GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, MARCH 12, 2026

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Global markets remain under severe pressure as war continues

Risk assets were in retreat across the globe as the war situation in the Middle East appeared to deteriorate further. The Brent oil price went back above $100/barrel and is still elevated at $96 on news that Iraqi oil tankers had been attacked. The Strait of Hormuz remains closed and news reports indicate that attacks on Dubai and Kuwait have increased. Bloomberg reports that an important oil export terminal in Oman was evacuated. Market participants are coming to grips with the possibility that disruptions to the global economy could last much longer than originally anticipated. Government bond yields across the world are higher as the risk of inflation re-emerges and markets begin to price in more hawkish central bank policies. The stronger dollar and higher interest rates are starting to put pressure on emerging markets, with frontier economies especially vulnerable.

Key Global Financial Indicators

Last updated:	Level		Change from Market Close				
3/12/26 7:51 AM	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities					%		%
S&P 500		6776	-0.1	-1	-1	21	-1
Eurostoxx 50		5775	-0.3	0	-4	8	0
Nikkei 225		54453	-1.0	-1	-4	48	8
MSCI EM		59	0.3	0	-3	34	8
Yields and Spreads					bps		
US 10y Yield		4.22	-1.4	8	12	-10	5
Germany 10y Yield		2.93	-0.3	9	15	5	7
EMBIG Sovereign Spread		253	-3	-1	13	-79	0
FX / Commodities / Volatility					%		
EM FX vs. USD, (+) = appreciation		46.8	0.2	0	-2	5	0
Dollar index, (+) = $ appreciation		99.3	0.0	0	2	-4	1
Brent Crude Oil ($/barrel)		97.2	5.6	14	44	37	60
VIX Index (%, change in pp)		25.0	0.7	1	4	1	10

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

Global Markets

Global markets remain under severe pressure as the crisis in the Middle East continues but some regions have been affected more than others because of their vulnerability to high oil and gas prices. As of 7 am this morning, the Euro Stoxx 600 index was down 5.4%, but Spain's and Italy saw even larger losses. **Many Asian markets were even harder hit, with the Korean KOSPI** down over 10%. Stocks in China are down less than other Asian markets, perhaps because China has large oil stockpiles and is viewed as less vulnerable. Market volatility has risen for both stocks and bonds, and the dollar is stronger against most major currencies, especially emerging markets. The cross-currency basis for the dollar versus the euro and the yen has widened due to higher demand for dollar funding in the midst of the crisis. US markets have held up reasonably well as the US is a net energy exporter, with local stocks only slightly lower.

Selected Market Moves
Source: Bloomberg

Variable	Level on Friday 2/27/26 at 4pm EST	Level on 3/12/26 at 7am EST
10-year Treasury	3.94%	4.22%
10-year Bund	2.64%	2.93%
VIX	19.8	25.25 (+5.45 points)
Brent	$72.48	$96 (+32.4%)
TTF natural gas	€31.60	€50.27 (+59.1%)
Euro	1.1812	1.1558 (dollar 2.3% stronger)
Yen	156.01	158.79 (dollar 2.4% stronger)
S&P 500	6879	6753 (-1.83%)
Euro Stoxx 600	634	600 (-5.4%)
Nikkei	58850	54452 (-7.5%)
Kospi	6244	5583 (-10.6%)

Mature Markets

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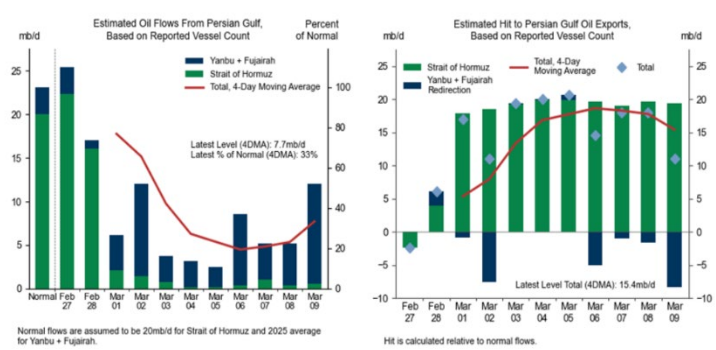
Oil Markets

Oil prices remain very high as the Strait of Hormuz stays closed. Although down from the $120 intra-day spike on Monday, Brent was still 32.4% higher than the prewar level of $72.48 on February 27 at $96/barrel this morning. Goldman estimates that the total loss of supply from the Persian Gulf has reached 15 million barrels per day, which is 15x more than the peak disruption during the initial stages of the invasion of Ukraine. The impact is widespread across the global fossil fuel supply chain. For example, jet fuel prices in Asia have exceeded the 2022 crisis peak as Persian Gulf supply of jet fuel to Asia has fallen to zero. The International Energy Agency announced yesterday that its members (including the US) will lease 400 mn barrels from their strategic reserves, twice the amount at peak Ukraine in 2022, suggesting that many are worried that the crisis closure of the Strait of Hormuz could last a while longer. However, the market for options on oil futures assigns a low probability of 5% that the six month forward Brent futures contract will expire above $100, implying that investors still think the war will not drag on for too long. Polymarket predicts that there is a 30% chance of a ceasefire by March 31, up from the low of 14% on March 4.

