



- **Concern about physical oil shortages is growing in some Asian economies** ([link](#))
- **Extended oil market disruption will begin to weigh on Japanese corporate earnings** ([link](#))
- **Academic study highlights that Fed is more likely to look through supply side inflation** ([link](#))
- **Analysts believe financial data points to relatively low recession probabilities** ([link](#))
- **EM fund outflows accelerated and continued for the fourth consecutive week** ([link](#))
- **India bank stocks have underperformed, with rupee measures to further weigh on sector** ([link](#))

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## Risk Sentiment Cautiously Positive to Start Week but Uncertainty Remains High

Japanese equities and US futures were slightly higher this morning amid reports about ceasefire negotiations, while several markets are closed for holidays. Oil prices edged lower, as investors digest the possibility of a ceasefire, or at least increased tanker flow through a toll system as well as the potential release of Iraqi oil. President Trump announced a deadline to reach a deal would be extended from Monday to Tuesday evening. Nevertheless, reports of continued attacks on key energy and petrochemical facilities over the weekend will keep sentiment fragile. The VIX index was little changed this morning at just under 25. Japanese bond yields rose 4–7 bps at the long end of the curve, with the 10y now at the highest level since 1999. Treasury yields were trading 1–2 bps higher as well. In the US, Friday’s CPI release for March will be closely watched, with consensus expecting a 1% m/m and 3.4% y/y print.

Key Global Financial Indicators

Last updated: 4/6/26 7:36 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6583	0.1	2	-2	30	-4
Eurostoxx 50		5693	-0.7	2	0	22	-2
Nikkei 225		53414	0.5	3	-4	58	6
MSCI EM		57	-1.1	2	-1	39	3
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.36	2.2	1	22	37	20
Germany 10y Yield		2.99	0.0	-10	24	34	14
EMBIG Sovereign Spread		279	-2	0	14	-86	26
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		46.5	0.3	1	0	5	0
Dollar index, (+) = \$ appreciation		100.0	0.0	0	1	-3	2
Brent Crude Oil (\$/barrel)		108.7	-0.3	-3	17	66	79
VIX Index (% change in pp)		25.0	1.1	-6	-5	-20	10

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: 4/6/26 7:37 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)		109	-0.3	-3	17	66	79
WTI Crude Oil (\$/barrel)		110	-1.1	7	21	78	92
Natural Gas (Netherlands TTF)		50	5	-8	12	21	87
<b>Breakeven Inflation</b>		%	bps				
USD: 2Y		2.9	0.0	2	20	9	58
USD: 5Y		2.6	0.4	6	7	25	26
USD: 5Y5Y		2.4	0	8	-2	9	-7
EUR: 2Y		2.8	0.0	2	49	125	111
EUR: 5Y		2.3	0	-2	18	62	53
EUR: 5Y5Y		2.1	0	-1	-2	8	8

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

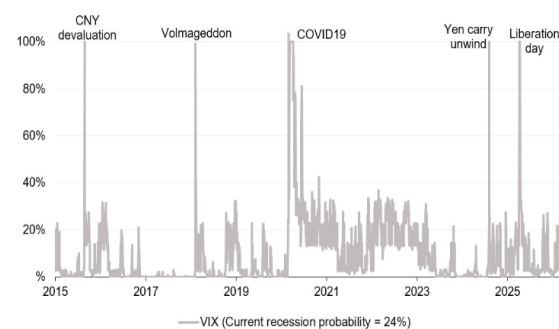
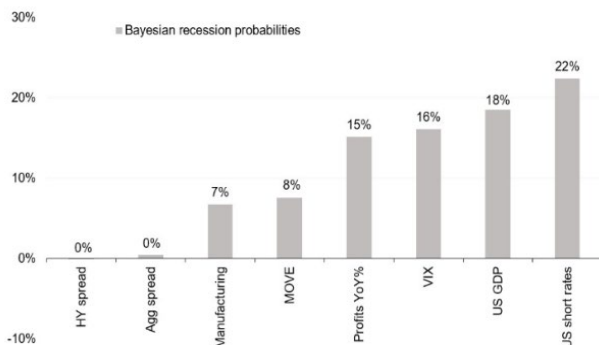
In the week ahead, inflation data will be top of mind with PCE for February on Thursday and CPI for March on Friday as investors try to digest the policy impact of the oil price shock. Consensus expects PCE inflation at 0.4% m/m and CPI at 1.0% m/m (3.4% y/y). Mexico and Brazil will also release inflation data for March later in the week. Major central bank meetings will take place in India, Korea, and New Zealand, where analysts expect no change but will look for clarity on the reaction function going forward.

