



- **Risks assets rebound yesterday as oil price surge takes a brief pause** ([link](#))
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- **February headline inflation surprises to the upside in Israel** ([link](#))
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Yesterday's Rally Consolidates as Optimism Dashed by Renewed Strikes

This morning, US equity futures were little changed, and the dollar was about flat as attacks on energy hubs in the Middle East renewed. Global bourses in Asia and Europe largely rallied overnight following a decline in Brent crude oil to just above USD 100/bbl yesterday, which coincided with a gain in the S&P 500 index of around 1%. This morning, however, front-month crude oil futures are again higher by around 3% due to fresh reports of damage to energy infrastructure and targeted strikes by Israel. Reports of a US-led coalition to escort ships through the Strait of Hormuz are in doubt given caution voiced by EU foreign ministers and other countries. Meanwhile, traders are waiting for central bank decisions. The RBA, in a close decision, hiked rates by 25bp this morning, taking a firm position on inflation and citing second-round effects from higher oil prices. The Fed will be closely watched tomorrow. BofA's recent Fund Management Survey indicates sentiment is strongly bearish, ending the "frothy bull" sentiment of recent months; geopolitical uncertainty has reduced conviction, USD positioning by funds has swung to neutral levels from previously record underweights, and EMs have seen clear position unwinds.

Key Global Financial Indicators

Last updated: 3/17/26 8:08 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
S&P 500		6699	1.0	-1	-2	18	-2
Eurostoxx 50		5756	0.3	-1	-4	6	-1
Nikkei 225		53700	-0.1	-1	-6	42	7
MSCI EM		58	2.8	0	-4	29	7
Yields and Spreads							
US 10y Yield		4.22	0.4	6	16	-8	5
Germany 10y Yield		2.92	-3.2	8	18	10	7
EMBIG Sovereign Spread		269	7	-1	23	-61	16
FX / Commodities / Volatility							
EM FX vs. USD, (+) = appreciation		46.4	0.0	-1	-3	3	0
Dollar index, (+) = \$ appreciation		99.8	0.1	1	3	-3	1
Brent Crude Oil (\$/barrel)		103.5	3.3	18	54	46	70
VIX Index (% change in pp)		23.5	-0.1	-1	3	3	9

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

Equities kicked off the week in a firmer footing amid a pause in the surge in crude oil prices, while the US dollar weakened against most major currencies. The VIX edged lower. US Treasury yields fell by around 4-5bps across the curve.

Policy rate expectations have shifted materially since the onset of the conflict.

One-year forward one-year SOFR has risen by around 40bps since end-February, when tensions in the Middle East escalated. Hawkish implications for PCE from last week's CPI report, combined with renewed upside risks from commodity prices, complicate the outlook for Fed rate cuts. Bank of America analysts, however, argue that the repricing in money market rates may be excessive. They note that the Fed's reaction function to oil price shocks is asymmetric: policymakers are less likely to hike in response to higher oil prices—given the associated recession risks—than to cut. They also expect the Fed to look through oil-driven inflation pressures, placing greater weight on longer term inflation expectations and underlying wage dynamics.

Exhibit 10: 1y1y SOFR pricing has moved in-line with short term inflation expectations in the last 30 days

1y1y SOFR (% LHS) vs 2y inflation swap pricing (% RHS) since 11 Feb 2026 in 15min increments



Source: Bloomberg

BofA GLOBAL RESEARCH

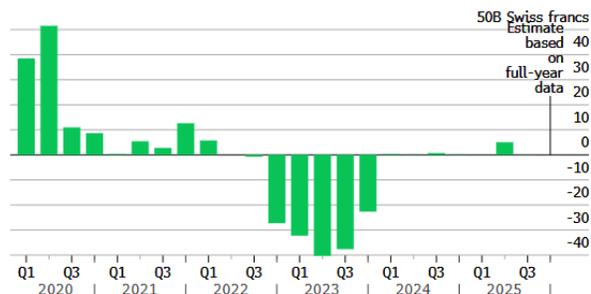
Euro Area

European equities consolidate yesterday's gains in early morning trade. The Stoxx 600 was trading around 0.5% higher, with the banking sector index outperforming (+0.8%). Regional bourses were also trading in positive territory as oil prices stabilized on hopes of possible escorts of ships through the Strait of Hormuz. The euro was relatively unchanged against the dollar at 1.1507. On the data front, **Germany's March ZEW survey of investor expectations surprised sharply to the downside.** The index printed at -0.5, sharply below consensus estimates of a 39.2 reading and down from 58.3 in February. 10Y German bund yields declined by around 3bp immediately following the release to trade at 2.92% with yields broadly lower across the curve. Intra-EMU government bond spreads were a touch tighter with the 10Y OAT-Bund spread at 65bp and the 10Y BTP-Bund spread at 76bp, leaving both trading below recent wides.

