GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

MONDAY, MARCH 2, 2026
LEAD EDITOR: SANJAY HAZARIKA

- **Higher energy prices challenge markets as Middle East war continues** (link)
- **Euro area and Asia particularly vulnerable due to heavy reliance on energy imports** (link)
- **HALO trade drives equity markets** (link)
- **Credit investors flag AI issues as biggest risk to market** (link)
- **US equities remain close to record high despite Mag 7 slump** (link)
- **Higher inflation could slow rate cuts in Brazil** (link)

Mature Markets | Emerging Markets | Market Tables

Global markets grapple with war in the Middle East

Most markets across the globe were in the red as the war in the Middle East continued. Oil prices are up almost 10% intra-day, with Brent crude trading close to $80, the highest level since the previous attack on Iran in June. The dollar is stronger on safe haven buying. Natural gas prices are also up very sharply. Government bond yields in the US and Europe are higher due to worries about inflation caused by the rise in energy prices. Tanker traffic through the Strait of Hormuz appears to have come to a halt, increasing the risk that the spike in oil and natural gas prices could push up global inflation. About 20% of global oil production normally flows the Strait. The euro area and much of Asia are seen as particuarly vulnerable to higher energy prices due to their heavy reliance on energy imports. However, the overall market impact outside the energy sector has been relatively limited, perhaps because other recent geopolitical risk events have not had a lasting effect on markets.

Key Global Financial Indicators

Last updated: 3/2/26 7:58 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		6879	-0.4	0	-1	16	0
Eurostoxx 50		5994	-2.4	-2	0	10	3
Nikkei 225		58057	-1.3	2	6	54	15
MSCI EM		63	-0.2	0	6	45	14
Yields and Spreads			bps				
US 10y Yield		3.99	5.7	-4	-28	-21	-17
Germany 10y Yield		2.70	5.8	-1	-17	30	-15
EMBIG Sovereign Spread		258	8	15	17	-67	5
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		47.2	-0.9	-1	-1	7	1
Dollar index, (+) = $ appreciation		98.4	0.9	1	1	-9	0
Brent Crude Oil ($/barrel)		79.4	9.0	11	20	8	30
VIX Index (%, change in pp)		23.5	3.7	3	7	4	9

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

All eyes will be on the situation in the Middle East, but the data calendar continues. The key data release next week is the US jobs report on Friday, with the consensus forecast predicting that 60K jobs were added in February and that the unemployment rate will rise from 4.3% to 4.4%. ISM data are due later today. The euro area is due to report on CPI, PMIs and unemployment this week. China and India will also release PMI data, while Brazil will report the latest GDP data. The National Bank of Poland will meet on Wednesday. The UK Chancellor will deliver the Spring Statement, and German Chancellor Merz makes a visit to the US later this week. The IMF will host an "Asia in 2050" conference in Bangkok.

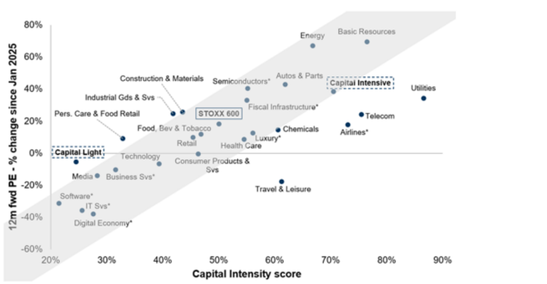
Mature Markets

back to top

United States

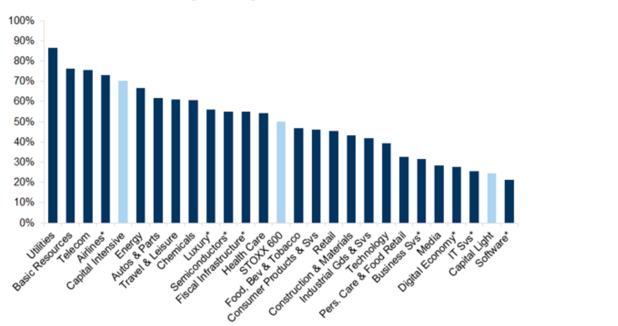
With US technology stocks under pressure in recent weeks, global equity markets are being dominated by the so-called "HALO trade," which favors companies that are "heavy asset, low obsolescence." Many sectors are selling off on worries that their businesses will suffer due to the spread of AI, while the large US technology companies have seen their equities decline due to the perceived risk that their AI infrastructure investments are at risk of rapid obsolescence. In both the US and Europe, investors have switched to sectors that have high barriers to entry due to the magnitude of investment required to enter the market, while having machinery and other infrastructure that are not subject to the risk of rapid obsolescence. The big beneficiaries of the HALO trade are sectors such as utilities, materials, and resource companies. Energy stocks have also done very well this year, along with industrials and transportation. In the US, the technology, communications, and finance sectors are all in the red so far in 2026. In the S&P 500, almost all technology stocks are trading below their 200-day moving averages, and the Nasdaq is one of the few major global indexes to be in the red for the year.

