GLOBAL MARKETS ANALYSIS
Monetary and Capital Markets

Global Markets Monitor

THURSDAY, MARCH 26, 2026
LEAD EDITOR: TIMOTHY CHU

- **Treasury markets face heightened volatility after positioning reset** (link)
- **Unwind of hedge funds' euro swap steepener positions contributed to volatility** (link)
- **Japanese yield curve flattens on heightened near-term rate hike expectations** (link)
- **Chinese yuan weakens for third consecutive day amid ongoing geopolitical uncertainty** (link)
- **Mexican peso steady but volatility shifts as market splits on Banxico cut** (link)
- **Number of Dubai real estate bonds rapidly moved into distress category** (link)

Mature Markets | Emerging Markets | Market Tables

Yields Rise, Equities Fall as Ceasefire Hopes Dim

Markets reverted to risk-off mode as hopes for a U.S.-Iran ceasefire are increasingly in doubt and the 5-day negotiation deadline draws near. Investors remained on edge as they parsed the latest reports, including public Iranian ceasefire rejections, claims by the U.S. side that talks are ongoing, and a continued buildup of U.S. troops in the ME region. Trump's pronouncements that Iran must get "serious" before "it is too late" have also added to the headline noise. The risk-off mood accelerated at the start of the U.S. session, with the energy complex weighing on assets. Brent is once again past the $105/bbl level, and the dollar is about 0.2% stronger against most currencies. Rates markets are reacting sharply as inflation fears are recharged; U.S. Treasury yields are higher by up to 5bps, and German bund yields are higher by up to 9bps. French OATs, Italian BTPs, and U.K. gilts are also experiencing similar or modestly higher moves. In Japan, short-dated JGB yields climbed to multi-decade highs, while in South Korea, authorities announced they will conduct an emergency buyback to stabilize their bond markets. Global bourses are broadly down on the negative sentiment. Asian markets closed in the red, with losses in the Hang Seng Tech and KOSPI indices also coming amid the release of Google's TurboQuant model. Major European equities are retreating by more than 1% so far. S&P 500 futures indicate a 0.9% lower open. Elsewhere, the Norges Bank held rates unchanged, though offered a hawkish outlook amid added inflation pressures.

Key Global Financial Indicators

Last updated: 3/26/26 9:06 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities				%			%
S&P 500		6592	0.5	0	-5	15	-4
Eurostoxx 50		5570	-1.4	-1	-10	3	-4
Nikkei 225		53604	-0.3	-3	-9	42	6
MSCI EM		57	1.6	0	-8	29	5
Yields and Spreads				bps			
US 10y Yield		4.37	4.0	12	37	2	20
Germany 10y Yield		3.05	8.7	8	35	25	19
EMBIG Sovereign Spread		269	-4	5	24	-60	16
FX / Commodities / Volatility				%			
EM FX vs. USD, (+) = appreciation		46.0	-0.4	0	-4	3	-1
Dollar index, (+) = $ appreciation		99.9	0.3	1	2	-4	2
Brent Crude Oil ($/barrel)		107.9	5.5	-1	52	46	77
VIX Index (%, change in pp)		27.3	2.0	3	9	9	12

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: 3/26/26 9:06 AM	Level Last 12m	Level Latest	Change from Market Close 1 Day	7 Days	30 Days	12 M	YTD
Oil and Gas				%			%
Brent Crude Oil ($/barrel)		107	5.0	-1	52	45	76
WTI Crude Oil ($/barrel)		94	4.4	-2	45	35	64
Natural Gas (Netherlands TTF)		55	6	-7	71	34	103
Breakeven Inflation		%		bps			
USD: 2Y		2.8	5.9	-11	36	0	50
USD: 5Y		2.5	5.3	-5	14	-2	20
USD: 5Y5Y		2.3	0	-4	-7	-9	-11
EUR: 2Y		2.7	9.5	-20	94	80	103
EUR: 5Y		2.3	5	-11	44	33	49
EUR: 5Y5Y		2.1	2	-2	5	0	7