Exhibit 2: The Estimated Total Hit to Oil Flows From the Persian Gulf Stands at 15mb/d (15 Times Larger than the Peak April 2022 Hit to Russia Oil Production)

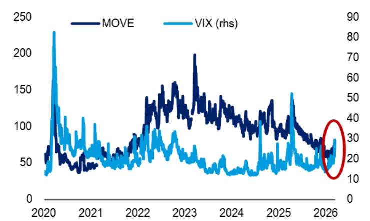


Source: S&P Global Commodities at Sea, Bloomberg, Goldman Sachs Global Investment Research

United States

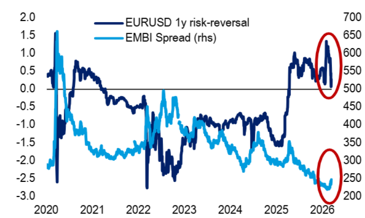
Volatility in US markets remains lower than many expected despite the crisis. The MOVE index of interest rate volatility is up at 73 from its 2025 closing level of 64, but this remains well below the 140 level it reached at the depth of April 2025 tariff-related selloff. The VIX reached 29 this week and was above 24 yesterday, up from the 2025 closing level of 15 but nowhere near the April 2025 high of 52. Despite the rise in oil prices, the bond market is still convinced that there is no danger of Fed rate hikes this year and as long as that remains the case interest rate volatility is expected to remain low. US stocks have bounced off the post-attack on low March 9 and expectations are that the impact on the US economy and businesses will be limited. The volatility of the dollar is also quite low, and credit spreads are not far away from record tight levels. There has been heavy issuance in the US corporate bond market this week and demand has been very strong.

Exhibit 1: Rates & equity volatility still low given the move in energy...
MOVE vs VIX levels since 2020



Source: Bloomberg
BofA GLOBAL RESEARCH

Exhibit 2: ...and FX and credit risk premia remain low vs history as well
EURUSD 1y risk-reversal vs EMBI spread since 2020



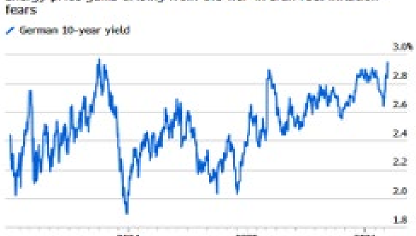
Source: Bloomberg
BofA GLOBAL RESEARCH

Euro Area

European equities were trading lower after further attacks on shipping in the Strait of Hormuz sent Brent oil prices above $100 per barrel earlier today, despite the release of strategic reserves. The Stoxx 600 was trading around 0.6% lower, with the banking sector index underperforming (-2.0%) and regional bourses also in negative territory. Bloomberg analysts caution that European banks may risk revenue downgrades on the back of flatter yield-curves, weaker loan growth and higher cost of risk in the event of a prolonged war in Iran. Elsewhere, the euro was trading weaker against a broadly firmer dollar at 1.1554.

Higher energy prices fuel ECB June rate hike expectations. Money markets continue to reprice ECB policy expectations as a combination of higher energy prices and hawkish policymaker remarks prompt traders to expect the ECB to tighten monetary policy. A June rate hike is now almost fully priced, with the market pricing in a total of around 40bp of hikes by year-end, up from around -14bp of easing priced at the end of February. German bund yields were higher in early morning trade with the 10Y yield reaching 2.93%, the highest level since 2023, according to Bloomberg data as the rise in energy prices stokes inflation fears. Commerzbank analysts note that while front-end bund yields had been rising on higher oil prices, hawkish ECB remarks and the repricing of the ECB rate path appear to be the main driver more recently. Two-year German bund yields are around 40bp higher since the end of February.

