



- Investor surveys point to Iran and private credit ending the “frothy bull” run ([link](#))
- European fund managers see risks of flatlining growth and stagflation ([link](#))
- Analysts expect “look through” while markets price ECB rate hike well before year-end ([link](#))
- Brazil’s expected policy path has shifted upward amid higher oil prices ([link](#))
- Chinese corporate ramp up FX hedging as yuan strength persists ([link](#))
- Morocco keeps policy rate unchanged at 2.25%; dirham steady ([link](#))

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## Markets Struggle to Find Footing as New Signs of Escalation Emerge

Global equity markets are mixed, sovereign yields are higher led by the front end, and the dollar is stronger following breaking headlines this morning. Prior to the breaking news—which included reports from Iran that part of the South Pars gas field was attacked—positive risk sentiment had emerged alongside more moderate moves in crude oil futures. U.S. equity futures are now negative after a strong positive inflection, and European equity markets are mixed as of publication. Major Asian bourses closed higher overnight on renewed AI enthusiasm. Brent crude oil futures are higher, around the \$105/Bbl level and, along with gas futures, climbing. A hotter-than-expected February PPI print in the U.S. has added to inflation concerns. Today will feature the outcome of a highly anticipated Federal Reserve meeting—markets are now pricing in less than one 25bp cut this year after the PPI data. Nonetheless, strategists believe that the Fed will still look through the current energy shock. While OIS pricing implies a hold at this meeting, a more hawkish-than-expected stance could usher in further repricing. The Bank of Canada will also decide on policy rates today, while the ECB, BoE, BoJ, and SNB will all have their meetings tomorrow. Although virtually all major central banks are expected to hold rates steady, central banks’ forward guidance in the face of the ongoing energy shock and potential downside risks to growth will be closely watched.

Key Global Financial Indicators

Last updated: 3/18/26 8:46 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>							
S&P 500		6716	0.2	-1	-2	20	-2
Eurostoxx 50		5771	0.0	0	-5	5	0
Nikkei 225		55239	2.9	0	-4	46	10
MSCI EM		59	0.6	0	-4	30	7
<b>Yields and Spreads</b>							
US 10y Yield		4.21	1.6	-2	13	-7	5
Germany 10y Yield		2.92	1.8	-1	19	11	7
EMBIG Sovereign Spread		268	-2	12	25	-63	15
<b>FX / Commodities / Volatility</b>							
EM FX vs. USD, (+) = appreciation		46.3	-0.4	-1	-3	2	-1
Dollar index, (+) = \$ appreciation		99.7	0.1	0	2	-3	1
Brent Crude Oil (\$/barrel)		105.9	2.4	15	51	50	74
VIX Index (% change in pp)		22.9	0.5	-1	3	1	8

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 were modestly higher on Tuesday.** Treasury yields were down 1–2 bps across the curve alongside a weakening dollar ahead of the Fed rate decision today, where the central bank is widely expected to hold rates steady.

**This morning, Iran said that US and Israeli airstrikes hit its giant South Pars natural gas field and related infrastructure,** according to state television. Brent crude futures jumped 2%, while Treasury 2-year yields rose 4bps, alongside a stronger dollar. **Adding to the risk-off sentiment, February headline PPI released later this morning came in hotter than expected (0.7% mom versus 0.3% consensus),** signaling the cost pressures were already intensifying ahead of the conflict.

**Investor surveys suggest that concerns over Iran and private credit have brought the “frothy bull” sentiment of recent months to an end.** According to Bank of America’s Global March Fund Manager Survey, global growth optimism fell sharply to a net 7% from 39%, while inflation expectations jumped to a net 45% from 9%. Expectations for rate cuts dropped to their lowest since February 2023. Geopolitics and inflation have displaced the AI bubble as the dominant tail risks, with 63% of respondents identifying private equity and credit as the most likely source of systemic credit event. In contrast, Morgan Stanley analysts see limited spillovers to the broader markets from rising defaults in private debt, citing generally healthy corporate balance sheets following the Fed’s tightening cycle. They project direct lending default rates to reach 8%, approaching pandemic-era peaks.

**Chart 1: BofA Global FMS investor sentiment falls to 6-month low**

Percentile rank of FMS growth expectations, cash levels, and equity allocation



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

### Euro Area

**Prior to news of attacks on the South Pars gas field, European sovereign yields edged down as oil prices stabilized ahead of the Fed meeting.** Markets remain cautious amid risks in the Middle East and uncertainty over inflation and policy responses. UK yields continue to show a “higher beta,” falling faster than euro area peers earlier today. European equities had advanced (+0.8%) following gains in Asia earlier in the day.

