GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, MARCH 19, 2026

LEAD EDITOR: FABIO CORTES

- **The Fed keeps rates unchanged amid geopolitical uncertainty** (link)
- **The Bank of Canada holds rates and looks through near-term inflation pressures** (link)
- **The BOJ stays on hold as Middle East risks cloud the policy outlook** (link)
- **UK gilt yields surge after BoE keeps rates unchanged but warns on inflation risks** (link)
- **Swiss National Bank holds and signals increased willingness to intervene in FX markets** (link)
- **Indian rupee trades at record lows, testing limits of RBI intervention** (link)
- **Brazil's central bank cuts the benchmark rate by 25 bps to 14.75%** (link)
- **Bank of Ghana surprises with larger than expected rate cut** (link)

Special Feature: Emerging and Frontier Markets Issuance (attached)

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Markets Sell Off on Stagflation Fears Amid Major Central Bank Decisions

Global equities sold off after a surge in oil and gas prices deepened concerns that the conflict in the Middle East will fuel inflation and hit growth. The selloff occurred as Brent futures gained +7% this morning, climbing above $114 a barrel after military operations showed little sign of abating and reports of attacks on some of the Middle East's most important energy facilities. Yesterday, the Fed kept rates on hold, as expected, with markets appearing to interpret the statement and subsequent press conference as a hawkish hold. Overnight, the Bank of Japan also stayed on hold while this morning the Bank of England kept rates unchanged. Later this morning, the ECB is also expected to stay on hold. All central banks were in a "wait-and-see" mode signaling that the conflict has clouded their policy outlook. Government bond yields increased, with notable moves at the short end. In the US, and although the FOMC's dot plot continued to show a median expectation of a 25 bps cut this year and another in 2027, money markets now price just -3 bps of a rate cut by December 2026, from -25 bps on Tuesday. In Europe, traders cemented bets on two rate hikes by the ECB this year and are now pricing over 2 hikes by the Bank of England in 2026, with 2-year gilt yields surging +30 bps this morning. Elsewhere, there were more central bank decisions, with Canadian, Swiss, and Swedish policymakers leaving rates unchanged while the Brazilian and Ghanaian central banks bucked the trend and cut rates.

Key Global Financial Indicators

Last updated: 3/19/26 8:02 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6625	-1.4	-2	-3	17	-3
Eurostoxx 50		5614	-2.1	-2	-7	2	-3
Nikkei 225		53373	-3.4	-2	-6	42	6
MSCI EM		58	-2.0	-2	-6	27	5
Yields and Spreads			bps				
US 10y Yield		4.28	2.0	2	22	4	12
Germany 10y Yield		2.99	5.0	4	25	19	14
EMBIG Sovereign Spread		264	-4	11	22	-68	10
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		45.9	-0.2	-1	-3	2	-1
Dollar index, (+) = $ appreciation		100.1	0.0	0	2	-3	2
Brent Crude Oil ($/barrel)		114.8	6.8	14	60	62	89
VIX Index (%, change in pp)		25.8	0.6	-2	6	6	11

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

Mature Markets

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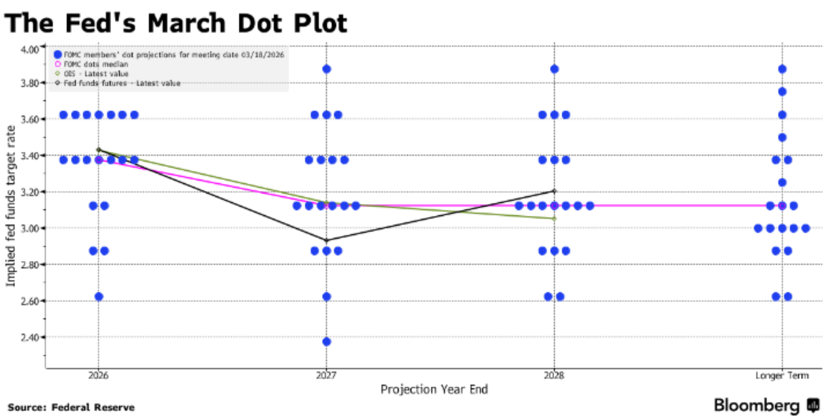
United States

