



- The rupee rallied after the RBI took steps to ban NDF usage amid recent weakness ([link](#))
- Japanese bond yields rose 8 bps after weak 10y auction demand ([link](#))
- Saudi Arabian equities have outperformed the UAE in recent weeks ([link](#))
- Italian bond spreads widened 5 bps, with analysts expecting further underperformance ([link](#))
- Leverage among US high-yield borrowers has been rising ([link](#))

[Mature Markets](#)

| [Emerging Markets](#)

| [Market Tables](#)

Fog of War: Risk Sentiment Deteriorates as Geopolitical Uncertainty Returns.

Global equities declined this morning after a strong start to the week, with oil prices rebounding higher after President Trump’s primetime speech Wednesday night suggested the conflict would continue in the coming weeks. US equity futures were trading around 1.5% lower this morning. Investors had been optimistic in recent days that a potential resolution would be announced, but today’s market action suggests uncertainty will remain elevated ahead of the long weekend (Easter). The VIX index also rose back above 27 (from 24 yesterday). Brent crude prices gained \$8–9 per barrel, with the December futures contract also rising about \$2. Advanced economy bond yields were trading higher, with 10-year Treasuries up about 3 bps, Gilts up nearly 10 bps, and Japanese yields 8 bps higher. The dollar rebounded about 0.5% this morning, with most major currencies declining. The Indian rupee gained nearly 2% on the day after the RBI took steps to restrict NDFs amid persistent rupee depreciation. Elsewhere, US jobless claims declined to 202k (vs 212k expected, 210k previous), while continuing claims ticked higher.

Key Global Financial Indicators

Last updated: 4/2/26 8:32 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6575	0.7	0	-4	16	-4
Eurostoxx 50		5592	-2.5	0	-7	5	-3
Nikkei 225		52463	-2.4	-2	-7	51	4
MSCI EM		57	0.8	0	-7	30	5
Yields and Spreads			bps				
US 10y Yield		4.35	3.2	-6	32	22	18
Germany 10y Yield		3.05	6.2	-3	34	33	19
EMBIG Sovereign Spread		277	-12	8	19	-70	24
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.3	-0.1	1	-2	4	-1
Dollar index, (+) = \$ appreciation		100.1	0.5	0	2	-4	2
Brent Crude Oil (\$/barrel)		109.0	7.7	1	40	45	79
VIX Index (% change in pp)		27.8	3.3	0	6	6	13

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: 4/2/26 8:31 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Oil and Gas			%				%
Brent Crude Oil (\$/barrel)		109	7.7	1	40	45	79
WTI Crude Oil (\$/barrel)		110	10.1	17	55	54	92
Natural Gas (Netherlands TTF)		51	8	-6	15	23	91
Breakeven Inflation		%	bps				
USD: 2Y		2.8	6.0	3	35	-9	54
USD: 5Y		2.6	4.6	4	15	3	23
USD: 5Y5Y		2.4	1	4	-4	-2	-7
EUR: 2Y		2.8	8.8	8	90	103	114
EUR: 5Y		2.3	5	2	42	46	55
EUR: 5Y5Y		2.2	2	0	5	6	9

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

Mature Markets

[back to top](#)

United States

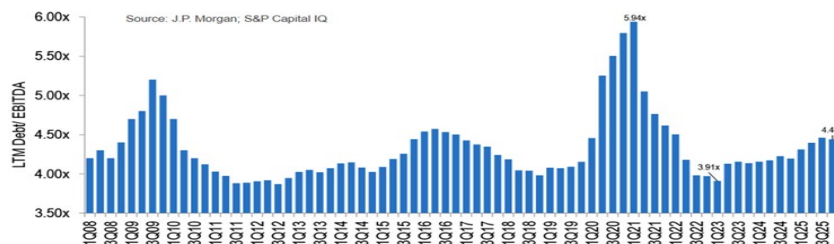
Initial jobless claims came in below expectations at 202k, though continuing claims rose slightly. Immediate market reaction was limited. February trade deficit was smaller than expected at -\$57.3 bn.

