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Markets Tense on Reports of More Strikes in The Middle East

European bourses traded sideways as investors struggled for direction and US equity futures signaled a negative opening following reports that Iran launched missiles and drone attacks at Israel and Gulf states overnight. Yesterday, US equity markets rebounded, and oil dropped as the US President announced a 5-day reprieve on US strikes against Iranian energy infrastructure, citing renewed talks aimed at brokering a ceasefire. This morning, however, markets were on alert, with the VIX index and crude oil prices rising. Advanced economy sovereign yields rose modestly, partially retracing yesterday's rally. In the euro-area, short-end yields increased with yield curves resuming their flattening trend since the conflict started. Although euro-area inflation breakevens traded lower this morning, talk about stagflation risks reignited, following disappointing euro area PMIs and comments by ECB Governing Council member Vujcic, who will become ECB Vice President in June, that the ECB must be vigilant about stagflation risks. Overall, market sentiment remains very fragile, with investors waiting for some confirmation of talks between Iran and the US for clarity.

Key Global Financial Indicators

Last updated: 3/24/26 8:17 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities				%			%
S&P 500		6581	1.1	-2	-4	14	-4
Eurostoxx 50		5562	-0.2	-4	-9	3	-4
Nikkei 225		52252	1.4	-3	-9	39	4
MSCI EM		57	3.0	-2	-8	28	5
Yields and Spreads				bps			
US 10y Yield		4.37	3.2	18	34	4	21
Germany 10y Yield		3.01	0.2	10	30	24	15
EMBIG Sovereign Spread		275	2	5	28	-58	22
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.2	0.1	0	-3	3	-1
Dollar index, (+) = \$ appreciation		99.3	0.4	0	2	-5	1
Brent Crude Oil (\$/barrel)		101.2	1.2	-2	43	39	66
VIX Index (% change in pp)		26.4	0.3	4	7	9	11

Key Global Inflation and Energy Indicators

Last updated: 3/24/26 8:16 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Oil and Gas			%				%
Brent Crude Oil (\$/barrel)		101	1.2	-2	43	39	66
WTI Crude Oil (\$/barrel)		90	2.2	-6	37	30	57
Natural Gas (Netherlands TTF)		54	-4	-13	74	29	99
Breakeven Inflation		%	bps				
USD: 2Y		2.7	0.0	-7	37	-1	45
USD: 5Y		2.5	0.0	-8	14	-3	16
USD: 5Y5Y		2.3	-2	-3	-7	-9	-10
EUR: 2Y		2.7	-5.4	8	95	79	103
EUR: 5Y		2.3	-4	1	46	32	50
EUR: 5Y5Y		2.1	-2	-2	3	-2	5

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

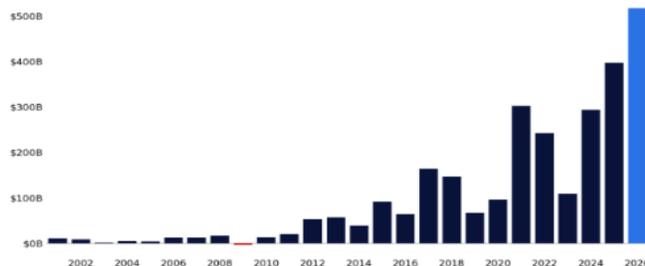
US equity markets rebounded and oil dropped yesterday as the US President announced a 5-day reprieve on US strikes against Iranian energy infrastructure, citing renewed talks aimed at brokering a ceasefire. Although Iran denied that negotiations were taking place, US equities staged a strong rally, with the S&P 500 rising to a high of +2.2% before paring some of the gains and closing around +1.5%.

Crowded short positions reportedly exacerbated yesterday's equity rally.