Exhibit 5: The level of capital intensity is now a key driver of returns and valuation changes
European sectors and styles - weighted average of stocks' Capital Intensity score



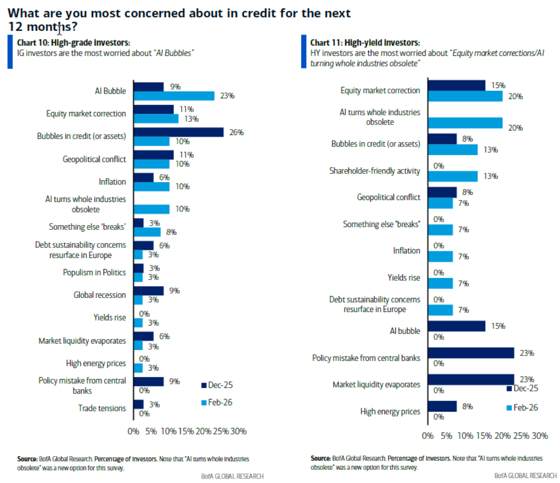
*GS Subsector Basket. Business Svs: GSSBBUSC, Luxury: GSSBLUXG, Airlines: GSSBTRAA, IT Svs: GSSBITSE, Semiconductors: GSSBSEMI, Software: GSSBSFTW, Digital Economy: GSSBDIGI, Fiscal Infrastructure: GSSTFISC
Source: FactSet, Datastream, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 6: Capital Intensity Score
STOXX 600 sectors and baskets - weighted average of stocks' Capital Intensity score

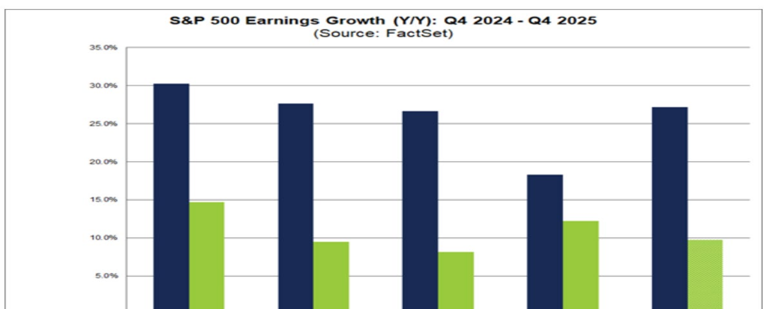


*GS Subsector Basket. Business Svs: GSSBBUSC, Luxury: GSSBLUXG, Airlines: GSSBTRAA, IT Svs: GSSBITSE, Semiconductors: GSSBSEMI, Software: GSSBSFTW, Digital Economy: GSSBDIGI, Fiscal Infrastructure: GSSTFISC
Source: FactSet, Datastream, Goldman Sachs Global Investment Research

Investors flagged AI-related risks as the biggest areas of concern in the coming year, according to the latest credit investor survey from Bank of America. Among investment grade (IG) investors, an AI bubble was cited as the biggest risk, while high yield (HY) investors thought the biggest risk was the potential that AI could make entire industries obsolete. Investors forecast that the supply of new bonds from the hyperscalers would reach $285 bn in 2026, up from a prediction of $210 bn in December. An equity market correction is also seen as a major risk. However, investors are much more optimistic about the global economy, with 46% predicting "no landing," the highest proportion in the history of the survey. Geopolitical tensions appear to have been downgraded as a major risk factor, while many of those surveyed believed that the technology selloff was overdone and that tech stocks are due for a rebound. None of the investors named Fed policy as a risk factor, while 55% predicted that 2% would not be the terminal rate for the ECB. A further 15% expect the ECB policy rate to fall to 1.5%.



