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- Policy uncertainty at highest level since April 2025 ([link](#))
- Asian governments introduce fiscal measures to contain war fallout ([link](#))
- European bank shares fall on private credit worries ([link](#))
- Foreign investors turn negative on Japanese government bonds ([link](#))
- Peru stays on hold despite rising inflation ([link](#))

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Fog of war clouds global prospects

Global markets remain under pressure as it becomes clear that the war in the Middle East is likely to drag on for the foreseeable future. Brent oil is still nearly at \$100/barrel as the closure of the Strait of Hormuz enters its 14th day. The dollar continues to strengthen on safe haven buying and volatility continues to increase. Government bond yields are moving higher as markets confront the possibility that inflation could return and central banks could turn hawkish. China has very large oil reserves and may stay resilient over the next few weeks, but the rest of Asia has come under scrutiny as governments introduce special measures to support their populations in the midst of higher energy prices. Investors are sorting out the regional winners and losers of the Gulf war, with Israel and Saudi Arabia doing well while Egypt and the UAE sell off. Meanwhile, worries about private credit continue to grow in both the US and Europe.

Key Global Financial Indicators

Last updated: 3/13/26 8:06 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6673	-1.5	-2	-2	21	-3
Eurostoxx 50		5752	0.1	1	-4	8	-1
Nikkei 225		53820	-1.2	-3	-5	45	7
MSCI EM		57	-3.2	-1	-7	30	4
Yields and Spreads			bps				
US 10y Yield		4.26	-0.6	12	21	-1	9
Germany 10y Yield		2.95	-0.7	9	20	10	10
EMBIG Sovereign Spread		257	4	3	13	-72	4
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.3	-0.1	0	-3	4	-1
Dollar index, (+) = \$ appreciation		100.1	0.3	1	3	-4	2
Brent Crude Oil (\$/barrel)		99.0	-1.4	7	46	42	63
VIX Index (% change in pp)		25.9	-1.4	-4	5	1	11

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

Mature Markets

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Oil Markets

Analysts are predicting that the oil market will remain disrupted for longer than expected due to the prolonged closure of the Strait of Hormuz. For example, Goldman has raised its forecast for closure of the Strait to 21 days from its earlier forecast of 10 days. Its analysts estimate that oil exports through the Persian Gulf have fallen by 16.2 mn barrels per day, making it the largest oil shock in history, and have raised their Q4 2026 forecasts for the price of Brent/WTI crude to \$71/\$67 from \$66/62. They predict that the price of Brent could average \$98 through March and April and warn that a more prolonged closure risks a return to the \$140 level seen in 2008. The pace of attacks on the Gulf countries has increased over the past two days, making it less likely that the Strait will be reopened in the near future. Markets around the world have begun to price in higher risks of inflation due to the rise in oil prices, as government bond yields begin to move up and central bank pricing turns more hawkish. The optimistic mood among investors at the start of the year has quickly faded.

Exhibit 1: We Now Assume 21 Days (vs. 10 Days Prior) of Low Strait of Hormuz Oil Exports Before a 30-Day Gradual Recovery

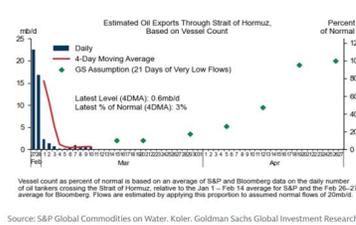
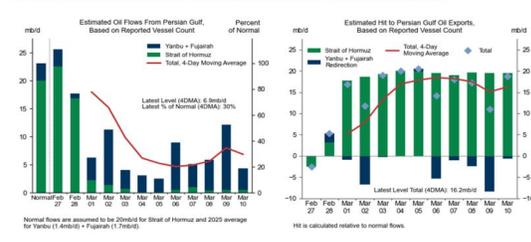


Exhibit 2: The Estimated Total Hit to Oil Exports From the Persian Gulf Stands at 16.2mb/d



United States

Policy uncertainty is at the highest level since the April 2025 tariff announcements. According to analysis by Bank of America, the US Policy Uncertainty Index is at now at a level four standard deviations above the 10-year average and the current war in the Persian Gulf marks the sixth major global policy shock of the century. Initial hopes of a short war are fading away and market volatility has started to tick higher, albeit at a moderate pace, with the VIX near 26 and the MOVE interest rate volatility index nearing above 95. Yesterday, the S&P 500 was down for the fifth time in the previous six trading sessions. However, the index is just 3.5% below its record close on January 27, and history shows that US equities tend to post higher gains after periods of extreme policy uncertainty than they do in normal periods.