According to Citadel, the speed of the move likely underscores positioning dynamics by speculative investors. Hedge funds have so far hedged against further market downsides by building record short positions in ETFs. ETF trading volumes have surged to historically high levels, accounting for roughly 35% of trading in recent weeks, as investors used them to adjust exposures. This dynamic leaves markets highly sensitive to positive headlines. As geopolitical risk recedes, even temporarily, this defensive positioning can look vulnerable, setting the stage for short covering and mechanical re-risking. Yesterday's rebound maybe indicative of a market prone to outsized moves, where incremental good news can translate into sharp short squeezes and further upside despite unresolved fundamental risks.

ETF Net Inflows - Strongest in History

January 1 - March 22, Yearly Since 2001

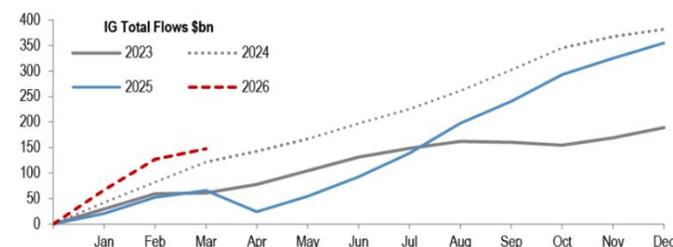


Source: Bloomberg as compiled by Citadel Securities, GMI, as of March 22, 2026. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

Investment grade (IG) credit remains resilient while high yield appetite fades.

IG credit spreads have remained stable despite rising uncertainty, supported by limited new bond supply and continued demand for higher-quality corporate debt. IG bond funds and ETFs extended their longest inflow streak, now running for nearly a year and at a stronger pace year-to-date compared to previous years. In contrast, high-yield funds saw their largest weekly outflows in months as spreads

Figure 5: Inflows YTD are currently running at 3x last year's pace



Source: J.P. Morgan, EPFR.

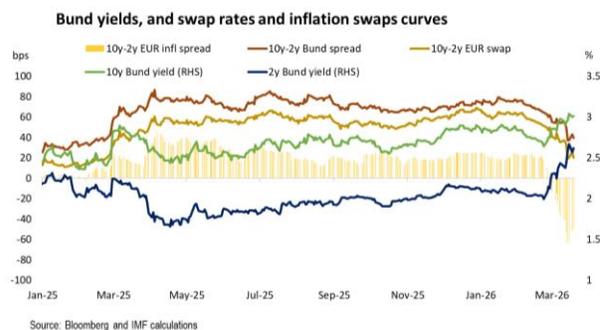
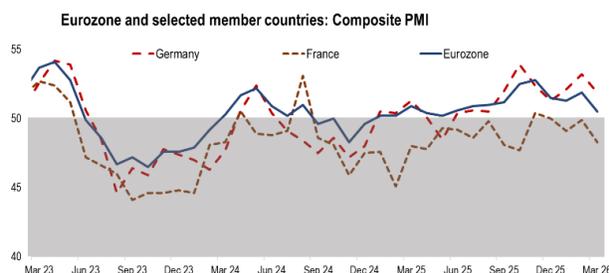
widened to multi-month highs. The divergence reflects investor caution amid rising yields, hawkish central-bank repricing, and elevated geopolitical risk, with demand concentrating in higher-quality credit as a defensive carry play. Looking ahead, JP Morgan noted that sustained inflows into IG are increasingly sensitive to rate volatility and total-return dynamics, while any further hawkish pivot by the Fed would pose a material widening risk for spreads; absent that, subdued supply and quality-focused demand should continue to cushion IG credit relative to the lower-rated segments.

Euro Area

European equities traded sideways as investors struggled for direction on news of more strikes in the Middle East. The Stoxx 600 index was little changed, with gains in the energy sector (+1.2%), amid rising oil prices (Brent +1%), offset by losses among banks (-1%) and tech companies (-0.7%). The euro was slightly weaker (-0.2%), trading at \$1.1594/€.

Euro area government bond (EGBs) yields were rangebound, with some increases at the front-end.