The US Magnificent Seven (Mag 7) technology companies have delivered much stronger earnings growth than the other 493 companies in the S&P 500. Nvidia's earnings report last week completed the picture for the seven, as their year-on-year earnings grew more than 27% in Q4 2025, compared to the rest of the index which delivered 9.8% growth. However, their share prices as a group (the Bloomberg Mag 7 Index) have fallen by 12% since their October peak, with Meta actually down over the past 12 months. The fact that the S&P 500 remains close to all-time highs despite the poor performance of the Mag 7 that account for a large part of the index has reassured market participants. Worries that high concentration could trigger a major selloff of the index have receded as investors rotated into other sectors.

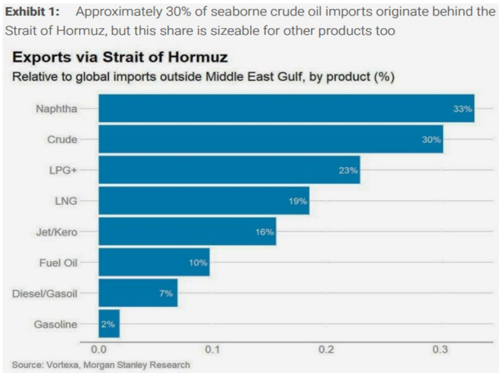


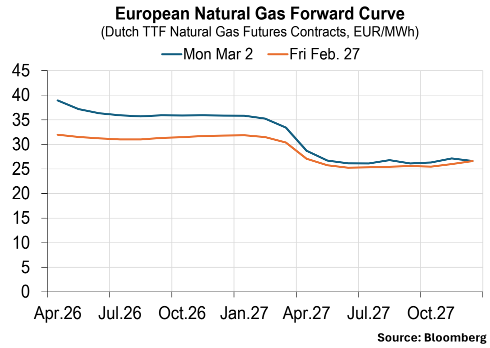
	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
"Magnificent 7" Cos.	30.2%	27.6%	26.6%	18.3%	27.2%
Other 493 Cos.	14.7%	9.5%	8.2%	12.2%	9.8%

Euro Area

European risk assets opened sharply lower before paring part of the losses through the morning. The STOXX 600 initially fell around 2% versus Friday's close and is currently trading about 1.3% lower. High-yield credit spreads widened by roughly 15bps at the open (iTraxx Crossover) but have since retraced part of the move, now about 7bps wider on the day at 270bps. The euro weakened by as much as 1% against the US dollar in early trading and is currently down around 0.6%. In commodities, Brent crude climbed toward $80 per barrel after the effective closure of the Strait of Hormuz, which handles roughly one-fifth of global oil flows, while European gas prices surged as much as 28% (retraced to +21% for the active TTF futures later).

Europe and Asia are particularly exposed to disruption in the Strait of Hormuz, even without actual production losses. Morgan Stanley describes the escalation as a shipping and insurance shock: even in the absence of "lost barrels", reduced tanker traffic, rising war-risk premia and tighter logistics are lifting the oil risk premium, quickly feeding into Europe's higher import costs and inflation, given its structural energy shortfall. The region is also reliant on LNG imports, including cargoes linked to Gulf supply routes, meaning prolonged transit disruption could tighten Europe's gas balances, with limited rerouting options. CACIB highlights that higher energy prices would squeeze margins in energy-intensive sectors such as chemicals, transport and utilities, though it assigns just a 5% probability to a full Hormuz blockade; in that tail scenario, price effects could resemble 1973 in magnitude, with severe inflation and recession risks for the EU and beyond.

