



- Market expectations of ECB rate hikes declined, but hikes are still priced in for now ([link](#))
- Chinese yuan strengthened to a three-year high ([link](#))
- Strong Japanese wage data reinforces expectations for a rate hike in April ([link](#))
- US 1-year inflation expectations jumped higher in March ([link](#))
- European bank stocks have typically outperformed after oil shocks ([link](#))

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Strait Forward: Risk Assets Stage Huge Rally & Oil Prices Plunge Amid Ceasefire

Global equity markets rallied sharply, and bond yields plunged on Wednesday following the ceasefire announcement last night. Iran will reportedly allow safe passage through the Strait of Hormuz for two weeks if attacks are halted. Oil prices declined by more than \$15 to below \$95/bbl, while the decline in futures prices was more modest, with the December contract down about \$4 to \$77/bbl. European natural gas prices declined around 10% as well. European bond yields fell 15–25 bps, led by the front end of the curve, while Treasury yields were down 3–7 bps, with the 10y trading near 4.23%. The dollar declined over 1%, with most EM Asian currencies gaining 1–2%, while the euro rose about 0.9%. Market-implied policy rate expectations also declined, though as of this morning, swap (OIS) markets were still pricing in about two ECB rate hikes by December, down from just over three yesterday afternoon. Major equity markets posted large gains, led by Korea (+6.9%), Japan (+5.4%), India (+3.8%), Europe (4%), and China (+3.5%). US futures were also up around 2.5% pre-market. Optimism reigns supreme today and the US and Iran will reportedly engage in formal talks beginning on Friday to find a long-term peace agreement. However, some analysts cautioned that certain supply chains and prices (e.g., jet fuel, petrochemicals) will take months to normalize. Moreover, the exact terms of the ceasefire deal remained somewhat in dispute.

Key Global Financial Indicators

Last updated: 4/8/26 7:34 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6617	0.1	4	-2	33	-3
Eurostoxx 50		5915	5.0	7	3	24	2
Nikkei 225		56308	5.4	5	1	71	12
MSCI EM		57	0.4	5	0	49	5
Yields and Spreads			bps				
US 10y Yield		4.23	-5.9	-8	10	-6	7
Germany 10y Yield		2.92	-16.5	-7	6	29	6
EMBIG Sovereign Spread		284	4	-5	22	-109	31
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.1	0.3	2	1	8	1
Dollar index, (+) = \$ appreciation		98.7	-1.1	-1	0	-4	0
Brent Crude Oil (\$/barrel)		93.4	-14.5	-21	1	49	54
VIX Index (% change in pp)		20.5	-5.3	-5	-9	-32	6

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: 4/8/26 7:04 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)		94	-14.3	-21	1	49	54
WTI Crude Oil (\$/barrel)		95	-16.3	-6	4	59	65
Natural Gas (Netherlands TTF)		45	-9	-9	-15	24	70
Breakeven Inflation		%	bps				
USD: 2Y		2.9	-0.5	11	30	-1	59
USD: 5Y		2.6	0.1	6	11	18	24
USD: 5Y5Y		2.3	-2	-3	-6	1	-11
EUR: 2Y		2.6	-25.0	-12	21	105	93
EUR: 5Y		2.2	-12	-5	3	51	46
EUR: 5Y5Y		2.1	-5	-2	-5	4	5