The Fed held rates at 3.5–3.75% for a second straight meeting, citing geopolitical uncertainty related to the ongoing conflict in the Middle East. The FOMC voted 11-1, with Governor Miran dissenting in favor of a rate cut. The dot plot in the Summary of Economic Projections (SEP) continued to show a median expectation of a 25 bps cut this year and another in 2027. The median estimate of the longer run rate rose again, to 3.1%. Growth forecasts were revised slightly higher for 2026 and 2027. Higher near-term inflation projections in the SEP suggest officials are more concerned about current oil-driven inflation pressures than about next year. Also, an increase in the skewness in the SEP points to increased stagflation risks. Compared to December 3 (out of 17) more participants saw risks to unemployment tilted to the upside, while 5 more saw risks to PCE inflation also tilted to the upside. In the press conference, chair Powell said staff briefed policymakers on the sharp rise in short term inflation expectations for reasons "we understand well," while long term expectations remain well anchored. He acknowledged that growth risks are real but uncertain, repeatedly emphasizing the need to "wait and see." Powell also said he intends to remain in his role until the Department of Justice investigation into a building renovation project is "well and truly over," and that he would serve as chair pro tempore if his successor is not confirmed before his term ends. While it is difficult to disentangle how much of the market reaction reflected higher oil prices, **markets appeared to broadly interpret the FOMC outcome as a hawkish hold.** 2-year Treasury yields initially dipped but then rose 10 bps as the curve flattened, the dollar strengthened, and equities declined, with the S&P 500 down -1.3% yesterday.

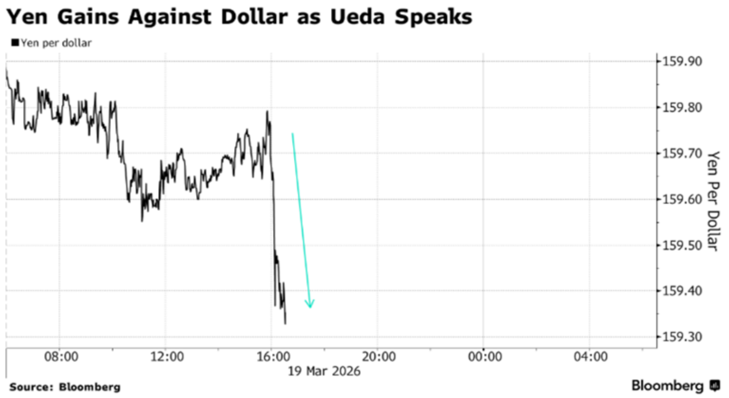


Canada

The Bank of Canada held rates unchanged, as widely expected, keeping the policy rate at 2.25% and looking through the Middle East conflict's near-term inflation impact. The central bank noted that upside inflation risks may be contained by persistent economic slack stemming from the trade dispute with the US and excess supply. At the same time, it dropped the phrase "remains appropriate" from the statement, replacing it with language noting that it "stands ready to respond as needed." The Canadian government bond yield curve bear-flattened, with 2-years up +10 bps. The Canadian dollar weakened by -0.3%.