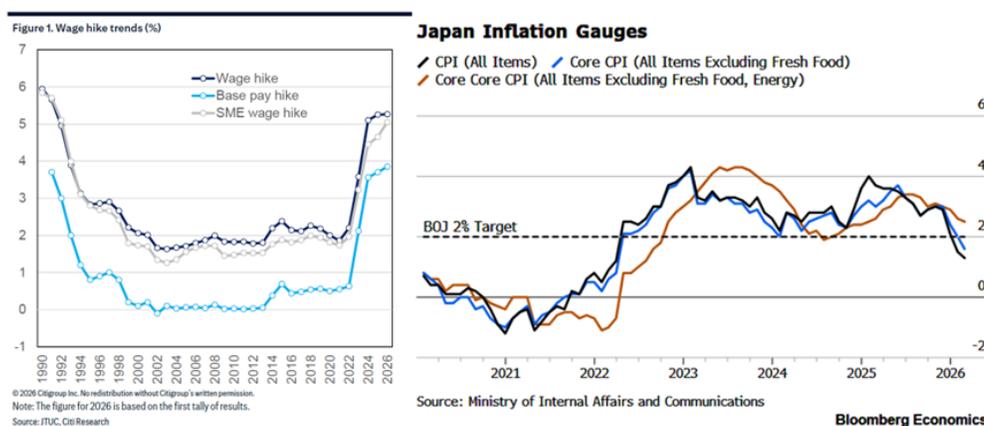
The yield curve resumed its flattening, with money markets pricing in a higher probability of more ECB rate hikes by December, to a total implied tightening of 67 bps. **ECB Governing Council member Vujcic**, who will become ECB Vice President in June, said today that although policymakers have not yet seen signs of stagflation, the risk is moving in that direction and that, while “the option value of waiting a bit is high,” “we’re already departing from the baseline scenario toward worst-case scenarios.” Analysts have diverging views about the ECB’s monetary policy outlook. **JP Morgan** expects two 25bps rate hikes by the ECB in April and July 2026, with only partial easing in the second half of 2027, as it sees higher energy prices feeding into inflation quickly with headline inflation at around 3% y/y in May if the Brent stays at around \$100/bbl in Q2. In contrast, **HSBC** continues to expect instead that the ECB will keep its deposit rate at 2% in 2026 and 2027 as a baseline case, seeing the energy shock short-lived with the euro area’s inflation averaging 2.9% in 2026 and 2.1% in 2027, but they warn that in adverse scenarios the ECB may need to use the TPI or even a PEPP-like program as periphery EGBs would come under pressure as slower growth would boost fiscal concerns. **Southern spreads widened today**, with the OAT-Bund spread adding 2 bps to 72 bps, and the BTP-Bund spread 3 bps higher at 90 bps after a national referendum was a setback for the government yesterday as voters rejected a constitutional reform proposed by the ruling majority to overhaul Italy’s judicial system. Analysts at Bloomberg were cautious on possible ECB rate hikes, also stressing stagflation risks as **today’s PMI data was disappointing**. The composite index for the euro area was down to 50.5pts (vs. est.51pts, from prior 51.9) and slid further into the contractionary space (below the 50pts threshold) in France to 48.3pts (vs. est. 49.3pts, from 49.9pts in February) while cooling in Germany to 51.9pts (vs. est. 52.2pts from prior 53.2pts).



