines, markets had been pricing in close to three rate hikes by year-end, but this morning markets have repriced and are now expect around 60bp of hikes by December. German bund yields were lower across the curve, led by the front-end where 2Y yields fell by around 6 bps in early morning trade to 2.56%, while intra-EMU government bond spreads tightened. The 10Y BTP-Bund spread declined 4bp to 86bps while the 10-year OAT-Bund spread was around 3bp tighter at 68 bps. Commerzbank analysts caution that the “relief rally” in bond markets could be “fragile” as they warn of potential risks for a further escalation over the long Easter weekend. Elsewhere, the final eurozone manufacturing PMI print for March was revised upwards to 51.6 vs 51.4 in the flash reading.

Traders Pare ECB Rate-Hike Wagers on Iran War Optimism  
Bets tumble as hopes for an end to the war send energy prices sliding

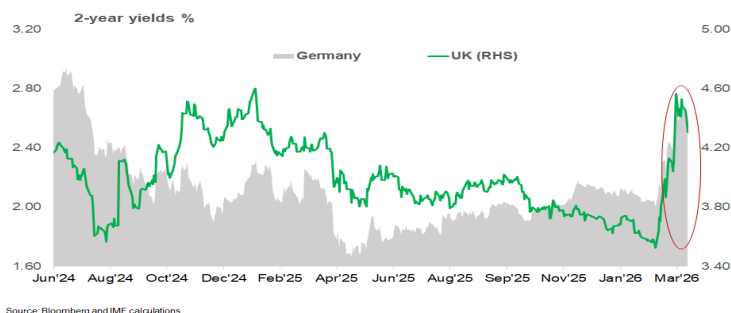


Source: Bloomberg

## United Kingdom

### UK gilts outperformed on hopes of de-escalation in the Iran war.

According to Bloomberg data, UK gilt yields were sharply lower across the curve this morning, led by the front-end where 2-year gilts traded up to 16bp lower in early trade at 4.25%. The moves were attributed to optimism that the end of the war could be nearing, which saw markets scale back



Source: Bloomberg and IMF calculations

expectations of Bank of England rate hikes. Money markets moved to price in around 8bp of rate hikes for the April meeting and around 50bp by year-end, down from around 16bp priced for April and 62bp by year-end expected last week. Separately, the March final UK manufacturing PMI index was revised to 51 from 51.4 in the flash reading. Deutsche Bank analysts highlight that the factory input price component remains elevated and was revised higher to 71 from 70.2, while the output component was revised lower by 0.9pts to 49.2, suggesting higher price momentum for inputs and weaker output.

## Emerging Markets

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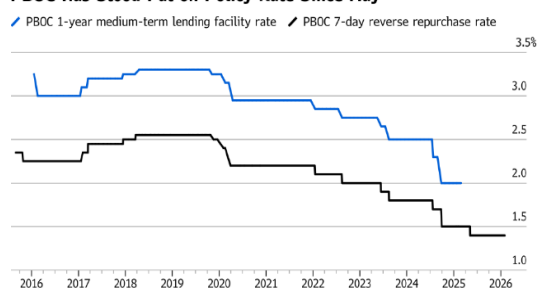
**EMEA risk assets rallied on optimism around a potential resolution of the Iran war.** CEE equities gained around 2%, although GCC markets lagged somewhat. **Most Asian currencies gained today on optimism that the war in the Middle East could soon come to an end.** Currencies that had been hit hard by the energy crisis, including the Thai baht, the Korean won and the Philippine peso, rebounded sharply and led regional gains (an increase of 1.2% for the baht and 0.9% for both the won and the peso). That said, Asian currencies all remain weaker relative to their pre-war levels. **LATAM markets rebounded on Tuesday.** Regional currencies appreciated as the rally in the dollar paused, with the Brazilian real leading gains. The Colombian peso, however, was largely unchanged on the day, likely weighed down by rising tensions between the central bank and the government.

## China

### PBOC kept its policy stance unchanged while acknowledging “external shocks” following its quarterly meeting today.

In its statement released following the meeting, the PBOC acknowledged “geopolitical and trade conflicts” and that there is “uncertainty” in the inflation outlook and monetary policy paths for major economies. On its own policy stance, the PBOC noted that it will maintain ample liquidity and keep overall financing costs low. Earlier in March, Governor Pan had affirmed the PBOC’s pledge to keep the RMB stable to help insulate China’s financial markets from war-related volatility. The PBOC last eased its policy rate (i.e., the 7-day reverse repo rate) in May 2025 by 10 bps to 1.40% while the policy stance has remained “moderately loose” since late 2024. The onshore RMB gained 0.3% and the offshore CNH rose 0.2% on the day, alongside of regional peers.