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

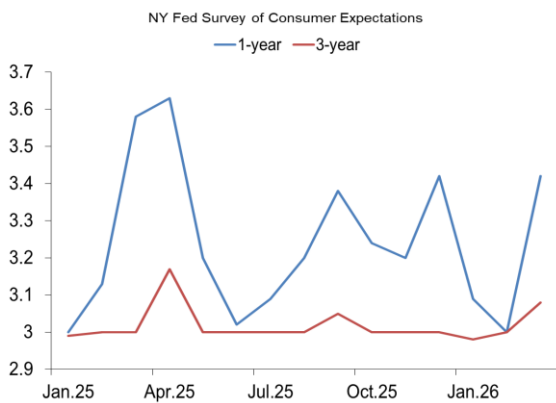
Mature Markets

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United States

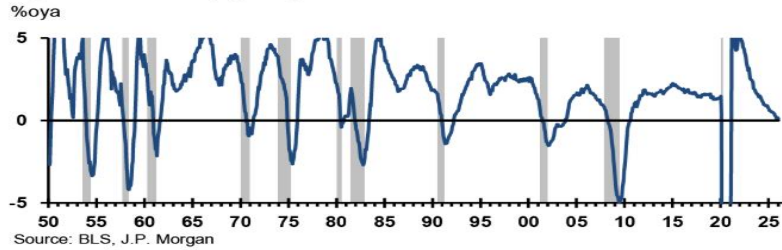
Short-term inflation expectations jumped higher in March but appeared well-anchored over the medium term.

The Federal Reserve’s Survey of Consumer Expectations for March 2026 showed median inflation expectations increased by 0.4 percentage points to 3.4% at the one-year horizon, slightly below consensus forecasts of 3.5%. Positively, the 3-year ahead forecast remains relatively well anchored and increased by only 0.1 percentage point to 3.1%. More broadly, households appear to be more pessimistic about their future financial situation. Meanwhile, the slope of the yield curve (2y10y) has steepened about 10 bps over the last 1–2 weeks, unwinding only part of the large flattening since the conflict began as markets reversed their expectations of rate cuts. Prior to the conflict, the curve had steepened sharply YTD through February, though Bloomberg analysts noted that the spread had been and still is well below levels seen in 2021. Early Wednesday, the Treasury curve was trading 2–3 bps steeper following the ceasefire announcement.



Analysts expect slow labor supply growth to impact payroll readings. Labor supply growth is at historical lows, leading to slower breakeven job levels, meaning the economy needs fewer jobs each month to keep the unemployment rate steady. In practice, analysts have had to change the way they read payroll data as negative payroll readings become more common. JPMorgan analysts estimate that even with job growth sufficient to stabilize the unemployment rate, there could be negative payroll readings at least a third of the time. Breakeven employment could be below 50k, or as Fed Chair Powell remarked recently, it could be close to zero. Given this change, markets could see more volatility around job prints, as investors struggle to compare series with historical precedents. As such, the unemployment rate is gaining traction over the level of payrolls.

