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## Global Markets Grapple with Fallout from the War in the Middle East

**Global markets are grappling with the fallout from the war in the Middle East.** The surge in the price of Brent crude oil to near \$115/barrel stokes fears about inflation, but government bond yields in the US, Euro Area, Japan, and the UK today are lower because of worries about the war's negative impact on global growth. Analysts warned that oil could rise as high as \$200/barrel if the Strait of Hormuz stays closed through June. Emerging markets have been especially hard hit by the crisis, with \$61 bn of outflows from local equity and bond markets in March. Volatility is ticking up, with the VIX now above 30. The dollar is rallying against most major currencies. On the other hand, after the heavy losses seen in recent weeks, stocks in Europe are modestly higher this morning, along with US equity index futures.

Key Global Financial Indicators

Last updated: 3/30/26 8:02 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Equities</b>			%				%
S&P 500		6369	-1.7	-2	-7	14	-7
Eurostoxx 50		5526	0.4	-1	-10	4	-5
Nikkei 225		51886	-2.8	1	-12	46	3
MSCI EM		55	-0.5	-1	-12	26	1
<b>Yields and Spreads</b>			bps				
US 10y Yield		4.38	-5.2	3	44	13	21
Germany 10y Yield		3.07	-2.5	6	43	34	21
EMBIG Sovereign Spread		279	12	6	21	-56	26
<b>FX / Commodities / Volatility</b>			%				
EM FX vs. USD, (+) = appreciation		45.9	0.0	-1	-4	3	-1
Dollar index, (+) = \$ appreciation		100.3	0.1	1	3	-4	2
Brent Crude Oil (\$/barrel)		114.6	1.8	15	58	56	88
VIX Index (% change in pp)		30.5	-0.5	4	11	9	16

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: 3/30/26 8:03 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
<b>Oil and Gas</b>			%				%
Brent Crude Oil (\$/barrel)		115	1.8	15	58	56	88
WTI Crude Oil (\$/barrel)		101	1.1	14	50	45	75
Natural Gas (Netherlands TTF)		54	0	3	72	34	101
<b>Breakeven Inflation</b>		%	bps				
USD: 2Y		2.8	1.3	9	35	-5	54
USD: 5Y		2.5	0.7	4	12	-4	19
USD: 5Y5Y		2.3	1	-4	-6	-11	-12
EUR: 2Y		2.8	4.6	3	86	86	111
EUR: 5Y		2.3	2	2	43	40	56
EUR: 5Y5Y		2.2	0	2	8	6	9

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

The key data release next week is the US jobs report on Friday, with the consensus forecast predicting that 51K jobs were added in March and that the unemployment rate will hold steady at 4.4%. ISM and retail sales data are also due this week. China will report on PMI data. The euro area also reports on unemployment, with additional data on CPI and industrial production (IP). In Japan, the Tankan survey on business conditions will be released tomorrow. India will release PMI data and Brazil will report on IP. Meanwhile, the conflict in the Middle East remains the main focus as market participants hope for an early end to the fighting. The Q1 2026 corporate earnings season will begin next week.

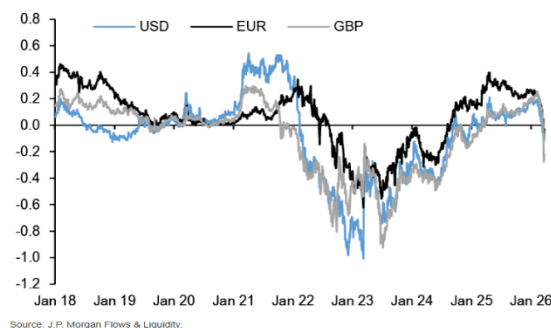
Mature Markets

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Advanced Economy Government Bond Markets

**Advanced economy yield curves have inverted at the front end as markets start to price rate hikes from the major central banks.** The surge in oil prices and the accompanying supply shocks caused by the closure of the Strait of Hormuz have led to higher inflation expectations and expectations of rate hikes. Both nominal and real yields have risen significantly since the war began. The Fed was expected to cut two times this year but now markets are pricing a small chance of a rate hike. The ECB was expected to remain on hold for the rest of the year but now markets expect three rate hikes in 2026 as natural gas prices are up by 40% and other inflationary pressures build. The BOE outlook switched from one rate cut to almost three full rate hikes, and the BOJ from one to two rate hikes this year. However, rate cuts are priced in 2027, implying that markets think hiking this year would be a policy error that would necessitate reversing policy and cutting next year.

