

High volatility in markets ahead of tomorrow's FOMC

- Caution prevailed in financial markets** ahead of numerous central banks meetings. Volatility persisted in financial markets and risk-aversion mood also remained. The recent speech by Chinese President Xi in which he did not hint at any new measures to support the country's economy, added some fears about a global economic slowdown ([see](#)). These fears, along with supply concerns also triggered a sharp correction in oil prices, with far-reaching implications for related assets.
- Core yields continued subdued:** the US Treasury 10Y yield remained below 2.90% ahead of this week's FOMC meeting. The release of figures showing a fall in China's holding of US Treasuries for October had a mild impact on financial markets ([see](#)). In Europe, the German 10Y Bund yield was also steady (currently hovering around 0.25%), and the release of lower-than-expected confidence indicators in Germany (IFO) had a mild impact on markets ([see](#)). Moreover peripheral risk premia remained unchanged, with the Italian risk premium well below 300 bps amid discussion between the European Commission and Italy on its 2019 budget plan ([see](#)).
- US stocks rebounded slightly from yesterday's sharp drop**, while European equity indices continued to decline. Asian equity indices ended with losses following yesterday's sell-off in US stocks, while Xi's comments - read as disappointing by investors - also weighed on Asian markets ahead of China's key economic conference and the Bank of Japan policy meeting later this week.
- The USD depreciated slightly ahead of the expected hike in interest rate by the Fed. Meanwhile in the UK, the GBP remained steady amid fresh flows of news about Brexit issues ([see](#)). Regarding EM FX markets, some Latam currencies depreciated, fuelled by the continuing fall in oil prices amid worries over increasing US oil production and uncertainty over the upcoming cuts in oil supply