Exhibit 5: The sixth policy shock this century
US Economic Policy Uncertainty Index, 10-year z-score

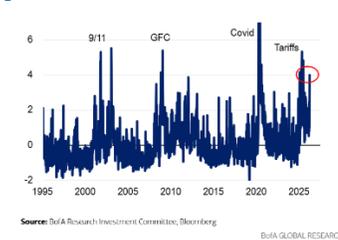
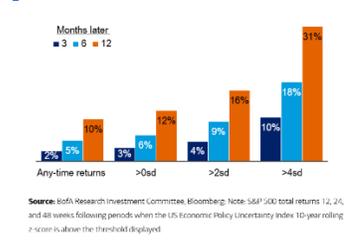


Exhibit 6: Extreme policy uncertainty - historically bullish for stocks
S&P 500 returns after high US economic policy uncertainty

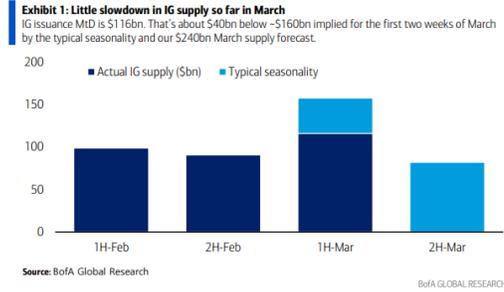


The latest US PCE inflation report came in almost exactly on target. The market response was limited. The impact of the war in the Persian Gulf will be reflected in next month's report.

US PCE Inflation Report
Source: Bloomberg

Variable	Consensus Forecast	Actual Data
PCE Price Index Month-on-Month	0.3%	0.3%
PCE Price Index Year-on-Year	2.9%	2.8%
Core PCE mom	0.4%	0.4%
Core PCE yoy	3.1%	3.1%

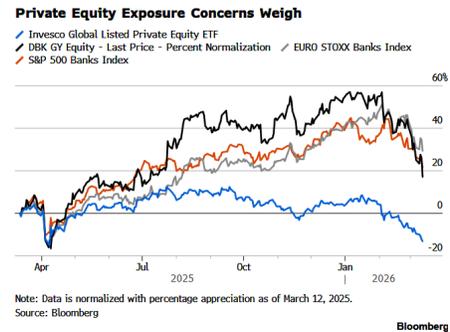
The volume of corporate bond issuance in the US has picked up sharply after an initial slowdown in the first days of the war in the Middle East. Last Tuesday saw a new record high for investment grade (IG) daily issuance at \$65.8 bn. The 20 bps rise in investment grade credit spreads since the war began has led to a surge of investor demand as credit spreads earlier in the year had reached near record tight levels. The rise in Treasury yields has also supported demand as the all-in yields buyers receive from the newly issued bonds become even more attractive. Bank of America notes that Amazon’s giant \$37 bn and €10 bn bond sales this week brings 2026 hyperscaler supply to \$107 bn of dollar, Sterling, and euro-denominated bonds. The bank’s analysts estimate hyperscaler supply will hit \$140 bn this year, so 76% of the funding initiative has already been created. They expect hyperscaler credit spreads to tighten as new supply dries up.



Euro Area

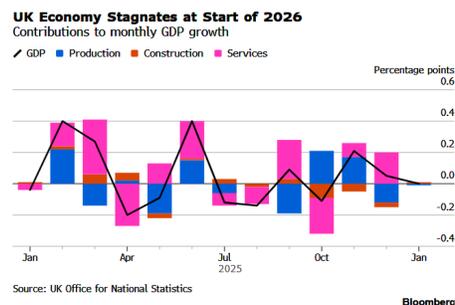
European equities were trading lower as Brent oil prices held near \$100 per barrel. The Stoxx 600 was trading around 0.4% lower, with the banking sector index again underperforming (-1.0%) and regional bourses also in negative territory. The euro extended its decline against the dollar to trade 0.5% weaker near 1.1463, to reach a seven-month low according to Bloomberg data. European government bond yields were slightly lower with the two-year bund yield -2bp at 2.49%.

