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Market Sentiment Recovers on Hopes for US Plan to End the Conflict

Global equities gained and bond yields fell after reports that the US has sent Iran a 15-point plan to negotiate an end to the conflict. US equity futures signaled a positive opening after a volatile session yesterday, following a rapid succession of headlines about developments in the Middle East. US equities sold off earlier in yesterday’s session before paring losses, with the S&P 500 closing down -0.4% and the Nasdaq underperforming amid a weakness in software stocks. This morning, European and Asian stocks rallied and Brent crude futures fell -6%, to below \$100 a barrel, on hopes for peace despite reports that Iran has kept up attacks on Gulf states overnight. Advanced economy sovereign bond yields dropped, especially in Europe, with 10-year bund and gilt yields down -8 bps and -10 bps, respectively, Euro area peripheral spreads also tightened, with 10-year BTP-bund spreads -5 bps narrower. The retreat in oil prices prompted traders to scale back expectations for tighter monetary policy from the major central banks, with less than 3 rate hikes priced in for the ECB and no hikes by the Fed this year. Elsewhere, Chile’s central bank held rates at 4.5% as expected, warning that upcoming fuel price hikes will “significantly” push up inflation in the second quarter. On the primary issuance front, Angola raised \$2.5 bn in Eurobonds, taking advantage of stronger investor demand amid the still elevated oil prices.

Key Global Financial Indicators

Last updated: 3/25/26 8:14 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		6556	-0.4	-2	-6	13	-4
Eurostoxx 50		5667	1.5	-1	-8	3	-2
Nikkei 225		53750	2.9	0	-9	41	7
MSCI EM		57	-1.4	-4	-11	27	3
Yields and Spreads			bps				
US 10y Yield		4.31	-5.3	4	26	0	14
Germany 10y Yield		2.94	-8.4	0	24	15	9
EMBIG Sovereign Spread		273	-2	5	25	-56	20
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		46.4	0.2	1	-3	3	0
Dollar index, (+) = \$ appreciation		99.3	-0.2	-1	2	-5	1
Brent Crude Oil (\$/barrel)		98.8	-5.5	-8	39	35	62
VIX Index (% change in pp)		25.4	-1.5	0	8	8	10

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

Key Global Inflation and Energy Indicators

Last updated: 3/25/26 8:13 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)		99	-5.5	-8	39	35	62
WTI Crude Oil (\$/barrel)		88	-5.2	-9	34	27	52
Natural Gas (Netherlands TTF)		50	-7	-16	60	17	83
Breakeven Inflation		%	bps				
USD: 2Y		2.7	-2.5	-22	29	-7	41
USD: 5Y		2.4	-2.7	-19	6	-8	11
USD: 5Y5Y		2.3	0	-4	-8	-7	-10
EUR: 2Y		2.6	-17.0	-21	83	69	90
EUR: 5Y		2.2	-9	-12	39	27	43
EUR: 5Y5Y		2.1	-2	-4	2	-3	4

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

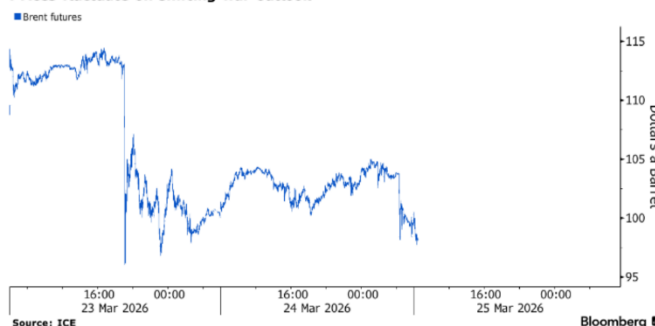
Mature Markets

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Commodities

Markets remain volatile around headlines in the Middle East, with earlier weakness on uncertainty over negotiations giving way to more optimism in Asian and European trading this morning. The US has reportedly proposed a one-month ceasefire and a 15-point plan to end the conflict. While Tehran’s response remains unclear, and despite reports that Iran has kept up attacks on Gulf states overnight, the news has reduced some of the risk premium in oil, with Brent crude prices falling -6% to \$99 per barrel this morning as cautious optimism is emerging around a diplomatic push.