Mature Markets

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United States

Analysts believe financial data points to relatively low recession probabilities. Analysts at Societe Generale published an update to their implied recession probabilities from financial asset pricing and economic indicators and concluded that recession probabilities remain low (average of all indicators is just above 10%). Even using intraday highs for the VIX, the probability spikes to only around 25%. Investors continue to monitor the pass-through of oil prices into the broader economy to assess when the impact might shift from inflationary to recessionary given its large implications for portfolio allocation. After rising for several weeks, global bond yields broadly stabilized and partially retraced last week, with some analysts believing that both the risks from demand destruction and any end to the conflict point towards a soft ceiling to yields for the time being.

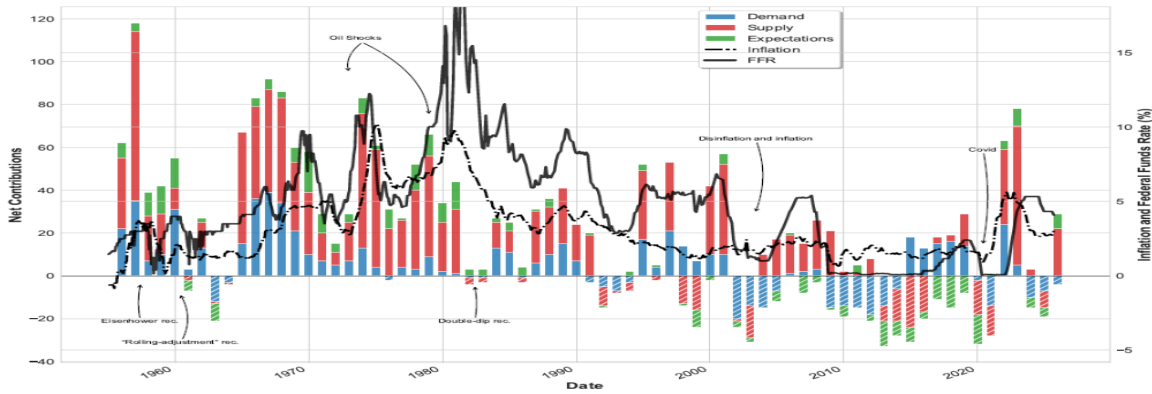


Source: SG C/Ross Asset Research/Derivatives, Bloomberg

Academics highlight that the Federal Reserve is much more likely to look through supply side inflation than demand side. A new paper by economists at Berkley titled “In the Fed’s Mind” by Kakhbod, Kermani, and Maciel shows that the Fed is much more likely to look through supply side inflation than demand side. The result, according to the paper, is longer lingering inflation but less impact on output.

When supply side shocks do hit, markets typically adds term premium to Treasuries and risk premiums to equities—causing nominal bonds to comove with equities. While the current market pricing shows about 85% probability of a 25 bp rate hike before October, the analysis of a century of Fed commentary suggests otherwise.

Figure 1: Net Aggregated Reason Counts Over Time



Notes: The figure plots annual net reason counts for demand, supply, and expectations on the left axis. Net imbalance equals the number of reasons indicating higher inflation minus those indicating lower inflation in a given year and category. The right axis shows the Federal Funds Rate and inflation. We use CPI inflation before 1960 and core inflation thereafter. See the main text for variable construction details.