Item	Period	Surveyed	Actual	Prior	Revised
Initial Jobless Claims	Mar 28	212k	202k	210k	211k
Continuing Claims	Mar 21	1837k	1841k	1819k	1816k
Trade Balance	Feb	-\$60.6b	-\$57.3b	-\$54.5b	-\$54.7b

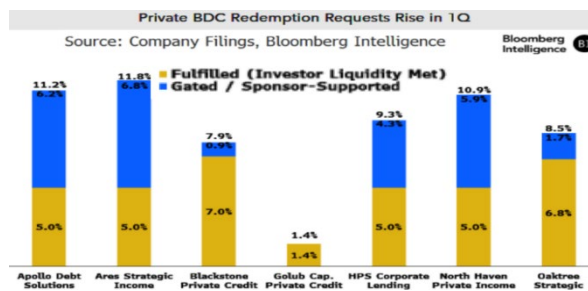
On Wednesday, US equities rallied and extended week to date gains to over 3% as hopes grew that the conflict was nearing an end. Energy stocks underperformed (-3.9%) amid the decline in oil prices. Credit spreads tightened and the VIX fell below 25 for the first time in several days before rebounding this morning. Similarly, the dollar weakened yesterday but erased its losses this morning and is up 1.8% over the last month.

Leverage among US high yields borrowers has been rising in recent quarters. Leverage ratios (measured as debt to EBITDA) are close to 4.5x, down slightly from last quarter but up considerably y/y, according to JPMorgan. Earnings (EBITDA) growth has diverged across rating buckets—remaining modestly positive for BB and single-B issuers (around +1–2% y/y) but sharply negative for CCC borrowers (around -15% y/y), reflecting uneven earnings momentum. At the same time, higher interest costs have led to a gradual deterioration in coverage ratios, even as they remain near historical averages. Capital expenditures have picked up, supported by still-resilient economic sentiment and firms’ willingness to invest. However, higher capex alongside elevated interest expense is compressing free cash flow and weakening “true” coverage. As a result, borrowers have less internally generated cash available for deleveraging and remain more reliant on external financing.

Leverage ratios remain near 15-quarter highs amid an increase in total debt over the last three quarters



Redemption pressures on nontraded business development companies (BDCs) are likely to persist, according to Bloomberg Intelligence. Elevated redemption requests in the first quarter were partially gated across most vehicles, which may weigh on investor sentiment and lead to further outflows. The analysts noted that past experience from other semi-liquid funds, such as Blackstone's BREIT, suggests that once redemptions pick up, they can take several quarters to stabilize. Going forward, redemption pressure will likely be reinforced by declining loan valuations across BDC balance sheets, reflecting wider spreads on new private credit deals as lenders regain some pricing power relative to borrowers. These developments in nontraded BDCs may also spill over into further price weakness in traded BDCs.

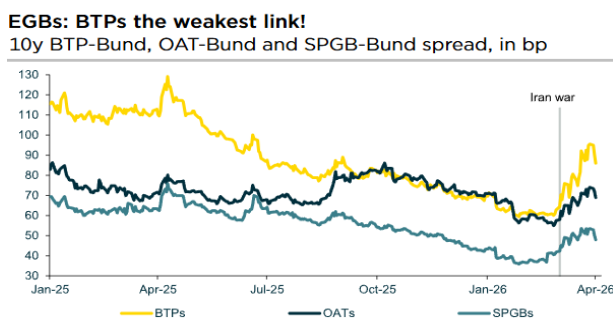


Euro area

European equities were trading lower this morning, with the Stoxx 600 down over 1%. European government bond yields were higher across the curve with the 2y German bund yield up 6 bps to 2.66% while the euro was weaker (-0.5%) against the dollar at €1.1526. Meanwhile, UK gilt yields rose around 9 bps and the sterling fell nearly 1% amid broad dollar strength. Elsewhere, Bloomberg reported that the UK DMO is set to sell a new conventional gilt via syndication in the week commencing April 13, subject to demand and market conditions.