Switzerland

Swiss National Bank expected to keep rates unchanged on Thursday. ING analysts expect the Swiss National Bank (SNB) to keep rates at 0% at this week's meeting given opposing implications from the war in the Middle East. On the one hand, the currency has gained since the war, reaching a historic high against the euro at .090, which would fuel further disinflation. On the other hand, the rise in energy prices could fuel inflation, leaving the SNB facing a highly uncertain situation. The analysts believe that policymakers may be tilted to intervene in the FX market given the strength in the franc, which is around 3% firmer YTD against the euro. According to ING, the strength of the currency will exert a larger disinflationary impact given imported goods account for around 22% of the CPI basket, larger than

SNB Refrained From Interventions in Fourth Quarter of 2025



Source: SNB, Bloomberg calculations

Bloomberg

the share of energy. The analysts also believe that the SNB may consider adjusting the remuneration rates on CHF sight deposits. Bloomberg reports that in 2025, the SNB purchased foreign exchange worth 5.2bn francs (\$6.6bn), most of which was done in Q2 2025.

Israel

February headline inflation surprises to the upside in Israel.

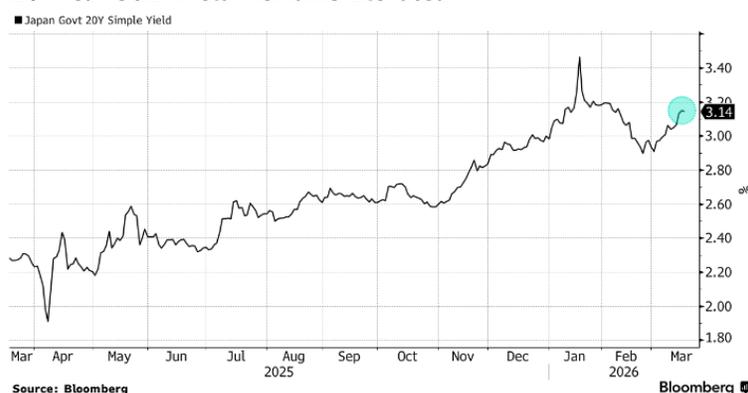
CPI printed at 2.0%/y, ahead of consensus expectations of 1.9%, with services inflation the main driver. Sunday's data release prompted analysts at JP Morgan to raise their inflation outlook and now project CPI to reach 2.4%/y by year-end, up from 2.0% a few weeks ago. Given their revised inflation forecast, the analysts now expect the Bank of Israel to scale back rate cuts this year, with easing pushed back to 2027. For 2026, the analysts now expect only one 25bp rate cut, down from a total of 75bp cuts previously with 50bp of easing pushed back into 2027, to take the terminal rate to 3.25%.



Japan

Robust demand for long Japanese government bonds provided near-term yield relief, even as yen weakness and oil-led inflation risks complicated the policy outlook. The yen hovered just below 160/\$ per dollar, closing Asian hours at 159.08, despite repeated warnings from Finance Minister Katayama about possible intervention, with investors continuing to discount verbal signals amid Middle East tensions and rising energy prices. Some strategists warned depreciation could extend further without a Bank of Japan rate hike. In rates, government bonds were steady, with 10- and 30-yr yields unchanged at 2.27% and 3.55% respectively, after solid demand at 20-year bond auction (bid-to-cover 3.25, from 3.09 last month) eased concerns over appetite for super-long debt. Equities ended mixed (Nikkei 225: -0.1%) as higher crude prices weighed on tech stocks, while shipping firms outperformed on expectations of prolonged supply disruptions. Trade minister Akazawa said today that expanded fuel subsidies will take effect from this Thursday, which may guide nationwide gasoline prices to decline gradually towards JPY170 per liter.