European banking sector shares declined sharply on private credit exposure concerns. Yesterday, the European banking sector index declined by around 3.5%, underperforming the Stoxx 600 which was around 0.6% lower. Shares in Deutsche Bank fell by over 7% during trading yesterday, dragging the index lower after the bank revealed that it has a €26bn exposure to private credit. Recent high-profile corporate failures have raised investors’ concerns about risks associated with the private credit market as well as concerns around underwriting standards. According to Bloomberg, Deutsche Bank’s exposure to private credit would make it one of the largest lenders to the asset class relative to peers. Elsewhere, Bloomberg analysts note that the banking sector looks vulnerable to a larger sell-off as valuations appear less attractive following strong performance in recent years. In addition, the analysts note that rising macroeconomic uncertainty and “late-cycle credit dynamics present additional risk” with provisions for bad debt at cyclical lows.



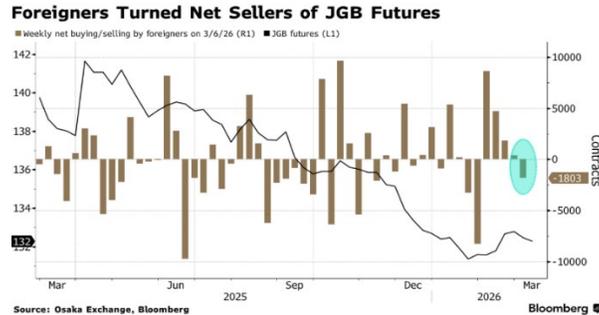
United Kingdom

UK January monthly GDP surprises to the downside. Monthly GDP showed zero growth, versus expectations of 0.2%, and following positive outturns in November and December. The services sector reported no growth (consensus: 0.2%), with figures for December revised lower to 0.2% from 0.3% m/m. HSBC analysts argue that given recent geopolitical developments and the spike in energy prices, today’s data is “very much in the rear-view mirror.” The analysts had expected the BoE to gradually ease interest rates as disinflation progressed but now expect Bank Rate to remain unchanged until Q4 2026 as higher energy prices stoke inflation. Morgan Stanley analysts caution that precautionary savings may rise sharply in coming quarters given UK households’ experience of the post-2022 energy price shock, which would act as a drag on growth. UK gilt yields were higher across the curve with the 10Y gilt up 2bp at 4.79% and the 2Y gilt at around 4.10%. Pound sterling weakened (-0.6%) in early morning trade against a broadly firmer dollar to trade at 1.3268.

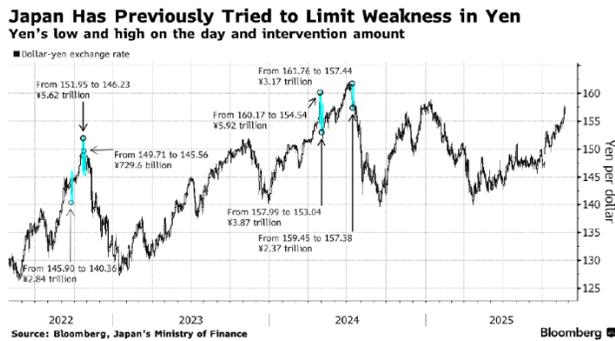


Japan

Foreign investors turned negative on JGBs amid the recent market volatility. Data from the Osaka Exchange showed that overseas investors offloaded 1,803 futures contracts in the week ended March 6th, the first net selling since late January. The net short futures position represents a sharp shift in sentiment from just a week prior. In the week ending February 28th, Ministry of Finance data showed that foreign investors were net buyer of JGBs, totally ¥2.5 tn (\$15.92 bn), the largest weekly inflow in a month. The shift came as JGB cash yields rose and market sentiment deteriorated. Moreover, analysts noted that with nonresidents accounting for more than 70% of JGB futures trading, foreign investors’ positions could have increasingly large impact on JGB market moves. JGB yields rose as much as 3bps (2-year) to 7 bps (10-year) across the curve on the day.



Meanwhile, **the yen fell to its weakest level since 2024** as investors reduced risks. The yen fell as much as 0.2% to ¥159.69/\$ before ending the day little changed at ¥159.40/\$. Its current level is approaching levels where official interventions took place. That said, analysts expect a higher threshold for official intervention in the current juncture as yen weakness has been driven by safe haven flows to the US dollar, rather than positioning and speculation during the bout of yen weakness earlier in the year. Meanwhile, Finance Minister Katayama noted that the Japanese financial authorities are staying in “closer” than usual contact with US counterparts given widespread market volatility.