**Euro area**

**Most European markets were closed on Friday and Monday for Easter holidays.** In Italy, Bank of Italy cut its 2026 growth forecast to 0.5% y/y (from 0.6%) on Friday as the Iran war squeezes domestic demand. They also see inflation rising to 2.6% in 2026 before falling back below 2% in 2027. **CDS spreads on high yield corporate debt eased by about 35 bps last week, though remain about 60 bps wider since the conflict began.**

**Japan**

**Japanese corporate earnings sensitivity to oil price shocks suggests markets are pricing in an extended disruption to oil markets.** JPMorgan analysts estimated that in a “medium” scenario, if oil stays around its current level of \$110/bbl for 3–6 months before the Strait of Hormuz can be reopened, EPS would fall by 6–7 percentage points. The peak selloff for the TOPIX hit 11% on March 20 (-7.5% through today), suggesting that the selloff has been more severe than the fundamentals, or that investors were pricing in a prolonged and/or more severe disruption. The analysts also noted that Japan is relatively resilient to the physical oil shock compared to other Asian markets due to its large strategic oil reserve and its ability to subsidize gasoline and electricity prices. It also reportedly asked companies to switch their pricing benchmark from Dubai crude to Brent crude.

Figure 2: Net profit impact from rising crude oil prices

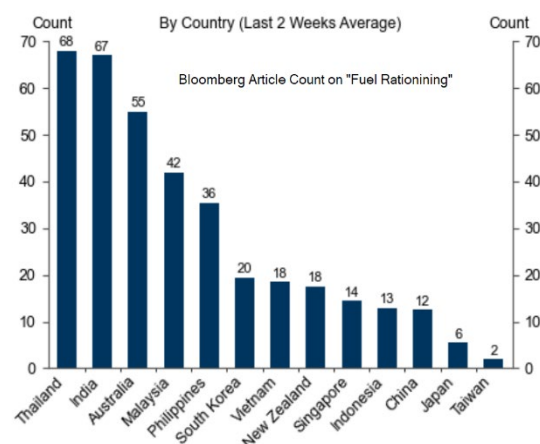
TOPIX EPS impact (NTM, %pt)			Duration of peak oil prices				
Peak oil price (bbl) Ref. As of 2/28: Dubai oil 72 USD, WTM @ USD	Oil price	vs 2/28	1M	3M	6M	9M	12M
	80	11%	-3.5%	-3.5%	-3.3%	-3.1%	-3.1%
85	18%	-3.8%	-3.9%	-4.0%	-4.0%	-4.0%	
90	25%	-4.1%	-4.4%	-4.7%	-4.8%	-4.9%	
100	39%	-4.8%	-5.4%	-6.1%	-6.5%	-6.6%	
110	53%	-5.4%	-6.3%	-7.5%	-8.3%	-8.4%	
120	67%	-6.1%	-7.3%	-8.0%	-10.0%	-10.2%	
130	81%	-6.7%	-8.2%	-10.4%	-11.7%	-11.9%	
150	108%	-8.0%	-10.1%	-13.2%	-15.1%	-15.5%	

Source: Based on J.P. Morgan estimates using sources such as QUICK, corporate disclosure materials, and the MIC “Input-Output Tables (2020)”

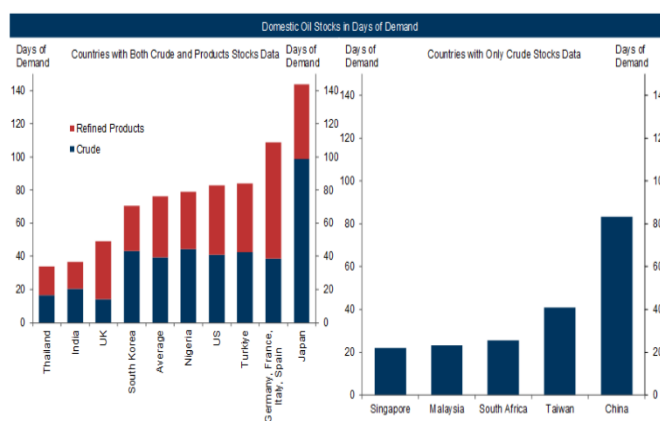
**Geopolitical risks and heavy supply expected to weigh on JGB auction.** Long-dated Japanese government bonds remain under pressure as global duration risks and geopolitical uncertainty weigh on demand. **10y and 30yr JGBY yields rose between 4–7 bps** this morning. The sell off comes ahead of a key 30y JGB auction this week, as well as a heavy supply of US Treasury issuance. The aftermath of last Thursday's weak 10y JGB auction saw yields rise as much as 9 bps. Some analysts believe long-end demand will remain fragile amid energy-driven inflation risks.