Some analysts believe that European government bond spreads could widen further.

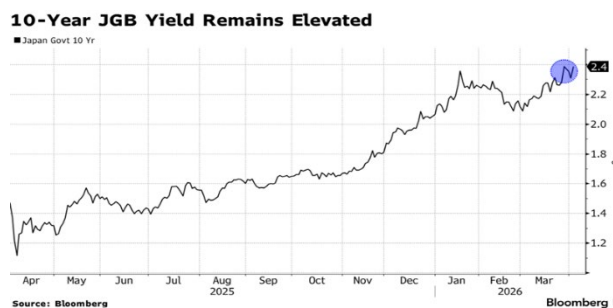
Commerzbank analysts argued that European government bond spreads, especially Italian spreads, could widen further. The analysts attribute this to the fact that Italy imports around 12% of its natural gas from the Middle East, more than countries such as Spain or Germany. In addition, the analysts argue that the country's already elevated debt/GDP ratio leaves BTP's sensitive to expectations of ECB monetary policy given interest costs account of more than 8% of tax revenue. Commerzbank believe the recent underperformance of BTPs is therefore justified and expect the 10y BTP-Bund spread to reach 120 bps in their base case scenario of the war ending during the summer. **10y BTP-Bund spreads traded 5 bps wider at 89 bps, compared to 60 bps in late February.**



Source: Bloomberg, Commerzbank Research

Japan

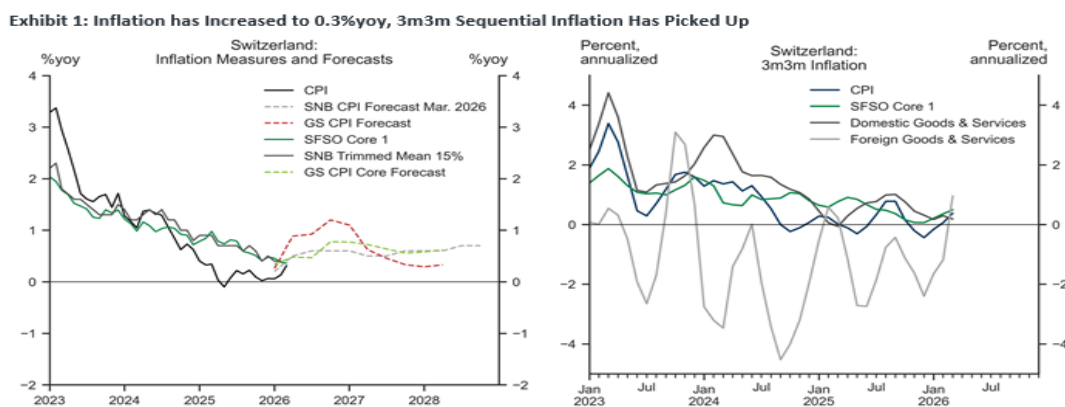
10y bond auction drew the weakest investor demand since May 2025 amid yen weakness and an upcoming BoJ meeting. The bid-to-cover ratio at the auction fell to 2.57x, a decline from 3.3x last month and below the 12-month average of 3.28x. Underscoring lackluster investor demand, the auction tail, the gap between the average and lowest accepted prices, widened sharply to 0.36 bps from 0.06 bps last month. The 10y yield rose as much as 9 bps to 2.39% following the auction, its highest level in nearly 3 decades before settling at 2.37% on the day. 2y yields, more sensitive to rate expectations, rose 3 bps. Overnight index swaps are pricing in a 70% probability of a rate hike by April's meeting, with a 25 bps increase fully priced in by July. The yen weakened 0.5% on the day, underperforming its regional peers to ¥159.68/\$.