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

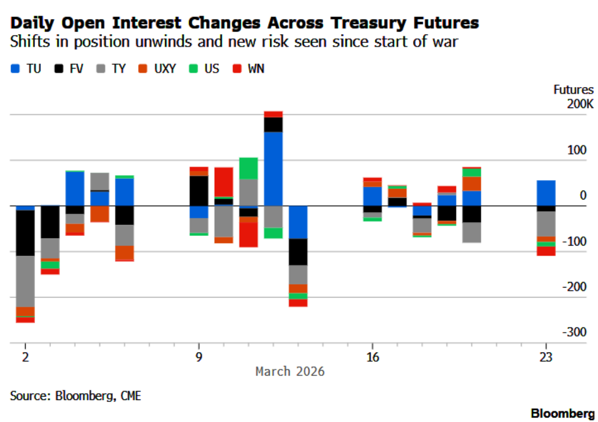
Mature Markets

back to top

United States

Yesterday, the S&P 500 was higher by 0.5%, with markets hopeful amid reports of persistent messaging for a pathway for a potential ceasefire by the U.S. side, despite headlines around Iranian rejections. News reports of continued military strikes and deployments further added to noise. Implications for inflation and growth remained a key focus; February import and export prices surprised to the upside, reinforcing concerns that tariffs, alongside higher commodity prices, could further fuel inflation and weigh on growth. The 5-year Treasury auction tailed, indicating soft demand despite a supportive pre-auction rally. The dollar DXY index posted a modest gain against major currencies such as the euro, yen, and pound.

This morning, US jobless claims were little changed on the week, rising by 5k to 210k, in line with forecast expectations, indicating layoffs remain low despite ongoing economic headwinds.



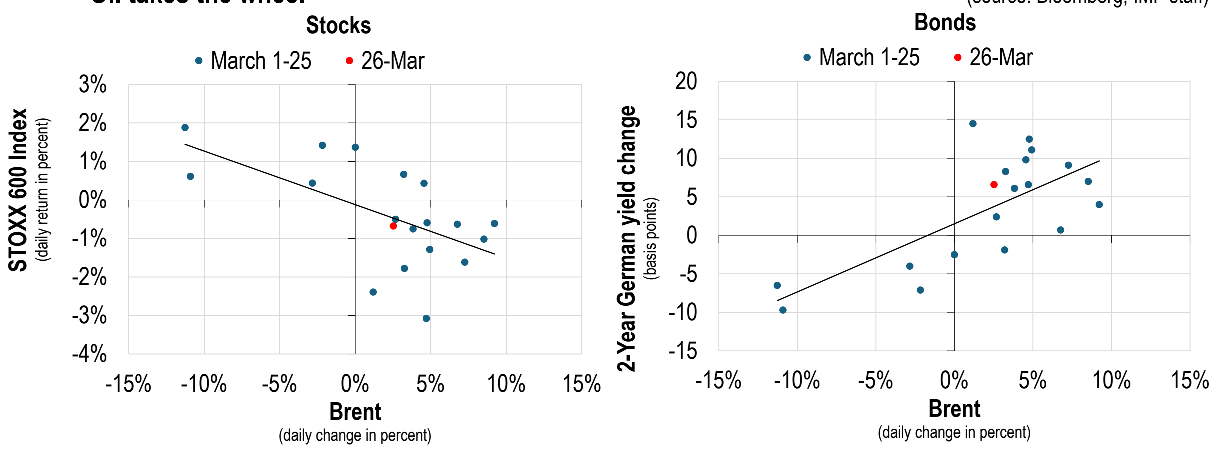
Treasury markets face heightened volatility after a significant shift in investor strategies, Bloomberg reports**.** Over the past month, the ongoing geopolitical crisis has caused a dramatic change in investor positioning in U.S. Treasury futures. Prior to the conflict, investors had largely positioned themselves for lower interest rates by holding longer duration. However, as market sentiment shifted amid inflation fears, there was a rapid unwinding of these positions, notably in 10-year Treasury contracts, with investors moving away from lower rate outlooks. According to some markets analysts, much of this selling activity resulting from investor repositioning appears to be over, leaving yields at elevated levels for now, but at an inflection point. Whether higher yields reflect a more permanent structural repricing or the tail end of a short-term technical adjustment will depend on the next few weeks. Currently, new positions in futures contracts remain somewhat tilted towards shorts, while the persistent demand for downside protection in options demonstrates ongoing uncertainty. Meanwhile, JPMorgan's client survey indicates an overall neutral position in cash, suggesting that few investors are actively buying Treasuries, which could limit support for prices.