German Yields Climb to The Highest Since 2023
Energy price gains arising from the war in Iran fuel inflation fears



Source: Bloomberg
Bloomberg

ECB takes over from oil
Brent crude price and Schatz yield, in %

Source: Bloomberg, Commerzbank Research

United Kingdom

UK gilts continue to underperform European peers as markets reassess rate path. Gilt yields continued to rise this morning, underperforming European peers as markets reassess the path for monetary policy. Two-year gilts were up 4bp at 4.04% and 10-year gilts were also 4bp higher at 4.72%. As oil prices continue to climb, money markets are beginning to anticipate some monetary tightening from the BoE over the coming year. Analysts at Goldman Sachs have pushed back their forecast on the timing of a BoE rate cut to July from April as they expect the MPC will want to wait for more information on how the conflict evolves. In their adverse scenario, where energy flows through the Strait of Hormuz are disrupted for 30 days, the analysts expect one rate cut from the MPC, but if flows are disrupted for 60 days (very adverse scenario), the analysts expect the BoE to keep rates on hold through the end of the year.

Exhibit 9: We Maintain our Forecast for Unchanged ECB Rates but Push Back Our Forecast for the Next BoE Cut to July

Source: Goldman Sachs Global Investment Research, Haver Analytics

Japan

Higher oil prices and BOJ uncertainty weighed on the yen. The yen is hovering near its weakest level against the dollar in a year, but official intervention is seen as less likely in the near term. The yen briefly slid to ¥159.24/$, approaching the ¥159.45/$ level that prompted a rate check for potential official intervention in January. The yen is seen as vulnerable to further weakness given rising oil prices and safe-haven flows into the US dollar. Meanwhile, traders are looking to the upcoming BOJ meeting to gauge potential catalysts, in addition to oil prices, which could shape the yen's trajectory. The Commonwealth Bank of Australia expect the yen to weaken past the ¥160/$ level if the rise in oil prices is sustained. At the same time, dovish signals from the BOJ could also weaken the yen.

Dollar-Yen Breaks Above 159 Level

Source: Bloomberg

Emerging Markets

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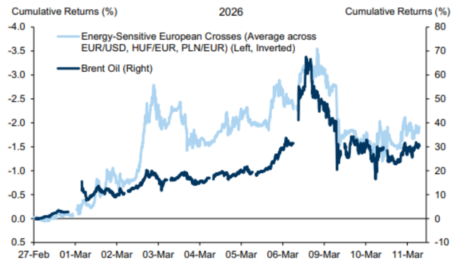
EMEA risk assets were mixed but mostly lower. UAE equities underperformed (-4%) amid reports of drone attacks disrupting aviation across the Gulf, damaging Kuwait's main airport and briefly suspending flights in Dubai and Riyadh, while debris from drones was reported near Dubai's financial district. **Other Asian markets saw a sea of red amidst the global selloff.** Korea remained under severe pressure. **Latin**

American markets mostly retreated as the Middle East conflict continues. Most currencies weakened against the dollar, led by the Chilean Peso (-0.7%). Local equity indices were mixed, with Peru and Chile indices posting losses (-1.9% and -1.5%, respectively) although Brazil and Mexico posted marginal gains (+0.3% and +0.2%, respectively).

Eastern Europe

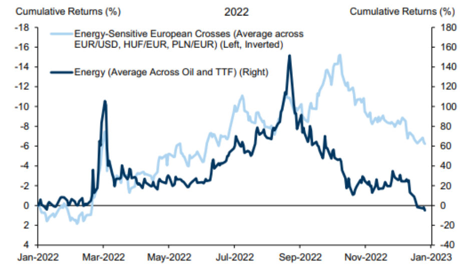
The 2022 energy shock showed that energy-sensitive currencies such as the Hungarian forint and Polish zloty can weaken persistently even after oil prices peak, Goldman Sachs (GS) writes. Recently, both currencies have tracked intraday oil movements closely, rebounding as prices pulled back on signs of potential de-escalation and possible emergency reserve releases, but weakening as oil prices rose again. However, past experience suggests that the FX impact of deteriorating energy terms of trade can unfold more gradually and may peak later than energy prices themselves. Having said that, GS believes that the current shock is more Asia-centric.

Exhibit 4: Energy-sensitive currencies have tracked intraday oil moves relatively tightly over the past two weeks...