**Analysts expect a “look-through” approach while markets price in an ECB rate hike well before year-end.** This week is uniquely packed with major central bank decisions, including the Fed and BoC (today), and the ECB, BoE, BoJ, Riksbank, SNB, and CNB tomorrow. Monday’s rate hike by the Reserve Bank of Australia seems idiosyncratic, as no hikes are expected for the other central banks. Market participants will look closely at the language used by officials, as the central bank reaction to the current energy price shock is key to financial markets. Markets are pricing a June ECB hike at 66%, and surveyed

economists increasingly see risks of overshooting. By contrast, some market analysts (e.g., MS, GS, and others) expect a “look-through” approach, whereby central banks will remain conservative, with a high hurdle for hikes. The starting point for monetary policy is different from the 2022 energy shock, and negative growth effects and weak labor market dynamics can offset the initial inflationary impact of higher oil and gas prices. Besides looking for communication clues, markets will also be watching projections and forecast updates; however, economists expect the ECB March BMPE to reflect the conflict only to a very limited extent. A scenario analysis could complement the baseline—GS constructs its own “very adverse scenario,” considering different central bank reaction functions (below).

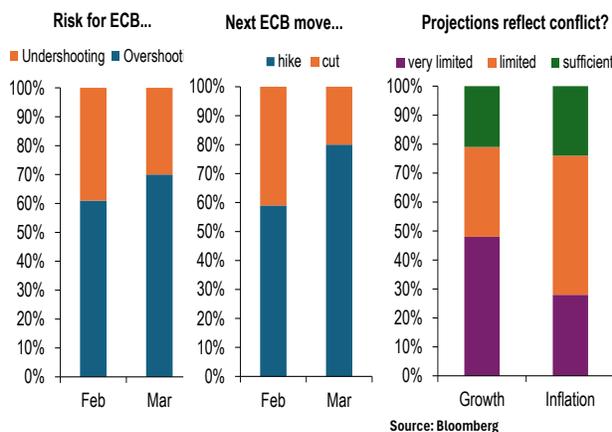
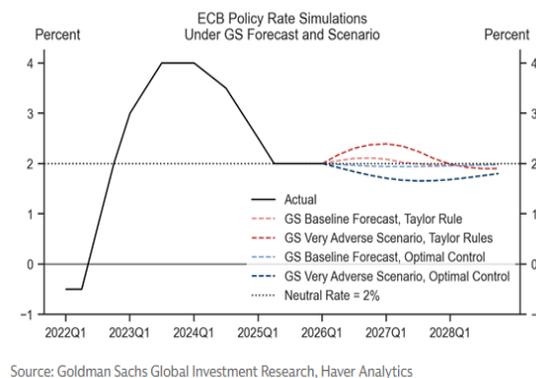


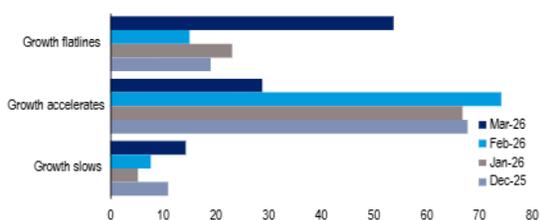
Exhibit 8: Taylor Rules Would Point to Higher Rates in Our Very Adverse Scenario



**European fund managers see risks of flatlining growth and stagflation.** Bank of America’s European Fund Manager Survey shows that the Iran war has sharply downgraded European growth expectations (with acceleration views falling from 74% to 29% and 54% now expecting flat growth) and shifted the macro-outlook for the next 3 months to stagflation. Geopolitics has become the top tail risk, ahead of inflation and private credit. Equity bullishness has weakened but remains positive; “AI bubble risk” has fallen sharply, but concerns have shifted toward obsolescence.

Exhibit 1: 54% of European investors expect growth in Europe to flatline in the months ahead, up from 15% last month, while 29% think the economy will accelerate, down from 74% previously

What do you expect to happen to the European economy over the coming months?