Japan

The initial spring wage negotiations (*Shunto*) outcomes signaled sustained wage momentum, with an average wage hike of 5.26%, slightly below last year’s initial reading of 5.46% but marking a third consecutive year of hikes above 5%. The base pay increase (excluding seniority pay) averaged 3.85%,

broadly unchanged from 3.84% last year. Wage growth for small and medium-sized firms—a key focus for policymakers—also picked up to 5.05%, exceeding last year’s final tally (4.65%). Bloomberg economists see these results as reinforcing inflation pressures and supporting the case for a BOJ rate hike as early as April. Citi, however, argued that the outcome mainly confirms the wage-price virtuous cycle already assumed by policymakers and is unlikely to accelerate the pace of policy normalization, particularly as Middle East risks were not reflected in wage talks. Meanwhile, inflation data were mixed. The Ministry of Internal Affairs and Communications data shows that the core CPI (excluding fresh food) slowed to +1.6% y/y in February, the weakest in nearly four years, largely due to government utility subsidies that drove energy prices down -9.1%. By contrast, core-core inflation (excluding fresh food and energy) rose +2.5% y/y, well above the Bank of Japan’s 2% target, reigniting concerns about potential spillovers from higher oil prices. OIS markets now price a 62% probability of a rate hike next month. Today, JGB yields fell (10-year: -5 bps to 2.25%) after the 40-year JGB auction drew firm demand, while the yen weakened (-0.2%) amid rising intervention speculation following reports that the Finance Ministry conducted market checks. The stock market rebounded (Nikkei 225: +1.4%) on hopes of easing Middle East tensions.



Emerging Markets

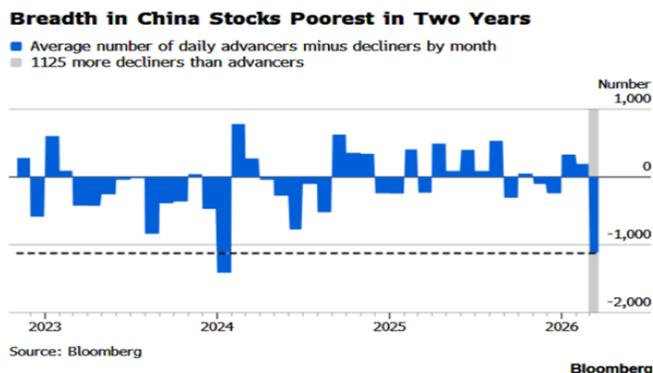
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In Asia, stocks recovered (EM Asia: +2.3%) from yesterday’s losses led by Hong Kong SAR (HSI: +2.8%). EM Asian currencies were mixed, with the Thai baht (+1.3%) outperforming. The Philippines peso strengthened (+0.6%) after the government reassured markets of adequate oil supplies and announced plans to build buffer stocks, including setting aside 20bn peso (\$0.3 bn) for additional oil procurement. In **EMEA**, equities and currencies were trading lower in early morning trade, reflecting uncertainty around possible US-Iran talks to end the conflict. Local currency government bond yields were mostly trading higher, led by Türkiye (10-year yield +15 bps) and South Africa (10-year yield + 6 bps). The National Bank of **Hungary** is expected to keep rates on hold at 6.25% later today. Elsewhere, Bloomberg reported that the Republic of Srpska (B3/B- rated) may issue a 5-year EUR benchmark bond, subject to market conditions. In **Latam**, equities rebounded yesterday, with Brazil (+3.2%) and Mexico gaining, while Chile slipped slightly. Currencies strengthened broadly, with the Chilean peso (+2.5%) outperforming yesterday.

China

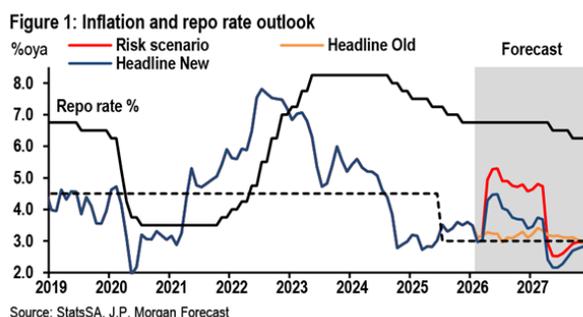
The stock market rebounded (CSI 300: +1.3%) after yesterday’s sharp sell-off, though underlying market breadth remains weak. Bloomberg reported that breadth has deteriorated this month and is on track for its weakest reading since January 2024—a period associated with a derivatives-driven selloff that began in small-cap stocks. Across the Shanghai and Shenzhen exchanges, more than 1,100 stocks on average are declining versus advancing, out of nearly 6,000 listings. Equity strategists noted that the deterioration in breadth has not been accompanied by meaningful downgrades to earnings expectations, suggesting flows are being driven more by risk sentiment than fundamentals, and they see limited downside