## Asia and Energy Markets

**Concerns about physical fuel shortages are rising in Asia.** Goldman Sachs analysts highlighted the increase in Bloomberg financial media stories about “fuel rationing.” Moreover, available data on physical stocks suggest several countries in Asia have limited stockpiles for crude and/or refined products. The analysts also noted that oil imports in the Asia regional have collapsed, from about 10–14 million b/d to barely 2 million b/d in recent days. Several Asian stock markets have underperformed over the last month, notably Indonesia (-7.9%) and India (-6.1%), while Korean markets have been volatile.



Source: Bloomberg, Goldman Sachs



Source: IEA, JODI, EIA, Kpler, Goldman Sachs Global Investment Research

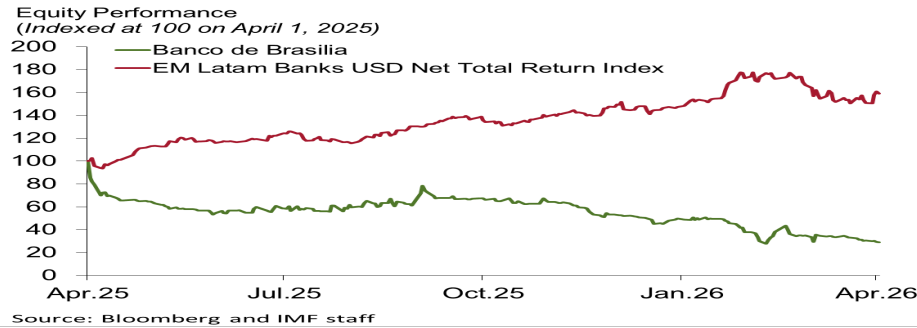
## Emerging Markets

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**Many emerging market financial markets across Latin America, Europe, and Asia were closed on Monday. India rebounded (+1.1%) after underperforming last week.** The rupee was little changed after authorities took steps last week to restrict trading in the NDF market. Turkish stocks also rose (1.2%), while the lira was little changed.

### Brazil

**Reports suggest Brazil's government would support Banco de Brasilia if systemic risk appears, but would likely demand significant concessions.** Bloomberg reported that any assistance would likely require concessions from the regional government, including potential changes to rules governing a large federal transfer fund. Banco de Brasília is attempting to address a balance sheet shortfall stemming from its exposure to the collapsed Banco Master, including potentially fraudulent assets. It is seeking to increase capital by BRL8.8 billion, including possible asset sales and support from a deposit insurance fund. Banco de Brasília estimates it acquired a portfolio of BRL21.9 billion from Banco Master, of which BRL15 billion are considered good quality, while about BRL2.6 billion are expected to result in outright losses.



**EM Flows**

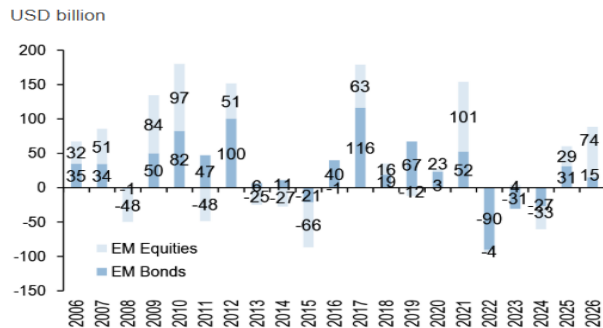
**EM bond funds saw outflows accelerate last week (-\$2.7 bn, -\$1.2 bn previous)** as both local currency (-\$0.7 bn, -\$0.5 bn previous) and hard currency (-\$2.1 bn, -\$0.7 bn previous) funds worsened. Both ETFs and non-ETFs saw sizeable outflows. Broad EM hard currency funds had outflows of \$1.9 bn. **EM equity funds also recorded substantially higher outflows (-\$3.9 bn, -\$0.6 bn previous)**. Outflows were mostly driven by ETFs. Asia ex Japan funds saw large outflows (\$-5 bn), while broader Global EM (GEM) funds saw inflows of \$1.2 bn. YTD flows for both equity and bond funds remain positive, though we’ve seen four straight weeks of outflows. At the portfolio flow and country level, India continued to see sizeable equity outflows alongside other regional economies not classified as emerging markets (e.g., Korea).