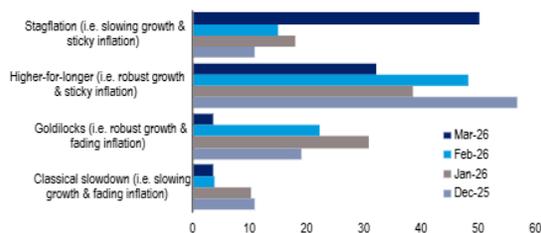


Source: BofA European Fund Manager Survey

BofA GLOBAL RESEARCH

Exhibit 11: 50% of European investors expect stagflation over the coming months, more than tripling from last month, while 32% expect a ‘higher-for-longer’ regime, down from 48% previously

What regime do you expect the market to be in over the coming three months?



Source: BofA European Fund Manager Survey

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**Japan**

**The yen strengthened against the dollar in early session before ending broadly flat, as traders awaiting potential hawkish signals** from the Bank of Japan (BOJ)’s policy decision tomorrow. The BOJ is widely expected to keep its policy rate unchanged, though elevated oil prices continue to complicate efforts to achieve a stable 2% inflation target. FX strategists noted that intervention risks are deterring the market from testing the ¥160/\$ level after Finance Minister Katayama reiterated warnings yesterday that authorities could act against currency moves deemed misaligned with fundamentals. Meanwhile, domestic inflation pressures continue to build. Business inflation expectations are rising, with major seasoning

producer Ajinomoto planning to raise prices for 310 products from July, while wage growth momentum remains firm after 49 affiliate unions grouped under the Japan Council of Metalworkers' Unions secured an average +5.1% monthly base pay increase.

**That said, JGB yields declined across the curve with greater drops for long-term tenors (10y: -5.5bps to 2.21%; 30y: -6.8bps to 3.48%).** Fund managers cited attractive valuations after yields approached multi-decade highs, alongside rising demand for bonds as markets increasingly price in the risk of a global economic slowdown. The stock market gained (Nikkei 225: +2.9%) as risk sentiment improved, led by trading houses, banks, and electronics manufacturers.



## Commodity Markets

**Oil prices edged higher Tuesday**, with Brent crude futures holding above USD100/bbl, underscoring persistent disruptions to global energy markets following near-shutdown conditions. Gold traded in a narrow range ahead of today's Fed rate decision.

## Emerging Markets [back to top](#)

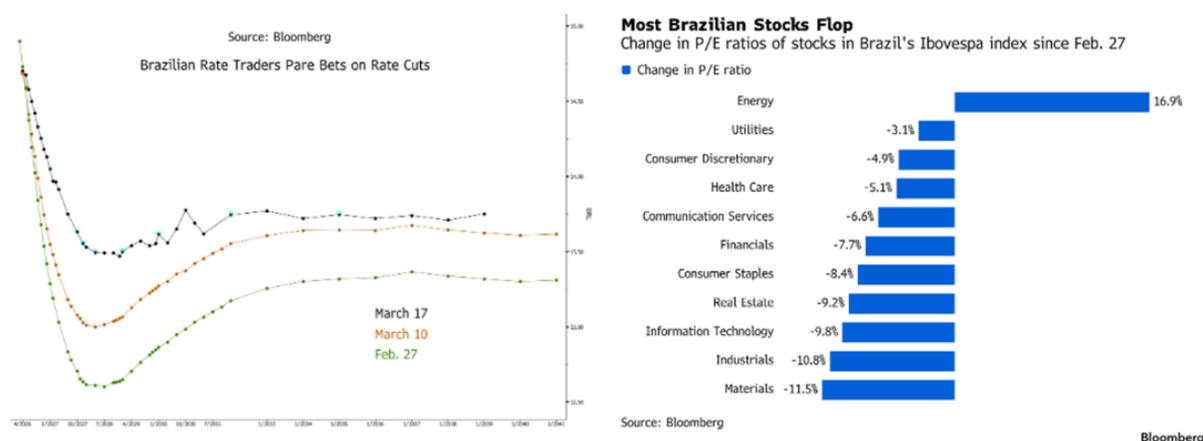
**EMEA equities rose slightly with stable currencies.** In Central and Eastern Europe, stocks gained across the board, led by Hungary, as regional currencies held firm against the euro. Dubai's markets continued to rebound after Monday's drop, driven by real estate and banking shares, trimming month-to-date losses to -13.4%. Egypt (+2%) and Qatar (+1.4%) also outperformed in the region. The UAE central bank introduced measures including liquidity provisions (up to AED 214bn), minimum required reserve flexibility, term funding in AED and USD, and capital buffer releases (about AED110bn CET1)—all seen by analysts like at Jefferies as preventive steps given banks' ample reserves (AED401bn as of March 16). Elsewhere, South African equities eased (-0.2%), but the rand advanced (0.3%) after February CPI came in slightly softer-than-expected at 3% y/y. Uzbekistan's central bank maintained its policy rate at 14%.