Euro Area

Global stocks and bonds fell as doubts about a ceasefire in the Middle East pushed oil prices higher. European sovereign yields increased across the board, with German yields rising by 7 and 6 basis points at the 2- and 10-year maturities, respectively, and slightly larger moves for Italy and the UK earlier this morning. While yesterday's UK CPI print for February came in line with expectations, a monthly YouGov survey for Citigroup showed UK short-term inflation expectations jumping from 3.3% in February to 5.4% in March. Central banks are closely monitoring how the energy price shock feeds into inflation expectations. Yesterday, the March Ifo Business Climate Index (Germany) printed sharply lower at 86.4, down from 88.4 previously. Although this was close to expectations, Commerzbank writes that it shows companies fear significant negative consequences for the future. In line with the more negative sentiment and higher oil price (Brent +4% at $106 per barrel), the STOXX 600 fell by 1%.

Oil takes the wheel

(source: Bloomberg, IMF staff)

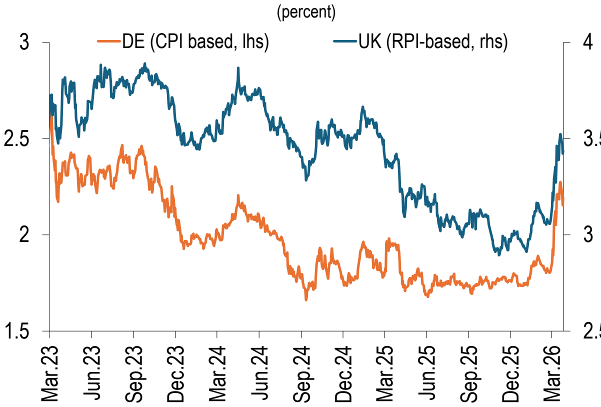


Hedge funds have largely exited euro 10s30s steepener positions after geopolitical shocks and rate repricing reversed the trade. The Iran-driven energy shock lifted inflation expectations and drove an aggressive repricing toward European Central Bank hikes, sharply flattening the curve and triggering widespread stop-losses, Risk.net reports. While some residual exposure remains (~25%), positioning has been heavily reduced and the unwind is seen as a key driver of recent macro hedge fund losses. Curve steepeners had been especially popular in the euro area, where Dutch pension reform was expected to reduce structural receive-fixed demand and push long-end rates higher. In the UK, hedge funds were reportedly positioned for further disinflation – another trade that was wrong-footed by the energy shock. Forced unwinds of these crowded positions have likely amplified market moves.

Spread between 30Y and 10Y EUR swap rates
(basis points)

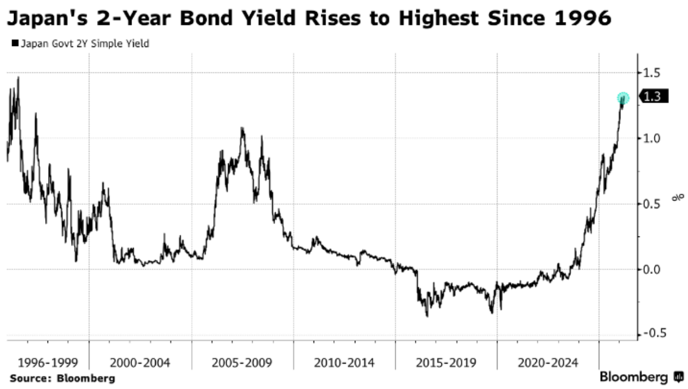
Source: Bloomberg

10Y Break Even Inflation Rates
(percent)



Source: Bloomberg. Notes: UK break even rates are based on RPI, not CPI. RPI is estimated to be aorund ~1pp higher than CPI.