Source: Goldman Sachs Global Investment Research, Bloomberg

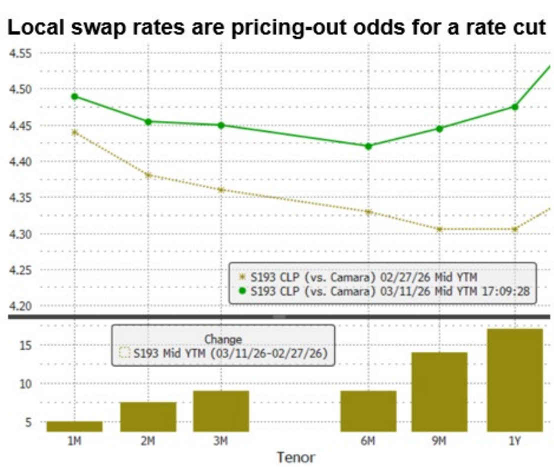
Exhibit 5: ...the same was true in the initial stages of the 2022 energy shock, but the FX impact ultimately extended more gradually and peaked later than energy prices did



Source: Goldman Sachs Global Investment Research, Goldman Sachs FICC and Equities, Bloomberg

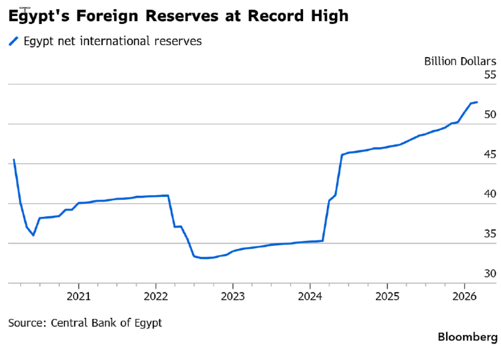
Chile

Near-term rate-cut expectations recede. Chile economists dropped their calls for a 25 bps policy cut at the central bank's meeting on March 24. According to the central bank's monthly survey of analysts, policymakers are now expected to hold policy rates at 4.5% through April. Nonetheless, expectations for a cut to 4.25% by the end of the year remains. Last week, Vice President Alberto Naudon cautioned that the Middle East conflict is likely to be inflationary in the near term, with the scope and duration of the conflict key to assessing the economic impact. Bloomberg analysts also note Chile's vulnerability given its heavy reliance on imported fuel. Since the conflict began, local swap markets have also gradually priced out near-term easing to its policy rate.



Egypt

Egypt's economy is facing renewed pressure from the Iran war, as capital outflows, currency weakness, and higher energy prices test its resilience to external shocks. Since the conflict began, around $7 billion has exited local debt markets, the pound has fallen about 8% to a record low, and Egyptian bonds and equities have declined, while oil near $100 per barrel is increasing fiscal and inflation pressures for a country heavily reliant on energy imports. The authorities have allowed the currency to act as a shock absorber and raised fuel prices to contain budget pressures, while FX reserves remain relatively strong at about $53 billion. Today, the Egyptian pound was 0.9% weaker versus the US dollar.



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Global Financial Indicators

3/12/26 7:53 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,776	-0.1	-1.4	-0.8	21.0	-1
Europe		5,775	-0.3	-0.1	-3.9	7.8	0
Japan		54,453	-1.0	-1.5	-4.4	48.0	8
China		4,688	-0.4	0.9	0.6	19.8	1
Asia Ex Japan		101	0.5	-0.1	-2.7	34.0	8
Emerging Markets		59	0.3	-0.4	-3.3	33.8	8
Interest Rates					basis points		
US 10y Yield		4.2	-1	8	12	-10	5
Germany 10y Yield		2.9	0	9	15	5	7
Japan 10y Yield		2.2	2	3	-5	66	12
UK 10y Yield		4.7	3	17	26	-1	23
Credit Spreads					basis points		
US Investment Grade		126	5	11	18	-4	19
US High Yield		354	2	5	23	-4	18
Exchange Rates					%		
USD/Majors		99.3	0.0	-0.1	2.4	-4.2	1
EUR/USD		1.16	-0.1	-0.4	-2.6	6.1	-2
USD/JPY		158.7	-0.2	0.7	3.9	7.0	1
EM/USD		46.8	0.2	0.4	-1.9	4.6	0
Commodities					%		
Brent Crude Oil ($/barrel)		97.2	5.6	13.8	45.2	44.3	61
Industrials Metals (index)		173.9	0.2	2.9	3.2	13.5	6
Agriculture (index)		56.9	0.9	3.4	5.8	-1.1	6
Gold ($/ounce)		5178.6	0.0	1.9	5.2	76.5	20
Bitcoin ($/coin)		70542.3	-0.2	4.6	7.2	-15.1	-20
Implied Volatility					%		
VIX Index (%, change in pp)		25.0	0.7	1.2	4.1	0.7	10.0
Global FX Volatility		8.1	0.0	0.2	0.5	-0.3	1.2
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		75	2	5	15	-7	16
Italy		75	1	3	15	-37	5
France		65	1	2	6	-3	-6
Spain		48	1	2	11	-14	5