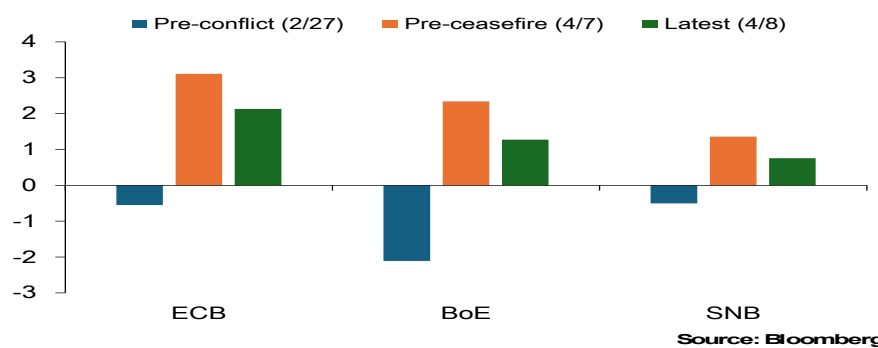
Figure 1: Nonfarm payroll growth



Euro area

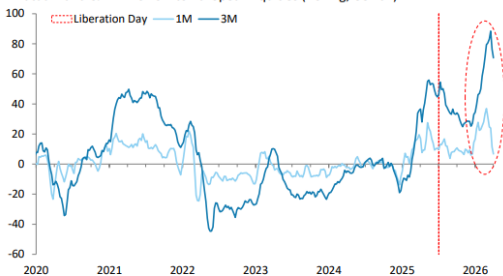
The ceasefire triggered a broad rally across European assets, in line with global market moves. The STOXX 600 was trading 3.9% higher this morning, while sovereign yield curves declined by 20–25 bps, with a modest bull steepening as markets priced out roughly one 25 bps hike from the expected policy paths of both the BoE and ECB by year-end. Nevertheless, swap (OIS) markets are still pricing about two hikes above pre-conflict expectations. At the long end, bond yields showed some convergence, with the 10y Italian–German spread narrowing by around 10 bps. On the data side, German factory orders rebounded from -11.1% m/m in January to +0.9% in February, though this fell short of the +3.0% expected. The euro and sterling rose 0.8% and 1.0%, respectively, to \$1.168 and \$1.343.

Number of 25 bps Rate Hikes Priced by 2026 Year-End



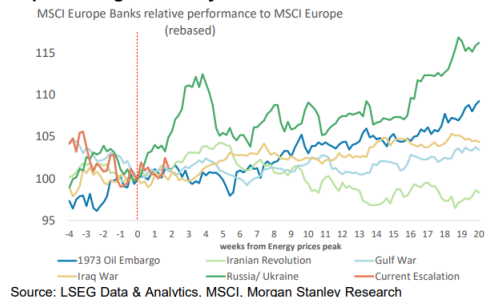
Analysts highlight that investor flows could rotate back to banks if ceasefire proves to be durable. Morgan Stanley (MS) expects the ceasefire to benefit European bank stocks, which MS sees as a “buy-the-dip” sector, as they have historically outperformed following peaks in oil prices when attention shifts to the earnings support from higher yields and inflation. European bank stocks were up 6% this morning, outperforming the broad index (+3.9%). Across past energy-related geopolitical episodes since the 1970s, forward earnings have generally increased rather than declined after escalation, largely driven by gains in the energy sector and, to a lesser extent, broader inflationary effects. MS also expects the valuation gap between Europe and the US to continue narrowing.

Mutual Fund & ETF Flows into European Equities (Rolling, USDbn)



Source (all): EPFR and Morgan Stanley Research; Note: The EPFR data and charts displayed here must not be extracted and republished (whether internally or externally). Such use will violate the terms of Morgan Stanley's contract with EPFR which only covers named users.

Typically, following the peak of oil prices, EU Banks begin to outperform the index as focus begins to shift to the earnings impact of higher bond yields / inflation

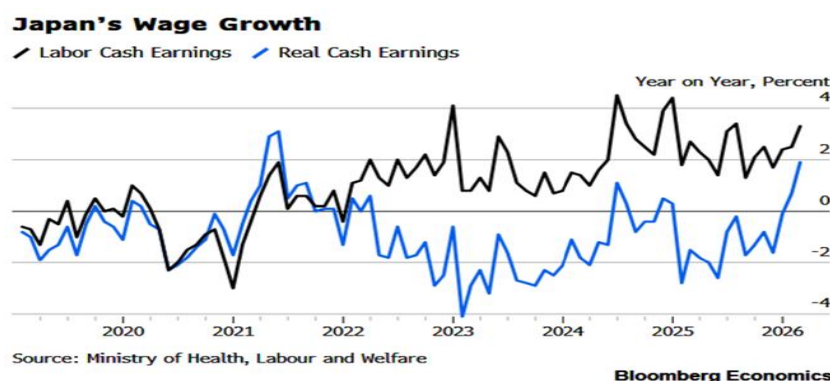


Source: LSEG Data & Analytics, MSCI, Morgan Stanley Research

Japan

Japanese markets rallied, with stocks surging (Nikkei 225: +5.4%) and the yen strengthening (+0.8%) against the dollar after oil plunged following the US announcement of a two-week ceasefire with Iran. JGBs also gained, led by the long end, as yields fell (10y: -4.5bps to 2.359%; 30y: -16bps to 3.587%). Meanwhile,