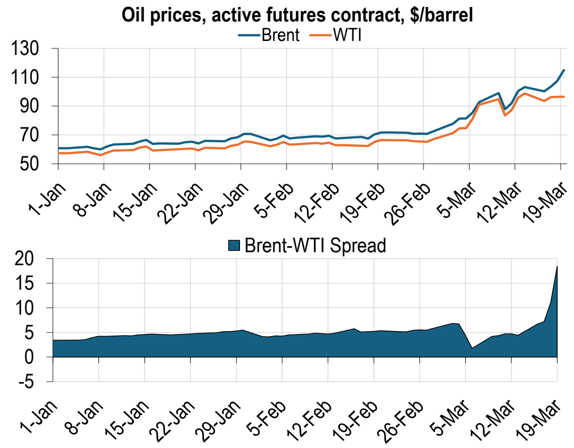
Japan

The Bank of Japan (BOJ) kept its policy rate unchanged at 0.75%, as widely expected, citing that uncertainty from the Middle East conflict is clouding the economic outlook. The yen was flat in the early session after the policy decision, but strengthened during Governor Ueda's press conference, closing +0.5%. JGB yields rose, with the 10-year yield up +6 bps to 2.27%. Credit Agricole CIB strategists characterized Ueda's remarks as modestly hawkish. Ueda noted that spring wage negotiations are expected to deliver solid outcomes and that short-term price trends are becoming clearer, while emphasizing closer monitoring of the inflationary impact of currency movements, which may now be more significant than in the past. He added that more time would be needed to assess the impact of the Middle East situation and rising oil prices, reiterating a focus on underlying price trends rather than headline inflation data, while giving little hint over the timing of the next rate hike. T&D Asset Management strategists viewed BOJ's comments on the impact of oil on the underlying CPI as a signal that even cost-push inflation caused by higher crude could serve as a reason for a rate hike, raising the probability of an April move. Today, the stock market fell (Nikkei 225: -3.4%) as oil prices surged following renewed attacks on energy infrastructure in the Middle East.



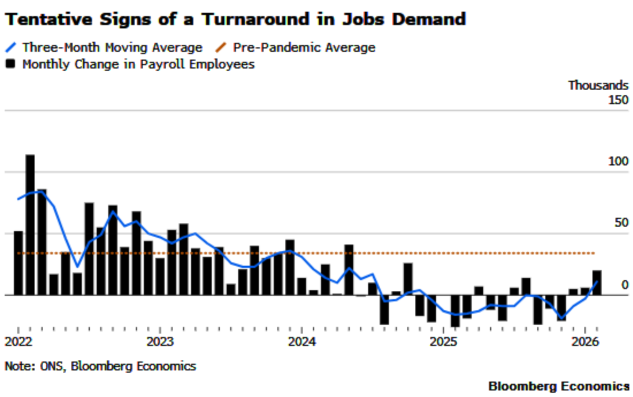
Europe

Following the Fed, Bank of Canada and BOJ, the BoE, Riksbank and Swiss National Bank also held today, as major central banks adopt a "wait-and-see" approach. The Swedish Riksbank held its policy rate at 1.75% as expected, while the SNB kept its policy rate at 0%. Today, markets turned into a risk-off mode as energy prices surged, fueling stagflation fears and dragging equities lower (Europe -2%) and pushing bond yields sharply higher. Despite central banks' "holds," markets are now pricing tighter policy paths with expectations of future ECB and BoE hikes growing. The **ECB is also expected to hold later today**, but 2.2 hikes are now priced by year-end. The **widening spread between Brent (global seaborne price) and WTI (US local price) oil prices underpins Europe's relatively high vulnerability**.



United Kingdom

The BoE held its bank rate at 3.75%, as expected, with gilt yields surging after the bank said it is "ready to act" on inflation. While the decision was unanimous, markets focused on the statements around the stance towards the energy and inflation shock. Governor Bailey warned that policy must "respond to the risk of a more persistent effect on UK CPI inflation." **The 2-year gilt yield moved up sharply and is up +30 bps on the day, with 2.5 rate hikes now priced by year-end,** up from 1 priced yesterday.



Before the announcements, gilt yields already showed a high beta to this morning's sell-off in global rates. Earlier today, UK labor market data showed a mixed picture. Employment stabilized, with payrolls up +20k in February and unemployment steady at 5.2% (vs 5.3% expected), but weaker pay growth (private earnings) at 3.3% y/y (vs 3.5% expected), below the BoE's Q1 forecast. JP Morgan believes that the MPC probably welcomed this configuration in the data, as it implies less inflation pressure than expected but without additional weakness in the jobs market. However, the upcoming inflation shock poses upside risks to wages.

