

## Main equity markets recovered slightly after sell-off early this week

- Despite the early close on 24 December, the **sell-off in main equity indices contributed to extend the ongoing risk-off sentiment across the board**, especially focused on the US market, where volatility in equity indices increased abruptly (VIX above 35%). However, post-Christmas trade is showing a mild recovery in markets, at least in those which opened today, as **European bond and equity markets remained closed today**.
- The main triggers of bad performance early this week were fears about a global economic slowdown along with the partial US government shutdown and the US President's criticism of the Federal Reserve after its recent rate hike ([see](#)). The spike in volatility led the US Secretary of the Treasury to schedule an emergency meeting and contact with major US banks, which confirmed a good position in liquidity to face potential market turbulences ([see](#)).
- After the recent broad-based drop in equity prices, **US equity indices recovered somewhat**, while US sovereign debt yields remained almost unchanged - at their recent lower bound - as a cautious mood prevailed (UST 10Y yield at 2.7%). In the same line, Asian equity indices also recovered partially after the sell-off suffered on Monday, which took the Nikkei to its lowest level since 2016 ([see](#)). The JPY also benefited from the increasing appetite for safe-haven assets, while the USD remained almost unchanged.
- Negative trend persisted in oil prices and drove Brent to hover around 50 USD per barrel**, its lowest level since mid-2017 amid concerns about global demand and the ample supply ([see](#)). However, it recovered somewhat in today's session.
- Emerging currencies** registered a differentiated performance during this week as Latam currencies underperformed due to commodity prices while Asian currencies remained almost stable against the USD. Emerging equity indices suffered less than developed markets, while credit references continued to deteriorate across emerging countries; in fact, the aggregated EMBI spread stands at its highest level since 2016.

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| Debt markets (10Y, %, changes in bp)         |        |       |        |         |     |
|--|--------|-------|--------|---------|-----|
| Developed Markets                            | level  | Daily | Weekly | Monthly | YTD |
| US (2-yr)                                    | 2.56   | 0.5   | -8.1   | -27     | 65  |
| <b>US</b>                                    | 2.74   | 0.3   | -1.3   | -31     | 28  |
| GER (2-yr)                                   | -0.60  | 0.0   | 0.1    | -3      | 1   |
| <b>Germany</b>                               | 0.25   | 0.0   | 1.1    | -11     | -27 |
| France                                       | 0.70   | 0.0   | -0.7   | -4      | -13 |
| Spain  | 1.40   | 0.0   | 2.3    | -16     | -27 |
| Italy  | 2.83   | 0.0   | 5.9    | -44     | 74  |
| Portugal                                     | 1.69   | 0.0   | 3.8    | -20     | -32 |
| Greece                                       | 4.39   | 0.0   | 9.7    | 0       | 29  |
| Japan (2-yr)                                 | -0.13  | 1.9   | 2.3    | 1       | 1   |
| <b>Japan</b>                                 | 0.02   | 0.3   | -1.3   | -7      | -3  |
| Emerging Markets                             | level  | Daily | Weekly | Monthly | YTD |
| Brazil                                       | 9.37   | -0.5  | -19.8  | -78     | -88 |
| Chile  | 4.28   | -0.7  | -6.6   | -13     | -24 |
| Colombia                                     | 6.76   | 0.1   | -4.0   | -28     | 32  |
| Mexico                                       | 8.82   | 2.9   | 13.0   | -40     | 124 |
| Peru   | 5.38   | -1.8  | -9.9   | 2       | 51  |