Oil Falls on Iran Ceasefire Reports
Prices fluctuate on shifting war outlook

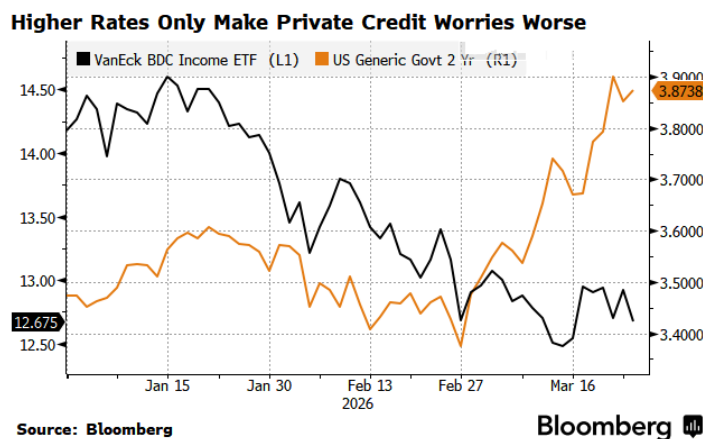


Source: ICE

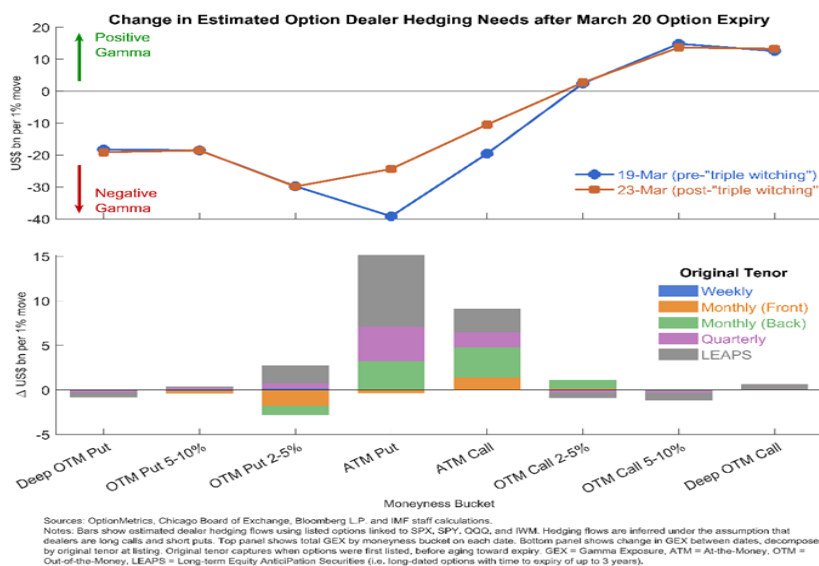
Bloomberg

United States

Strains on private credit are ongoing amid higher yields, reinforcing concerns around both liquidity and asset quality, particularly in relation to exposures to the software sector. This week, Moody’s cut the rating of a large private credit fund (jointly managed by Future Standard and KKR) to junk, citing elevated non-accrual rates, growing use of payment-in-kind income and recent asset markdowns that are pressuring earnings quality and balance sheets. At the same time, redemption pressures continued for retail facing Business Development Companies (BDCs), with fund managers now being stricter in applying a quarterly redemption cap of 5%. This week, Ares and Apollo, two of the largest asset managers in private credit, capped redemptions in flagship retail private credit vehicles after withdrawal requests exceeded 10%. Other major fund managers, including Blackrock and Morgan Stanley, had similar redemptions earlier in the month. Looking ahead, analysts warn that BDC valuations were already under pressure before yields were rising. Higher yields can further raise funding costs, make refinancing harder and add pressure to private credit funds and BDCs, which rely on bank revolvers and leverage to manage liquidity and boost returns.