### PBOC Has Stood Pat on Policy Rate Since May



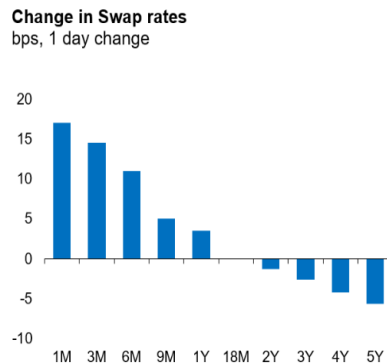
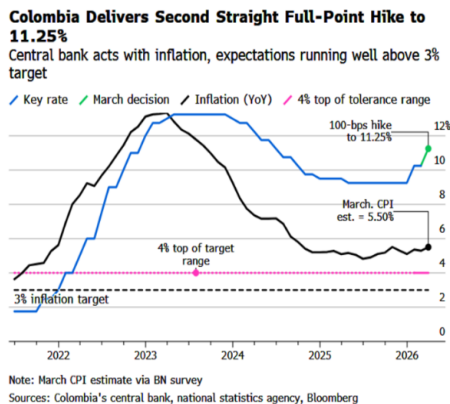
Source: BLOOMBERG  
Note: PBOC has stopped publishing MLF rate since March 2025 after auction method change

Bloomberg

## Colombia

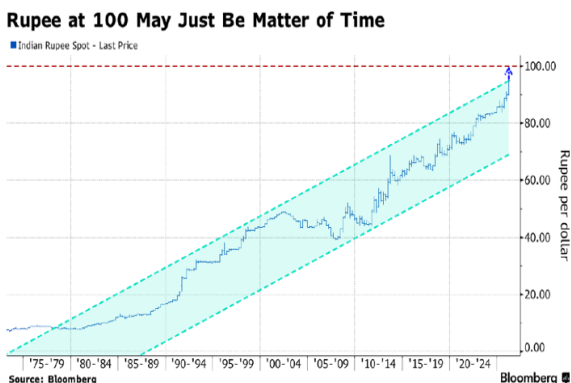
**The central bank hiked its policy rate by 100bps to 11.25%, drawing sharp criticism from the government.** An overwhelming majority of street analysts had expected a 100bps hike, amid above-target inflation, high public spending, and large increases in minimum wages announced by the government earlier this year. The hike has elicited a strong response from Colombia’s government which faces elections in mid-2026 and argues that high interest rates are choking economic growth. The country’s finance

minister, German Avila, announced that he had withdrawn from yesterday’s monetary policy meeting mid-way through the session. In Colombia, the finance minister is one of the seven members of the policy rate setting committee. This rift between the government and the central bank triggered notable moves in local markets, with the currency wiping out intra-day gains and closing the day unchanged, and the near-term swap rates rising by up to 17bps.



**India**

**The Indian rupee remained at a historic-low level despite RBI efforts to limit FX arbitrage.** Analysts expect elevated oil prices to accelerate the rupee’s depreciation by worsening inflation and the current account deficit. The options market currently assign a probability of about 13% of rupee trading at INR 100/\$ by the end of June, and a 41% probability by year-end, according to data compiled by Bloomberg. Meanwhile, the RBI implemented a \$100mn end-of-day cap on banks’ onshore net open FX positions last week to curb currency speculation. This measure would force an estimated \$30–45bn of onshore-offshore arbitrage trades to unwind by April 10<sup>th</sup>. The measure has driven forward points and implied volatility sharply higher. While NDF forward points have stabilized on Tuesday and Wednesday (as onshore rupee market remain closed for holidays), the forwards curve (1M – 12M) is at its steepest since 2020, suggesting expectations for sustained rupee weakness ahead.

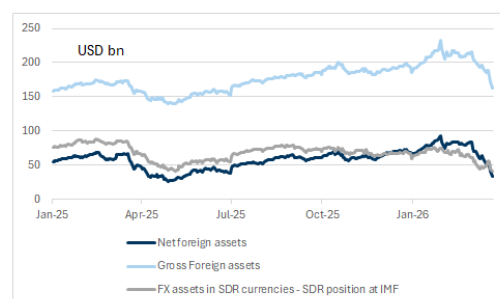


**Türkiye**

**The Central Bank of the Republic of Türkiye (re)started FX swap operations with local banks.** In the operations, the central bank borrows dollars in exchange for providing lira liquidity. This follows a sizable drawdown in foreign exchange reserves, which markets broadly associated with suspected intervention in support of the lira. The swap operations alleviate the lira liquidity squeeze created by reserve use while temporarily boosting gross FX reserves. Goldman Sachs (GS) argues that as the central bank’s readily usable FX reserves had dropped sharply, it is trying to demonstrate that it can still access foreign currency beyond what is currently on its balance sheet. In that context, GS believes that the central bank likely used

gold swaps earlier this month (around 6% of its gold holdings) and has now restarted swaps with local banks to show it can raise additional FX if needed.