from current levels unless tail risks materialize. That said, state-backed investors, or the so-called “national-team” that typically uses broad-based funds to support equities during market stress, appeared to step in, with turnover in the Huatai-PineBridge CSI 300 ETF reaching 6.8bn yuan, nearly double Friday’s level, and the highest since early February, reported by Caixin. Today, the yuan weakened slightly (-0.1%) despite a stronger RMB fixing at 6.8943/\$.



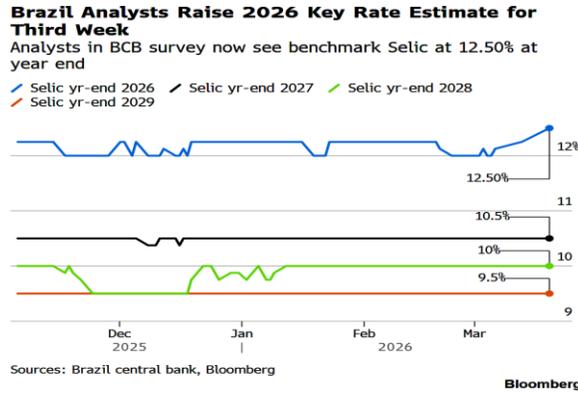
South Africa

The South African Reserve Bank is expected to keep rates on hold this week due to upside inflation risks. Consensus expectations are that the South African Reserve Bank (SARB) will keep rates unchanged at 6.75% at Thursday’s meeting. Analysts at JP Morgan expect policymakers will lean hawkish while presenting various risk scenarios. While recent inflation data has been benign, the Iran war and subsequent energy price shock point to the risk of higher inflation and a further weakening in the rand. Beyond the immediate first-round impact of higher energy prices, JP Morgan note that the SARB will be watching inflation expectations as it looks to anchor expectations closer to the new 3% (-/+ 1ppt) inflation target. The analysts expect the SARB to upwardly revise its inflation forecast to 3.6% y/y (from 3.3%) while JP Morgan forecast inflation of 3.8% in 2026. The analysts caution that should inflation surprise significantly to the upside and breach the 4% upper bound of the tolerance band around the new inflation target, SARB may respond with a rate hike.



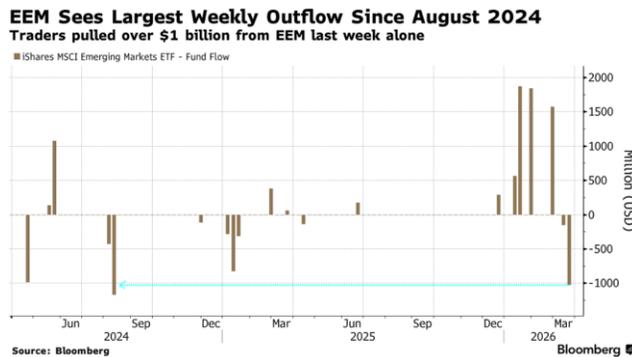
Brazil

Brazil’s weekly economist survey revised up the year-end Selic forecast to 12.50% (from 12.25%) and 2026 inflation expectations to 4.17% y/y from (4.10%), the third consecutive week of upward revisions. The survey comes out just days after the central bank launched its easing cycle on March 18 with a cautious 25 bps cut to 14.75%, which policymakers described as “appropriate” given the external geopolitical uncertainty. The revisions signal analysts expect a shallower easing cycle than previously anticipated. The Brazilian real 1-year 1-year forward swap rate has risen +148 bps since the start of the Middle East conflict, nearing 13.50% from 12.00%, with February inflation running 3.81% y/y, below the 4.5% upper target band.