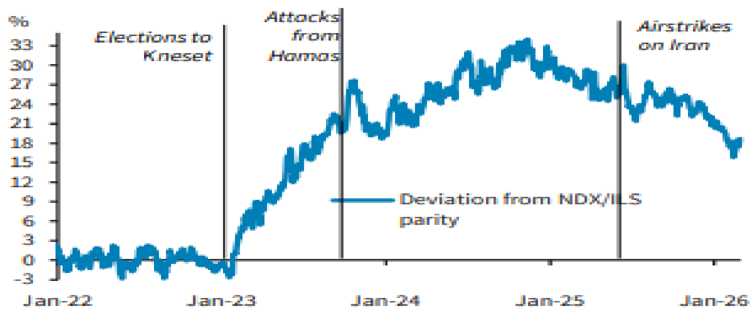




Israel

Israeli assets rallied sharply following the weekend escalation, with the TA-35 index rising by 3.6% to a record high and the shekel strengthening 2% against the US dollar. Bloomberg cites market feedback: "perhaps still buoyed by the success of the 12-day war, the market is 'betting' on a positive final outcome that could effectively remove Iran from the equation." According to Barclays, the escalation with Iran is likely to make markets demand more compensation for risk in the short term, but Israel enters this phase with relatively strong economic and financial buffers. In practical terms, that means the shekel could weaken, government borrowing costs could rise, and companies may have to pay more to issue debt. The immediate economic hit comes from emergency measures, reservist call-ups and temporary gas-field shutdowns, while a longer conflict could strain the budget and revive rating risks. Barclays expects bond spreads in the gas sector to widen further and remains cautious there, sees banks as better positioned thanks to strong capital and liquidity, and views equities as broadly resilient despite higher volatility.

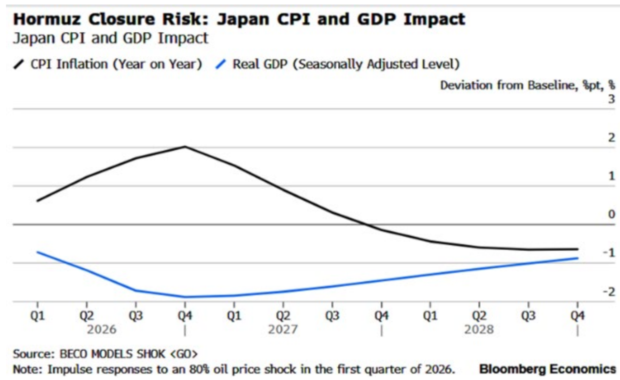
FIGURE 4. **USDILS premia stood below levels noted before Hamas attacks...**



Note: The premium is measured as a deviation from long-term USDILS - NDX relationship measured using vector error correction model on daily data in 2022.
Source: Bloomberg, Barclays Research

Japan

Japanese stocks fell (Nikkei 225: -1.35%) and the yen weakened (-0.60%) as investors assessed the economic impact from the Iran conflict amid surging oil prices. According to the Economy Ministry, Japan's reliance on Middle Eastern oil has hovered around 90%, hitting 95.1% in January this year, much of it shipped via the Hormuz Strait. The Nomura Research Institute estimates that prolonged supply disruptions—short of a full Hormuz closure—could shave 0.18ppt off GDP growth and add 0.31ppt to inflation. Bloomberg Economics warns CPI could rise as much as 2ppt above baseline, potentially pushing inflation above 4% and accelerating expectations for earlier BOJ policy tightening. While Deputy Governor Himino offered no signal of an imminent hike, OIS pricing shows only a 4% chance of a move in March but a 62% probability by April.



Oil-sensitive sectors such as transportation and banks underperformed, with bank shares falling up to -6.3% amid broader credit concerns. In contrast, oil refiners and explorers rallied on higher oil prices and reportedly ample inventories. However, Citigroup downgraded Japanese equities to underweight from overweight, warning that Japan typically underperforms amid rising oil prices. Meanwhile, JGB yields declined on safe-haven demand (10y: -3.4bps to 2.08%).

Emerging Markets

back to top

Most markets in Asia fell back on the war news. The region is very vulnerable to higher oil prices. **LATAM equities declined on Friday amid a broader risk-off backdrop**, with Argentina and Colombia leading losses, down 4.1% and 2.7%, respectively. Regional **currencies, however, were a mixed bag**. In Brazil, the real appreciated by around 25 bps as markets pared back rate-cut expectations after an index signaled slower-than-expected deceleration in inflation. The Argentine peso and Colombian peso also rebounded after losses on Thursday, while other regional currencies extended their declines.

EM bond issuance

Bond issuance volumes in EMs more than doubled on a weekly basis to $24 bn, surpassing the 2025 average. The week-on-week volume boost was driven by sovereign issuances of $15.7, 2/3rd of which was concentrated in Romania and Indonesia. Other sovereign issuers were from the CEEMA and LATAM regions. Corporates also returned to primary markets, issuing $3.6 bn during the week. Overall, the cumulative EM bond issuance in 2026 has reached $235 bn (+25% y/y), of which about $116 bn is by the sovereign sector.