Update 18:05 CET 18 December 2018

| Debt markets (10Y, %, changes in bp) | | | | | | |
|--|--------|-------|--------|---------|-----|--|
| Developed Markets | level | Daily | Week | Month | YTD | |
| US (2-yr) | 2.66 | -2.9 | -10.2 | -14 | 74 | |
| US | 2.83 | -2.7 | -4.9 | -23 | 37 | |
| GER (2-yr) | -0.61 | 0.3 | -0.4 | -2 | 1 | |
| Germany | 0.24 | -1.2 | 1.2 | -12 | -28 | |
| France | 0.71 | -2.8 | -0.3 | -5 | -11 | |
| Spain | 1.38 | -2.1 | -5.9 | -26 | -29 | |
| Italy | 2.94 | -2.2 | -18.4 | -55 | 84 | |
| Portugal | 1.64 | -1.6 | -12.2 | -34 | -37 | |
| Greece | 4.38 | 3.8 | 11.9 | -19 | 28 | |
| Japan (2-yr) | -0.15 | -0.3 | -1.4 | -2 | -2 | |
| Japan | 0.03 | -1.5 | -2.4 | -8 | -2 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| Brazil | 9.69 | 4.0 | -45.1 | -43 | -57 | |
| Chile | 4.37 | -1.0 | -1.0 | -12 | -14 | |
| Colombia | 6.86 | 0.9 | -3.4 | -16 | 42 | |
| Mexico | 8.79 | -6.4 | -24.1 | -22 | 121 | |
| Peru | 5.49 | -1.5 | -5.3 | 5 | 61 | |
| Poland | 2.91 | -2.4 | -9.8 | -38 | -40 | |
| Russia | 8.89 | 5.8 | 13.5 | 11 | 125 | |
| Turkey | 16.87 | -9.0 | 4.0 | 82 | 551 | |
| India | 7.36 | -10.3 | -17.0 | -46 | -3 | |
| Indonesia | 8.12 | -2.5 | -16.0 | 7 | 183 | |
| Country risk (bp, changes in bp) | | | | | | |
| Developed Markets | level | Daily | Weekly | Monthly | YTD | |
| 10-yr sovereign spread vs Germany | | | | | | |
| France | 47 | -1.6 | -1.5 | 7 | 17 | |
| Italy | 269 | -1.0 | -19.6 | -43 | 112 | |
| Portugal | 139 | -0.4 | -13.4 | -22 | -10 | |
| Spain | 113 | -0.9 | -7.1 | -14 | -2 | |
| 2-yr sovereign spread vs Germany | | | | | | |
| France | 17 | -1.6 | 0.3 | 3 | 1 | |
| Italy | 115 | -1.2 | -10.8 | -77 | 79 | |
| Portugal | 27 | 1.2 | -5.2 | -17 | -23 | |
| Spain | 40 | -0.9 | -2.5 | -6 | 13 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| 5-yr sovereign CDS * | | | | | | |
| Brazil | 196 | -0.3 | -12 | -10 | 35 | |
| Chile | 56 | 0.2 | -4 | 4 | 7 | |
| Colombia | 130 | -0.2 | -8 | 3 | 25 | |
| Argentina | 765 | 22.9 | 64 | 173 | 527 | |
| Mexico | 138 | -6.2 | -11 | -11 | 31 | |
| Peru | 87 | 0.5 | -8 | 5 | 15 | |
| Poland | 68 | 0.0 | 0 | 1 | 19 | |
| Russia | 146 | -0.3 | -10 | -4 | 28 | |
| Turkey | 377 | -1.8 | -13 | 14 | 213 | |
| China | 64 | -1.8 | -8 | -4 | 13 | |
| India | 112 | -0.9 | -3 | 2 | 43 | |
| Indonesia | 134 | -0.8 | -9 | -13 | 49 | |
| Risk indicators | | | | | | |
| Volatility indicators | level | Daily | Weekly | Monthly | YTD | |
| VIX | 25 | 0.3 | 3 | 7 | 15 | |
| VSTOXX | 20 | 0.2 | -1 | 2 | 7 | |
| EMEFT volatility Index | 25 | -1.4 | -1 | -2 | 9 | |
| Dollar/euro volatility | 7 | 0.2 | 0 | -1 | 0 | |
| EM FX volatility index | 10 | -0.2 | 0 | 0 | 2 | |
| Credit spread (BAA) (change in bps) | 228 | 2.7 | 1 | 13 | 50 | |
| US bonds volatility index | 55 | -0.7 | -3 | -5 | 6 | |
| Inflation expectations | level | Daily | Weekly | Monthly | YTD | |
| US Inflation expectations (5Y5Y) | 2.23 | - | -8 | -10 | -9 | |
| EZ Inflation expectations (5Y5Y) | 1.60 | - | -2 | -9 | -14 | |
| Banking 5y CDS | level | Daily | Weekly | Monthly | YTD | |
| US | 75 | 3.5 | 2 | 11 | 32 | |
| EZ | 113 | 0.6 | -10 | 4 | 73 | |
| UK | 92 | -0.3 | 0 | 9 | 51 | |
| Large Spanish | 79 | 1.4 | -3 | 2 | 44 | |
| Medium Spanish | 110 | -3.6 | -3 | 7 | 35 | |
| Corporate 5y CDS | level | Daily | Weekly | Monthly | YTD | |
| US Non-financial | 199 | 3.5 | 2 | 11 | 32 | |
| EZ Non-financial | 92 | 0.6 | -10 | 4 | 73 | |
| UK Non-financial | 115 | 0.8 | -4 | 6 | 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 | 2.80 | 0 | 3 | 16 | 111 | |
| Libor 12m | 3.10 | 1 | 2 | -1 | 100 | |
| Stock markets (%) | | | | | | |
| Main indices | level | Daily | Weekly | Monthly | YTD | |
| S&P500 | 2,561 | 0.6 | -2.9 | -6.4 | -5 | |
| Dow Jones | 23,822 | 1.0 | -2.2 | -6.3 | -4 | |
| Nikkei | 21,115 | -1.8 | -0.2 | -2.6 | -7 | |
| FTSE 100 | 6,702 | -1.1 | -1.5 | -4.5 | -12 | |
