

Markets benefited from potential easing in trade tensions

■ **Financial markets continue their recovery trend across the board, with the main focus on Europe.** The recent improvement in relations between the US and China, insofar as the focus moved to Canada, ([see](#)) contributed to improving the mood in financial markets. The ECB meeting and fresh news in euro-area politics were the main events today. In this context, US equity indices registered mild gains and yields remained almost unchanged.

■ **The ECB QE is over.** As expected, the ECB has confirmed the end of QE, while enhancing its forward guidance on reinvestment policy, as reinvestments will continue well beyond the point at which the central bank starts to increase interest rates. The forward guidance on policy rates was left unchanged "at least through the summer of 2019". There are no major changes in the ECB's assessment of the economic outlook. The GDP growth forecasts have been revised slightly down while the updated forecasts for both core and headline inflation were revised slightly down, but trending up afterwards. ([see](#)) **The effect on financial markets was mild** as the call of the Central Bank was mainly in line with expectations. The EUR remained almost unchanged against the USD, while 10Y sovereign German yield inched up as it was already doing before the announcement.

■ **Mrs May survived the vote of confidence, but uncertainty remains.** The GBP appreciated sharply today following the Conservative Party's support of Mrs May, as she survived a vote of no-confidence ([see](#)). Now she is safe from another challenge until next year. The market is waiting for fresh news from the European Summit, while uncertainty continues at very high levels.

■ **The Italian government announced a budget cut.** It promised significant budget cuts for 2019 to avoid EU sanctions and the Prime Minister has proposed a deficit of 2.04% of GDP (vs 2.4%) ([see](#)). Italian assets reacted positively to the news. However, the announcement of reinvestment procedures, with a potential negative effect on Italian debt, halted the reduction in yields.