After Friday’s “triple witching” options expiry, the expected clearing of \$1.3tn of delta notional has materialized, but positioning remains fragile. Net dealer positioning remains estimated in a negative gamma regime across most strikes (top chart), less acute than pre-expiry, but hedging flows still reinforce moves rather than offset them. By contrast, in the positive gamma regime that prevailed until end-February, hedging flows tended to dampen moves, with out-of-the-money call sellers acting as upside resistance. The roll-off has reduced dealer hedging pressure around at-the-money strikes (bottom chart), but not enough to shift the overall dynamic. As Citadel Securities analysts noted, “~25% of options expiring” has eased hedging pressure, while “new overwriting strikes are now positioned higher and more dispersed,” consistent with reduced upside resistance. In effect, the market is less constrained on the upside but remains prone to larger and less stable moves.



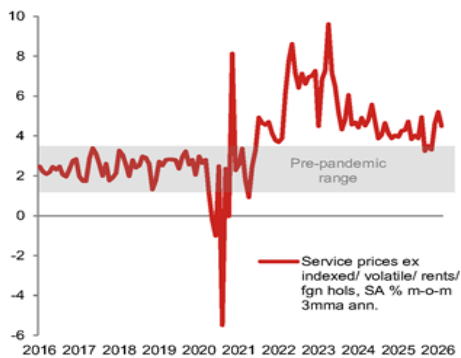
Euro Area

ECB’s President Lagarde, speaking at the ECB Watchers Conference in Frankfurt, said that the ECB stands ready to increase interest rates “at any meeting” if the inflation shock from the Middle East conflict spirals out of control. She added that the ECB “will not be paralyzed by hesitation,” whilst at the same time saying that “we will not act before we have sufficient information.” The retreat in oil prices, however, prompted traders to scale back expectations for tighter monetary policy from the ECB. This morning, money markets were pricing less than 3 hikes for this year versus more than 3 hikes expected yesterday. Elsewhere, **European equities rose +1.5% while sovereign yields declined across the board** (10-year Bund yields down -8 bps to below 3%). The euro was broadly unchanged at around \$1.16.

United Kingdom

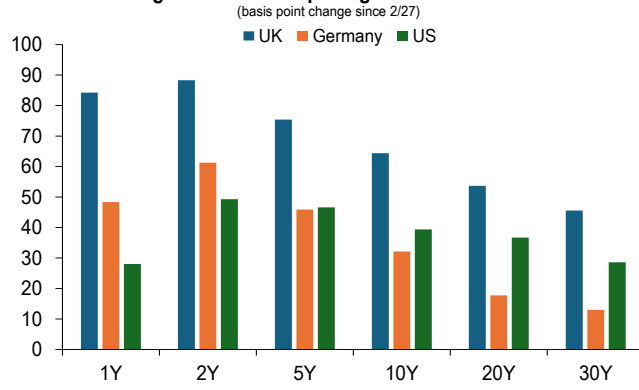
UK inflation was in line with expectations, but markets are already looking ahead to the post-oil shock print in March. Headline CPI came in at 3.0% y/y in February, while both core and services inflation surprised slightly to the upside (3.2% and 4.3% y/y, respectively, both 0.1pp higher than expected), pointing to underlying pressures. By contrast, RPI came in slightly below expectations at 3.6% y/y (vs. 3.7%), relevant for index-linked gilts and some administered prices (e.g. student loans). Markets largely look through the backward-looking data, but some analysts expressed concern about stickiness in core and services, as it affects the BoE “starting position” going into the energy shock. Bank of England Chief Economist Huw Pill, speaking at the SUERF conference yesterday, said that “the fog of uncertainty in which we always operate cannot be an excuse for inaction.” Gilt yields fell around 10 bps across the curve today, on the back of the improved global sentiment, but since the start of the conflict, the gilt curve has repriced more sharply than peers. Markets still price almost 2.5 BoE rate hikes by year-end.