Japan

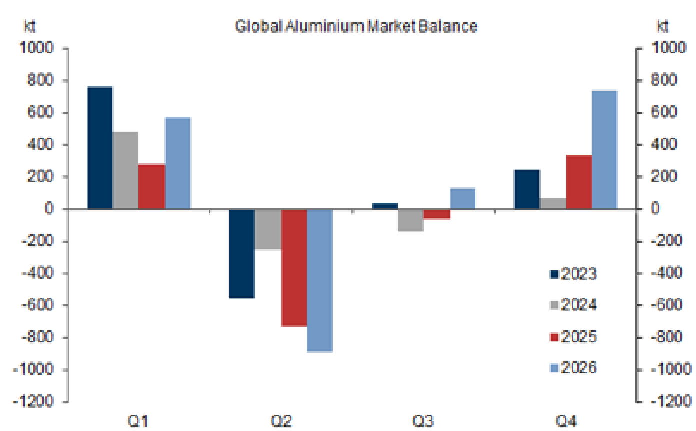


Short-dated government bond yields climbed to multi-decade highs amid increased expectations for a near-term rate hike. Benchmark 2yr and 5yr yields rose 4bps and 3bps to 1.34% and 1.74%, respective highs since before 2000. Overnight indexed swaps are now pricing in a 91% probability of a rate hike by mid-June, up from 62% two weeks ago. Higher oil prices linked to the Iran conflict, sustained wage growth, and mounting evidence of domestic supply constraints have reinforced expectations that the BOJ will tighten policy rather than look through inflation shocks. Yen hovered near 159/$ today, closing Asian hours little changed at 159.49. According to JPMorgan strategists, market concern about yen intervention remains high around the 160 level, and the Ministry of Finance may use speculative oil price moves to partly justify FX intervention. Equities erased early gains (Nikkei 225: -0.3%), as geopolitical uncertainty and elevated oil prices prompted profit-taking and defensive positioning across sectors.

Commodities

Markets weigh persistent inflation pressures against emerging growth risks. Investors are balancing ongoing military deployments and diplomatic efforts while inflation and growth remain key concerns. Market signals suggest inflation risks are rising, with higher energy and chemical prices threatening to spill over into food, and tariffs further boosting US inflation, as seen in stronger-than-expected import prices. Although macro data has not yet shown clear effects from the energy shock, early signs of demand destruction are emerging, including sharp declines in jet fuel consumption and policy-driven reductions in diesel use in some emerging markets. This weakness is also affecting growth-sensitive metals like aluminum. Analysts expect demand to soften, leading to a net surplus in the market by year-end. Inflation risks are still prominent, but downside risks to growth are starting to emerge, complicating the risk asset outlook.

Exhibit 5: We Expect a Large Aluminium Deficit in Q2, but Market in Surplus by Year-End



Source: Goldman Sachs

Emerging Markets

back to top

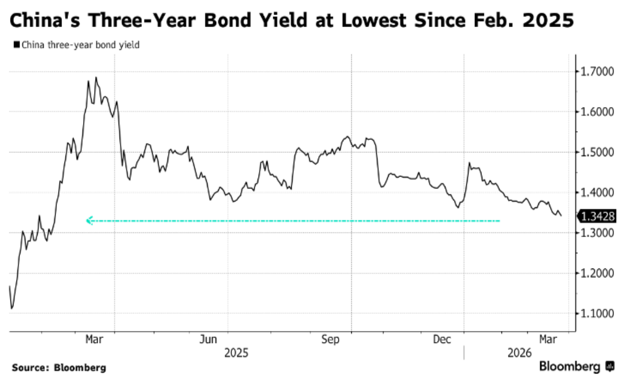
EMEA stocks were mostly negative in line with global sentiment, with UAE (-2.6%) and South Africa underperforming (-3%). The South African Reserve Bank held its policy rate unchanged at 6.75% as expected. South Africa remains highly sensitive to energy prices, and while elevated gold prices had previously supported the currency, this tailwind has reversed: the rand has depreciated by around 7% against the US dollar since the start of the conflict, alongside a roughly 15% decline in gold prices over the same period. Elsewhere, the Serb Republic is expected to soon issue a 5-year euro-denominated benchmark, according to Bondradar. The US dollar was mostly stronger versus most other currencies today, but the Hungarian forint strengthened versus the dollar (+0.3%) and the euro (+0.7%) following polling data.

In the Asian region, currencies mostly weakened (EM Asia: -0.1%) due to concerns over persistently high oil prices, led by the Malaysian ringgit (-0.7%) and the Thai baht (-0.5%). Asian equities retreated (EM Asia: -2.0%) after two days of gain, led by Korea (KOSPI: -3.2%), Hong Kong SAR (Hang Seng: -1.9%) and Indonesia (Jakarta Composite: -1.9%). The Korean government announced they will conduct an emergency buyback (KRW 2.5trn on March 27; KRW 2.5trn on April 1) in sovereign bonds to stabilize markets; the 3yr yield has risen 52bps since end-February to 3.56%.