Figure 1. EM bond issuance, by sector (bn. USD)

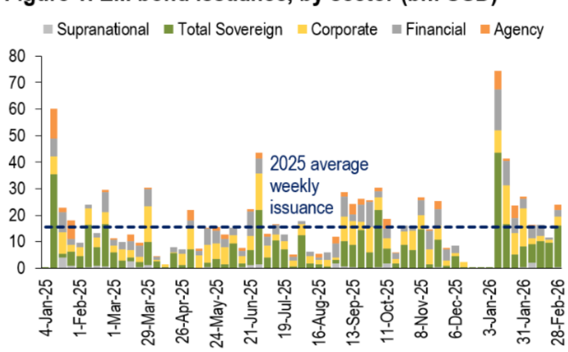
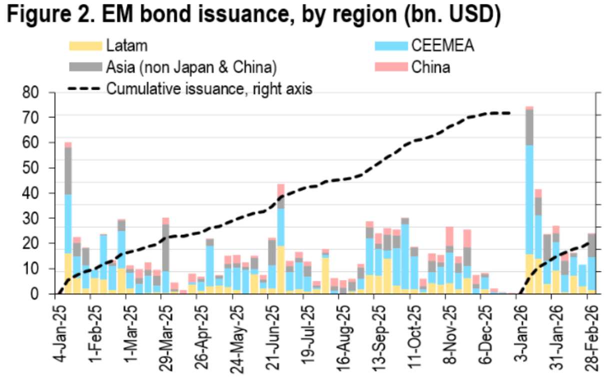


Figure 2. EM bond issuance, by region (bn. USD)

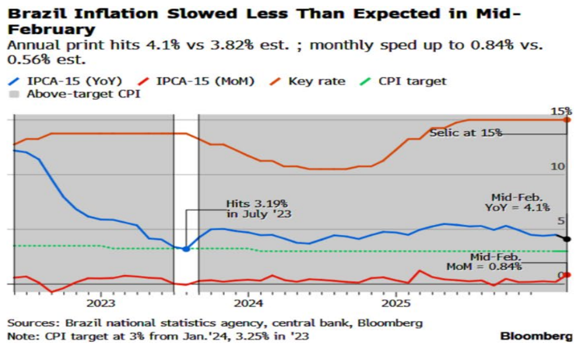


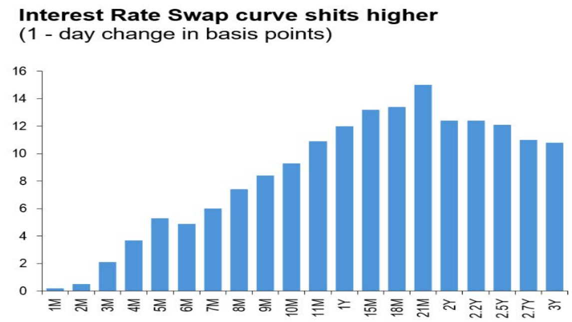
Sources: Bond Radar, and IMF staff calculations.

Brazil

The latest mid-month inflation print was higher than expected, prompting markets to recalibrate policy rate expectations. Feb's IPCA-15, which measures inflation for the period end in mid-Feb, came in at 4.1% y/y, above the expectation of 3.8% y/y. While this is not the reference index for Brazil Central Bank's

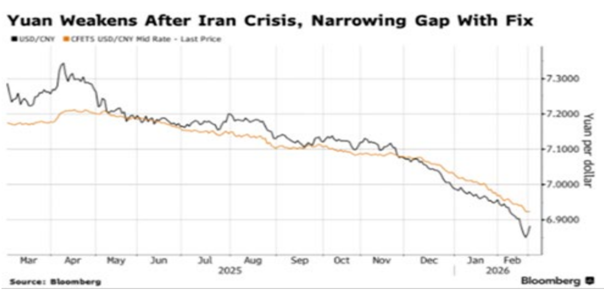
(BCB) inflation target, it does provide an indication of underlying price trends. Street analysts believe this should not prevent the central bank from cutting the policy rate in the forthcoming meeting (18th March) but think it might affect the pace of easing thereafter. The swap curve shifted higher on Friday, with Jan 2028 rates rising by 15 bps. Currently, the policy rate is at 15%, its highest level since early 2006.