| Poland                                       | 2.82   | 0.0   | -8.2   | -36     | -49 |
| Russia                                       | 8.87   | 0.0   | -1.4   | -17     | 123 |
| Turkey                                       | 16.03  | -6.0  | -18.0  | 8       | 467 |
| India  | 7.28   | 5.5   | 5.5    | -45     | -11 |
| Indonesia                                    | 8.02   | 4.3   | 2.1    | 13      | 172 |
| Country risk (bp, changes in bp)             |        |       |        |         |     |
| Developed Markets                            | level  | Daily | Weekly | Monthly | YTD |
| <b>10-yr sovereign spread vs Germany</b>     |        |       |        |         |     |
| France                                       | 45     | 0.0   | -1.8   | 7       | 15  |
| Italy  | 258    | 0.0   | 4.8    | -33     | 101 |
| Portugal                                     | 144    | 0.0   | 2.7    | -9      | -5  |
| Spain  | 115    | 0.0   | 1.2    | -5      | 0   |
| <b>2-yr sovereign spread vs Germany</b>      |        |       |        |         |     |
| France                                       | 16     | 0.0   | -0.9   | 2       | -1  |
| Italy  | 116    | 0.0   | 11.2   | -25     | 79  |
| Portugal                                     | 26     | 0.0   | 1.7    | -13     | -24 |
| Spain  | 37     | 0.0   | -0.9   | -4      | 10  |
| Emerging Markets                             | level  | Daily | Weekly | Monthly | YTD |
| <b>5-yr sovereign CDS *</b>                  |        |       |        |         |     |
| Brazil                                       | 214    | 0.5   | 15     | -2      | 53  |
| Chile  | 65     | 0.0   | 9      | 7       | 16  |
| Colombia                                     | 159    | 0.5   | 25     | 11      | 54  |
| Argentina                                    | 807    | 0.0   | 45     | 180     | 569 |
| Mexico                                       | 157    | 0.5   | 18     | -4      | 50  |
| Peru   | 97     | 0.3   | 9      | 9       | 25  |
| Poland                                       | 68     | 0.0   | 0      | 1       | 19  |
| Russia                                       | 152    | 0.0   | 7      | -9      | 34  |
| Turkey                                       | 361    | 0.9   | -13    | -34     | 197 |
| China  | 70     | 0.0   | 6      | -4      | 20  |
| India  | 114    | 0.2   | 2      | 1       | 45  |
| Indonesia                                    | 142    | 0.5   | 10     | -11     | 57  |
| Risk indicators                              |        |       |        |         |     |
| Volatility indicators                        | level  | Daily | Weekly | Monthly | YTD |
| VIX  | 36     | -0.4  | 10     | 17      | 26  |
| VSTOXX                                       | 20     | 0.0   | 1      | 2       | 7   |
| EM EFT volatility Index                      | 28     | 0.2   | 3      | 2       | 12  |
| Dollar/euro volatility                       | 7      | 0.1   | 1      | 0       | 1   |
| EM FX volatility index                       | 10     | 0.0   | 0      | -1      | 2   |
| Credit spread (BAA) (change in bps)          | 236    | -0.3  | 7      | 18      | 58  |
| US bonds volatility index                    | 66     | 0.0   | 7      | 15      | 17  |
| Inflation expectations                       | level  | Daily | Weekly | Monthly | YTD |
| US Inflation expectations (5Y5Y)             | 2.19   | -     | -1     | -10     | -13 |
| EZ Inflation expectations (5Y5Y)             | 1.57   | -     | -3     | -4      | -17 |
| Banking 5y CDS                               | level  | Daily | Weekly | Monthly | YTD |
| US   | 81     | -0.2  | 7      | 12      | 37  |
| EZ   | 125    | 0.0   | 3      | -4      | 82  |
| UK   | 111    | 0.1   | 1      | 11      | 65  |
| Large Spanish                                | 85     | 0.0   | 5      | -1      | 48  |