20-Year JGB Yield Remains Elevated

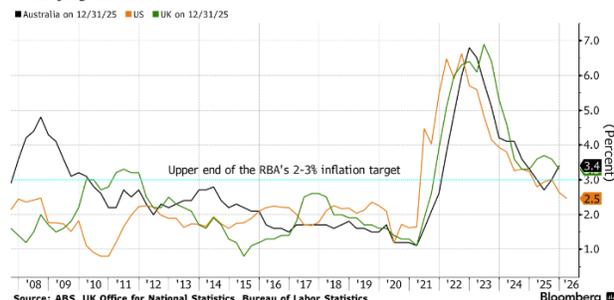


Australia

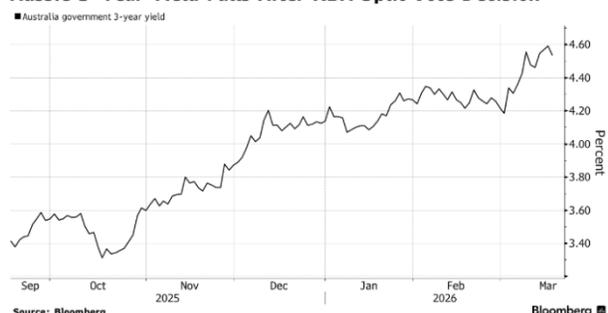
The Reserve Bank of Australia delivered a second consecutive rate hike, lifting the cash rate by 25 basis points to 4.1% in a narrow 5–4 decision. Governor Bullock struck a firm tone on inflation, stressing risks of second-round effects from surging energy prices linked to the Iran conflict, even as she framed the split vote as a debate over timing rather than direction. Markets read the outcome as less aggressively hawkish: short-dated bond yields fell (3-yr -4bp to 4.55%), while the Australian dollar remained resilient

(+0.3%) against the US dollar. Equities advanced (S&P/ASX 200: +0.4%), led by mining stocks and relief that policy tightening may be approaching a peak. Still, fuel shortages and sharply higher diesel prices underscore upside inflation risks, keeping a possible follow-up hike in May firmly in play despite expectations that weaker confidence and demand may eventually slow the economy.

Australia Sees Revival of Inflationary Pressures
Underlying Inflation



Aussie 3-Year Yield Falls After RBA Split Vote Decision



Commodity Markets

Oil prices fell on Monday, with Brent crude futures closing just above USD100/bbl. The International Energy Agency (IEA), which agreed last Wednesday to a release of emergency reserves, indicated that additional volumes could be made available if needed. The WSJ reported overnight that the US administration is considering announcing plans this week for a coalition of multiple countries to escort ships through the Strait of Hormuz, although discussions are reportedly ongoing. European Union foreign ministers and other countries have been cautious in their response.

Emerging Markets

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EMEA equities recovered, while currencies were largely unchanged amid continued concerns over Middle Eastern oil facility attacks. CEE equities saw moderate gains, with Poland (+0.6%) and Hungary (+0.7%) outperforming and currencies holding firm against the euro. Dubai stocks rebounded (+2.3%), led by real estate (+4.5%) after recent steep declines; Emaar Properties shares are down 31% since February. Egypt's equities rose (+2.1%), again driven by real estate (+3.4%), while South Africa traded sideways and the rand slipped (-0.3%) to ZAR16.72/\$. Kazakhstan stocks climbed (+1.2%) on increased oil exports, and Armenia's central bank kept rates at 6.5%.

In the Asian region, currencies mostly strengthened (EM Asia: +0.2%), led by Thai baht (+0.5%) and Taiwanese dollar (+0.4%). Indonesian rupiah was little changed at 16,985/\$ today, after Bank Indonesia kept its benchmark BI-Rate at 4.75% while tightening regulations on cash purchases of foreign currency, aimed at reducing downward pressure on the rupiah. Asian equities rallied (EM Asia: +1.2%), led by Thailand (SET Index: +2.2%) and Korea (KOSPI: +1.6%).