■ **Turkey's central bank held interest rates unchanged** despite the lower-than-expected data that have been released recently. Nonetheless, inflation still remains far from the central bank target ([see](#)). The effect on financial variables was very small as this outcome had been expected by most analysts. Other emerging market assets registered slight falls in a context in which oil prices remained hovering around 60USD per barrel.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.76	-1.4	-0.2	-13	84	
US	2.91	0.0	1.4	-23	45	
GER (2-yr)	-0.58	-1.7	4.0	-1	3	
Germany	0.29	0.6	4.9	-12	-24	
France	0.73	-0.2	6.8	-5	-9	
Spain	1.42	-0.5	-3.7	-18	-25	
Italy	2.96	-4.4	-24.6	-49	86	
Portugal	1.68	-4.6	-13.6	-27	-33	
Greece	4.24	-3.1	-1.8	-22	13	
Japan (2-yr)	-0.14	-0.7	-0.7	-1	-1	
Japan	0.06	0.2	-0.7	-6	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.86	-15.3	-15.5	-68	-39	
Chile	4.40	0.4	1.5	-13	-12	
Colombia	6.86	-1.7	-7.5	-23	42	
Mexico	8.96	-6.4	-13.9	-4	139	
Peru	5.53	2.2	10.3	2	65	
Poland	2.96	0.6	-5.5	-27	-35	
Russia	8.79	4.3	-3.5	-35	115	
Turkey	17.26	1.0	81.0	93	590	
India	7.41	-0.2	-1.6	-35	2	
Indonesia	8.21	0.0	19.9	4	191	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	45	-0.8	1.9	7	15	
Italy	267	-5.0	-29.5	-37	110	
Portugal	139	-5.2	-18.5	-15	-10	
Spain	114	-1.1	-8.6	-6	-1	
2-yr sovereign spread vs Germany						
France	16	0.4	-0.2	-2	-1	
Italy	113	-1.7	-24.7	-46	76	
Portugal	28	1.2	-11.7	-14	-22	
Spain	40	0.8	-6.0	-4	13	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	198	-6.8	-14	-4	38	
Chile	57	-1.7	0	7	8	
Colombia	132	-4.6	-6	11	27	
Argentina	698	-12.3	20	122	460	
Mexico	143	-5.0	-7	1	36	
Peru	89	-3.4	-4	8	17	
Poland	68	0.0	0	1	19	
Russia	150	-3.9	-10	-9	32	
Turkey	385	-5.7	-1	19	220	
China	65	-4.9	-2	0	14	
India	115	-0.4	1	5	46	
Indonesia	134	-6.8	-6	-10	48	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	21	-0.8	-1	1	11	
VSTOXX	19	-0.5	-5	2	6	
EMEFT volatility Index	24	-0.7	-2	-4	8	
Dollar/euro volatility	6	-0.6	-1	-2	0	
EM FX volatility index	10	0.0	0	0	2	
Credit spread (BAA) (change in bps)	224	0.0	-2	20	46	
US bonds volatility index	58	-0.5	-3	6	9	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.24	-	-7	-14	-8	
EZ Inflation expectations (5Y5Y)	1.63	-	2	-6	-11	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	70	-0.5	1	17	27	
EZ	114	-8.0	-7	12	75	
UK	90	-1.5	0	15	49	
Large Spanish	78	-3.0	-2	5	43	
Medium Spanish	112	1.0	4	10	37	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	192	-0.5	1	17	27	
EZ Non-financial	91	-8.0	-7	12	75	
UK Non-financial	115	-3.5	-2	11	23	
Interbank markets (% , changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	0	0	1	
Euribor 3m	-0.31	0	0	1	2	
Euribor 12m	-0.13	0	1	2	6	
Libor 3m	2.78	0	1	16	108	
Libor 12m	3.10	1	-2	-3	99	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,657	0.2	-1.4	-2.4	-1	
Dow Jones	24,555	0.1	-1.6	-2.9	-1	
Nikkei	21,816	1.0	1.5	0.0	-4	
FTSE 100	6,878	0.0	2.6	-2.5	-10	
EuroStoxx 50	3,112	0.1	2.2	-3.5	-11	
IBEX	8,926	0.8	1.8	-2.4	-11	
DAX	10,925	0.0	1.1	-4.8	-15	
CAC	4,897	-0.3	2.4	-4.0	-7	
MIB	19,049	0.5	2.2	-0.9	-13	
ASE Athens	648	0.4	-0.5	0.7	-21	
MSCI Latam *	86,087	0.4	-2.1	-0.5	0	
Ibovespa (Brazil)	87,278	0.3	-1.8	2.8	12	
Mexbol (Mexico)	41,614	1.8	-0.9	-1.9	-17	
Merval (Argentina)	31,048	-0.1	-3.0	8.8	0	
MSCI EM Europe *	5,344	-0.2	-3.1	-0.2	-1	
Poland	2,311	1.6	0.7	4.2	-6	
Micex 10 (Russia)	4,261	0.3	-1.2	-0.7	3	
Ise 100 (Turkey)	91,387	1.5	-1.6	-1.4	-22	
MSCI EM Asia *	803	1.4	-1.8	1.2	-13	
Shanghai Com (China)	2,634	1.2	1.1	-0.8	-21	
Jakarta (Indonesia)	6,178	1.7	0.7	6.9	-3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	119.6	-0.1	-5.2	-10.9	-20	
JPM	101.1	0.1	-3.9	-7.7	-6	
Citi	55.9	-0.1	-6.9	-13.7	-25	
BoA	24.5	0.0	-6.7	-11.7	-18	
MS	40.7	-0.4	-4.6	-9.0	-22	
GS	176.6	-0.1	-4.1	-13.9	-31	
EZ banks	74.7	0.6	1.1	-7.1	-32	
BNP	42.2	0.7	1.0	-8.7	-32	
Crédit Agricole	10.2	0.1	0.3	-9.2	-27	
Deutsche Bank	7.9	0.0	2.1	-10.9	-51	
ING	10.3	1.2	1.8	-8.8	-33	
Intesa	2.0	0.9	3.0	1.5	-26	
SG	30.5	0.2	-0.2	-9.4	-29	
Unicredito	10.9	1.2	-0.4	-2.6	-30	
UK banks	74.1	0.1	1.1	-7.0	-20	
HSBC	655.9	-0.1	3.1	1.8	-14	
RBS	210.9	1.2	-0.5	-15.7	-24	
Barclays	159.0	0.0	3.7	-9.4	-22	
Lloyds	53.1	-0.4	-2.9	-9.6	-22	
Large Spanish banks	59.7	1.7	1.6	-5.2	-29	
Santander	4.1	1.5	2.3	-5.1	-25	
BBVA	4.7	1.9	2.7	-5.3	-30	
Medium Spanish banks	61.2	0.9	2.0	-6.1	-20	
Caixabank	3.4	0.7	2.6	-8.2	-14	
Sabadell	1.1	0.8	2.5	-10.6	-36	
Bankinter	7.3	1.1	3.0	-3.6	-8	
Bankia	2.8	1.2	2.9	-4.0	-31	
Currencies (% , red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.136	-0.1	-0.1	0.6	-6	
GBPUSD	1.26	0.1	-1.1	-2.6	-7	
USDJPY	113.64	-0.3	-0.8	0.1	-1	
DXY	97.12	0.1	0.3	-0.2	6	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	37.83	-0.6	-0.3	-4.8	-51	
USDBRL (Brazil)	3.89	-0.9	-0.1	-2.0	-16	
USDCLP (Chile)	681.77	-0.6	-0.5	1.5	-11	
USDCOP (Colombia)	3178	-0.2	0.3	0.4	-8	
USDMXN (Mexico)	20.25	-0.9	0.5	1.2	-4	
USDPEN (Peru)	3.36	-0.2	0.3	0.5	-4	
LACI	53.90	-0.8	0.0	-0.5	-15	
USDPLN (Poland)	3.78	-0.2	-0.5	0.5	-9	
USDTRY (Russia)	66.32	0.2	0.8	2.6	-13	
USDTRY (Turkey)	5.34	0.2	0.1	2.6	-29	
USDCNY (China)	6.88	0.0	0.0	1.1	-6	
USDINR (India)	71.69	0.5	-1.1	1.4	-11	
USDIDR (Indonesia)	14497	0.7	0.2	2.1	-7	
ADXY	104.70	0.0	-0.2	0.8	-5	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	60.7	1.0	1.1	-7	-9	
WTX	52	1.6	1.0	-7	-14	
Copper	277	0.0	1.0	3	-15	
Gold	1243	-0.2	0.5	3	-6	
S&P Spot commodity *	408	-0.4	0.1	-4	-8	
S&P Metals Spot *	513	-0.1	0.3	-8	-9	
S&P Metals Spot *	330	-0.2	0.2	1	-16	
S&P Agricultural *	296	0.5	1.4	2	4	

Source: Bloomberg, Datastream and Haver

* With one day delay