**Exhibit 1: While Gross Reserves Remain Above Last Year's Trough, Net Reserves are Not**


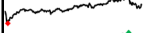
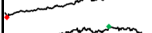









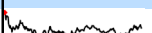



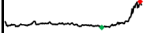




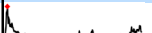




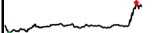
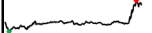
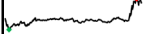



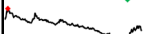


Source: Haver, Goldman Sachs Global Investment Research

*This monitor is prepared under the guidance of Jason Wu (Assistant Director), Charles Cohen (Advisor), Caio Ferreira (Deputy Division Chief), Sheheryar Malik (Deputy Division Chief), and Saad Siddiqui (Deputy Division Chief). Fabio Cortes (Senior Economist), Timothy Chu (Financial Sector Expert-New York Representative), Sanjay Hazarika (Senior Financial Sector Expert), Esti Kemp (Senior Financial Sector Expert), Johannes S. Kramer (Senior Financial Sector Expert), Benjamin Mosk (Senior Financial Sector Expert), Sonal Patel (Senior Financial Sector Expert-London Representative), Patrick Schneider (Financial Sector Expert), and Jeff Williams (Senior Financial Sector Expert) are the lead editors of this monitor. The contributors are Sally Chen (IMF Resident Representative in Hong Kong), Yingyuan Chen (Financial Sector Expert), Andrew Ferrante (Research Analyst), Deepali Gautam (Senior Research Officer), Zixuan Huang (Economist – EP), Harrison Kraus (Research Analyst), Yiran Li (Senior Research Analyst), Xiang-Li Lim (Financial Sector Expert), Corrado Macchiarelli (Economist), Kleopatra Nikolaou (Senior Financial Sector Expert), Silvia L. Ramirez (Senior Financial Sector Expert), Francesco de Rossi (Senior Financial Sector Expert-London Representative), Lawrence Tang (Senior Economist), Dmitry Yakovlev (Senior Research Officer), Akihiko Yokoyama (Senior Financial Sector Expert), and Jing Zhao (Economic Analyst). Jeremie Benzaken (Administrative Coordinator), Olivia Marr (Administrative Coordinator), and Srujana Tyler (Administrative Coordinator) are responsible for the word processing and production of this monitor.*

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## Global Financial Indicators

Last updated: 4/1/26 7:57 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>					%		%
United States		6,529	2.9	-0.4	-5.1	15.9	-5
Europe		5,726	2.8	1.4	-6.7	7.6	-1
Japan		53,740	5.2	0.0	-7.4	50.4	7
China		4,526	1.7	-0.3	-4.3	16.5	-2
Asia Ex Japan		96	3.5	-0.4	-9.7	29.5	3
Emerging Markets		57	3.7	0.5	-9.3	29.5	4
<b>Interest Rates</b>					basis points		
US 10y Yield		4.3	-4	-5	34	11	11
Germany 10y Yield		2.9	-6	-1	30	26	9
Japan 10y Yield		2.3	-4	5	19	81	24
UK 10y Yield		4.8	-9	-2	59	19	35
<b>Credit Spreads</b>					basis points		
US Investment Grade		127	-5	1	7	-5	19
US High Yield		378	-18	8	13	-11	42
<b>Exchange Rates</b>					%		
USD/Majors		99.5	-0.5	-0.1	1.9	-4.6	1
EUR/USD		1.16	0.5	0.4	-0.7	7.5	-1
USD/JPY		158.4	-0.2	-0.7	0.6	5.9	1
EM/USD		46.5	0.5	0.5	-2.5	4.1	0
<b>Commodities</b>					%		
Brent Crude Oil (\$/barrel)		101.3	-2.6	4.1	40.1	45.4	68
Industrials Metals (index)		170.8	0.9	3.7	-0.5	13.6	5
Agriculture (index)		56.4	-1.4	-1.2	3.4	-3.8	6
Gold (\$/ounce)		4760.1	2.0	5.6	-10.6	52.9	10
Bitcoin (\$/coin)		68688.8	0.7	4.1	4.6	-19.4	-22
<b>Implied Volatility</b>					%		
VIX Index (% change in pp)		24.2	-1.0	-1.1	4.4	2.4	9.3
Global FX Volatility		8.3	0.0	0.0	1.0	-0.2	1.4
<b>Breakeven Inflation</b>		%			basis points		
USD: 2Y		2.8	-2	7	31	-8	50
USD: 3Y		2.6	-1	4	19	-6	32
USD: 5Y		2.5	-2	1	8	-4	16
EUR: 2Y		2.7	-8	11	80	94	104
EUR: 3Y		2.5	-7	7	57	67	75
EUR: 5Y		2.3	-6	5	36	40	49
<b>EA Sovereign Spreads</b>					10-Year spread vs. Germany (bps)		
Greece		81	-4	-4	18	1	22
Italy		86	-5	-2	23	-24	16
France		68	-4	-1	11	-3	-3
Spain		48	-2	-3	6	-15	5