Source: Bloomberg

Switzerland

Headline inflation rose to 0.3% y/y in March driven by higher fuel prices, but the print was below consensus expectations of 0.5%. Bloomberg analysts noted that the franc's relative outperformance has likely mitigated the impact of rising oil prices. However, they expect inflation to drift higher over the course of the year, with commodity prices expected to be the main driver. If oil prices remain around current levels through the second quarter before declining to pre-conflict levels in the second half of the year, they project inflation to increase to around 0.8% by year-end. The analysts argue that declining rate differentials with the ECB should allow the Swiss National Bank (SNB) to hike in December. Meanwhile, Goldman Sachs analysts expect the SNB to keep rates on hold as they expect appreciation of the franc and the relatively low energy intensity of the Swiss economy to dampen the impact on consumer prices



Source: Goldman Sachs Global Investment Research, Haver Analytics

Emerging Markets [back to top](#)

In EMEA, risk assets mostly declined, though CEE equities proved more resilient than Western European peers, while South Africa underperformed (-2.5%). The South African rand depreciated by 1% versus the US dollar.

In EM Asia, currencies weakened and equities extended recent losses. The Indian rupee rallied as much as 2.2% after the RBI banned authorized banks from offering NDFs (see below). Meanwhile, Korean stocks continued their rollercoaster run, falling over 5% amid foreign outflows.

In Latin America, regional currencies rallied on Wednesday, with the Chilean peso outperforming (+1.3%). Minutes from the central bank's March monetary policy meeting showed that several committee members had favored a 25 bp rate hike (vs leaving rates unchanged), citing mounting inflationary pressures linked to the ongoing Middle East conflict. Chilean equities also rallied 2%. Most other regional equity markets also gained, with Colombia and Argentina underperforming.

EM International Bond Issuance

Issuance volumes were subdued in March, coming in at just \$8.4 bn in the last week of the month, well below YTD averages. Last week's issuance showed some improvement over the early part of March but remained well below the exceptionally strong average weekly pace of \$27 bn through February. Issuance was led by sovereigns and corporates, which raised \$3.75 bn and \$3.5 bn, respectively. Sovereign supply was concentrated in the CEEMEA region, while corporate issuance was predominantly in Asia (\$3.1 bn). YTD, total EM bond issuance is at \$257 bn (+2% y/y), of which sovereigns account for about half.

Figure 1. EM bond issuance, by sector (bn. USD)

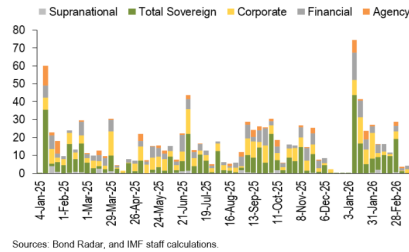
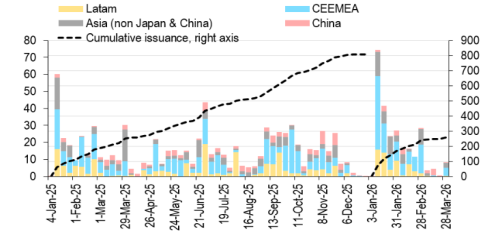


Figure 2. EM bond issuance, by region (bn. USD)

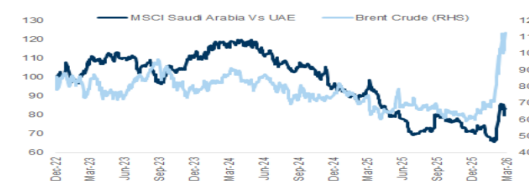


Sources: Bond Radar, and IMF staff calculations.

GCC

The war has triggered a rotation from UAE into Saudi equities. Goldman Sachs (GS) analysts noted that investors have reduced exposure to crowded UAE positions and shifted into under-owned Saudi names, with UAE equities correcting sharply while Saudi Arabia remains one of the few EM markets still trading above pre-conflict levels. GS argues this divergence is not purely technical: UAE earnings—particularly in tourism, real estate, and discretionary retail—are likely to remain under pressure even under de-escalation, whereas Saudi equities could benefit in a higher-for-longer oil price environment. Today, Saudi stocks were up +0.3% while UAE stocks fell by -1%.