Emerging Markets

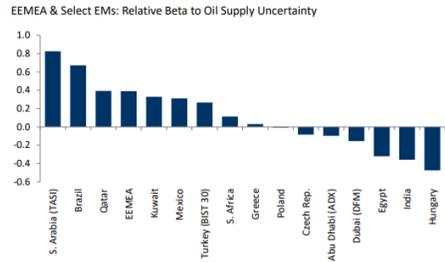
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EMEA risk assets were mixed but skewed lower as oil held near \$100 per barrel, weighing on sentiment. Turkish equities underperformed (-2%), reflecting their sensitivity to higher energy prices. Yesterday, the Turkish central bank stayed on hold at 37% as expected. **Asian financial markets extended their sell offs.** India’s Nifty index lost 2%, underperforming regional peers and is heading for its worst weekly performance in 14 months. By Bloomberg’s estimate, foreign investors pulled out about \$4.3 bn from Indian equities so far this month, with March on track for the largest monthly outflows since February 2025. Currencies also weakened broadly. **In Latin America, markets resumed their declines as rising energy prices fuel concerns over global inflation and growth.** Most currencies weakened against the dollar, led by the Chilean Peso (-2.2%) and Brazilian Real (-1.7%).

EMEA Equities

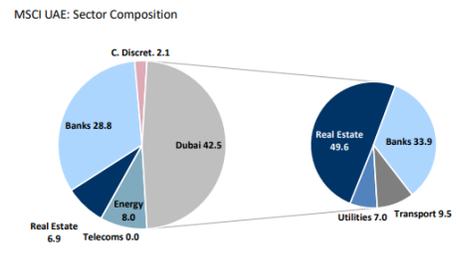
Amid the Iran conflict, equity positioning shifted toward energy beneficiaries and defensives. Morgan Stanley (MS) upgraded Saudi Arabia to overweight given higher oil prices, low investor positioning, and the support of its US dollar peg, while the UAE and Egypt are downgraded to equal weight due to risks to tourism and property, and Egypt’s external balance as a net oil importer reliant on tourism and Suez revenues. Saudi stocks are up 2% since the start of the conflict, compared to -8% for broad EM. MS prefers defensive sectors including CEE refiners, South African gold miners and chemicals, Turkish defensives (refiners, defense, staples, telcos) and Czech utilities.

Exhibit 3: Saudi Arabia is most positively exposed to oil supply uncertainty shocks globally, while Hungary and Egypt are among the most negatively exposed



Note: We used MSCI indices unless indicated otherwise; Betas are calculated based on weekly returns relative to MSCI EM, and uncertainty in oil supply is measured by 12-month Z-score of 12-month forward oil spreads. Source: Bloomberg, FactSet and Morgan Stanley Research

Exhibit 5: Dubai has a strong skew toward real estate, while Abu Dhabi appears more resilient given its energy sector and banks with strong sovereign buffer



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

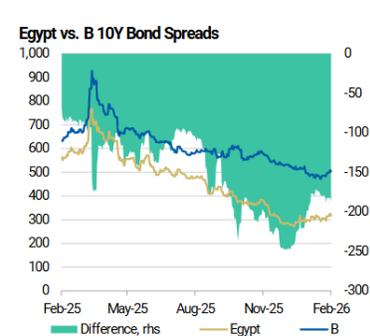
Special Measures in Asia

Regional governments have introduced varied fiscal responses to contain the fallout from the war in Iran. In **Korea**, the President’s Office noted the possibility of a supplementary budget to help households manage higher fuel prices. In **Taiwan POC**, the government announced a 50% commodity tax cut on gasoline and diesel to help offset the 4–5% increase in gasoline and diesel prices in the past week. The government in the **Philippines** has set aside about 0.2% of GDP in cash subsidies for public utility vehicle drivers. **Malaysia** reportedly plans to maintain the subsidized price of petrol for the next two months. By contrast, **India** has announced price hikes for retail and commercial LPG cylinders (used in cooking gas) given limited inventory amid supply disruptions for LPG.

Egypt

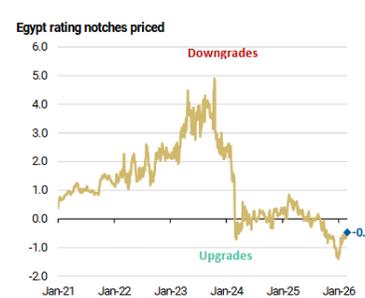
Egypt’s rating upgrade path might be more uncertain as war highlights vulnerabilities via oil, tourism and Suez revenues, Morgan Stanley writes. However, in a benign scenario where tensions ease, Egypt’s sovereign spreads could outperform B-rated peers again and markets could gradually price a full one-notch upgrade—versus roughly half a notch currently implied—potentially paving the way for a Moody’s upgrade given the existing positive outlook.