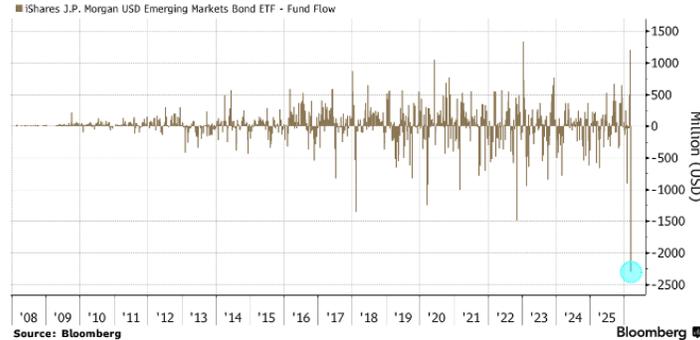
Yesterday, Latin American currencies strengthened and equities mostly advanced, broadly in line with the global risk-on trend. The Brazilian real (+1.7%), Mexican peso (+1.5%), Chilean peso (+1.3%), and Peruvian sol (+1.0%) led gains in the FX space. In equities, Brazil (+1.3%) and Chile (+1.1%) outperformed regional peers while Argentina (-1.4%) and Mexico (-0.7%) lagged.

Emerging Market ETFs

Emerging market ETFs recorded significant outflows last week. According to Bloomberg analysts, US-listed ETFs tracking emerging market assets saw net redemptions of \$2.35bn—the largest weekly outflow since April 2025—bringing an end to a 20-week streak of inflows. Outflows from equity and bond ETFs were broadly similar, at -\$1.2bn and -\$1.1bn, respectively. Regionally, Asia Pacific led the declines with \$1.2bn in outflows, more than 80% of which came from equity ETFs. At the country level, India (-\$673.5mn)

and China/Hong Kong (-\$612.3mn) experienced the largest outflows, again primarily driven by equity ETFs. The pullback comes as investors reassess risk after two consecutive weeks of losses in emerging market equities and currencies following the outbreak of conflict in the Middle East.

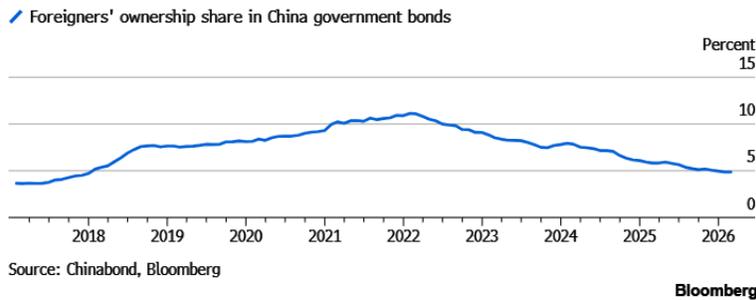
JPMorgan EM Bond ETF Sees Largest Outflow on Record
EMB recorded over \$2.3 billion in withdrawals last week



China

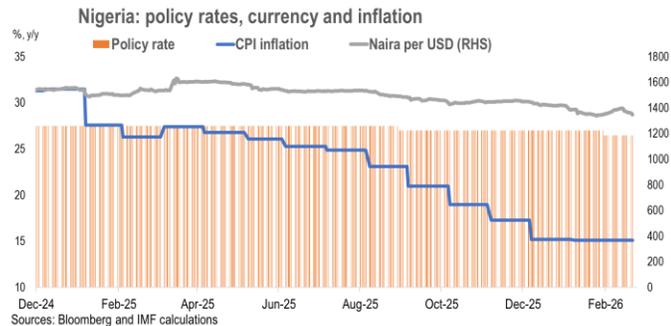
Chinese yuan traded in a narrow range as firmer PBOC fixing offset recent dollar strength alongside higher oil prices. Yuan was fixed at 6.8961/\$, 0.1% stronger than Monday after three days of weaker fixings. Onshore equities declined (CSI300: -0.7%), while government bonds were steady (10-yr flat at 1.84%; 30-yr -1bp to 2.38%) after recent losses, supported by ample liquidity injections and falling short-term repo rates. Per Bloomberg report today, the share of foreign investor holdings in Chinese government bonds have fallen to a nine-year low, leaving the market largely domestically driven but unusually resilient compared with global peers as oil-led inflation fears push up overseas yields.