Figure 2: 1-year USD and EUR OIS rate spreads between 2y and 1y forward



Source: J.P. Morgan Flows & Liquidity.

Oil Markets

**Global oil inventories are falling rapidly.** JP Morgan analysts note that the issue for oil markets is that the continued closure of the Strait of Hormuz has transformed the oil crisis from a supply shock into a demand destruction problem. They note that “voyage times set the clock,” as voyage times from the Persian Gulf to South Asia and East Asia are 10–20 days, while Europe and Africa take 20–35 days and the US Gulf coast takes 35–45 days. As a result, Asia is the first to suffer the consequences as pre-war shipments have ended and has seen the most severe decline in oil inventories. The analysts forecast that demand destruction in Asia will begin in April. Africa will be next, while Europe is expected to feel the impact in

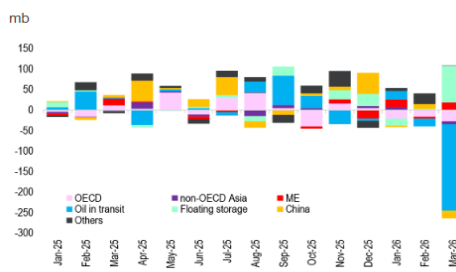
mid-April. The US is unlikely to face physical shortages short-term, but the impact will be felt via higher prices at the pump for consumers and higher prices for refined products for industries.

Figure 6: Global oil inventories



Source: Kpler, J.P. Morgan Commodities Research

Figure 7: Global oil inventories MoM change

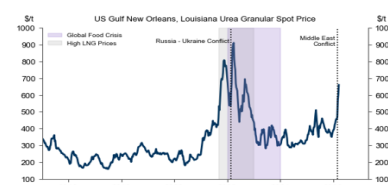


Source: Kpler, J.P. Morgan Commodities Research

### Agricultural commodities

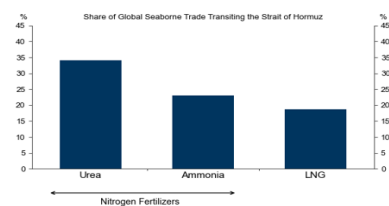
**Agricultural commodity prices are rising steadily due to the war in the Persian Gulf.** In addition to petroleum and liquified natural gas (LNG), the region also exports a number of chemicals that are essential for agriculture, especially fertilizer. More than 25% of global nitrogen fertilizer volume and 20% global of LNG volume (another key agricultural input) normally pass through the Strait of Hormuz and have now come to a halt. The price of urea, an important nitrogen fertilizer, is up 40% since the conflict began. Rising agricultural input costs have caused a surge in the price of agricultural commodities such as wheat, corn, and soybeans. Spare fertilizer capacity outside the Middle East is limited. Russian fertilizer exports have been hit by Ukrainian infrastructure attacks, and although China has large stockpiles, it has imposed export controls. Food supplies are at risk as regions such as Europe and the Southern Hemisphere have yet to begin their planting seasons. Goldman estimates that 80% of the constituents of the Bloomberg Commodity Index (BCOM) have direct or indirect exposure to the region.

Exhibit 1: Since the Onset of the Middle East Conflict, Nitrogen Fertilizer Prices Like Urea Have Risen by 40%



Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 2: More Than a Quarter of Global Nitrogen Fertilizer Trade and ~ 20% of LNG -- the Primary Feedstock for Nitrogen Production -- Transit the Strait

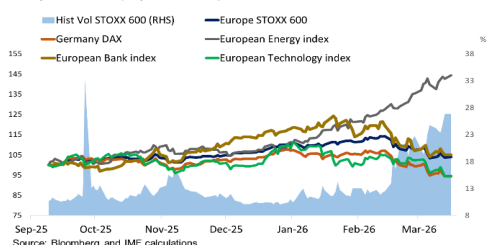


We show annual averages for 2025 for LNG and for 2024 for urea and ammonia. Source: IFA, CRU, Goldman Sachs Global Investment Research