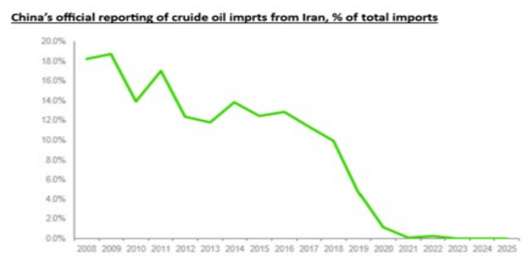




China

The yuan weakened (-0.33%) against the dollar, but the stock market gained (CSI300: +0.38%) despite the Iran crisis. BofA Global Research flagged upside risks to USD/CNY, noting China's reliance on energy imports, with roughly one-third of its crude shipments transiting the Strait of Hormuz. The PBOC set the RMB fixing at 6.9236/$, slightly weaker than the last session (6.9228/$) but narrowing the gap with spot (6.8802/$). Investor sentiment was supported by policy optimism ahead of the "Two Sessions" starting March 4th, the annual sessions of top legislators and political advisors, with market widely expecting a GDP target at 4.5–5%, CPI target at 2%, and a budget deficit at 4% of GDP. Standard Chartered expects limited impact from Middle East tensions on these targets and plans, along with limited market impact, citing China's diversified oil import mix, with a substantial decline of direct imports from Iran since 2023. High oil inventories are expected to provide a near-term buffer against supply disruptions.





Source: Wind, Standard Chartered Research

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.

Global Financial Indicators

3/2/26 8:00 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,879	-0.4	-0.4	-1.4	15.5	0
Europe		5,994	-2.4	-2.0	-0.2	9.7	3
Japan		58,057	-1.3	2.2	6.1	53.6	15
China		4,729	0.4	1.5	1.5	21.6	2
Asia Ex Japan		107	-0.1	0.6	6.0	44.7	14
Emerging Markets		63	-0.2	0.4	5.6	44.8	14
Interest Rates					basis points		
US 10y Yield		4.0	6	-4	-28	-21	-17
Germany 10y Yield		2.7	6	-1	-17	30	-15
Japan 10y Yield		2.1	-3	-3	-16	71	2
UK 10y Yield		4.3	12	3	-16	-13	-13
Credit Spreads					basis points		
US Investment Grade		120	4	9	18	0	13
US High Yield		365	10	22	51	35	29
Exchange Rates					%		
USD/Majors		98.4	0.9	0.7	0.8	-8.5	0
EUR/USD		1.17	-0.9	-0.7	-0.7	11.6	0
USD/JPY		157.4	0.9	1.8	1.1	5.3	0
EM/USD		47.2	-0.9	-0.8	-0.6	7.4	1
Commodities					%		
Brent Crude Oil ($/barrel)		79.4	9.0	11.7	21.1	15.7	32
Industrials Metals (index)		172.5	0.6	2.8	3.1	18.8	6
Agriculture (index)		54.7	0.2	1.8	3.5	-5.7	2
Gold ($/ounce)		5388.2	2.1	3.1	15.6	86.3	25
Bitcoin ($/coin)		65954.2	0.4	-4.3	-15.9	-30.1	-25
Implied Volatility					%		
VIX Index (%, change in pp)		23.5	3.7	2.5	7.2	3.9	8.6
Global FX Volatility		7.4	0.1	-0.1	-0.3	-0.9	0.5
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		65	3	5	4	-20	6
Italy		65	2	4	4	-48	-5
France		59	2	2	1	-15	-12
Spain		43	1	1	6	-21	-1