Fig. 1: Core services inflation sticky but ticked down



Source: ONS, Bank of England, Haver, Nomura

Sovereign Bond Yield Repricing Since Start of Conflict

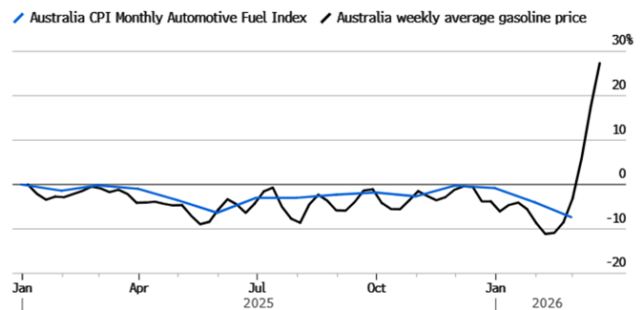


Source: Bloomberg

Australia

The Australian dollar weakened (-0.4%) amid mounting concerns over domestic fuel supply strains. Australia’s energy minister said at least 600 retail fuel stations have run out of at least one fuel type, attributing the spike in demand largely to panic buying and pre-emptive purchases ahead of expected price increases. Fuel inventories are tightening, with Australia having around 38 days of gasoline and 30 days of diesel in reserve last week, according to official data. With limited domestic refining capacity, Australia imports more than two-thirds of its gasoline, diesel and jet fuel, and its biggest supplier (Korea) has indicated it will cap some exports. To ease pressure, the government announced a six-month relaxation of diesel quality standards to broaden import sources. Fuel prices have risen sharply, with average gasoline prices up +27% last week, adding to inflation risks. February’s CPI remained elevated (+3.7% y/y) even before the Iran oil shock. Bloomberg economists warned that inflation could rise toward 5% or higher if fuel shortages intensify. Equities rose (ASX 200: +1.9%) on hopes of easing Middle East tensions, though analysts caution optimism may prove fragile without concrete progress.

Australian Inflation Set to Accelerate as War Drives Up Fuel Costs
February CPI came in softer than expected as gasoline prices declined



Note: Data is normalized with percentage appreciation as of December 31, 2024. Data is normalized with percentage appreciation as of January 5, 2025.
Sources: ABS, Australian Petroleum Institute

Bloomberg

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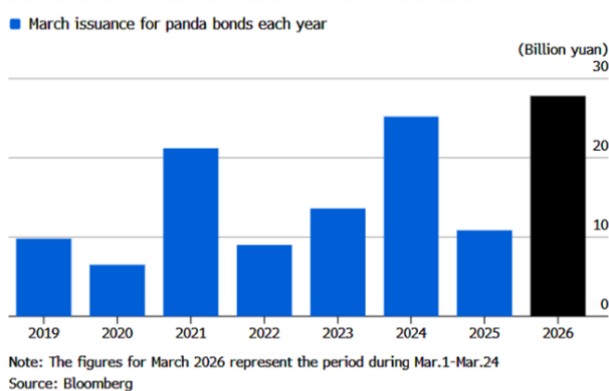
In **Asia**, stocks advanced broadly (EM Asia: +1.5%) on cautious optimism that the Middle East conflict may begin to ease, led by Thailand (SET: +3.1%). EM Asian currencies mostly weakened, though the Indonesian rupiah outperformed (+0.4%) as domestic markets reopened after a week-long holiday on improved risk sentiment. The **Philippine peso** depreciated (-0.3%) after Philippine President declared a state of national energy emergency—the first since the Covid-19 pandemic—citing imminent risks to fuel and power supplies from the Middle East conflict and enabling coordinated government measures to mitigate economic fallout. In **EMEA**, currencies strengthened, particularly those more sensitive to energy prices. CEE currencies appreciated to the euro, with the Hungarian forint +0.7% stronger. UAE equities (+2.6%) outperformed in an otherwise broadly positive session for risk assets. In **Latam**, equities were mixed yesterday, with Mexico (+2.2%) leading gains while Brazil and Colombia edged higher and Chile slipped. In currencies, the Chilean peso (-0.6%) underperformed, paring an earlier drop of as much as -1.3%, while the Colombian peso (+0.6%) strengthened. In **Mexico**, bi-weekly inflation surged to 4.63% y/y in the first half of March, well above the 4.37% consensus and the highest reading since late 2024, further narrowing Banxico's room to cut during Thursday's meeting this week. Meanwhile economic activity contracted -0.3% y/y in January, a sharp reversal from +3.26% in December, complicating the overall environment for the central bank.