**In the Asian region**, EM stock markets broadly advanced (EM Asia: +2.7%). Korea (Kospi: +5%) outperformed after authorities moved to restrict publicly traded companies from listing subsidiaries, a practice seen as dilutive to shareholder value. Korean chipmakers also rallied after Samsung Electronics flagged tighter supply amid rising AI demand. EM Asian currencies mostly appreciated against the dollar (EM Asia: +0.1%), supported by falling oil prices that improved sentiment across fuel-importing economies, led by the Philippine peso (+0.5%).

**Yesterday, Latin American currencies extended their rally and equities mostly advanced for the second consecutive day.** The Dominican Republic peso (+2.3%) led currency gains, while equities were driven by advances in Argentina (+2.2%) and Mexico (+0.8%).

## Brazil

**Brazil's expected path for future interest rates has shifted upward amid higher oil prices.** The central bank is expected to cut rates by 25 bps to 14.75% later today, according to the median forecast in a Bloomberg survey. Bloomberg analysts note that traders still anticipate a steep easing cycle, though less aggressive than before the conflict in the Middle East began at the end of February, as rising oil prices have pushed up inflation expectations (left chart). Brazilian equities have also come under pressure, with the Ibovespa Index declining more than 4.4% since February 27—one of the weakest performances among Latin American markets. Losses have been broad-based across the index, except for the energy sector (right chart). Analysts suggest the central bank's decision could move equities in either direction, as uncertainty around a rate cut has increased, underscoring the importance of both the decision itself and the accompanying guidance on future policy.

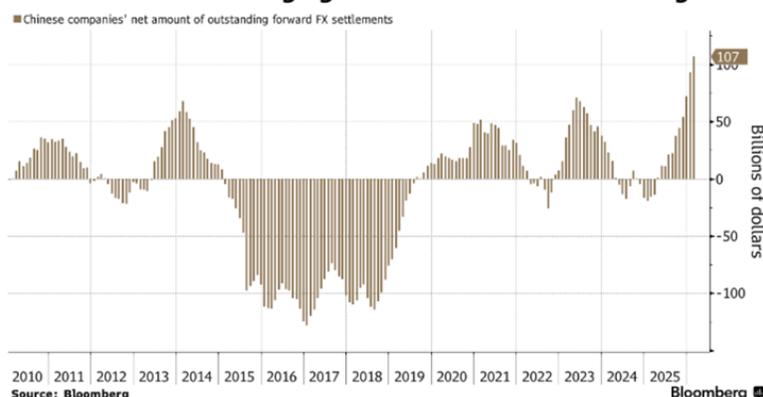


## China

**Chinese companies increased FX derivatives hedging to record as yuan strengthens.** Net outstanding forward settlement contracts reached \$107bn at the end of February, the highest since 2010, according to data from the State Administration of Foreign Exchange. Outstanding option exposure also climbed to about \$14.1bn, near a two-year high. FX strategists attributed the surge mainly to recent yuan appreciation and strong export performance. While many see scope for further yuan gains, the Iran conflict has injected additional volatility into the USD/CNY outlook. Some analysts expect hedging demand to remain elevated as corporates lock in favorable rates, though others warn activity could moderate if export growth slows following the removal of export tax rebates. They add that the rapid buildup in hedging has also driven a sharp rise in exporters' dollar-selling-yuan-buying derivative exposure, leaving them vulnerable to mark-to-market losses should the dollar rebound amid heightened global volatility.

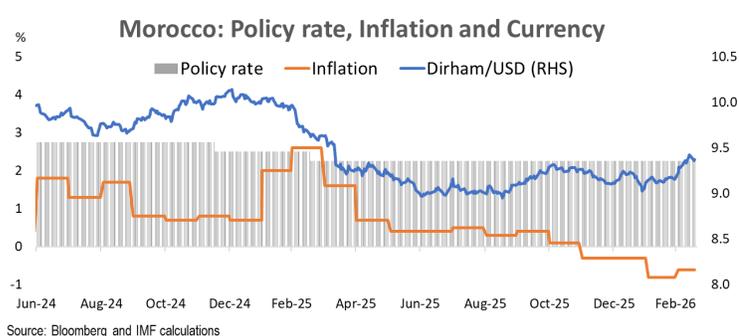
**Today, the yuan extended gains (+0.2%) against the dollar after the PBOC set a stronger RMB fixing at 6.8909/\$ (vs 6.8961/\$ yesterday), the strongest since April 2023.** The stock market advanced (CSI 300: +0.5%), led by shares related to OpenClaw after upbeat comments on AI agents by Nvidia's CEO.