Switzerland

The Swiss National Bank (SNB) held its policy rate at 0% as expected and signaled increased willingness to intervene in FX markets. The central bank said that "given the conflict in the Middle East, the SNB's willingness to intervene in the foreign exchange market has increased. The SNB thereby counters a rapid and excessive appreciation of the Swiss franc, which would jeopardize price stability in Switzerland." Commerzbank analysts expect inflation to remain very subdued, as the inflation backdrop is much weaker than four years ago. The analysts noted that market pricing of nearly one full SNB rate hike by year-end looks aggressive, as inflation would need to rise significantly from current levels (0.1% YoY) to justify tightening. They also argued that the oil shock is a temporary price-level effect rather than the start of a broader inflation cycle, implying a cautious and flexible policy stance.

Figure 2 - Inflation pressure was already building in 2022/2023

6-month moving average of selected major components of Swiss inflation (seasonally adjusted), in percent; red line marks the start of the war in Ukraine

Source: Swiss Federal Statistical Office, Commerzbank Research

Emerging Markets

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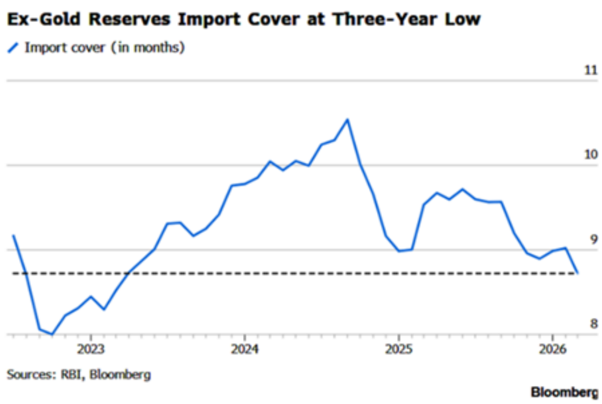
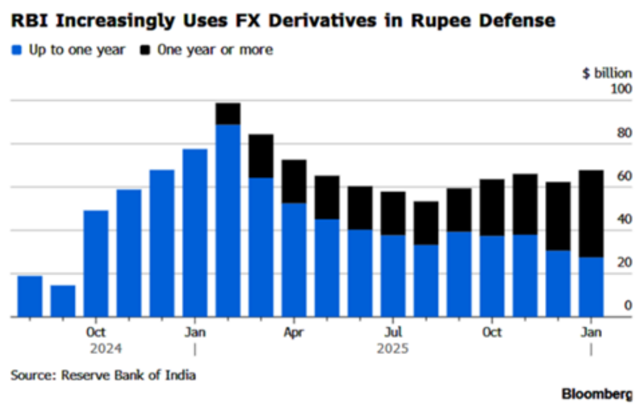
In Asia, equities fell sharply (EM Asia: -3.3%) as rising crude oil prices weighed on risk sentiment, with the steepest declines in India (SENSEX: -3%). EM Asian currencies mostly weakened led by the Thai baht (-1.3%) and the Philippine peso (-1%). Both economies are net energy importers and are widely viewed by economists as among the most vulnerable in the region to inflation and growth risks stemming from elevated energy costs. In **EMEA**, equities and currencies traded mixed this morning, with domestic government bond yields jumping on longer tenors. In CEE, equities lost ground across the region with Poland (-1.1%) underperforming, while currencies edged marginally higher to the euro with the Czeck koruna little changed ahead of the decision of the central bank of Czechia later today where it is expected to keep its policy rate unchanged at 3.5%. Equities plunged (-3.8%) in South Africa, dragged by heavy losses in the precious metals and mining sector (-8%) as gold continued to lose ground (-4%), while the rand appreciated supported by higher (short-term) rates. Elsewhere, Ukraine's 10-year dollar bonds dropped to 55.90 cents/$ with the hryvnia little changed as the central bank is expected to keep its policy rate unchanged at 15% later today. In **Latam**, markets broadly weakened yesterday. Regional currencies depreciated, led by the Brazilian real (-1.2%), Chilean peso (-1.2%), and Mexican peso (-1.1%). Equity markets also trended lower, although Argentina (+1.2%) bucked trend.