Latin American equities rallied on Wednesday, led by Mexico (+3.7%) and followed by Chile (+2.0%), Colombia (+1.6%), and Brazil (+1.6%). Currencies were mixed and little changed, with the Colombian peso and Brazilian real firming slightly while the Mexican and Chilean peso slipped. Argentina announced a Friday auction of dollar bonds maturing in October 2027 and 2028, open to dollar subscriptions only.

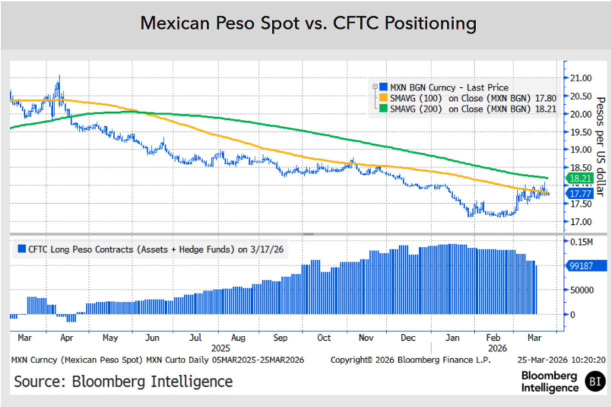
China

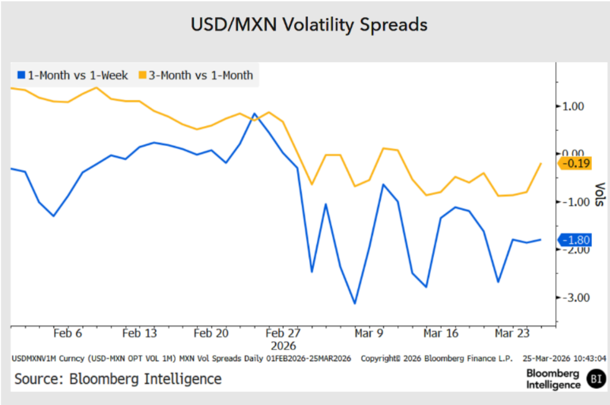
The Chinese yuan slipped for a third straight day after the PBOC set a weaker daily fixing, reflecting caution amid geopolitical uncertainty linked to the Iran war. Both onshore CNY and offshore CNH weakened slightly, after the yuan was fixed at 6.9056/$, 0.2% weaker than Wednesday’s 6.8911. Government bonds were stable at the longer end (10-yr flat at 1.82%; 30-yr flat at 2.35%) while reaching a one-year low at the shorter end (3-yr -1bp at 1.33%) as the People’s Bank of China injected its largest net liquidity addition (net CNY 221bn) in about a month, keeping funding conditions easy. Both overnight and 7-day repo rates were little changed at 1.32% and 1.44%, respectively. Markets have recently pared back expectations for policy easing on energy-driven inflation fears, but Bloomberg analysts argue this is premature given still-fragile domestic demand, maintaining forecasts for further cuts later this year.



Mexico

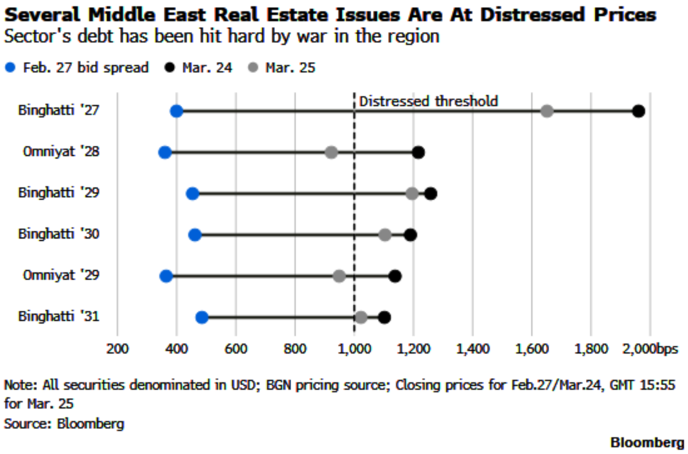
The Mexican peso has settled into a tight 17.50-18.00/USD range since the initial war driven selloff, but Bloomberg Intelligence warns that volatility dynamics are shifting as traders move into longer-dated hedges, pricing a more persistent risk backdrop ahead of Thursday’s Banxico meeting (left chart). The 1-month vs 1-week and 3-month vs 1-month implied volatility spreads have risen since Tuesday, signaling markets expect uncertainty to persist even if near-term swings moderate (right chart). The decision on Thursday has split expectations between a 25bps cut to 6.75% and a hold at 7.00%, with Deutsche Bank arguing the central bank’s dovish majority can still justify a cut given fading tax pressures and a slowing economy.