Exhibit 9: Saudi equities have outperformed UAE as investors re-positioned amid rising oil prices



Source: FactSet, Goldman Sachs Global Investment Research

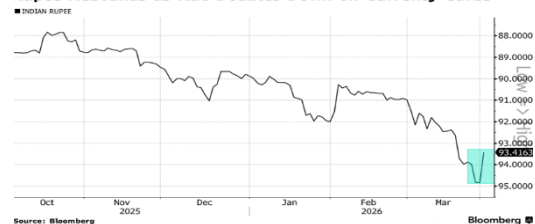
Hungary

Analysts believe markets are not aggressively positioned for the upcoming election, with energy and geopolitical risk the main drivers in recent weeks. Hungary will hold general elections on April 12, but Morgan Stanley analysts believe fiscal policy would be broadly similar between the two parties. A key distinction, however, could be the potential unlocking of frozen EU funds, which could raise potential GDP growth by up to 1.5 percentage points. Morgan Stanley is overweight Hungary within EMEA, arguing that an election outcome that leads to EU fund disbursement could mirror Poland’s 2023 experience, compressing the cost of equity. In Poland, the unlocking of EU funds after the election was also followed by a marked strengthening of the currency. If unfreezing does not materialize, the analysts expect downside to be limited, given attractive valuations and strong fundamentals.

India

The RBI banned authorized banks from offering NDFs in an attempt to defend the rupee and prevent further weakness, with the rupee down about 3.5% YTD following today’s rebound (+1.9%). The ban applies to both resident and nonresident customers, though banks can still offer some deliverable contracts for hedging. Following the announcement, the rupee staged its biggest single day rally since September 2013, rising as much as 2.2%. Investors have reportedly been using NDFs to build short rupee positions while banks run arbitrage trades—buying dollars onshore and selling them overseas—to profit from price differences between the two. Forward implied yields on NDFs have risen to over 13%. Some analysts expressed concern that the move will discourage price discovery and reduce

Rupee Rebounds as RBI Doubles Down on Currency Curbs

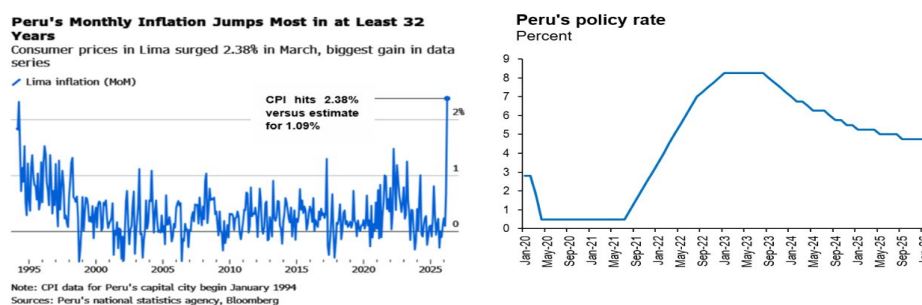


Source: Bloomberg

foreign participation in the domestic bond market over time, which has seen sizeable outflows recently, including about \$0.35 bn on Monday, the biggest outflow in nearly a year. **10y yields rose 9 bps today to 7.13%, up nearly 50 bps YTD.** Meanwhile, the three-month overnight indexed swap rate rose to 5.77%, nearly 50 bps above the RBI's benchmark rate of 5.25%, ahead of the policy meeting next week. Many analysts are expecting a hike following 125 bps of easing since early 2025.