Strong wage data reinforced market expectations for a rate hike in April. Real wages increased +1.9% y/y in February, beating expectations (+1.3%) and marking a second consecutive gain, while nominal wages climbed +3.3% y/y, also exceeding the consensus (+2.7%). Base pay rose +3.3%, the fastest pace in 34 years, while the BOJ's preferred measure for full-time workers excluding bonuses and overtime rose +3.1%, the biggest advance since 2016. Economists cautioned that the boost to real wages partly reflects temporary inflation relief from winter utility subsidies, while Middle East tensions may lift energy prices and inflation again. Still, solid wage momentum, along with strong outcome in spring wage negotiations, would boost optimism over the prospects for higher domestic demand, and support the BoJ's case for a rate hike at its April 27–28 meeting. The OIS implied April hike probability edged up to 55% from 50%, though below last week's ~70%.



Emerging Markets

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EMEA equities were sharply higher this morning and local currency government bond yields declined. Türkiye's 10y bond yield fell over 130 bps to 29.02%, while South Africa's 10y yield was trading nearly 50 bps lower at 8.76%. **The rand outperformed, gaining over 2.2%** to trade at 16.42/\$. **Equity markets in Türkiye and South Africa were trading around 4.5% higher, while the UAE was up 6.6%.** Other regional markets also gained, including Qatar (+3.2%) and Saudi Arabia (+1.6%). Elsewhere, the Central Bank of Kenya is expected to keep the policy rate unchanged at 8.75% later today.

In Asia, regional equities rallied sharply (EM Asia: +5.9%) after the announcement of a two-week ceasefire, led by Korea (Kospi: +6.9%). **EM Asian currencies strengthened broadly against the dollar, with the Philippine peso (+1.5%) and Thai baht (+1.6%) outperforming.** The Indian rupee extended its recent appreciation (+0.4%) against the dollar after the **Reserve Bank of India held the benchmark repurchase rate at 5.25%**, as expected, and pledged to curb any excessive currency moves. Indonesia's FX reserves fell \$3.7 bn to \$148.2 bn in March, a two-year low, reflecting the central bank's currency stabilization efforts and external debt repayments. The Indonesian rupiah strengthened +0.5%, the most in seven months.

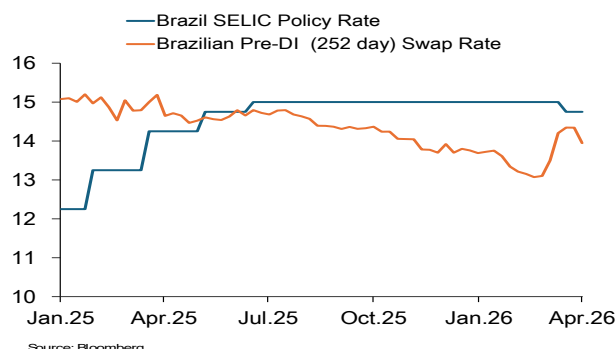
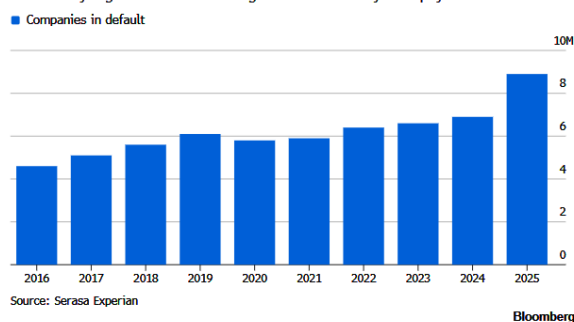
In Latin America, regional equity markets mostly declined on Tuesday. Equities fell across the region, with declines in Mexico (-0.7%), Chile (-1.7%), Colombia (-1.1%), and Peru (-0.5%) before the ceasefire announcement had been made. Currencies were mixed, though the Mexican peso gained 0.6%.