India

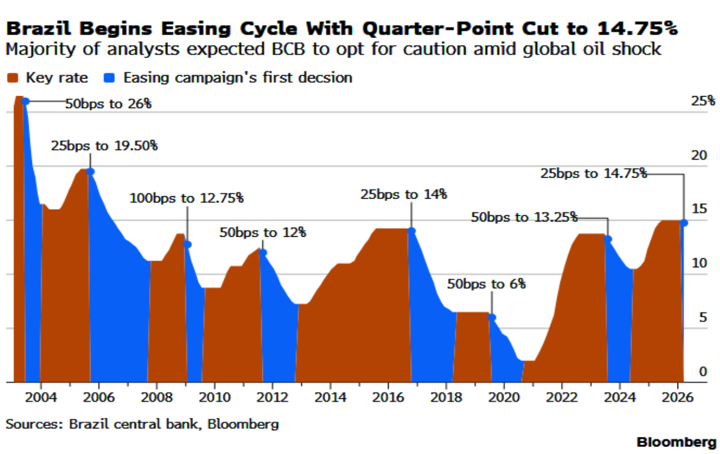
The Indian rupee weakened -0.3% to a fresh record low (92.6/$) yesterday, before local bond and FX markets closed today for a holiday. HDFC Securities attributed the weakening to heightened importer dollar demand. Goldman Sachs economists expect the rupee to depreciate further toward 95/$ over the next year, citing the fallout from the Iran conflict and a widening current-account deficit. The Reserve Bank of India (RBI) has reportedly intervened to cushion the fall in rupee, increasingly relying on FX derivatives alongside spot reserves. Official data show the RBI's net short dollar forward position rose to $67.8 bn in January, with private estimates suggesting total exposures closer to $100 bn across offshore and onshore markets. Using forwards allows the RBI to influence the exchange rate without immediately drawing down reserves, which Bloomberg estimates now cover just 8.7 months of imports, the lowest in three years. However, Barclays strategists cautioned that a large derivatives book could become a headwind, as maturing contracts generate recurring dollar demand. The analysts argued that allowing greater currency flexibility may be preferable to defending specific rupee levels amid persistent risk-off pressures.





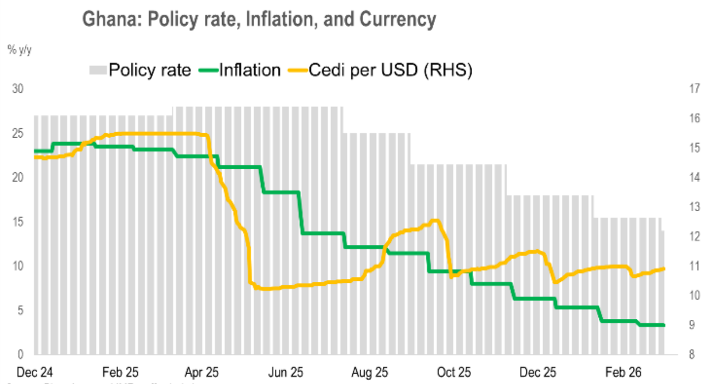
Brazil

Brazil's central bank cut the benchmark selic rate by 25 bps to 14.75% yesterday, marking its first reduction since 2024 as policymakers responded to a cooling economy while monitoring rising inflation risks linked to the Middle East conflict. Economic activity has softened, with GDP expanding by just 0.1% q/q in Q4 2025 following flat growth in Q3. Meanwhile, economists surveyed by the central bank raised 2026 inflation estimates last week to 4.1% from 3.9%. The monetary policy decision was correctly predicted by 19 of 30 forecasters, while 10 expected a 50 bps reduction and one anticipating a hold. Policymakers emphasized a cautious approach to future easing, citing uncertainty surrounding the Middle East conflict and its potential impact on inflation. Inflation in February was still above the midpoint of the central bank's target, at 3.81% y/y, even before the Middle East conflict began.