Peru


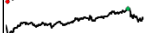

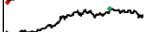
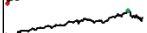

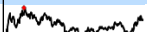






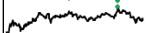

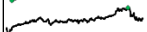



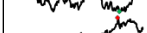

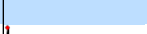






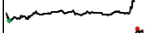
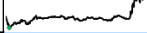
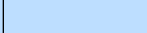


March inflation accelerated to 2.38% m/m, its highest reading in several decades, primarily driven by rising gas prices after natural gas supplies were disrupted by a major leak in the country's key pipeline. Analysts also cited weak crop yields linked to El Nino weather conditions. Peru's central bank, which has held its policy rate steady since August 2025, has already raised its 2026 inflation target from 2% to 2.4%. Looking ahead, some market analysts suggested the bank may adopt a more cautious stance on further easing, potentially postponing additional rate cuts. Despite the inflation surprise, local markets rallied, likely buoyed by a broader global risk-on environment.



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.

Disclaimer: *This is an internal document produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.*

Global Financial Indicators

Last updated: 4/2/26 8:04 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,501	0.7	0.4	-5.5	14.6	-5
Europe		5,602	-2.3	0.6	-6.4	5.6	-3
Japan		52,463	-2.4	-2.1	-6.8	51.0	4
China		4,479	-1.0	0.0	-3.8	16.0	-3
Asia Ex Japan		97	0.9	-0.5	-7.3	30.5	4
Emerging Markets		57	0.8	-0.3	-6.9	30.4	5
Interest Rates			basis points				
US 10y Yield		4.4	4	-6	32	22	19
Germany 10y Yield		3.0	6	-3	33	32	19
Japan 10y Yield		2.4	8	10	30	91	32
UK 10y Yield		4.9	10	-5	56	29	45
Credit Spreads			basis points				
US Investment Grade		124	-3	-2	4	-7	17
US High Yield		373	7	0	14	-16	37
Exchange Rates			%				
USD/Majors		100.2	0.6	0.3	1.9	-3.5	2
EUR/USD		1.15	-0.6	-0.1	-1.4	6.1	-2
USD/JPY		159.7	0.6	-0.1	1.5	7.0	2
EM/USD		46.2	-0.2	0.4	-2.3	3.6	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		109.3	8.0	7.2	43.5	56.3	81
Industrials Metals (index)		168.0	-2.0	2.4	-1.2	12.4	3
Agriculture (index)		56.9	0.5	-0.9	4.8	-2.9	7
Gold (\$/ounce)		4595.7	-3.4	5.0	-13.7	46.6	6
Bitcoin (\$/coin)		66142.2	-3.0	-1.1	-4.7	-22.8	-25
Implied Volatility			%				
VIX Index (% change in pp)		27.7	3.1	0.2	6.2	6.2	12.7
Global FX Volatility		8.1	0.0	-0.4	0.4	-0.4	1.2
Breakeven Inflation		%	basis points				
USD: 2Y		2.8	6	3	35	-9	54
USD: 3Y		2.7	5	4	25	-2	38
USD: 5Y		2.6	5	4	16	4	23
EUR: 2Y		2.8	9	8	90	103	114
EUR: 3Y		2.6	7	4	66	75	84
EUR: 5Y		2.3	5	2	42	46	55
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		85	5	-6	21	6	26
Italy		92	7	-3	27	-18	22
France		71	3	-2	13	1	0
Spain		51	4	-2	9	-11	8