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

Emerging Market Financial Indicators

3/12/2026 7:54 AM	Exchange Rates: Level Last 12m	Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level Last 12m	Latest	Change (in basis points) 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.87	0.1	0.6	0.5	5.4	1.8		1.9	1	4	4	-4	-3
Indonesia		16893	0.0	0.1	-0.4	-2.6	-1.3		6.5	2	14	29	-32	50
India		92	-0.2	-0.6	-1.7	-5.4	-2.5		7.5	-3	14	19	67	39
Philippines		59	-0.4	-1.3	-2.2	-3.4	-0.8		5.3	0	33	42	16	60
Thailand		32	-0.2	-0.3	-2.5	6.1	-1.1		2.0	0	10	7	-19	30
Malaysia		3.93	-0.1	0.5	-0.6	12.8	3.4		3.5	-1	0	-1	-22	4
Argentina		1396	0.3	0.4	0.6	-23.6	4.0		32.6	-12	30	-307	156	24
Brazil		5.16	0.0	1.4	0.5	12.7	6.6		13.5	4	26	32	-128	-4
Chile		899	-0.2	1.6	-4.6	4.3	0.2		5.3	1	6	11	-35	-2
Colombia		3704	0.0	1.3	-0.9	11.6	1.9		13.5	14	-14	59	200	67
Mexico		17.72	-0.2	0.0	-2.8	13.9	1.7		8.9	7	20	28	-70	-7
Peru		3.4	0.3	-0.3	-2.0	7.1	-1.8		6.6	0	9	77	10	80
Uruguay		40	-0.3	-2.2	-4.0	5.4	-2.5		7.3	5	13	6	-239	-23
Hungary		336	-0.1	-0.4	-4.9	9.2	-2.5		6.8	14	44	49	7	31
Poland		3.69	-0.4	-0.1	-3.8	4.4	-2.7		4.9	15	28	51	-76	30
Romania		4.4	-0.2	-0.5	-2.7	3.7	-1.7		6.7	15	35	43	-61	1
Russia		79.3	-0.2	-0.6	-2.6	9.8	-0.7							
South Africa		16.5	-0.2	0.8	-3.4	11.0	0.2		8.7	8	25	48	-189	14
Türkiye		44.12	-0.1	-0.2	-1.0	-17.1	-2.6		32.1	27	117	188	380	252
US (DXY; 5y UST)		99	0.0	0.0	2.4	-4.2	1.0		3.79	-1	7	13	-28	7

	Equity Markets: Level Last 12m	Latest	Change (in %) 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level Last 12m	Latest	Change (in basis points) 7 Days	30 Days	12 M	YTD
									basis points				
China		4,688	-0.4	0.9	0.6	19.8	1.2		108	1	7	8	33
Indonesia		7,362	-0.4	-4.5	-10.4	10.8	-14.9		110	-4	11	6	24
India		76,034	-1.1	-5.0	-8.0	3.0	-10.8		95	1	11	-15	5
Philippines		6,114	-0.7	-4.2	-4.2	-2.1	1.0		89	-3	9	-6	14
Thailand		1,430	1.6	0.9	0.0	23.3	13.5						
Malaysia		1,711	0.1	-0.1	-1.6	13.3	1.8		61	-5	2	-21	2
Argentina		2,770,635	2.6	7.4	-2.8	21.9	-9.2		560	16	50	-163	-9
Brazil		183,969	0.3	-0.8	-2.0	48.5	14.2		196	-3	-3	-35	-7
Chile		10,505	-0.9	2.0	-4.3	42.1	0.2		88	-6	-4	-35	-3
Colombia		2,275	0.1	4.3	-2.3	42.2	10.0		280	-12	20	-51	3
Mexico		67,560	0.2	-4.1	-4.7	29.8	5.1		210	-4	-1	-110	-7
Peru		3,358	-1.9	-3.5	0.7	98.5	30.0		107	-8	-2	-37	-2
Hungary		123,335	0.6	-1.5	-5.3	41.7	11.1		141	3	13	-12	2
Poland		121,492	-0.3	-1.2	-4.0	30.0	3.6		93	-1	2	-20	2
Romania		28,082	-0.6	2.1	-0.3	61.0	14.9		175	8	18	-74	-1
South Africa		117,979	0.5	-1.8	-3.5	35.8	1.9		239	4	13	-79	21
Türkiye		13,369	1.3	2.2	-5.7	26.4	18.7		274	6	32	-6	40
EM total		59	-0.3	-0.4	-3.3	33.8	7.5		268	-3	8	-107	-3

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

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