Brazil

High interest rates are raising concerns about household and corporate default rates. Bloomberg reported that 81.7 million consumers are behind on debt payments and households spent a record 29% of their income on debt. Corporate stress is also high, with 8.9 million companies expected to miss at least one payment by year-end 2026. Loan growth is expected to slow to 9% this year from 10.3% last year. Credit stress will also weigh on financial institutions. Banks remain relatively resilient, but fintechs face higher risks due to their exposure to lower-income

borrowers. Markets have repriced policy expectations higher, with the threat of higher inflation stemming from the conflict weighing on the central bank's perceived ability to cut its policy rate more aggressively. Less than 50 bps of easing are now priced in the remainder of the year following a 25 bps cut in March.

Brazilian Companies Are Defaulting at Record Levels
Historically high interest rates weigh on firms' ability to repay debt



China

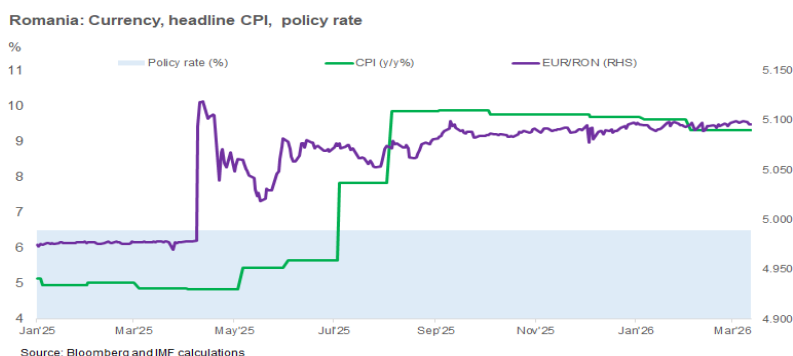
The yuan strengthened (+0.5%) to a three-year high at 6.83 per dollar. The PBOC set the RMB fixing at 6.8680/\$ today, the strongest since April 2023, but slightly weaker than the estimate (6.8361/\$), signaling a continued preference for gradual yuan appreciation. The yuan has gained 2.3% against the dollar YTD, outperforming regional peers. ING expects the yuan to approach 6.70/\$ by year-end. Analysts have highlighted China's resilience to energy shocks, supported by ample strategic commodity reserves and rapid expansion in renewable energy. Bloomberg reported that FX flows were relatively balanced, with some clients buying dollars on dips to offset selling pressure but limited signs of large-scale dollar buying by major state-owned banks to cap the currency's appreciation. Today, the stock market gained both onshore (CSI 300: +3.5%) and offshore (HSCEI: +2.6%).

Onshore Yuan Touches Three-Year High Amid Iran Ceasefire



Romania

Romania left its policy rate on hold amid uncertain inflation outlook. Yesterday, the National Bank of Romania (NBR) left its policy rate unchanged at 6.5%, in line with consensus expectations. In its latest assessment, the NBR expects that inflation will increase in Q2 to levels higher than previously forecast, citing higher energy prices. At above 9% y/y, headline inflation was already elevated before the energy price shock. The NBR expects inflation to decelerate from Q3 onwards due to base effects but considers risks to the medium-term inflation outlook to be elevated amid ongoing geopolitical tensions. Goldman Sachs analysts expect the NBR to keep rates on hold until at least Q1 2027 as they project inflation to remain above the central bank's target. Meanwhile, Deutsche Bank analysts believe that the NBR could ease policy rates as they believe disinflation in the second half of the year, combined with downside risks to growth could limit any hawkish shift from the NBR.



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Emerging Market Financial Indicators