| EuroStoxx 50 | 3,040 | -0.8 | -0.5 | -4.4 | -13 | |
| IBEX | 8,701 | -1.3 | -0.4 | -3.9 | -14 | |
| DAX | 10,741 | -0.3 | -0.4 | -5.3 | -17 | |
| CAC | 4,754 | -1.0 | -1.1 | -5.4 | -10 | |
| MIIB | 18,645 | -0.3 | 0.3 | -1.2 | -15 | |
| ASE Athens | 625 | -1.1 | -1.7 | -0.1 | -24 | |
| MSCI Latam * | 85,267 | -1.5 | -0.3 | -1.0 | -1 | |
| Ibovespa (Brazil) | 86,775 | 0.4 | 0.4 | -2.0 | 11 | |
| Mexbol (Mexico) | 40,828 | 1.2 | -0.2 | -3.5 | -18 | |
| Merval (Argentina) | 29,951 | 0.2 | -3.2 | -3.7 | -4 | |
| MSCI EM Europe * | 5,329 | -0.5 | -0.7 | -0.2 | -1 | |
| Poland | 2,315 | 1.5 | 4.2 | 6.9 | -6 | |
| Micex 10 (Russia) | 4,219 | -0.2 | -1.4 | -1.2 | 2 | |
| Ise 100 (Turkey) | 91,074 | 1.2 | -0.8 | -2.7 | -23 | |
| MSCI EM Asia * | 795 | -0.3 | 0.6 | -1.3 | -14 | |
| Shanghai Com (China) | 2,577 | -0.8 | -0.7 | -3.8 | -23 | |
| Jakarta (Indonesia) | 6,082 | -1.4 | -0.5 | 2.1 | -4 | |
| Banking sector | level | Daily | Weekly | Monthly | YTD | |
| US banks | 118.3 | 1.3 | -1.0 | -11.6 | -20 | |
| JPM | 99.5 | 0.5 | -0.9 | -9.6 | -8 | |
| Citi | 55.1 | 1.5 | -2.0 | -15.2 | -26 | |
| BoA | 24.8 | 1.1 | 0.7 | -10.8 | -17 | |
| MS | 40.3 | 1.8 | -0.8 | -8.7 | -23 | |
| GS | 171.7 | 2.2 | -2.9 | -15.1 | -33 | |
| EZ banks | 71.9 | -0.2 | 0.0 | -7.9 | -34 | |
| BNP | 40.6 | -0.1 | -0.3 | -10.3 | -35 | |
| Crédit Agricole | 9.9 | -0.6 | -0.4 | -9.7 | -29 | |
| Deutsche Bank | 7.6 | -0.2 | 2.9 | -11.1 | -52 | |
| ING | 9.9 | -0.1 | 0.0 | -8.7 | -35 | |
| Intesa | 2.0 | 0.6 | 2.6 | 3.4 | -28 | |
| SG | 28.8 | -0.8 | -2.7 | -13.0 | -33 | |
| Unicredito | 10.5 | -0.8 | -0.7 | -3.9 | -33 | |
| UK banks | 72.7 | 0.0 | 0.4 | -3.8 | -21 | |
| HSBC | 648.8 | 0.0 | 0.7 | -0.8 | -15 | |
| RBS | 209.3 | 0.5 | 3.1 | -3.5 | -25 | |
| Barclays | 152.2 | -0.4 | -1.2 | -7.7 | -25 | |
| Lloyds | 52.0 | 0.1 | -0.7 | -4.7 | -23 | |
| Large Spanish banks | 58.8 | -0.7 | 3.0 | -5.0 | -31 | |
| Santander | 4.0 | -0.9 | 2.9 | -5.5 | -27 | |
| BBVA | 4.7 | -0.5 | 3.2 | -4.7 | -34 | |
| Medium Spanish banks | 59.8 | -1.5 | 1.0 | -8.1 | -22 | |
| Caixabank | 3.3 | -1.1 | 0.2 | -10.9 | -16 | |
| Sabadell | 1.1 | -1.5 | 1.5 | -10.0 | -37 | |
| Bankinter | 7.1 | -2.2 | 1.0 | -7.1 | -10 | |
| Bankia | 2.7 | -0.6 | 1.6 | -5.0 | -32 | |
| Currencies (% red for currency depreciation) | | | | | | |
| Developed | level | Daily | Weekly | Monthly | YTD | |
| EURUSD | 1.136 | 0.1 | 0.4 | -0.5 | -6 | |
| GBPUSD | 1.26 | 0.2 | 1.3 | -1.5 | -7 | |
| USDJPY | 112.52 | 0.3 | 0.8 | 0.3 | 0 | |
| DXY | 97.04 | -0.1 | -0.4 | 0.6 | 6 | |
| Emerging | level | Daily | Weekly | Monthly | YTD | |
| USDARS (Argentina) | 38.25 | 0.0 | -1.1 | -6.0 | -52 | |
| USDBRL (Brazil) | 3.91 | -0.1 | -0.2 | -4.3 | -17 | |
| USDCLP (Chile) | 688.72 | -0.3 | -0.9 | -2.6 | -12 | |
| USDCOP (Colombia) | 3206 | -0.8 | -0.6 | -1.2 | -9 | |
| USDMXN (Mexico) | 20.13 | -0.2 | 0.4 | 0.2 | -3 | |
| USDPEN (Peru) | 3.34 | 0.0 | 0.6 | 1.0 | -3 | |
| LACI | 53.79 | -0.1 | -0.2 | -2.4 | -15 | |
| USDPLN (Poland) | 3.77 | 0.1 | 0.8 | 0.2 | -8 | |
| USDRUB (Russia) | 67.20 | -0.7 | -1.1 | -1.8 | -14 | |
| USDTRY (Turkey) | 5.35 | 0.4 | 0.3 | -0.3 | -30 | |
| USDCNY (China) | 6.90 | 0.0 | 0.1 | 0.6 | -6 | |
| USDINR (India) | 70.45 | 1.6 | 2.0 | 2.1 | -10 | |
| USDIDR (Indonesia) | 14501 | 0.5 | 0.7 | 0.8 | -7 | |
| ADXY | 104.67 | 0.2 | 0.3 | 0.3 | -5 | |
| Commodities (%) | | | | | | |
| | level | Daily | Weekly | Monthly | YTD | |
| Brent | 57.3 | -4.0 | -4.9 | -14 | -14 | |
| WTx | 47 | -5.1 | -8.4 | -16 | -22 | |
| Copper | 267 | -3.2 | -3.7 | -5 | -18 | |
| Gold | 1249 | 0.2 | 0.5 | 2 | -5 | |
| S&P Spot commodity * | 400 | -1.4 | -2.2 | -7 | -10 | |
| S&P Brent Spot * | 508 | -1.2 | -1.0 | -11 | -10 | |
| S&P Metals Spot * | 329 | 0.1 | -0.5 | -1 | -17 | |
| S&P Agricultural * | 295 | -0.1 | 0.2 | 1 | 4 | |

Source: Bloomberg, Datastream and Haver

* With one day delay