Exhibit 6: Egypt has underperformed year to date...



Source: Bloomberg, Morgan Stanley Research

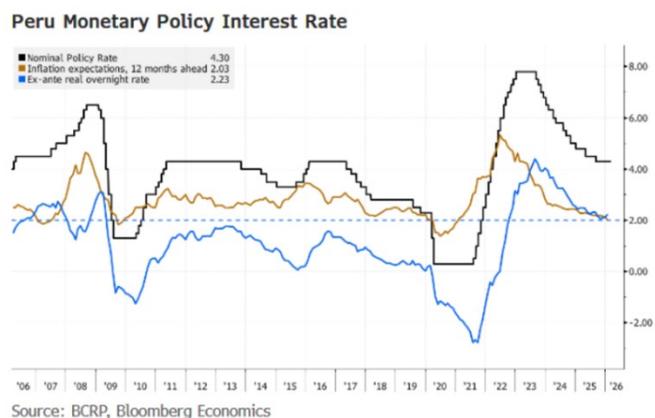
Exhibit 7: ...now pricing in 0.5 upgrades



Source: Bloomberg, Morgan Stanley Research

Peru

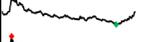
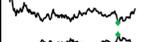
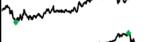
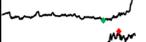
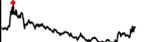
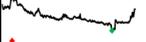
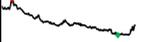
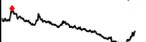
Central bank kept policy rate steady as expected for the sixth consecutive meeting, at 4.25% as expected by all nine analysts surveyed by Bloomberg. The central bank expects inflation to temporarily move toward the upper end of its target range (1% to 3%) “in the coming months”, citing bad weather, rising global fuel prices, and a domestic natural gas crisis. The central bank also maintained a cautious outlook, citing that the Middle East conflict has increased market volatility and oil prices. In February, Peru’s inflation rose 2.2% y/y (from 1.7% in January), the fastest pace since 2024, with analysts expecting price pressure to further increase this month. Bloomberg analysts noted that the real policy rate is around 2.1%, adjusted for one-year inflation expectations, and just marginally above the central bank’s estimated neutral rate of 2%.



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

3/13/26 8:07 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,687	-1.5	-0.8	-2.2	21.1	-2
Europe		5,752	0.1	0.6	-3.9	8.0	-1
Japan		53,820	-1.2	-3.2	-5.3	45.2	7
China		4,669	-0.4	0.2	0.2	16.5	1
Asia Ex Japan		98	-3.0	-0.9	-5.9	30.8	5
Emerging Markets		57	-3.2	-1.2	-6.8	30.1	4
Interest Rates			basis points				
US 10y Yield		4.3	-1	12	21	-1	9
Germany 10y Yield		3.0	-1	9	20	10	10
Japan 10y Yield		2.3	7	9	3	71	19
UK 10y Yield		4.8	0	14	35	9	29
Credit Spreads			basis points				
US Investment Grade		131	0	9	19	-1	24
US High Yield		367	5	7	20	-6	31
Exchange Rates			%				
USD/Majors		100.1	0.3	1.1	3.3	-3.6	2
EUR/USD		1.15	-0.3	-1.3	-3.3	5.7	-2
USD/JPY		159.3	0.0	1.0	4.3	7.8	2
EM/USD		46.3	-0.1	-0.5	-2.9	3.5	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		99.0	-1.4	6.8	47.6	48.8	64
Industrials Metals (index)		172.3	-1.1	0.0	2.9	11.8	5
Agriculture (index)		56.5	-0.4	0.3	5.6	-2.7	6
Gold (\$/ounce)		5113.0	0.7	-1.1	1.4	71.1	18
Bitcoin (\$/coin)		72404.3	3.2	7.7	5.1	-9.9	-17
Implied Volatility			%				
VIX Index (% change in pp)		25.9	-1.4	-3.6	5.3	1.2	11.0
Global FX Volatility		8.3	0.0	-0.1	0.7	0.1	1.4
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		79	0	4	18	-6	20
Italy		79	0	3	18	-36	9
France		68	1	3	9	-2	-3
Spain		50	0	1	12	-14	7