Ghana

The cedi continued to weaken (-0.1% today, -0.4% since Monday), after the central bank of Ghana surprised yesterday by cutting its policy rate by -150 bps (vs. est. -100 bps) to 14%, taking cumulative easing to 14% since July 2025. Inflation softened to 3.3% y/y in February helped by a stronger cedi (+30% over the past 12 months) due to higher gold prices, and with FX reserves at $14.5 bn (+54% from a year earlier) covering 5.8 months of imports. Still, analysts at Bloomberg see further easing less certain after recent geopolitical developments and believe the central bank may need more hawkish language to support the cedi in the future. **Goldman Sachs** stressed that the decision was a surprise given the higher oil prices, revising up its inflation forecasts and pushing back the next expected rate cuts until Q3 2026, to a terminal rate of 12.5%.



Source: Bloomberg and IMF staff calculations

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Global Financial Indicators

3/19/26 8:01 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,625	-1.4	-2.2	-3.5	16.7	-3
Europe		5,614	-2.1	-2.3	-7.4	1.9	-3
Japan		53,373	-3.4	-2.0	-6.1	41.7	6
China		4,583	-1.6	-2.2	-1.7	15.3	-1
Asia Ex Japan		99	-1.8	-1.6	-4.6	28.7	6
Emerging Markets		58	-2.0	-2.2	-5.7	27.3	5
Interest Rates					basis points		
US 10y Yield		4.3	2	2	22	4	12
Germany 10y Yield		3.0	5	4	25	19	14
Japan 10y Yield		2.3	6	9	13	76	21
UK 10y Yield		4.8	9	7	47	21	36
Credit Spreads					basis points		
US Investment Grade		130	0	3	18	3	22
US High Yield		369	0	15	28	9	33
Exchange Rates					%		
USD/Majors		100.1	0.0	0.4	2.2	-3.2	2
EUR/USD		1.15	0.2	-0.3	-2.6	5.2	-2
USD/JPY		159.1	-0.5	-0.2	2.6	7.0	2
EM/USD		45.9	-0.2	-1.0	-3.3	1.8	-1
Commodities					%		
Brent Crude Oil ($/barrel)		114.8	6.9	14.3	61.1	70.5	90
Industrials Metals (index)		163.1	-2.5	-6.4	-2.3	5.0	0
Agriculture (index)		56.9	0.8	0.3	6.2	-2.3	6
Gold ($/ounce)		4663.6	-3.2	-8.2	-6.7	53.0	8
Bitcoin ($/coin)		70036.5	-1.7	-1.1	4.7	-18.0	-20
Implied Volatility					%		
VIX Index (%, change in pp)		25.8	0.6	-1.5	5.5	5.9	10.8
Global FX Volatility		8.3	0.0	0.0	0.9	0.1	1.4
Breakeven Inflation		%			basis points		
USD: 2Y		3.0	5	22	57	27	68
USD: 3Y		2.8	4	16	42	25	50
USD: 5Y		2.7	2	10	26	17	32
EUR: 2Y		3.0	21	41	123	110	133
EUR: 3Y		2.7	16	26	92	78	98
EUR: 5Y		2.4	9	11	58	45	64
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		84	5	5	23	5	25
Italy		84	5	5	23	-26	14
France		70	3	3	12	2	-1
Spain		52	2	1	15	-10	8