Emerging Market ETFs

The iShares MSCI Emerging Markets ETF recorded \$1.0 bn in outflows last week, the largest withdrawal since August 2024. The index has a heavy Asia exposure, with 80% the market cap concentrated in the region, with Taiwan POC, China, South Korea, and India as its largest allocations. Additionally, the iShares MSCI India ETF extended losses for the third consecutive week, recording \$255 mn in withdrawals, and is on track to see its worst monthly redemption since 2020, already totaling over \$1 bn in outflows. Investors are finding diversification and dip-buying opportunities across EMs but remain country-specific rather than being broadly bullish the index.



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Global Financial Indicators

1/0/1900 3/24/26 8:15 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		6,581	1.1	-1.8	-4.5	14.1	-4
Europe		5,562	-0.2	-3.6	-9.1	2.7	-4
Japan		52,252	1.4	-2.8	-8.8	38.9	4
China		4,475	1.3	-3.5	-4.9	13.7	-3
Asia Ex Japan		98	2.7	-2.0	-7.7	29.2	6
Emerging Markets		57	3.0	-1.8	-8.5	28.0	5
Interest Rates			basis points				
US 10y Yield		4.4	3	18	34	4	21
Germany 10y Yield		3.0	0	10	30	24	15
Japan 10y Yield		2.3	-5	-1	18	72	20
UK 10y Yield		4.9	0	23	62	21	44
Credit Spreads			basis points				
US Investment Grade		126	-3	-6	12	0	19
US High Yield		368	-6	-6	15	6	32
Exchange Rates			%				
USD/Majors		99.3	0.4	-0.2	1.5	-4.7	1
EUR/USD		1.16	-0.2	0.4	-1.6	7.3	-1
USD/JPY		158.8	0.2	-0.1	1.9	5.4	1
EM/USD		46.2	0.1	-0.5	-3.2	3.1	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		101.2	1.2	-2.2	43.3	47.6	68
Industrials Metals (index)		161.8	-0.4	-4.8	-5.1	5.3	-1
Agriculture (index)		56.6	0.3	1.6	5.0	-2.1	6
Gold (\$/ounce)		4432.4	0.6	-11.5	-13.8	47.2	3
Bitcoin (\$/coin)		71206.0	0.4	1.0	11.2	-19.0	-19
Implied Volatility			%				
VIX Index (% change in pp)		26.4	0.3	4.1	6.9	9.0	11.5
Global FX Volatility		8.5	0.0	0.2	1.1	0.3	1.6
Breakeven Inflation		%	basis points				
USD: 2Y		2.7	0	-7	37	-1	45
USD: 3Y		2.6	0	-8	26	0	31
USD: 5Y		2.5	0	-8	14	-3	16
EUR: 2Y		2.7	-5	8	95	79	103
EUR: 3Y		2.5	-5	5	71	55	75
EUR: 5Y		2.3	-4	1	46	32	50
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		86	1	11	25	6	27
Italy		90	3	15	29	-20	20
France		72	2	7	16	3	1
Spain		52	1	4	11	-11	9