| Medium Spanish                               | 111    | 0.2   | -2     | 5       | 36  |
| Corporate 5y CDS                             | level  | Daily | Weekly | Monthly | YTD |
| US Non-financial                             | 214    | -0.2  | 7      | 12      | 37  |
| EZ Non-financial                             | 97     | 0.0   | 3      | -4      | 82  |
| UK Non-financial                             | 119    | 0.4   | 3      | 8       | 26  |
| Interbank markets (% changes in bp)          |        |       |        |         |     |
|  | level  | Daily | Weekly | Monthly | YTD |
| EONIA Index                                  | -0.37  | 0     | 0      | -1      | 0   |
| Euribor 3m                                   | -0.31  | 0     | 0      | 1       | 2   |
| <b>Euribor 12m</b>                           | -0.12  | 0     | 1      | 3       | 7   |
| Libor 3m                                     | 2.81   | 0     | 2      | 12      | 112 |
| Libor 12m                                    | 3.05   | 0     | -1     | -7      | 94  |
| Stock markets (%)                            |        |       |        |         |     |
| Main indices                                 | level  | Daily | Weekly | Monthly | YTD |
| <b>S&amp;P500</b>                            | 2,366  | 0.6   | -5.6   | -11.5   | -12 |
| Dow Jones                                    | 21,987 | 0.9   | -5.7   | -10.8   | -11 |
| Nikkei                                       | 19,327 | 0.9   | -7.9   | -11.4   | -15 |
| FTSE 100                                     | 6,686  | 0.0   | -1.2   | -5.0    | -13 |
| <b>EuroStoxx 50</b>                          | 2,974  | 0.0   | -2.5   | -6.3    | -15 |
| IBEX   | 8,481  | 0.0   | -3.3   | -6.7    | -16 |
| DAX  | 10,634 | 0.0   | -1.2   | -6.3    | -17 |
| CAC  | 4,626  | 0.0   | -3.2   | -7.4    | -13 |
| MBI  | 18,397 | 0.0   | -2.9   | -4.3    | -16 |
| ASE Athens                                   | 609    | 0.0   | -1.7   | 0.9     | -26 |
| <b>MSCI Latam *</b>                          | 84,956 | 0.0   | -0.9   | -0.9    | -1  |
| Ibovespa (Brazil)                            | 84,480 | -1.4  | -1.4   | -1.2    | 8   |
| Mexbol (Mexico)                              | 41,399 | 0.0   | 0.0    | 5.0     | -17 |
| Merval (Argentina)                           | 27,814 | -2.3  | -7.2   | -10.7   | -11 |
| <b>MSCI EM Europe *</b>                      | 5,208  | -0.8  | -2.2   | -1.2    | -3  |
| Poland                                       | 2,260  | 0.0   | -3.5   | 2.1     | -8  |
| Micex 10 (Russia)                            | 4,118  | 0.8   | -2.6   | -0.8    | 0   |
| Ise 100 (Turkey)                             | 91,029 | 0.2   | -1.6   | -3.1    | -23 |
| <b>MSCI EM Asia *</b>                        | 775    | -0.3  | -1.6   | -2.1    | -16 |
| Shanghai Com (China)                         | 2,498  | -0.3  | -2.0   | -3.0    | -25 |
| Jakarta (Indonesia)                          | 6,128  | -0.6  | 0.8    | 2.0     | -4  |
| Banking sector                               | level  | Daily | Weekly | Monthly | YTD |
| <b>US banks</b>                              | 108.4  | 0.1   | -6.0   | -18.0   | -27 |
| JPM  | 92.5   | 0.4   | -4.9   | -15.3   | -14 |
| Citi   | 49.3   | 0.0   | -6.7   | -22.7   | -34 |
| BoA  | 22.9   | 0.8   | -5.3   | -16.9   | -23 |
| MS   | 37.1   | 0.3   | -5.5   | -16.2   | -29 |
| GS   | 154.0  | -1.5  | -9.0   | -20.7   | -40 |
| <b>EU banks</b>                              | 68.2   | 0.0   | -5.6   | -14.3   | -38 |
| BNP  | 38.8   | 0.0   | -5.1   | -14.4   | -38 |
| Crédit Agricole                              | 9.3    | 0.0   | -5.9   | -16.5   | -34 |
| Deutsche Bank                                | 7.0    | 0.0   | -6.5   | -17.7   | -56 |
| ING  | 9.3    | 0.0   | -5.5   | -14.6   | -39 |
| Intesa                                       | 1.9    | 0.0   | -5.3   | -6.3    | -31 |