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

Emerging Market Financial Indicators

3/2/2026 8:01 AM	Exchange Rates: Level, Last 12m	Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Local Currency Bond Yields (GBI EM): Level, Last 12m	Latest	Change (in basis points): 1 Day	7 Days	30 Days	12 M	YTD
		vs. USD	(+) = EM appreciation						% p.a.					
China		6.89	-0.4	0.2	0.8	5.8	1.4		1.9	-1	2	-2	6	-5
Indonesia		16868	-0.5	-0.4	-0.4	-2.3	-1.1		6.2	1	-1	1	-64	19
India		91	-0.5	-0.6	0.0	-4.5	-1.7		7.3	1	0	-9	31	19
Philippines		58	-0.9	-1.1	1.2	-0.5	1.3		4.8	0	9	2	-29	16
Thailand		31	-1.4	-1.5	0.3	8.0	0.0		1.8	-1	-16	-18	-44	7
Malaysia		3.93	-0.8	-0.9	0.5	13.8	3.4		3.5	-1	-4	-2	-30	-2
Argentina		1409	-0.8	-2.8	3.0	-24.5	3.0		32.5	-44	-296	-219	392	9
Brazil		5.20	-1.4	-0.6	1.1	13.2	5.7		13.1	8	0	-12	-193	-46
Chile		887	-1.6	-2.4	-2.5	7.1	1.5		5.2	-2	-3	-6	-62	-15
Colombia		3785	-0.7	-2.5	-4.3	8.5	-0.3		13.8	-11	56	135	237	94
Mexico		17.34	-0.7	-0.4	0.3	19.3	3.8		8.6	0	-15	-27	-101	-43
Peru		3.4	0.0	0.2	-0.3	9.5	0.2		5.9	0	5	6	-53	7
Uruguay		38	0.1	0.1	0.4	10.5	1.8		7.1	-4	-8	-17	-261	-45
Hungary		325	-2.0	-1.1	-0.7	17.1	0.6		6.2	0	-8	-11	-24	-34
Poland		3.62	-1.3	-1.1	-1.1	9.5	-0.9		4.3	3	0	-10	-119	-24
Romania		4.4	-1.0	-0.7	-0.7	9.0	-0.4		6.1	-2	-5	-37	-108	-58
Russia		77.4	-0.5	-0.6	-1.2	15.8	1.7							
South Africa		16.1	-1.3	-0.8	-0.3	15.3	2.6		8.3	9	-3	-23	-237	-34
Türkiye		43.96	0.0	-0.3	-1.1	-17.1	-2.3		30.3	6	8	105	212	69
US (DXY; 5y UST)		98	0.9	0.8	0.8	-8.5	0.1		3.56	6	-3	-28	-46	-17

	Equity Markets: Level, Last 12m	Latest	Change (in %): 1 Day	7 Days	30 Days	12 M	YTD	Bond Spreads on USD Debt (EMBIG): Level, Last 12m	Latest	Change (in basis points): 7 Days	30 Days	12 M	YTD
								basis points					
China		4,729	0.4	1.5	1.5	21.6	2.1		111	5	39	12	36
Indonesia		8,017	-2.7	-4.5	-1.3	23.0	-7.3		113	11	23	9	27
India		80,239	-1.3	-3.7	-4.3	9.9	-5.8		91	5	4	-7	1
Philippines		6,427	-2.8	-1.0	0.4	6.5	6.2		92	10	17	-4	17
Thailand		1,467	-4.0	-0.9	8.9	24.5	16.4						
Malaysia		1,700	-1.0	-3.3	-2.7	8.2	1.2		67	7	9	-11	8
Argentina		2,642,106	-4.1	-4.4	-15.0	19.8	-13.4		586	59	88	-192	17
Brazil		188,787	-1.2	0.0	3.3	53.7	17.2		205	4	11	-28	2
Chile		10,689	-1.6	-2.1	-6.9	45.8	2.0		99	7	7	-27	8
Colombia		2,223	-2.7	-10.0	-8.2	38.3	7.5		298	32	29	-32	21
Mexico		71,406	0.0	0.0	5.6	36.5	11.0		223	15	10	-90	6
Peru		3,601	0.7	5.7	7.5	115.6	39.4		119	7	16	-26	10
Hungary		125,929	-0.5	-0.9	-1.9	44.5	13.4		142	11	7	-7	3
Poland		125,829	-0.8	-0.7	0.6	36.8	7.3		96	9	8	-21	5
Romania		27,806	-1.1	-5.6	2.8	58.7	13.8		169	8	5	-78	-7
South Africa		128,252	-0.2	2.6	7.9	49.2	10.7		241	12	17	-68	23
Türkiye		13,356	-2.6	-5.0	-1.9	38.3	18.6		275	21	34	-4	41
EM total		63	-2.7	0.4	5.6	44.8	14.4		275	13	17	-99	4

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

back to top