4/8/2026 7:05 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M	YTD	
	vs. USD		(+)= EM appreciation						% p.a.						
China		6.83	0.5	0.7	1.1	7.5	2.3		1.9	-1	0	1	17	-6	
Korea*		1479	1.5	2.2	-0.2	0.1	-2.7		3.7	2	-15	11	115	37	
Indonesia		17010	0.5	-0.2	-0.4	-0.9	-1.9		6.7	-1	-10	27	-30	63	
India		93	0.5	2.4	-0.3	-6.8	-2.9		7.5	-21	-19	-7	70	42	
Philippines		59	1.5	1.3	0.2	-3.5	-1.0		5.5	-11	-4	4	45	77	
Thailand		32	1.6	1.7	0.2	8.7	-1.6		2.3	-1	-10	32	32	54	
Malaysia		3.98	1.4	1.3	-0.3	13.0	2.1		3.6	-5	-1	3	-12	7	
Argentina		1393	-0.1	-0.8	1.7	-22.8	4.2		0.0	0	0	-3288	-3954	-3237	
Brazil		5.15	-0.2	0.5	0.1	14.7	6.2		13.9	0	-3	15	-73	31	
Chile		916	0.3	1.1	-0.2	7.9	-1.7		5.5	2	-3	21	2	20	
Colombia		3678	0.1	-0.1	2.4	19.2	2.7		13.5	0	9	-29	139	59	
Mexico		17.47	1.4	2.0	0.8	19.4	3.1		9.3	7	-4	36	-13	28	
Peru		3.4	0.0	1.5	1.9	8.6	-1.8		7.0	1	-1	39	#VALUE!	121	
Uruguay		41	0.0	-0.1	-1.1	5.9	-4.1		7.6	-1	-1	27	-192	9	
Hungary		323	1.8	2.5	3.2	15.2	1.4		7.0	4	-17	22	21	43	
Poland		3.64	1.2	1.5	0.2	7.2	-1.5		5.3	15	-2	41	35	74	
Romania		4.4	0.8	0.9	0.5	4.2	-0.6		6.9	1	-15	32	-29	22	
Russia		78.4	0.1	2.7	0.1	9.6	0.4								
South Africa		16.4	2.3	2.4	-0.7	20.4	0.9		9.4	13	-2	68	-184	83	
Türkiye		44.52	0.2	-0.1	-1.1	-14.8	-3.5		34.2	9	-63	264	57	461	
US (DXY; 5y UST)		99	-1.0	-1.1	-0.1	-4.0	0.5		3.87	-6	-8	14	-4	15	

	Equity Markets							Bond Spreads on USD Debt (EMBIG)						
	Level		Change (in %)					YTD	Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD	
	basis points													
China		4,596	3.5	3.3	-1.4	25.9	-0.7		92	3	-16	-29	17	
Korea*		5,872	6.9	7.2	5.1	151.6	39.3		30	-4	1	-12	8	
Indonesia		7,279	4.4	3.3	-4.0	21.4	-15.8		118	-2	6	-19	32	
India		77,563	4.4	7.8	-1.7	4.5	-9.0		100	2	3	-36	10	
Philippines		6,090	2.2	3.8	-3.6	1.4	0.6		100	-2	8	-10	25	
Thailand		1,485	1.4	2.5	5.3	38.2	17.9							
Malaysia		1,696	1.2	-0.7	-1.3	17.5	1.0		65	5	2	-48	6	
Argentina		2,972,630	-1.1	6.4	13.2	49.3	-2.6		619	-5	37	-359	50	
Brazil		188,259	0.1	3.1	5.0	51.9	16.8		206	3	3	-43	3	
Chile		10,518	-1.7	1.0	2.0	46.8	0.4		106	1	11	-29	15	
Colombia		2,276	-1.1	3.7	4.6	46.6	10.1		288	1	-18	-98	11	
Mexico		68,529	-0.7	2.8	1.8	36.2	6.6		224	-5	5	-128	7	
Peru		3,211	-0.8	4.7	-3.4	108.2	24.3		113	1	-3	-49	4	
Hungary		128,878	2.3	6.7	5.7	50.4	16.1		152	-6	6	-35	13	
Poland		129,026	3.2	7.3	6.9	42.7	10.1		106	1	6	-11	15	
Romania		28,648	1.5	2.3	4.4	68.0	17.2		208	-16	28	-86	32	
South Africa		121,587	5.8	8.2	4.3	44.4	5.0		264	-10	18	-120	46	
Türkiye		13,573	5.0	4.9	6.1	43.2	20.5		307	-11	25	-41	73	
EM total		57	6.8	4.7	0.0	48.8	4.8		297	-5	18	-137	26	

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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