| SG   | 27.6   | 0.0   | -4.5   | -16.9   | -36 |
| Unicredito                                   | 9.8    | 0.0   | -8.6   | -14.3   | -37 |
| <b>UK banks</b>                              | 71.5   | 0.0   | -2.0   | -8.6    | -22 |
| HSBC   | 647.0  | 0.0   | -0.9   | -4.0    | -15 |
| RBS  | 206.0  | 0.0   | -1.9   | -8.6    | -26 |
| Barclays                                     | 146.4  | 0.0   | -3.4   | -13.2   | -28 |
| Lloyds                                       | 50.9   | 0.0   | -2.5   | -11.1   | -25 |
| <b>Large Spanish banks</b>                   | 57.3   | 0.0   | -3.6   | -9.0    | -32 |
| Santander                                    | 3.9    | 0.0   | -3.7   | -7.5    | -29 |
| <b>BBVA</b>                                  | 4.6    | 0.0   | -3.6   | -10.4   | -36 |
| <b>Medium Spanish banks</b>                  | 56.2   | 0.0   | -6.1   | -12.6   | -27 |
| Saibabank                                    | 3.1    | 0.0   | -7.9   | -16.7   | -22 |
| Sabadell                                     | 1.0    | 0.0   | -6.2   | -14.6   | -42 |
| Bankinter                                    | 6.9    | 0.0   | -3.9   | -9.0    | -14 |
| Bankia                                       | 2.5    | 0.0   | -8.8   | -13.6   | -38 |
| Currencies (% red for currency depreciation) |        |       |        |         |     |
| Developed                                    | level  | Daily | Weekly | Monthly | YTD |
| <b>EURUSD</b>                                | 1.140  | 0.1   | 0.2    | 0.6     | -5  |
| GBPUSD                                       | 1.27   | 0.1   | 0.7    | -1.0    | -7  |
| USDJPY                                       | 110.47 | -0.1  | 1.8    | 2.8     | 2   |
| DXY  | 96.72  | 0.1   | -0.3   | -0.4    | 5   |
| Emerging                                     | level  | Daily | Weekly | Monthly | YTD |
| USDARS (Argentina)                           | 38.41  | -1.1  | -0.1   | 1.2     | -52 |
| USDBRL (Brazil)                              | 3.92   | -0.4  | -0.6   | 0.3     | -17 |
| USDCLP (Chile)                               | 696.30 | -1.0  | -1.2   | -2.8    | -13 |
| USDCOP (Colombia)                            | 3301   | -0.2  | -2.5   | -1.7    | -11 |
| USDMXN (Mexico)                              | 19.92  | 0.0   | 1.0    | 3.5     | -2  |
| USDPEN (Peru)                                | 3.37   | -0.3  | -0.4   | 0.4     | -4  |
| LACI   | 53.71  | -0.4  | -0.2   | 1.0     | -16 |
| USDPLN (Poland)                              | 3.76   | 0.0   | 0.2    | 0.8     | -8  |
| USDRUB (Russia)                              | 69.16  | -0.7  | -2.5   | -2.9    | -17 |
| USDTRY (Turkey)                              | 5.29   | 0.3   | -0.1   | -0.7    | -29 |
| USDCNY (China)                               | 6.89   | 0.0   | 0.1    | 0.8     | -6  |
| USDINR (India)                               | 70.08  | 0.1   | 0.5    | 1.1     | -9  |
| USDIDR (Indonesia)                           | 14577  | -0.2  | -0.9   | -0.7    | -7  |
| ADXY   | 104.77 | 0.0   | 0.2    | 0.6     | -5  |
| Commodities (%)                              |        |       |        |         |     |
|  | level  | Daily | Weekly | Monthly | YTD |
| <b>Brent</b>                                 | 51.5   | 1.9   | -10.1  | -15     | -23 |
| WTx  | 44     | 3.1   | -7.1   | -15     | -27 |
| Copper                                       | 271    | 1.4   | -0.6   | -2      | -17 |
| Gold   | 1276   | 0.5   | 2.7    | 4       | -3  |
| S&P Spot commodity *                         | 367    | 0.0   | -6.5   | -10     | -17 |
| S&P Brent Spot *                             | 432    | 0.0   | -11.6  | -16     | -24 |
| S&P Metals Spot *                            | 322    | 0.0   | -1.2   | -3      | -18 |
| S&P Agricultural *                           | 287    | 0.0   | -1.5   | 1       | 1   |

Source: Bloomberg, Datastream and Haver

\* With one day delay