### Europe

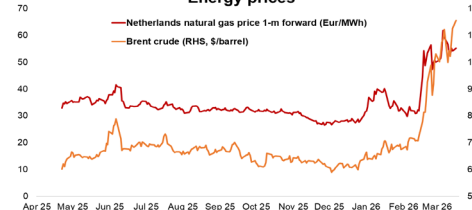
**Euro area and UK stocks were mixed but generally posted modest gains with the Stoxx 600 index up by 0.5%, driven by utilities (+1.7%) and energy (+1.6%).** Stock markets remained volatile after energy prices partly retraced sharp earlier moves while still trading higher this morning (Brent +2.6% at \$114.96/bl, and European natural gas future +1.9% at €55.19/MWh). The euro returned fell below 1.15 to 1.490 against the dollar. **Commerzbank** sees ECB's hawkish tone on inflation limiting the euro's weakness in the near term.

European Stocks (Sep 2025= 100)



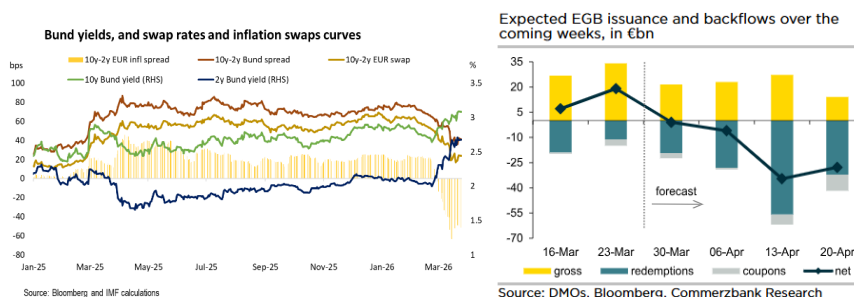
Source: Bloomberg and IMF calculations

Energy prices



Source: Bloomberg and IMF calculations

**Eurozone government bonds (EGBs) were little changed, with the yield curve marginally flatter, driven by the front-end** (2y Bund yield 2 bps higher at 2.68%, and 10y yield at 3.09%). Money markets pared bets of a rate hike in April (now priced with a 50% likelihood, against 70% a week ago) after ECB Executive Board member Schnabel’s comments last Friday that the ECB should not rush its response to the Iran conflict, but investors added 4bps to the total 79bps of expected 2026 tightening after today’s preliminary March figures showed inflation jumping in major German federal states. Looking at longer tenors, **Bloomberg** sees EGBs (and UK gilts) underperforming US Treasuries given investor concerns about European (and UK) growth. The 10y BTP-Bund spread was little changed this morning at around 96bps, after Moody’s kept Italy’s rating unchanged on Friday (Baa2, stable).

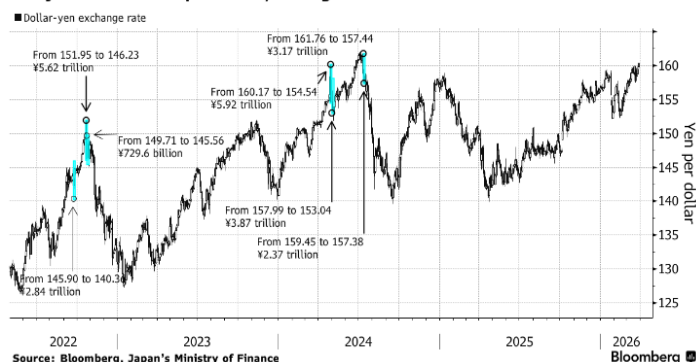


**Japan**

**The Yen rebounded from its weakest since July 2024 after top currency official signaled a heightened risk of intervention.** Today, yen depreciated to 160.46/\$ before closing Asian hours (+0.4%) at 159.63/\$. Atsushi Mimura, vice finance minister for international affairs, warned that the authorities may take bold action if current conditions persist, quoting concerns on speculative activity in both the crude oil futures and foreign exchange markets. The Yen may also have been further supported by Bank of Japan Governor Ueda’s comment that currency movements have a big impact on the economy and on prices. The yield curve steepened markedly (2-yr -2bp to 1.36%; 10-yr -1bp to 2.37%; 30-yr +7bp to 3.78%). Equities declined sharply (Nikkei 225: -2.8%), on track for its worst monthly decline since 2008, weighed down by electronics and banks; strategists such as Goldman Sachs have begun trimming earnings and index targets as prolonged oil disruption and higher input costs would threaten growth.