**Figure 1: Weekly cross-asset flows**

USD billion

Asset	8w flows (8w ago → current)	This wk	YTD
<b>EM Bonds and Equities</b>			<b>-6.6 88.3</b>
<b>EM Bonds</b>			<b>-2.7 14.7</b>
Hard Ccy			<b>-2.1 3.9</b>
Local Ccy <sup>^</sup>			<b>-0.7 10.7</b>
o.w. EM ex-China			<b>-0.7 10.8</b>
o.w. China			<b>0.0 0.0</b>
<b>EM Equities</b>			<b>-3.9 73.6</b>
US HG			<b>-0.9 115.0</b>
US HY			<b>-1.9 -8.5</b>
Global Equities			<b>5.3 133.1</b>
<b>EM Bond and Equity ETFs</b>			<b>-4.3 77.1</b>
EM Bond ETFs			<b>-1.2 2.4</b>
EM Equity ETFs			<b>-3.1 74.7</b>
<b>Non-resident EM flows<sup>*</sup></b>			<b>-15.8 -60.4</b>

**Figure 2: EM bond and equity fund flows**

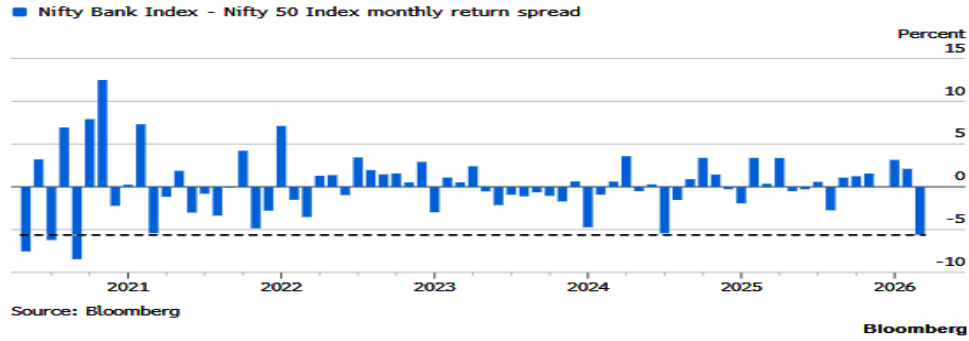


<sup>\*</sup>High-frequency non-resident EM portfolio flow data where available. <sup>^</sup>Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

**India**

**Indian bank stocks under further pressure following central bank moves to stabilize rupee.** Recent central bank curbs on NDF trading and open currency positions could drive losses of around INR50 bn, according to Jeffries. Foreign investors had already been selling financial stocks (INR327 bn or nearly \$4 bn of outflows since early March). The Nifty Bank Index has been underperforming the broader index and was down over 17% at one point. Fitch expects net interest margins to compress by 20–30 bps through FY2027 as tight financial conditions persist, amplifying risks for a market where banks account for nearly one-third of benchmark capitalization. With RBI intervention constraining liquidity and geopolitical risks threatening the nascent credit recovery, further near-term downside for bank equities could weigh on India’s broader equity market.