Foreign Share of China's Bonds Hits Lowest Level Since 2017



Nigeria

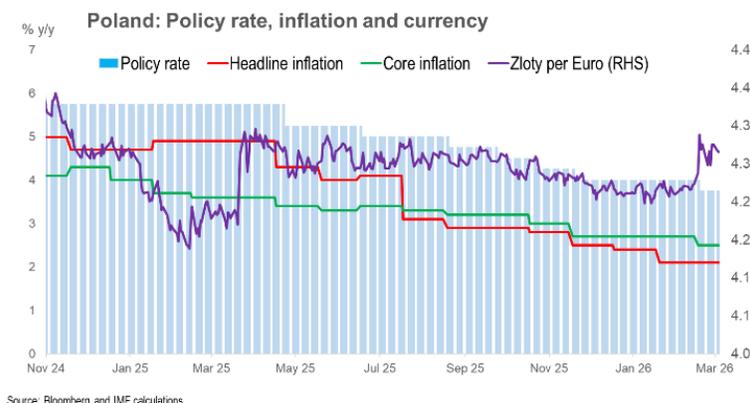
Equities gained 1.2% this morning in Nigeria advancing 5.7% MtD, while the naira edged 1% higher against the dollar to trade at NGN1346.67/\$, after yesterday's data showed inflation steady in February at 15.1%/y (vs. est. 15%). Analysts at Bloomberg expect Nigeria's inflation to ease in the coming months after a temporary spike driven by food prices. A stronger naira, supported by higher oil prices, is expected to reduce imported inflation and stabilize price pressures.



Analysts believe that the improving inflation outlook is likely to give the central bank room to resume monetary easing, with a potential rate cut as early as May.

Poland

The zloty was little changed against the euro this morning, trading at PLN4.26/€, after advancing yesterday (0.24% WtD). Data showed core inflation slowing in February by more than expected at 2.5%/y (vs. est. 2.6%, from prior 2.7%), following the decline of headline inflation to 2.1% released on Friday. Commerzbank sees inflation data now in line with the central bank's target but expects policymakers to continue to adopt a "wait-and-see" approach in the near term, amid geopolitical risks and higher oil prices, and rising domestic political tensions.



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

3/17/26 8:08 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,696	1.0	-1.3	-2.2	18.0	-2
Europe		5,756	0.3	-1.4	-4.4	5.7	-1
Japan		53,700	-0.1	-1.0	-6.0	41.9	7
China		4,637	-0.7	-0.8	-0.5	15.7	0
Asia Ex Japan		100	2.9	0.5	-3.0	30.1	8
Emerging Markets		58	2.8	-0.1	-4.1	28.8	7
Interest Rates			basis points				
US 10y Yield		4.2	0	6	16	-8	5
Germany 10y Yield		2.9	-3	8	18	10	7
Japan 10y Yield		2.3	0	10	14	76	21
UK 10y Yield		4.7	-5	17	34	8	24
Credit Spreads			basis points				
US Investment Grade		132	0	11	20	6	25
US High Yield		375	1	24	28	19	39
Exchange Rates			%				
USD/Majors		99.8	0.1	1.0	2.7	-3.5	1
EUR/USD		1.15	0.1	-0.8	-2.8	5.5	-2
USD/JPY		159.0	0.0	0.6	3.7	6.6	1
EM/USD		46.4	0.0	-1.4	-2.7	2.6	0
Commodities			%				
Brent Crude Oil (\$/barrel)		103.5	3.3	17.9	54.8	53.4	72
Industrials Metals (index)		170.5	-0.4	-1.8	3.7	10.6	4
Agriculture (index)		56.0	0.9	0.0	5.8	-4.1	5
Gold (\$/ounce)		5006.7	0.0	-3.6	2.6	66.9	16
Bitcoin (\$/coin)		74098.2	-0.2	5.6	9.5	-11.7	-15
Implied Volatility			%				
VIX Index (% change in pp)		23.5	-0.1	-1.5	3.2	2.9	8.5
Global FX Volatility		8.5	0.0	0.6	1.1	0.4	1.6
Breakeven Inflation		%	basis points				
USD: 2Y		2.8	4	16	42	8	48
USD: 3Y		2.6	1	10	29	11	33
USD: 5Y		2.5	2	5	18	10	21
EUR: 2Y		2.7	2	39	95	78	100
EUR: 3Y		2.5	2	30	73	57	76
EUR: 5Y		2.3	1	20	50	34	53
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		75	-1	7	14	-3	16
Italy		75	-3	6	13	-35	5
France		65	-1	4	7	-2	-6
Spain		48	-1	2	10	-14	4

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

Data source: Bloomberg.