United Arab Emirates

Dubai real estate bonds have rapidly moved into distress amid war-driven market stress (Bloomberg). Islamic bonds (sukuk) issued by developers, including Binghatti Holding Ltd and Omniyat Holdings Ltd, have traded at spreads above 1,000 bps, with about 15% of the region's dollar real estate bonds now considered distressed as refinancing risks rise and primary markets remain effectively shut, Bloomberg writes. Risk premiums have surged across the sector amid sub-investment-grade ratings, hedge fund shorting, and concerns over funding a growing maturity wall. However, companies still report solid liquidity and ongoing operations. At the same time, rating agencies warn of potential downgrades. Unrelatedly, Blackstone reportedly made a $250 million private equity investment in a payments platform in Abu Dhabi. Bloomberg reports that this is one of the first inward PE investments into the UAE since the onset of the Iran war.



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

3/26/26 9:05 AM	Level: Last 12m	Level: Latest	Change: 1 Day	Change: 7 Days	Change: 30 Days	Change: 12 M	YTD
Equities					%		%
United States		6,559	0.5	-0.7	-5.1	14.8	-4
Europe		5,569	-1.4	-0.8	-9.6	2.9	-4
Japan		53,604	-0.3	-3.0	-8.9	41.8	6
China		4,478	-1.3	-2.3	-4.9	13.9	-3
Asia Ex Japan		98	1.0	-1.3	-8.4	29.8	5
Emerging Markets		57	1.6	-0.2	-8.4	29.4	5
Interest Rates					basis points		
US 10y Yield		4.4	4	12	37	2	20
Germany 10y Yield		3.0	9	8	35	25	19
Japan 10y Yield		2.3	2	1	13	70	22
UK 10y Yield		4.9	11	11	67	22	47
Credit Spreads					basis points		
US Investment Grade		128	2	0	12	0	20
US High Yield		371	5	1	16	13	35
Exchange Rates					%		
USD/Majors		99.9	0.3	0.7	2.1	-4.5	2
EUR/USD		1.15	-0.2	-0.4	-2.2	7.3	-2
USD/JPY		159.6	0.1	1.2	2.2	6.0	2
EM/USD		46.0	-0.4	-0.2	-3.6	2.7	-1
Commodities					%		
Brent Crude Oil ($/barrel)		107.7	5.4	-0.9	52.0	56.2	79
Industrials Metals (index)		164.4	-0.2	0.9	-4.1	5.5	1
Agriculture (index)		57.2	0.1	0.1	5.4	-0.2	7
Gold ($/ounce)		4440.3	-1.5	-4.5	-14.4	47.1	3
Bitcoin ($/coin)		69407.2	-2.2	-1.5	2.9	-20.5	-21
Implied Volatility					%		
VIX Index (%, change in pp)		27.4	2.1	3.4	8.8	9.1	12.5
Global FX Volatility		8.3	0.0	-0.2	1.1	0.3	1.4
Breakeven Inflation		%			basis points		
USD: 2Y		2.8	6	-11	36	0	50
USD: 3Y		2.7	6	-8	25	0	35
USD: 5Y		2.5	6	-5	15	-1	20
EUR: 2Y		2.7	9	-21	93	79	102
EUR: 3Y		2.5	8	-14	70	58	76
EUR: 5Y		2.3	5	-11	44	33	49
EA Sovereign Spreads					10-Year spread vs. Germany (bps)		
Greece		89	5	8	28	8	31
Italy		94	6	12	33	-17	24
France		72	3	4	17	3	1
Spain		53	2	2	12	-10	10