**Danger Zone**

The yen crossed 160 per dollar, raising intervention risks



**Emerging Markets** [back to top](#)

**EMEA equities and currencies were trading mixed in early morning trade, amid few signs of an off-ramp to the conflict in the Middle East.** Local currency government bond yields were mostly trading higher, led by Türkiye (10Y yield +9bp to 31.6%) and South Africa (10Y yield + 10bp to 9.37%). Separately, on Friday 27 March, S&P lowered its long- and short-term local currency ratings on Senegal to CCC+/C from B-/B, with the outlook on the long-term local currency rating being negative. **Equity markets in Asia were significantly lower and currencies weakened.** The Indian rupee hit yet another all time low versus the dollar despite the announcement of measures to support the currency from the Reserve Bank of India. **Latam markets followed global stocks lower on Friday, with Colombia leading the way with a decline of almost 1%.** Currencies were mixed.

### EM Fund Flows

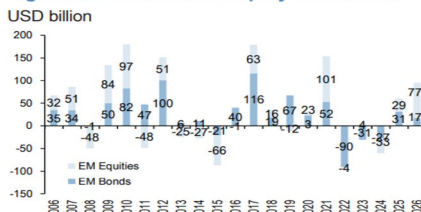
**Outflows from EM funds continued last week, although decelerating to \$1.8 bn.** Bond fund outflows declined to \$1.2 bn as hard-currency bond outflows stabilized. Local-currency bond outflows, however, saw an increase to \$0.5 bn. Weekly equity fund outflows also decelerated from \$5.2 bn to \$0.7 bn. With a third consecutive week of outflows, EM fund flows for the year to date have lowered to \$94.9 bn as of the week ending March 26<sup>th</sup>.

Figure 1: Weekly cross-asset flows

USD billion		8w flows (8w ago → current)	This wk	YTD
<b>Asset</b>				
<b>EM Bonds and Equities</b>				
EM Bonds			-1.8	94.9
Hard Ccy			-1.2	17.4
Local Ccy*			-0.7	6.0
o.w. EM ex-China			-0.5	11.4
o.w. China			-0.4	11.4
<b>Fund Flows</b>				
<b>EM Equities</b>				
US HG			-0.7	77.5
US HY			-2.1	118.8
Global Equities			-1.6	-6.6
<b>EM Bond and Equity ETFs</b>				
EM Bond ETFs			0.8	81.4
EM Equity ETFs			-1.1	77.8
<b>Non-resident EM flows*</b>				
			-14.4	-39.8

\*High-frequency non-resident EM portfolio flow data where available. \*Local ccy split is retail only. Source for all charts and data in this report: J.P. Morgan, EPFR Global, Bloomberg Finance L.P.

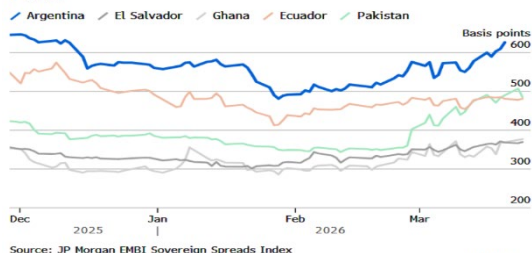
Figure 2: EM bond and equity fund flows



### Argentina

**Reserve buildup is seen as pivotal for a rating upgrade.** According to Bloomberg, rating agency Fitch has indicated that the country needs to increase foreign currency reserves not only to meet near-term debt servicing obligations but also to establish a buffer for the future. The country’s central bank has added about \$3.5 bn to its reserves this year with a full year target of \$10–17 bn. However, markets remain concerned that upcoming debt payments could erode the FX reserves, specially as the authorities have ruled out issuing new debt in international markets amid wider sovereign spreads, according to Bloomberg. A liability management exercise that reduced the short-term financing needs might prove helpful in bringing down the borrowing costs and support an improvement in the credit rating.