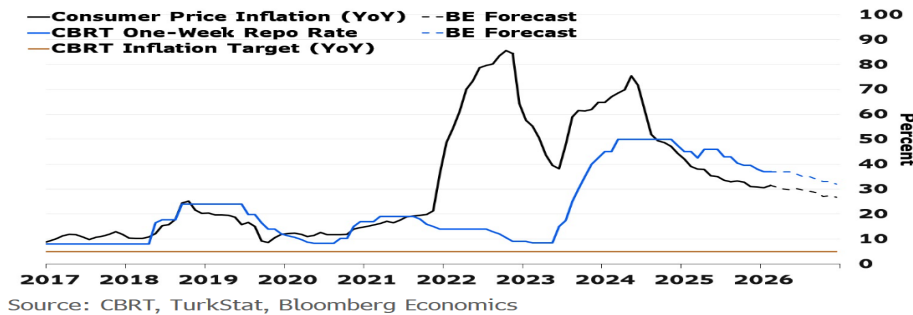
**India's Bank Index Underperforms by Most Since 2020**



**Türkiye**

**Turkish inflation continued to fall, with headline CPI declining to 30.9% y/y (vs 31.4% expected).** Monthly inflation eased sharply to 1.94% m/m from 2.96% m/m previously. Fuel tax relief capped the increase in fuel prices to about 11% despite the rise in Brent oil prices. 10y yields fell 14 bps following the print while the lira was slightly lower. Nevertheless, Bloomberg Economics highlighted upside risks from electricity prices and higher food prices if transportation costs rise. They expect year-end CPI to be 27% (vs 25% in their previous forecast).


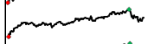
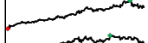




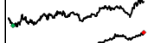

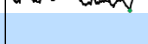
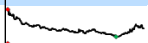


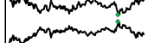

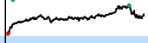
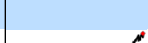
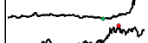
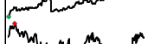



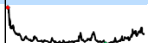

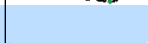
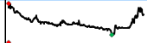
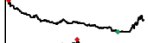
**Slower Inflation Ahead**



*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 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: 4/6/26 7:48 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,583	0.1	3.4	-2.3	29.7	-4
Europe		5,693	-0.7	2.3	-0.5	22.3	-2
Japan		53,414	0.5	2.9	-4.0	71.5	6
China		4,441	-0.9	-1.4	-4.7	23.7	-4
Asia Ex Japan		96	-1.1	1.7	-1.9	39.5	3
Emerging Markets		57	-1.1	2.0	-1.3	39.5	3
<b>Interest Rates</b>			basis points				
US 10y Yield		4.4	2	1	22	37	19
Germany 10y Yield		3.0	0	-10	24	34	14
Japan 10y Yield		2.4	4	5	25	121	36
UK 10y Yield		4.8	0	-14	36	31	35
<b>Credit Spreads</b>			basis points				
US Investment Grade		123	-1	-5	4	-9	16
US High Yield		366	0	-8	7	-23	30
<b>Exchange Rates</b>			%				
USD/Majors		100.0	-0.1	-0.2	1.0	-3.0	2
EUR/USD		1.15	0.2	0.7	-0.6	5.8	-2
USD/JPY		159.5	-0.1	-0.1	1.1	7.9	2
EM/USD		46.5	0.4	1.4	0.0	5.5	0
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		108.6	-0.4	3.1	24.5	71.7	80
Industrials Metals (index)		170.7	0.7	3.6	-0.9	24.5	5
Agriculture (index)		56.5	0.1	-0.7	0.3	-0.2	6
Gold (\$/ounce)		4682.2	0.1	3.8	-9.5	56.9	8
Bitcoin (\$/coin)		69654.4	3.0	2.2	2.0	-11.6	-21
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		25.0	1.1	-6.1	-4.5	-20.4	10.0
Global FX Volatility		8.1	0.0	-0.5	-0.4	-1.9	1.1
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		81	0	-8	7	-9	22
Italy		86	0	-9	10	-33	16
France		69	0	-5	4	-7	-2
Spain		48	0	-5	-1	-21	5