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

Emerging Market Financial Indicators

3/26/2026 8:43 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		6.91	-0.1	-0.3	-0.9	5.2	1.1		1.9	0	0	2	-1	-4
Korea*		1507	-0.4	-0.8	-4.9	-2.6	-4.5		3.8	2	22	25	113	49
Indonesia		16904	0.0	0.5	-0.9	-1.9	-1.3		6.8	8	8	60	-28	80
India		94	-0.1	-1.4	-3.2	-8.7	-4.4		7.6	0	12	35	72	55
Philippines		60	-0.2	-0.3	-4.3	-4.3	-2.4		5.5	-12	0	63	28	79
Thailand		33	-0.5	-0.1	-5.4	3.5	-4.0		2.3	-2	16	46	17	59
Malaysia		3.99	-0.7	-1.4	-2.6	10.9	1.7		3.6	0	1	7	-19	7
Argentina		1377	1.1	1.4	1.5	-22.2	5.4		30.0	70	-185	-327	-572	-232
Brazil		5.25	-0.4	-0.5	-2.1	9.3	4.3		14.0	5	9	96	-115	44
Chile		925	-0.7	-1.2	-6.4	0.2	-2.6		5.6	-3	18	44	-3	32
Colombia		3681	0.0	0.4	0.2	11.6	2.6		13.5	-7	-4	-26	157	60
Mexico		17.84	-0.4	-0.6	-3.6	12.7	0.9		9.0	-18	-25	47	-46	5
Peru		3.5	0.1	-0.3	-2.8	5.2	-2.6		6.8	0	2	95	27	101
Uruguay		40	0.2	0.4	-5.2	4.0	-3.8		7.6	-7	-7	46	-193	5
Hungary		337	-0.6	0.1	-5.4	10.6	-2.8		7.1	-32	10	90	25	57
Poland		3.71	-0.2	-0.6	-3.4	5.0	-3.2		5.2	-11	10	93	-24	66
Romania		4.4	-0.3	-0.5	-2.3	4.7	-2.0		7.0	-14	-7	84	-33	28
Russia		82.4	-1.8	4.1	-6.7	2.1	-4.5							
South Africa		17.1	-0.6	-1.9	-6.7	6.9	-3.1		9.2	-4	2	109	-168	60
Türkiye		44.37	0.0	-0.2	-1.0	-14.4	-3.2		34.9	-67	112	457	233	529
US (DXY; 5y UST)		100	0.3	0.6	2.1	-4.5	1.6		4.04	6	16	47	-6	31

	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		4,478	-1.3	-2.3	-4.9	13.9	-3.3		104	-2	-4	-1	29
Korea*		5,460	-3.2	-5.3	-12.6	109.4	29.6		34	4	11	-1	12
Indonesia		7,164	-1.9	-2.7	-13.0	10.0	-17.1		118	7	13	-2	32
India		75,273	-1.9	-1.9	-7.4	-3.0	-11.7		96	1	8	-11	6
Philippines		5,984	-1.0	-1.2	-9.5	-2.5	-1.1		103	5	18	8	28
Thailand		1,443	-1.0	1.8	-5.6	21.5	14.5						
Malaysia		1,711	-0.3	0.0	-0.3	11.4	1.8		64	3	3	-18	5
Argentina		2,805,317	1.0	7.6	1.8	15.0	-8.1		599	-13	50	-162	30
Brazil		185,424	1.6	3.2	-2.9	39.9	15.1		200	-4	2	-27	-3
Chile		10,410	2.0	-0.6	-5.8	37.1	-0.7		103	6	11	-19	12
Colombia		2,274	1.6	4.3	-0.4	42.2	9.9		276	-1	7	-57	-1
Mexico		68,188	3.7	3.7	-4.5	29.1	6.0		226	3	15	-79	9
Peru		3,133	3.2	2.3	-12.4	73.8	21.3		115	2	3	-27	6
Hungary		123,148	-0.9	1.1	-2.9	33.5	10.9		151	1	20	-6	12
Poland		120,497	-0.6	-0.1	-5.0	22.3	2.8		99	5	12	-11	8
Romania		27,957	-0.3	-0.1	-1.6	60.3	14.4		199	9	41	-46	23
South Africa		111,611	-2.4	0.9	-11.8	24.1	-3.6		257	-3	26	-52	39
Türkiye		12,792	-1.3	-2.5	-7.8	32.6	13.6		295	0	39	-6	61
EM total		57	-2.2	-0.2	-8.4	29.4	5.0		283	4	20	-91	12

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

*Not an EM Under IMF Classification.

back to top