China

Onshore yuan bond issuance by foreign borrowers (panda bonds) surged in March, underscoring the market's growing appeal amid global volatility. Bloomberg data show issuance almost tripled y/y to 27.8 bn yuan (\$4 bn) in March, set for a record for the month. The surge contrasts with more subdued growth in the offshore yuan bond (dim sum) market. Dim sum issuance totaled around RMB35 bn in March, up about 10% y/y, following a 120% jump in the first two months of 2026, before issuance plans were disrupted by heightened geopolitical tensions in the Middle East. S&P Global (China) Ratings noted that while offshore markets

are more flexible, they are also more exposed to global shocks, whereas the panda bond market has proven to be a stable and resilient funding channel—an advantage underscored by the latest conflict and increasingly attractive to global issuers alongside lower funding costs. UOB similarly pointed to the onshore market's deep domestic investor base, which supports liquidity during periods of global stress. Despite rapid growth, the panda bond market remains less than half the size of the dim sum market, and offshore issuance is still viewed as more efficient. Today, the stock market gained (CSI300: +1.4%), led by AI services after state media highlighted rapid domestic adoption of AI models and rising token usage, while the yuan remained steady.

Panda Bonds Set for Record March Issuance



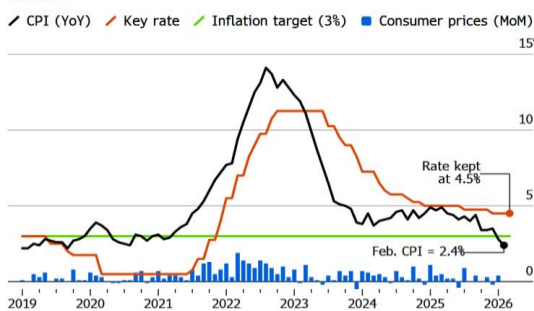
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Chile

Chile's central bank unanimously held its benchmark rate at 4.50% on Tuesday, as expected, warning that upcoming fuel price hikes will “significantly” push up inflation in the second quarter. The hold marks a hawkish shift since economists surveyed in February forecasted a 25-bps cut at this meeting before the Iran conflict began. Although inflation eased to 2.4% y/y in February, under the 3% midrange target, gasoline and diesel prices are expected to increase significantly after the government loosened its fuel stabilization mechanism, allowing prices to track higher crude prices and therefore have an impact on inflation. One-year breakeven inflation jumped more than 72 bps on Tuesday to 4.73%, the highest level since April 2023, while two-year breakevens have surged 58 bps since February 27 to 3.46%.

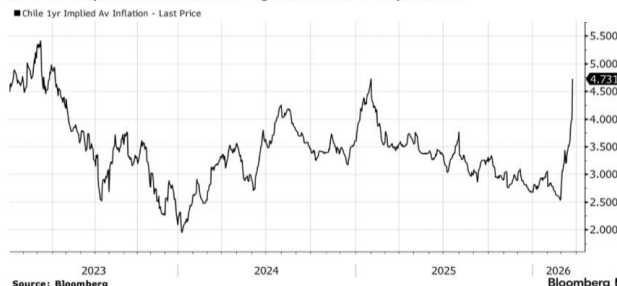
Chile Keeps Key Rate at 4.5% for Second Straight Meeting

All 19 analyst surveyed by Bloomberg forecast central bank decision



Sources: Chile central bank, national statistics agency, Bloomberg

Chile's One-Year Breakevens Rose 218bps This Month
Inflation expectations are at the highest level since April 2023