### China Firms Boost Hedging via Derivatives as Yuan Surges



### Morocco

**The central bank of Morocco kept its policy rate unchanged at 2.25% yesterday, in the fourth straight hold.** The dirham changed little against the dollar this morning, trading at MAD9.3677/\$, after advancing on the announcement. Today's statistical release showed continued negative inflation in February (-0.6%/y) though analysts forecast inflation to



rise to 0.8% in 2026 after the recent oil price shock, and to 1.4% in 2027. The central bank revised the current account deficit forecast to 3.1% of GDP in 2026 and 2.5% in 2027 (from 2% for both years). The central bank also stated that it would use its \$4.5bn IMF precautionary line if oil price hit \$120 per barrel as policymakers are “striving” to support the dirham. The central bank additionally clarified that Morocco does not need external support while oil averages at \$80 as FX reserves can cover around six months of imports. S&P Global Market Intelligence expects rates to stay unchanged for the rest of 2026. JP Morgan believes that rate cuts are not yet ruled out although the room to ease has narrowed; it expects the current-account deficit for 2026 to reach 4% of GDP with inflation lifted to 1.9% in 2026 and growth at 4.5%.

*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

3/18/26 8:46 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
United States		6,706	0.2	-1.0	-2.6	19.4	-2
Europe		5,770	0.0	-0.4	-5.5	5.2	0
Japan		55,239	2.9	0.4	-3.9	46.3	10
China		4,658	0.5	-1.0	0.0	16.2	1
Asia Ex Japan		101	0.5	0.7	-3.0	31.4	8
Emerging Markets		59	0.6	0.1	-4.0	30.2	7
<b>Interest Rates</b>			basis points				
US 10y Yield		4.2	1	-2	13	-7	5
Germany 10y Yield		2.9	2	-1	18	11	7
Japan 10y Yield		2.2	-6	5	7	71	15
UK 10y Yield		4.7	2	3	34	7	23
<b>Credit Spreads</b>			basis points				
US Investment Grade		128	-1	2	17	2	21
US High Yield		366	-2	13	26	7	30
<b>Exchange Rates</b>			%				
USD/Majors		99.7	0.1	0.5	2.1	-3.4	1
EUR/USD		1.15	-0.2	-0.4	-2.3	5.2	-2
USD/JPY		159.4	0.2	0.3	2.9	6.8	2
EM/USD		46.3	-0.4	-1.0	-2.7	2.0	-1
<b>Commodities</b>			%				
Brent Crude Oil (\$/barrel)		105.9	2.4	15.1	51.8	57.5	76
Industrials Metals (index)		168.4	-0.9	-3.0	0.2	9.3	3
Agriculture (index)		55.7	-0.1	-1.2	4.5	-4.5	4
Gold (\$/ounce)		4878.2	-2.5	-5.8	-2.0	60.7	13
Bitcoin (\$/coin)		72354.5	-2.9	1.4	9.1	-11.8	-17
<b>Implied Volatility</b>			%				
VIX Index (% change in pp)		23.0	0.6	-1.3	3.3	1.3	8.0
Global FX Volatility		8.3	0.0	0.2	0.9	0.2	1.4
<b>Breakeven Inflation</b>		%	basis points				
USD: 2Y		2.8	4	15	47	17	56
USD: 3Y		2.7	3	11	34	19	41
USD: 5Y		2.6	2	7	20	15	26
EUR: 2Y		2.7	8	26	94	81	102
EUR: 3Y		2.5	5	17	70	57	75
EUR: 5Y		2.3	2	9	45	32	51
<b>EA Sovereign Spreads</b>			10-Year spread vs. Germany (bps)				
Greece		78	3	5	18	-1	19
Italy		78	3	5	18	-33	9
France		66	1	2	9	-2	-5
Spain		50	2	2	12	-13	7