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

Emerging Market Financial Indicators

3/13/2026 8:09 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		6.89	-0.2	0.2	0.2	5.1	1.4		1.9	-1	3	4	-1	-4
Indonesia		16958	-0.4	-0.2	-0.7	-3.1	-1.6		6.6	5	22	34	-27	55
India		92	-0.3	-0.8	-2.0	-5.9	-2.8		7.5	3	6	24	71	42
Philippines		60	-0.6	-1.2	-2.9	-4.0	-1.3		5.4	7	16	51	20	67
Thailand		32	-0.1	-1.1	-3.6	4.6	-2.3		2.1	4	14	12	-15	33
Malaysia		3.94	-0.3	0.2	-0.8	12.6	3.1		3.6	0	0	1	-21	5
Argentina		1396	0.0	0.8	0.1	-23.6	4.0		33.0	35	70	-274	152	59
Brazil		5.23	0.2	0.1	-0.2	10.8	5.0		13.8	25	29	60	-111	22
Chile		917	0.0	-0.5	-6.0	2.1	-1.7		5.3	5	10	16	-30	4
Colombia		3690	0.4	2.3	-0.6	11.3	2.3		13.7	14	2	79	209	81
Mexico		17.85	0.1	-0.3	-3.8	12.6	0.9		9.1	19	23	52	-50	12
Peru		3.4	-0.8	0.0	-2.7	6.2	-2.5		6.6	0	3	83	17	85
Uruguay		40	-0.7	-1.2	-4.1	5.1	-3.2		7.4	15	27	23	-222	-8
Hungary		342	-0.3	-1.2	-6.6	7.7	-4.3		7.0	17	51	69	19	48
Poland		3.72	-0.3	-1.3	-4.7	3.5	-3.6		5.1	21	36	77	-56	51
Romania		4.4	-0.4	-1.4	-3.4	3.3	-2.4		6.9	23	50	69	-30	24
Russia		80.5	-1.2	-2.2	-4.5	7.0	-2.2							
South Africa		16.8	0.0	-1.5	-5.1	9.1	-1.4		8.9	19	42	68	-172	33
Türkiye		44.19	-0.1	-0.3	-1.1	-17.2	-2.8		32.8	64	213	270	435	316
US (DXY: 5y UST)		100	0.3	1.1	3.3	-3.6	1.8		3.85	-2	12	25	-18	12

	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		4,669	-0.4	0.2	0.2	16.5	0.8		107	1	2	5	32	
Indonesia		7,137	-3.1	-5.9	-13.1	9.5	-17.5		109	-3	5	6	23	
India		74,564	-1.9	-5.5	-10.5	1.0	-12.5		96	2	8	-9	6	
Philippines		6,059	-0.9	-4.1	-4.9	-3.7	0.1		90	1	4	-4	15	
Thailand		1,409	-1.4	-0.1	-2.0	20.1	11.9							
Malaysia		1,699	-0.7	-1.1	-2.4	12.3	1.1		63	0	2	-18	4	
Argentina		2,695,424	-2.7	4.9	-4.3	20.8	-11.7		569	17	53	-152	0	
Brazil		179,284	-2.6	-0.7	-3.9	42.7	11.3		194	-5	-11	-36	-9	
Chile		10,400	-1.0	0.8	-4.6	39.6	-0.8		90	-2	-6	-33	-1	
Colombia		2,172	-4.5	-0.1	-8.3	36.4	5.0		283	-13	20	-44	6	
Mexico		66,086	-2.2	-3.4	-7.5	27.4	2.8		216	0	9	-101	-1	
Peru		3,228	-3.9	-3.3	-2.1	86.7	24.9		110	-5	-5	-33	1	
Hungary		122,305	0.2	0.3	-3.7	41.1	10.2		146	7	10	-5	7	
Poland		120,887	0.0	0.2	-2.9	27.3	3.1		92	-2	-5	-23	1	
Romania		28,274	0.0	3.0	1.8	62.9	15.7		182	14	20	-66	6	
South Africa		116,142	-0.7	-0.4	-3.7	33.4	0.3		246	10	18	-72	28	
Türkiye		13,084	-1.5	2.3	-7.7	22.0	16.2		280	12	36	3	46	
EM total		57	0.0	-1.2	-6.8	30.1	4.1		271	-1	9	-102	-1	

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

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