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

Emerging Market Financial Indicators

3/24/2026 8:14 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	-0.1	-0.1	-0.2	5.3	1.4		1.9	0	-1	4	-2	-3
Korea*		1498	-0.7	-0.6	-3.8	-1.9	-3.6		3.8	15	17	26	117	51
Indonesia		16898	0.6	0.6	-0.4	-2.0	-1.3		6.7	0	0	52	-26	71
India		94	0.1	-1.6	-3.1	-8.8	-4.3		7.6	-8	12	39	82	54
Philippines		60	0.6	-0.2	-3.6	-4.4	-1.7		5.6	-10	23	84	45	91
Thailand		33	-0.7	-0.8	-4.6	4.3	-3.3		2.4	13	17	39	22	62
Malaysia		3.96	-0.5	-1.0	-1.5	12.1	2.6		3.6	2	2	6	-17	7
Argentina		1391	0.3	0.5	-1.1	-23.2	4.3		29.4	0	-184	-520	-516	-301
Brazil		5.27	-0.6	-1.4	-2.2	9.5	4.3		13.9	-27	10	81	-103	35
Chile		921	-1.2	-1.5	-6.5	0.7	-2.2		5.6	-3	22	47	0	32
Colombia		3713	0.1	-0.4	-0.6	11.9	1.7		13.7	0	7	12	179	79
Mexico		17.88	-0.5	-1.3	-3.9	12.0	0.7		9.2	-13	-9	56	-26	25
Peru		3.5	0.5	-1.2	-2.9	5.5	-2.8		6.8	-1	5	98	30	99
Uruguay		40	0.7	0.2	-4.9	4.3	-3.3		7.6	-5	1	46	-192	8
Hungary		337	-0.8	0.0	-4.5	9.7	-2.8		7.3	3	28	109	42	81
Poland		3.69	-0.6	0.1	-2.9	4.8	-2.7		5.2	-11	8	91	-26	66
Romania		4.4	-0.2	0.4	-1.6	4.8	-1.4		7.0	-6	-14	86	-23	34
Russia		80.8	1.5	1.8	-5.6	4.1	-2.6							
South Africa		17.1	-1.4	-2.3	-6.4	7.0	-2.9		9.1	-29	-3	92	-164	51
Türkiye		44.35	-0.1	-0.4	-1.1	-14.4	-3.1		35.2	84	205	496	61	559
US (DXY; 5y UST)		99	0.4	-0.2	1.5	-4.7	1.0		3.99	3	20	40	-10	27

	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		4,475	1.3	-3.5	-4.9	13.7	-3.4		103	-7	-7	-1	28	
Korea*		5,554	2.7	-1.5	-8.7	112.3	31.8		35	6	12	1	13	
Indonesia		7,107	0.0	-4.5	-14.6	14.0	-17.8		126	8	19	13	40	
India		74,068	0.0	-2.6	-10.0	-5.1	-13.1		95	-2	6	-8	5	
Philippines		5,936	0.6	-1.2	-10.3	-3.6	-1.9		112	10	25	18	37	
Thailand		1,410	0.9	-1.6	-7.0	19.0	12.0							
Malaysia		1,709	-0.7	0.6	-2.2	12.9	1.7		62	0	-2	-17	3	
Argentina		2,778,025	1.9	6.6	-0.8	11.7	-9.0		606	-3	62	-165	37	
Brazil		181,932	3.2	1.1	-5.0	38.5	12.9		200	-5	-2	-28	-3	
Chile		10,228	-0.5	-3.7	-7.0	34.0	-2.4		100	4	6	-25	9	
Colombia		2,231	1.4	2.1	-6.9	38.7	7.9		274	-5	5	-62	-3	
Mexico		64,371	0.4	-1.9	-9.3	22.2	0.1		224	0	13	-91	7	
Peru		3,023	3.0	-5.6	-13.5	65.7	17.0		114	-2	-1	-31	5	
Hungary		122,687	0.0	0.1	-1.6	34.9	10.5		162	4	29	3	23	
Poland		119,293	-0.5	-3.5	-5.2	21.4	1.8		104	13	14	-9	13	
Romania		28,003	0.4	-0.8	-4.1	61.0	14.6		210	12	47	-40	34	
South Africa		110,400	-0.1	-5.8	-11.8	24.1	-4.7		271	12	38	-50	53	
Türkiye		13,029	-1.1	0.6	-7.3	40.1	15.7		299	-6	42	-25	65	
EM total		57	-0.7	-1.8	-8.5	28.0	4.8		288	4	23	-90	17	

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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