Argentina Spreads Trade Wide of Potential Upgrade Peers



Source: JP Morgan EMBI Sovereign Spreads Index

### China

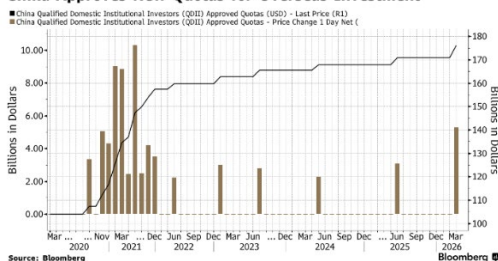
**Onshore yuan traded at its weakest since early March after the People’s Bank of China set the daily fixing at a four-week low.** Both onshore CNY and offshore CNH weakened beyond the 6.92 level in the morning, before rebounding to close stronger than last Friday’s closes. Yuan was fixed at 6.9223/\$, the weakest level since March 2. Government bond yields continued to drop (10-yr -1bp to 1.80%; 30-yr -2bp to 2.33%) amid liquidity support from a sizeable net PBOC injection and lower money-market rates. According to data released by the State Administration of Foreign Exchange on Friday, authorities raised QDII quotas by the most since 2021, underscoring confidence in yuan stability amidst limited capital-outflow pressures despite the uncertain global risk environment. The move reinforces a policy bias toward greater two-way capital flows, suggesting that near-term FX softness is being balanced against longer-term capital account opening and supportive domestic liquidity conditions.

PBOC Sets Yuan Fixing at Weakest Level in Four Weeks



Source: Bloomberg

China Approves New Quotas for Overseas Investment

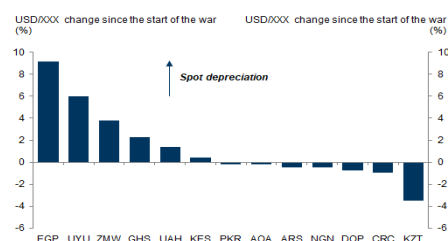


Source: Bloomberg

## Egypt

**The Central Bank of Egypt (CBE) is expected to keep rates on hold this week amid upside inflation risks.** Consensus expectations are that the CBE will keep rates unchanged at 19.0% at Thursday's meeting. Goldman Sachs analysts note that the near-term inflation outlook has worsened on account of the war in Iran, with the depreciation in the Egyptian pound, which is around 10% weaker against the dollar since the start of the conflict, adding to stronger imported inflation. The analysts now forecast headline inflation at 13.4% y/y by year-end (vs 12% previously) and expect the CBE to resume the easing cycle next year. Goldman believes the bar for a rate hike is high, given high real rates and now expect only 100bp of rate cuts by the end of year, compared with around 600bp of easing forecast previously.

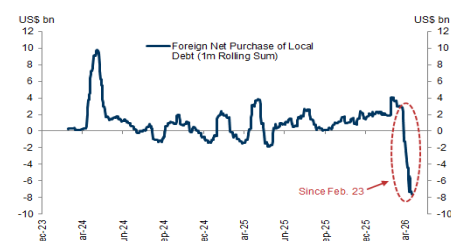
**Exhibit 1: The EGP Has Been the Biggest Frontier Underperformer Since the Start of the Middle East Conflict**



Source: Bloomberg, Goldman Sachs Global Investment Research

**Exhibit 2: Foreign Net Selling of Egyptian Local Fixed Income Has Spiked Since the War**

Net Purchases by Non-Residents of Local Bills and Bonds (US\$bn)



Source: Haver Analytics, Goldman Sachs Global Investment Research

## Qatar

**The Qatari Central Bank introduced measures to support liquidity.** The measures include a reduction in reserve requirements on deposits to 3.5% from 4.5%, a term repo liquidity facility, and allowing banks to offer borrowers payment deferrals. The moves follow similar measures unveiled by the UAE's central bank to support the banking sector, liquidity, and lending capacity. Since the start of the war, Qatar's QE equity index has declined by around 8% while Dubai's benchmark index is around 15% lower since the war began.