Source: Bloomberg

Bloomberg

Angola

Angola raised \$2.5 bn in Eurobonds, taking advantage of stronger investor demand amid the elevated oil prices. Solid oversubscription (\$5.2bn in orders) allowed pricing tighter than initial guidance, Bloomberg reported. The issuance comprised B- rated 7- and 11-year bonds, with \$1.5 bn and \$1.0 bn issued at yields of 9.375% and 9.875%, respectively. Proceeds will partly fund a liability management operation (buyback of 2028 bonds). While EM hard-currency issuers have faced higher borrowing costs—and market volatility—since the start of the conflict, Angola has benefited from its oil exposure, with yields trending lower—albeit with volatility. Angola is one of Africa’s largest oil producers, with oil accounting for over 90% of its goods exports.

Angola Eurobond Yields
(percent)



Source: Bloomberg

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

3/25/26 8:13 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities					%		%
United States		6,599	-0.4	-0.4	-5.0	14.2	-4
Europe		5,667	1.5	-1.2	-8.2	3.5	-2
Japan		53,750	2.9	0.1	-8.5	41.3	7
China		4,537	1.4	-2.6	-4.0	15.8	-2
Asia Ex Japan		97	-1.7	-4.1	-10.3	27.5	4
Emerging Markets		57	-1.4	-3.8	-10.7	26.6	3
Interest Rates			basis points				
US 10y Yield		4.3	-5	4	26	0	14
Germany 10y Yield		2.9	-8	0	24	15	9
Japan 10y Yield		2.3	0	4	12	68	20
UK 10y Yield		4.8	-12	10	52	8	36
Credit Spreads			basis points				
US Investment Grade		125	-1	-5	11	-1	17
US High Yield		371	1	3	24	21	35
Exchange Rates			%				
USD/Majors		99.3	-0.2	-0.8	1.6	-4.7	1
EUR/USD		1.16	0.0	1.4	-1.7	7.6	-1
USD/JPY		158.8	0.1	-0.7	1.5	5.9	1
EM/USD		46.4	0.2	0.8	-3.2	3.2	0
Commodities			%				
Brent Crude Oil (\$/barrel)		98.8	-5.5	-8.0	39.8	44.2	64
Industrials Metals (index)		165.2	1.5	-1.2	-4.4	6.2	1
Agriculture (index)		56.4	-0.7	0.0	4.1	-2.2	6
Gold (\$/ounce)		4582.2	2.4	-4.9	-11.3	51.7	6
Bitcoin (\$/coin)		71816.5	2.5	2.5	4.2	-18.3	-18
Implied Volatility			%				
VIX Index (% change in pp)		25.4	-1.5	0.3	7.5	8.3	10.5
Global FX Volatility		8.5	0.0	0.2	1.1	0.3	1.5
Breakeven Inflation		%	basis points				
USD: 2Y		2.7	-3	-22	29	-7	41
USD: 3Y		2.6	-1	-20	16	-6	26
USD: 5Y		2.4	-3	-19	6	-8	11
EUR: 2Y		2.6	-17	-21	83	69	90
EUR: 3Y		2.4	-13	-16	61	48	65
EUR: 5Y		2.2	-9	-12	39	27	43
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		84	-5	5	24	4	25
Italy		87	-5	8	27	-22	17
France		70	-4	3	15	1	-1
Spain		51	-3	1	10	-12	7