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

### Emerging Market Financial Indicators

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,441	0.0	-1.4	-4.7	23.7	-4.1		88	-13	-23	-29	13
Korea*		5,450	1.4	3.3	-2.4	121.1	29.3		34	-1	9	-13	13
Indonesia		6,989	-0.5	-1.5	-7.9	7.4	-19.2		114	-1	-1	-21	28
India		74,107	-0.5	-1.5	-6.1	-1.7	-13.0		94	-3	-3	-30	4
Philippines		5,948	-0.8	-0.6	-5.9	-2.2	-1.7		98	-4	5	-10	23
Thailand		1,454	0.0	0.5	3.1	29.2	15.4						
Malaysia		1,681	-0.9	-0.4	-2.2	11.7	0.0		60	-3	-8	-38	1
Argentina		2,999,342	0.1	6.9	14.2	42.3	-1.7		623	3	38	-240	54
Brazil		188,052	0.1	2.9	4.8	47.8	16.7		203	-1	-2	-43	0
Chile		10,739	-1.1	3.3	4.1	43.1	2.5		101	-1	2	-36	10
Colombia		2,281	-0.2	2.1	4.9	40.8	10.3		283	1	-17	-78	6
Mexico		69,702	1.6	2.2	3.5	35.5	8.4		222	-10	-2	-111	5
Peru		3,274	0.0	7.9	-1.5	105.0	26.7		111	-4	-10	-45	2
Hungary		123,996	0.0	1.2	1.7	50.5	11.7		147	-3	-2	-33	8
Poland		125,603	0.0	3.9	4.1	43.2	7.1		100	3	0	-20	9
Romania		27,954	0.2	0.7	1.9	65.6	14.4		205	-5	22	-68	29
South Africa		116,123	0.0	2.9	-0.4	41.3	0.3		258	-17	7	-105	40
Türkiye		13,099	1.3	3.7	2.4	39.6	16.3		299	-17	15	-33	65
EM total		57	0.3	2.0	-1.3	39.5	3.4		292	0	11	-117	21

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

\*Not an EM Under IMF Classification.

4/6/2026 7:35 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
	vs. USD							% p.a.						
	(+) = EM appreciation													
China		6.88	0.0	0.4	0.5	5.8	1.5		1.9	-1	-1	1	10	-5
Korea*		1504	0.4	1.0	-1.1	-2.1	-4.3		3.6	-7	-22	6	104	36
Indonesia		17038	-0.2	-0.3	-0.8	-2.8	-2.0		6.7	0	-10	36	-29	64
India		93	0.0	1.9	-1.4	-7.8	-3.4		7.7	-3	3	29	97	65
Philippines		60	0.2	1.1	-1.8	-4.4	-2.1		5.5	1	-8	30	49	81
Thailand		33	0.5	0.9	-3.5	5.1	-3.3		2.3	-4	-17	46	31	55
Malaysia		4.03	0.1	0.1	-2.0	11.3	0.8		3.6	#####	-2	7	-5	11
Argentina		1391	-0.6	-1.0	0.2	-22.9	4.4		0.0	0	-2833	-3242	-3579	-3237
Brazil		5.16	0.0	1.6	0.3	9.7	6.2		13.9	0	-38	49	-75	28
Chile		919	0.1	0.4	-1.5	3.4	-2.0		5.5	0	-14	26	0	17
Colombia		3651	0.6	0.8	2.7	13.5	3.5		13.4	0	10	-52	164	58
Mexico		17.79	0.6	1.8	0.1	16.3	1.2		9.1	0	-18	29	0	10
Peru		3.5	0.7	0.0	-2.6	6.4	-2.6		7.0	-1	20	39	59	121
Uruguay		41	0.0	-0.1	-4.7	4.2	-3.9		7.6	0	7	53	-186	11
Hungary		331	0.9	2.3	2.1	12.9	-1.1		6.9	0	-32	47	22	39
Poland		3.70	0.5	1.3	-0.6	6.4	-2.9		5.1	0	-17	53	5	59
Romania		4.4	0.2	0.7	-0.8	3.4	-1.8		6.9	-2	-16	49	-29	21
Russia		78.8	1.5	3.1	-0.1	9.5	-0.1							
South Africa		16.9	0.7	1.9	-1.8	16.6	-1.8		9.3	0	-9	70	-170	70
Türkiye		44.59	0.0	-0.3	-1.2	-14.8	-3.7		34.1	2	-129	310	105	452
US (DXY; 5y UST)		100	0.0	-0.2	1.0	-3.0	1.7		4.01	3	3	29	31	29

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