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

### Emerging Market Financial Indicators

4/1/2026 8:01 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		6.87	0.3	0.4	0.4	5.8	1.7		1.9	0	-2	-1	0	-6
Korea*		1504	0.8	-0.1	-2.4	-2.2	-4.0		3.8	-2	4	38	119	52
Indonesia		16983	0.3	-0.4	-0.7	-1.7	-1.8		6.8	1	1	54	-20	73
India		95	0.0	-0.9	-3.5	-9.9	-5.2		7.7	0	6	42	82	61
Philippines		60	0.9	-0.2	-3.4	-5.0	-2.1		5.5	-8	-10	65	42	81
Thailand		32	0.5	0.6	-3.3	5.2	-3.1		2.4	-7	3	58	29	64
Malaysia		4.03	0.6	-1.5	-2.5	10.1	0.8		3.6	-4	1	9	#VALUE!	8
Argentina		1382	1.1	0.7	0.9	-22.4	5.0		0.0	-2924	-2935	-3245	-3599	-3237
Brazil		5.15	0.5	1.4	0.4	10.2	6.6		13.9	-30	-6	79	-122	33
Chile		917	1.0	0.0	-3.9	3.2	-1.8		5.5	-4	-12	38	-10	23
Colombia		3673	0.0	0.5	2.4	13.9	2.8		13.4	9	-17	-45	119	50
Mexico		17.86	0.4	-0.5	-3.1	14.0	0.8		9.3	-3	9	74	-9	32
Peru		3.5	0.7	-0.6	-3.3	5.7	-3.3		7.0	-1	20	114	30	121
Uruguay		41	0.2	-0.1	-4.7	3.9	-3.5		7.6	0	-2	55	-183	10
Hungary		329	1.0	1.7	-1.2	13.2	-0.6		7.1	-8	-29	94	21	60
Poland		3.69	0.7	0.3	-1.6	5.2	-2.7		5.3	-5	-2	100	-6	76
Romania		4.4	0.5	0.4	-0.7	5.0	-1.3		7.0	-1	-5	95	-17	37
Russia		80.4	1.2	0.7	-3.6	5.4	-2.0							
South Africa		16.8	0.9	1.1	-4.1	10.1	-1.3		9.4	-4	21	119	-136	85
Türkiye		44.48	0.0	-0.3	-1.2	-14.7	-3.4		34.8	-55	-72	454	69	524
US (DXY; 5y UST)		99	-0.5	-0.2	1.9	-4.6	1.1		3.90	-4	-7	40	-2	18

	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							basis points						
China		4,526	1.7	-0.3	-4.3	16.5	-2.2		89	-12	-22	-17	14	
Korea*		5,479	8.4	-2.9	-12.3	118.6	30.0		34	1	8	-4	12	
Indonesia		7,184	1.9	-1.6	-10.4	10.3	-16.9		120	-1	7	-5	34	
India		73,134	1.9	0.6	-8.9	-4.5	-14.2		98	2	7	-17	8	
Philippines		5,999	0.8	-0.8	-5.1	-1.4	-0.9		102	-4	10	2	27	
Thailand		1,471	1.6	0.9	0.3	25.4	16.8							
Malaysia		1,709	1.1	-0.5	0.5	11.9	1.7		60	-3	-7	-30	1	
Argentina		2,997,780	4.6	10.0	13.5	27.2	-1.8		624	9	38	-199	55	
Brazil		187,462	2.7	2.7	-0.7	42.9	16.3		203	2	-2	-33	0	
Chile		10,640	2.1	2.2	-2.2	38.4	1.5		105	5	6	-24	14	
Colombia		2,286	4.2	0.6	2.9	40.7	10.6		287	10	-11	-66	10	
Mexico		68,611	2.3	4.3	-3.9	28.6	6.7		229	3	6	-89	12	
Peru		3,258	7.2	7.3	-9.5	81.3	26.1		112	-3	-7	-39	3	
Hungary		124,015	2.2	-0.2	-2.0	38.0	11.7		158	0	16	-14	19	
Poland		124,735	1.9	2.9	-1.6	27.9	6.4		105	7	9	-16	14	
Romania		28,062	1.0	0.0	-0.2	59.7	14.8		224	22	55	-43	49	
South Africa		116,192	1.9	1.6	-9.5	29.2	0.3		274	5	33	-62	56	
Türkiye		12,927	1.1	-0.3	-5.8	33.8	14.8		318	17	43	-5	84	
EM total		57	3.3	0.5	-9.3	29.5	3.8		302	15	27	-95	31	

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

\*Not an EM Under IMF Classification.

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