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

Emerging Market Financial Indicators

3/19/2026 8:00 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.90	-0.1	-0.2	0.1	4.8	1.3		1.9	-1	0	4	-7	-4
Korea*		1501	0.0	-0.9	-3.4	-2.5	-3.8		3.6	-7	1	3	93	27
Indonesia		16991	-0.3	-0.6	-0.6	-2.7	-1.8		6.7	0	22	52	-14	71
India		93	-0.3	-0.6	-2.1	-6.6	-3.0		7.5	0	4	30	76	43
Philippines		60	-1.0	-1.2	-3.5	-4.7	-1.9		5.5	1	19	61	33	79
Thailand		33	-0.3	-2.1	-5.2	2.2	-4.3		2.2	-3	14	21	-4	43
Malaysia		3.94	-0.5	-0.3	-0.7	12.7	3.1		3.6	3	3	5	-17	7
Argentina		1396	0.0	0.0	0.0	-23.5	4.0		31.9	35	-70	-262	-262	-47
Brazil		5.27	-1.4	-2.1	-0.6	7.7	4.3		13.9	10	39	81	-67	35
Chile		921	-0.4	-0.5	-6.0	-0.4	-2.2		5.4	5	16	27	-24	14
Colombia		3699	-0.2	0.1	-0.4	11.3	2.0		13.5	-2	-3	44	165	64
Mexico		17.82	0.2	0.2	-3.2	12.6	1.0		9.3	8	37	65	-17	30
Peru		3.4	-0.7	-0.6	-2.6	5.3	-2.3		6.7	-1	13	91	32	93
Uruguay		41	-0.3	-1.1	-4.5	4.0	-3.6		7.6	0	35	43	-194	12
Hungary		342	0.4	-0.4	-5.9	6.7	-4.4		7.0	5	16	77	16	47
Poland		3.73	0.1	-0.5	-3.9	2.9	-3.8		5.1	7	26	84	-40	56
Romania		4.4	0.1	-0.4	-2.6	2.8	-2.5		7.0	-2	33	89	-26	34
Russia		85.8	-2.5	-7.3	-10.5	-2.1	-8.2							
South Africa		16.9	0.6	-0.5	-4.4	7.3	-1.9		9.2	15	44	96	-157	58
Türkiye		44.32	-0.2	-0.4	-1.3	-14.5	-3.1		33.8	81	165	367	503	417
US (DXY; 5y UST)		100	0.1	0.4	2.3	-3.2	1.8		3.90	2	3	26	-12	17

	Equity Markets							Bond Spreads on USD Debt (EMBIG)					
	Level		Change (in %)					Level		Change (in basis points)			
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD	Last 12m	Latest	7 Days	30 Days	12 M	YTD
								basis points					
China		4,583	-1.6	-2.2	-1.7	15.3	-1.0		106	-2	2	4	31
Korea*		5,763	-2.7	3.2	-0.8	118.5	36.8		30	2	7	-3	8
Indonesia		7,107	0.0	-4.5	-14.6	14.0	-17.8		111	1	9	-5	25
India		74,207	0.0	-2.4	-10.4	-2.8	-12.9		95	0	9	-12	5
Philippines		6,019	-0.6	-1.6	-7.2	-4.0	-0.6		98	9	15	-3	23
Thailand		1,417	-1.6	-0.9	-4.2	19.9	12.5						
Malaysia		1,721	-0.5	0.6	-1.9	14.4	2.4		61	0	1	-20	2
Argentina		2,693,891	1.2	-2.8	-5.1	12.6	-11.7		612	52	92	-181	43
Brazil		179,640	-0.4	-2.4	-4.7	35.6	11.5		204	8	2	-28	1
Chile		10,620	0.0	2.1	-1.8	39.8	1.3		97	9	4	-30	6
Colombia		2,179	-0.3	0.3	-8.7	34.8	5.4		277	-3	14	-59	0
Mexico		65,779	-0.6	-2.4	-7.2	24.0	2.3		223	13	13	-91	6
Peru		3,063	-4.2	-8.8	-8.9	69.3	18.5		113	6	1	-38	4
Hungary		121,916	-0.3	-0.1	-3.8	35.4	9.8		150	9	22	-10	11
Poland		121,025	-1.4	0.1	-3.4	22.9	3.2		94	1	2	-23	3
Romania		28,066	-0.6	-0.7	-3.2	62.2	14.8		190	15	31	-63	14
South Africa		109,221	-3.9	-6.6	-10.4	21.2	-5.7		260	21	33	-59	42
Türkiye		13,048	-0.5	-1.8	-5.5	32.3	15.9		295	21	50	20	61
EM total		58	-1.6	-2.2	-5.7	27.3	5.2		278	10	19	-98	7

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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