*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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### Emerging Market Financial Indicators

3/30/2026 8:07 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		6.91	0.0	-0.4	-0.1	5.0	1.1		1.9	0	-1	1	1	-5
Korea*		1518	-0.4	-2.0	-3.3	-2.9	-4.8		3.9	6	22	43	119	58
Indonesia		17002	-0.1	0.0	-0.8	-2.5	-1.9		6.8	-2	2	54	-19	73
India		95	0.0	-0.9	-3.5	-9.9	-5.2		7.7	-5	0	43	84	62
Philippines		61	-0.3	-0.7	-4.2	-5.7	-2.9		5.6	15	-13	73	44	89
Thailand		33	0.1	-1.5	-4.3	3.3	-4.2		2.5	8	23	65	31	72
Malaysia		4.03	-0.5	-2.3	-2.6	10.0	0.7		3.6	-2	5	12	-16	11
Argentina		1385	-1.2	0.5	1.0	-22.6	4.8		28.3	-97	-103	-413	-815	-404
Brazil		5.24	-0.1	-0.1	-1.3	8.8	4.8		14.2	0	4	113	-89	67
Chile		928	-0.5	-1.9	-5.0	2.4	-3.0		5.6	-1	-4	45	-8	31
Colombia		3669	0.2	1.3	2.4	13.7	2.9		13.3	-6	-31	-47	125	48
Mexico		18.09	0.1	-1.7	-4.3	13.1	-0.5		9.3	12	-10	70	-19	27
Peru		3.5	0.0	-0.2	-3.8	4.4	-3.6		7.0	0	20	113	30	120
Uruguay		41	0.1	0.5	-5.2	3.8	-3.5		7.6	-1	-10	49	-188	4
Hungary		339	-0.3	-1.6	-4.2	9.7	-3.6		7.2	7	-7	105	36	71
Poland		3.73	-0.4	-1.8	-2.9	3.7	-3.9		5.3	7	-2	100	-16	76
Romania		4.4	-0.2	-1.1	-1.8	3.7	-2.3		7.0	4	-3	95	-23	37
Russia		81.1	0.5	1.2	-4.4	2.6	-2.9							
South Africa		17.2	-0.3	-2.1	-6.3	6.6	-3.6		9.4	18	-1	113	-147	79
Türkiye		44.47	0.0	-0.4	-1.2	-14.7	-3.4		35.4	21	105	511	150	580
US (DXY; 5y UST)		100	0.1	1.4	2.8	-3.6	2.0		4.00	-6	4	50	2	28

	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													
China		4,492	-0.2	1.7	-4.6	15.6	-3.0		101	-2	-10	-5	26	
Korea*		5,277	-3.0	-2.4	-15.5	112.7	25.2		36	1	10	-2	14	
Indonesia		7,092	-0.1	1.0	-13.9	8.9	-18.0		115	3	2	-4	29	
India		71,948	-0.1	-3.5	-11.5	-5.4	-15.6		97	3	6	-16	7	
Philippines		5,869	-1.7	-0.5	-11.2	-5.0	-3.0		102	5	10	8	27	
Thailand		1,450	0.2	3.7	-5.1	25.2	15.1							
Malaysia		1,688	-1.4	-1.9	-1.7	11.5	0.5		63	4	-4	-25	4	
Argentina		2,793,847	0.9	3.7	5.7	17.5	-8.4		620	-14	34	-147	51	
Brazil		181,557	-0.6	3.0	-3.8	37.6	12.7		204	-2	-1	-23	1	
Chile		10,417	0.2	1.9	-4.2	35.4	-0.6		102	3	3	-20	11	
Colombia		2,213	-0.9	-0.8	-0.5	38.0	7.0		282	4	-16	-55	5	
Mexico		66,686	-0.6	4.0	-6.6	25.4	3.7		232	4	9	-78	15	
Peru		3,067	1.1	4.5	-14.8	73.2	18.7		115	0	-4	-29	6	
Hungary		121,725	0.0	-0.8	-3.8	33.2	9.6		150	-10	8	-1	11	
Poland		120,335	0.5	0.3	-5.1	23.0	2.6		97	-2	1	-13	6	
Romania		27,749	-0.8	-0.5	-1.3	57.9	13.5		210	3	41	-37	34	
South Africa		112,313	0.5	1.7	-12.6	25.4	-3.0		275	3	34	-38	57	
Türkiye		12,763	0.5	-3.1	-7.0	32.1	13.3		316	6	41	1	82	
EM total		55	0.3	-0.8	-11.8	26.1	0.9		293	5	17	-87	21	

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

\*Not an EM Under IMF Classification.

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