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

### Emerging Market Financial Indicators

3/18/2026 8:46 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	0.0	-0.1	0.3	5.0	1.5		1.9	-1	2	5	-6	-2
Korea*		1499	-0.7	-1.5	-3.7	-3.2	-4.0		3.6	0	7	10	99	34
Indonesia		16985	0.0	-0.7	-0.9	-3.4	-1.7		6.7	0	24	54	-12	71
India		93	-0.3	-0.6	-2.1	-6.6	-3.0		7.5	1	1	29	77	43
Philippines		60	0.5	-0.6	-2.8	-3.7	-1.2		5.5	9	18	60	31	77
Thailand		32	0.0	-2.0	-3.3	3.7	-2.7		2.2	1	16	23	-1	46
Malaysia		3.92	0.1	0.1	-0.4	13.5	3.7		3.6	2	3	6	-18	7
Argentina		1396	0.0	0.2	0.2	-23.5	4.0		31.5	35	-118	-246	54	-82
Brazil		5.22	-0.6	-1.3	0.2	8.6	4.8		13.8	0	33	67	-90	25
Chile		911	-0.5	-1.6	-5.3	0.6	-1.2		5.4	-1	11	23	-27	9
Colombia		3693	0.1	0.1	-1.2	10.3	2.3		13.5	-5	14	52	188	67
Mexico		17.73	-0.4	-0.3	-2.9	12.4	1.6		9.2	-11	36	57	-30	22
Peru		3.4	0.1	0.3	-2.1	6.6	-1.6		6.7	0	14	96	34	94
Uruguay		40	0.1	-1.1	-4.0	4.2	-3.7		7.6	5	40	42	-200	12
Hungary		341	-1.4	-1.8	-5.7	6.4	-4.1		7.0	-10	26	71	11	42
Poland		3.71	-0.4	-0.9	-3.5	3.1	-3.2		5.1	-8	34	78	-46	49
Romania		4.4	-0.2	-0.5	-2.3	2.8	-2.0		7.0	-12	49	84	-21	36
Russia		83.7	-1.7	-5.4	-8.3	-2.3	-5.9							
South Africa		16.8	-1.0	-2.1	-4.6	7.7	-1.7		9.0	-11	37	82	-175	43
Türkiye		44.22	-0.1	-0.3	-1.1	-17.0	-2.9		33.0	-19	111	314	421	336
US (DXY; 5y UST)		100	0.2	0.5	2.1	-3.4	1.4		3.81	2	0	16	-26	8

	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							basis points						
China		4,658	0.5	-1.0	0.0	16.2	0.6		110	1	7	8	35	
Korea*		5,925	5.0	5.6	4.4	125.4	40.6		28	1	5	-5	6	
Indonesia		7,107	0.0	-4.5	-14.6	14.0	-17.8		118	9	12	7	32	
India		76,704	0.0	-0.2	-7.0	1.7	-10.0		98	0	14	-9	8	
Philippines		6,055	0.5	-1.7	-5.5	-4.1	0.0		103	13	18	4	28	
Thailand		1,441	0.5	2.4	-3.6	21.1	14.4							
Malaysia		1,730	1.1	1.2	-1.3	14.0	3.0		65	1	5	-16	6	
Argentina		2,663,049	2.2	-1.4	-2.2	16.4	-12.7		599	35	80	-153	30	
Brazil		180,410	0.3	-1.7	-3.0	37.2	12.0		206	7	4	-26	3	
Chile		10,621	0.3	1.1	-2.2	40.0	1.3		98	6	3	-29	7	
Colombia		2,184	-0.1	-4.0	-7.7	34.6	5.6		279	-4	16	-52	2	
Mexico		66,197	0.8	-1.0	-6.6	25.4	2.9		223	11	10	-95	6	
Peru		3,198	-0.1	-6.6	-3.6	76.7	23.8		113	1	0	-39	4	
Hungary		123,264	0.4	0.6	-3.6	37.4	11.0		156	14	27	-1	17	
Poland		124,198	0.4	1.9	-1.0	25.7	5.9		99	4	6	-16	8	
Romania		28,352	0.4	0.4	-1.6	64.0	16.0		195	18	32	-57	19	
South Africa		115,493	-1.7	-1.6	-5.7	29.9	-0.3		261	21	32	-57	43	
Türkiye		13,189	-0.2	-0.1	-7.5	22.1	17.1		301	25	55	25	67	
EM total		59	0.0	0.1	-4.0	30.2	7.4		281	11	21	-91	10	

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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