Emerging Market Financial Indicators

3/17/2026 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		6.88	0.1	-0.2	0.3	5.0	1.5		1.9	1	2	6	1	-2
Indonesia		16985	0.0	-0.7	-0.9	-3.4	-1.7		6.8	12	25	54	-11	72
India		92	0.0	-0.6	-1.8	-6.0	-2.7		7.5	-2	3	27	73	42
Philippines		60	0.1	-1.5	-3.0	-4.2	-1.6		5.4	0	3	61	23	69
Thailand		32	0.5	-2.3	-3.5	3.9	-2.6		2.2	7	8	23	-1	45
Malaysia		3.92	0.3	0.1	-0.5	13.5	3.6		3.6	2	3	6	-18	7
Argentina		1396	0.1	1.4	0.2	-23.5	4.0		31.2	-215	-211	-281	166	-117
Brazil		5.22	0.2	-1.2	0.1	8.9	4.9		13.8	-31	27	66	-92	25
Chile		908	0.1	-1.9	-4.6	1.3	-0.8		5.4	0	11	22	-24	10
Colombia		3699	0.0	1.8	-0.8	10.1	2.1		13.6	-13	-4	66	197	72
Mexico		17.66	0.2	-0.3	-3.0	13.0	2.0		9.3	0	41	66	-19	33
Peru		3.4	1.0	2.1	-2.1	6.5	-1.7		6.8	0	20	102	41	100
Uruguay		41	0.4	-0.9	-4.1	4.0	-3.9		7.6	15	31	38	-206	7
Hungary		339	0.0	-1.7	-6.1	7.4	-3.5		7.1	-7	4	81	20	53
Poland		3.70	0.3	-0.6	-3.8	3.7	-2.9		5.1	-9	18	83	-41	58
Romania		4.4	0.2	-0.8	-2.7	3.1	-1.9		7.2	6	25	95	-10	48
Russia		81.7	-0.3	-3.7	-6.3	2.2	-3.7							
South Africa		16.7	-0.1	-2.4	-4.0	8.3	-0.8		9.1	4	26	90	-161	54
Türkiye		44.21	-0.1	-0.3	-1.1	-17.1	-2.8		33.2	1	33	334	456	354
US (DXY; 5y UST)		100	0.1	1.0	2.7	-3.5	1.5		3.80	0	6	18	-29	7

	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		4,637	-0.7	-0.8	-0.5	15.7	0.2		110	1	3	10	35	
Indonesia		7,107	1.2	-4.5	-14.6	14.0	-17.8		118	-2	10	9	32	
India		76,071	0.8	-2.7	-9.2	1.0	-10.7		97	-4	10	-9	7	
Philippines		6,026	0.3	-1.6	-5.8	-4.1	-0.4		102	2	14	4	27	
Thailand		1,434	2.1	2.0	-2.2	21.9	13.8							
Malaysia		1,711	0.9	0.5	-1.7	12.0	1.8		62	-7	0	-15	3	
Argentina		2,606,351	-1.4	-1.0	-7.4	11.1	-14.6		609	26	82	-132	40	
Brazil		179,875	1.3	-0.6	-3.5	37.5	11.6		205	-2	2	-27	2	
Chile		10,585	1.1	-0.2	-2.8	39.2	1.0		96	-3	-1	-30	5	
Colombia		2,186	0.2	-3.8	-7.5	33.7	5.7		279	-21	16	-49	2	
Mexico		65,649	-0.7	-2.5	-7.7	25.1	2.1		224	0	10	-96	7	
Peru		3,202	1.7	-5.0	-0.7	77.5	24.0		116	-4	2	-34	7	
Hungary		122,255	1.2	-1.9	-2.1	37.0	10.1		158	3	21	2	19	
Poland		122,215	1.1	-0.3	-1.0	24.7	4.2		91	-19	-4	-15	0	
Romania		28,324	0.1	2.0	-0.9	62.8	15.9		198	6	33	-52	22	
South Africa		116,280	-0.2	-2.8	-2.6	31.4	0.4		259	3	27	-60	41	
Türkiye		13,090	1.0	-0.7	-8.0	20.5	16.2		305	8	54	25	71	
EM total		58	0.6	-0.1	-4.1	28.8	6.7		284	-3	20	-89	12	

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

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