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

Emerging Market Financial Indicators

3/25/2026 8:11 AM	Exchange Rates							Local Currency Bond Yields (GBI EM)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M	YTD	
	vs. USD		(+)= EM appreciation						% p.a.						
China		6.90	0.0	-0.1	-0.5	5.3	1.3		1.9	-1	-2	4	-2	-4	
Korea*		1497	0.3	0.3	-4.6	-2.3	-3.5		3.8	-3	13	21	113	47	
Indonesia		16911	-0.1	0.2	-0.7	-1.8	-1.4		6.7	0	0	52	-33	71	
India		94	-0.1	-1.4	-3.2	-8.7	-4.4		7.6	1	12	39	70	55	
Philippines		60	-0.3	-1.0	-4.3	-4.2	-1.9		5.6	0	14	75	40	91	
Thailand		32	0.4	0.9	-4.4	4.1	-3.0		2.4	-1	15	38	20	61	
Malaysia		3.96	-0.2	-1.2	-1.8	11.9	2.4		3.6	0	3	7	-17	7	
Argentina		1391	0.3	0.5	-1.1	-23.2	4.3		29.4	0	-219	-427	-516	-301	
Brazil		5.22	0.3	1.0	-1.8	9.3	5.4		14.0	4	14	89	-111	39	
Chile		909	0.7	0.9	-5.7	1.3	-0.9		5.6	3	26	47	2	35	
Colombia		3691	0.6	0.0	0.4	12.6	2.3		13.5	-12	0	-18	167	67	
Mexico		17.73	0.1	0.7	-3.2	13.1	1.6		9.2	-2	1	59	-31	23	
Peru		3.5	0.1	-1.2	-2.9	5.5	-2.8		6.8	0	6	97	29	100	
Uruguay		41	-0.2	-0.1	-5.0	4.1	-3.4		7.6	3	0	51	-188	12	
Hungary		335	0.3	2.6	-5.2	10.4	-2.3		7.4	7	46	115	47	88	
Poland		3.68	0.1	1.6	-2.9	5.0	-2.4		5.3	12	28	104	-14	77	
Romania		4.4	0.0	1.3	-1.7	5.1	-1.2		7.1	8	5	95	-16	41	
Russia		80.8	0.0	3.6	-4.8	4.7	-2.5								
South Africa		16.8	0.7	0.9	-5.9	8.5	-1.7		9.2	13	21	101	-158	64	
Türkiye		44.36	0.0	-0.3	-1.1	-14.4	-3.2		35.6	36	260	529	136	596	
US (DXY; 5y UST)		99	-0.2	-0.8	1.6	-4.7	1.0		3.94	-5	7	32	-13	22	

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	7 Days	30 Days	12 M	YTD		
	basis points														
China		4,537	1.4	-2.6	-4.0	15.8	-2.0		101	-9	-9	-1	26		
Korea*		5,642	1.6	-4.8	-10.5	113.4	33.9		33	5	9	-2	11		
Indonesia		7,302	2.7	-1.2	-11.3	12.8	-15.6		121	3	15	8	35		
India		75,273	2.7	-1.9	-7.4	-3.0	-11.7		96	-2	7	-5	6		
Philippines		6,044	1.8	0.3	-8.8	-2.0	-0.1		106	3	20	15	31		
Thailand		1,458	3.4	1.2	-4.9	22.5	15.7								
Malaysia		1,717	0.5	1.2	-1.4	13.1	2.2		63	-2	0	-17	4		
Argentina		2,778,025	1.9	6.6	-0.8	11.7	-9.0		615	16	64	-160	46		
Brazil		182,509	0.3	1.2	-4.6	38.2	13.3		201	-5	1	-23	-2		
Chile		10,206	-0.2	-3.9	-8.3	34.2	-2.6		100	2	7	-22	9		
Colombia		2,238	0.3	2.4	-6.1	36.9	8.2		277	-2	12	-56	0		
Mexico		65,775	2.2	-0.6	-7.5	23.6	2.3		226	3	14	-81	9		
Peru		3,037	0.5	-5.0	-14.6	63.6	17.5		115	2	1	-26	6		
Hungary		124,208	1.3	1.6	-2.3	35.5	11.9		158	2	24	3	19		
Poland		121,067	1.8	-1.3	-5.2	21.7	3.3		98	-1	10	-12	7		
Romania		28,117	0.4	-0.4	-3.1	61.2	15.1		203	8	41	-41	27		
South Africa		114,381	3.2	0.6	-9.8	27.5	-1.3		269	8	36	-46	51		
Türkiye		13,043	0.9	-1.3	-5.6	34.2	15.8		301	0	44	-9	67		
EM total		57	1.7	-3.8	-10.7	26.6	3.3		287	5	22	-88	16		

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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