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

Emerging Market Financial Indicators

	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							
China		4,479	-1.0	0.0	-3.8	16.0	-3.3		90	-14	-21	-18	15		
Korea*		5,234	-4.5	-4.1	-9.6	110.5	24.2		34	0	9	-3	12		
Indonesia		7,027	-2.2	-1.9	-7.4	7.9	-18.7		112	-6	-1	-15	26		
India		73,320	-2.2	-1.0	-7.1	-2.7	-14.0		96	0	5	-20	6		
Philippines		5,999	0.0	-0.8	-5.1	-1.4	-0.9		93	-10	1	-9	18		
Thailand		1,466	-0.4	1.6	-0.1	26.2	16.4								
Malaysia		1,698	-0.6	-0.7	-0.8	11.8	1.1		53	-11	-14	-38	-6		
Argentina		2,999,342	0.1	6.9	14.2	42.3	-1.7		620	21	34	-206	51		
Brazil		187,953	0.3	1.4	-0.7	43.3	16.7		200	0	-5	-36	-3		
Chile		10,856	2.0	4.4	2.9	41.0	3.6		102	-1	3	-26	11		
Colombia		2,281	-0.2	0.3	4.9	40.8	10.3		283	7	-15	-64	6		
Mexico		69,702	1.6	2.2	3.5	35.5	8.4		223	-3	0	-92	6		
Peru		3,293	1.1	5.1	-1.0	106.2	27.5		111	-4	-8	-38	2		
Hungary		124,085	-0.2	1.3	-1.0	38.3	11.8		146	-5	4	-27	7		
Poland		123,673	-0.7	2.3	-1.4	26.2	5.5		97	-2	1	-22	6		
Romania		28,027	0.1	0.1	1.4	59.6	14.7		203	4	34	-61	27		
South Africa		113,646	-2.5	0.7	-10.5	27.5	-1.9		256	-1	15	-82	38		
Türkiye		12,943	0.1	1.7	-3.0	35.9	14.9		298	3	23	-22	64		
EM total		57	-3.2	-0.3	-6.9	30.4	4.6		291	8	16	-103	20		

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

*Not an EM Under IMF Classification.

4/2/2026 8:00 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							% p.a.							
	(+) = EM appreciation														
China		6.90	-0.3	0.2	0.1	5.4	1.3		1.9	1	-1	0	0	-5	
Korea*		1517	-0.3	-0.7	-5.1	-3.6	-5.1		3.6	-18	-15	20	99	34	
Indonesia		17000	-0.1	-0.6	-0.8	-2.6	-1.8		6.7	-11	-18	43	-31	62	
India		93	1.9	0.9	-1.8	-8.2	-3.5		7.8	7	13	49	96	68	
Philippines		60	0.9	-0.1	-3.4	-4.9	-2.3		5.5	-1	1	64	35	80	
Thailand		33	-0.6	0.2	-4.0	4.3	-3.8		2.3	-8	-3	50	24	57	
Malaysia		4.04	-0.3	-1.1	-2.8	10.2	0.5		3.6	1	0	11	-16	10	
Argentina		1391	-0.6	-1.0	0.2	-22.9	4.4		0.0	0	-3005	-3245	-3590	-3237	
Brazil		5.15	0.5	1.4	0.4	10.2	6.2		13.9	-5	-15	75	-115	29	
Chile		926	-1.3	0.5	-4.8	3.2	-2.7		5.5	-5	-14	33	-13	18	
Colombia		3651	0.6	0.8	2.7	13.5	3.5		13.4	8	-2	-37	142	58	
Mexico		17.94	-0.7	0.0	-3.5	12.6	0.4		9.1	-22	5	52	-22	10	
Peru		3.5	0.7	0.0	-2.6	6.4	-2.6		7.0	-1	20	110	34	121	
Uruguay		41	0.0	-0.1	-4.7	4.2	-3.9		7.6	1	6	56	-186	11	
Hungary		333	-0.6	1.1	-2.4	10.8	-1.7		6.9	-21	-18	72	3	39	
Poland		3.72	-0.6	-0.3	-2.5	3.3	-3.5		5.1	-17	-7	83	-20	59	
Romania		4.4	-0.7	-0.1	-1.5	3.6	-2.1		6.9	-14	-5	81	-32	23	
Russia		80.4	0.2	1.3	-3.6	5.0	-2.0								
South Africa		17.0	-1.1	0.6	-5.3	11.1	-2.6		9.2	-23	2	96	-157	62	
Türkiye		44.49	-0.1	-0.3	-1.2	-14.7	-3.5		34.0	-85	-90	370	-16	439	
US (DXY; 5y UST)		100	0.6	0.3	1.9	-3.5	1.9		3.99	4	-10	38	10	26	

[back to top](#)