

## Equity markets recovered at the end of the week

- **High volatility in the financial markets**, leading to significant falls in the main equity markets during the week despite main markets remaining closed for a few days due to the Christmas holiday. Risk aversion dominated, especially early in the week, when US equity indices registered sharp losses. The main triggers 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.
- **However, the after-Christmas rally in US markets**, the biggest one-day rise since 2009, **contributed to improving the mood in financial markets** slightly and allowing US markets to end the week in positive territory. Meanwhile, European and major Asian indices registered slight losses during the week.
- **Sovereign bond yields also reflected the increase of uncertainty** and went down abruptly to their lowest level this year in both the US and Europe. The release of worse-than-expected data in the US ([see](#)) along with the ECB's warning of the consequences of protectionism also weighed ([see](#)). Recent developments in financial markets had only a mild effect on peripheral risk premiums, which remained broadly unchanged.
- **The USD depreciated during the week and the EUR benefited from its weakness**. Safe-haven flows were also present in currency markets and the JPY and the CHF appreciated significantly during the week while the GBP ended the week broadly unchanged, as recent developments seemed to push the Brexit issue to the background, at least momentarily.
- 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. However, they recovered somewhat in the wake of US stock prices.
- In this context, **emerging market assets registered a mixed performance**: across regions, LatAm underperformed due to oil prices, with the main exceptions of the MXN, which apart from the weak USD also benefited from easing idiosyncratic concerns. Regarding EM assets, equity indices registered a mixed performance, while credit references continued to deteriorate across the board with the EMBI spread at its highest level since 2016.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.54	-1.8	-9.5	-26	63	
<b>US</b>	2.74	-2.5	-4.9	-32	28	
GER (2-yr)	-0.60	2.4	0.0	-2	1	
<b>Germany</b>	0.25	1.4	-0.5	-10	-28	
France	0.71	1.2	1.0	-2	-12	
Spain	1.42	3.7	2.2	-12	-25	
Italy	2.75	0.0	-8.3	-51	65	
Portugal	1.72	3.9	3.6	-15	-29	
Greece	4.37	-2.2	0.6	3	26	
Japan (2-yr)	-0.14	-1.7	-0.3	-1	-1	
<b>Japan</b>	0.00	-2.3	-4.4	-10	-5	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.20	-8.7	-17.5	-89	-105	
Chile	4.25	0.8	-3.8	-15	-26	
Colombia	6.76	-1.1	0.3	-33	32	
Mexico	8.71	-2.9	-4.3	-49	113	
Peru	5.34	-0.3	-5.7	1	47	
Poland	2.82	-0.1	0.2	-36	-49	
Russia	8.82	0.7	-1.4	-14	119	
Turkey	15.86	-11.0	-23.0	-18	450	
India	7.39	11.5	11.4	-25	0	
Indonesia	8.02	0.8	4.2	7	172	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
<b>10-yr sovereign spread vs Germany</b>						
France	46	-0.2	1.5	8	16	
Italy	250	-1.4	-7.8	-40	93	
Portugal	148	2.5	4.1	-4	-1	
Spain	118	2.3	2.7	-2	3	
<b>2-yr sovereign spread vs Germany</b>						
France	14	-2.6	-1.5	-1	-2	
Italy	107	-5.8	-8.1	-41	71	
Portugal	24	-3.6	-2.0	-14	-25	
Spain	36	-1.7	-1.4	-6	9	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS *</b>						
Brazil	211	-2.8	3	-9	50	
Chile	64	-1.3	2	2	15	
Colombia	159	-2.2	11	11	54	
Argentina	808	-1.1	20	148	570	
Mexico	158	-2.0	10	-3	51	
Peru	95	-1.6	3	3	23	
Poland	67	-0.3	0	0	19	
Russia	153	0.9	4	-21	35	
Turkey	360	-1.6	0	-46	196	
China	68	-1.9	0	-6	18	
India	114	0.2	2	2	45	
Indonesia	138	-4.4	0	-13	53	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	30	0.1	0	12	20	
VSTOXX	24	-2.0	3	5	10	
EM EFT volatility Index	26	-0.5	0	0	9	
Dollar/euro volatility	7	0.2	1	0	1	
EM FX volatility index	10	0.1	0	0	2	
Credit spread (BAA) (change in bps)	240	2.5	9	18	62	
US bonds volatility index	68	4.4	7	18	19	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.17	-	-5	-15	-15	
EZ Inflation expectations (5Y5Y)	1.56	-	-1	-5	-18	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	83	0.5	5	17	41	
EZ	119	-0.3	7	0	80	
UK	95	0.1	4	7	54	
Large Spanish	86	-0.4	5	1	50	
Medium Spanish	112	0.5	5	6	37	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	214	0.5	5	17	41	
EZ Non-financial	97	-0.3	7	0	80	
UK Non-financial	118	0.0	2	8	26	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.34	0	4	3	4	
Euribor 3m	-0.31	0	0	1	2	
<b>Euribor 12m</b>	-0.12	0	0	3	7	
Libor 3m	2.81	0	-1	11	112	
Libor 12m	3.05	0	-2	-8	94	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
<b>S&amp;P500</b>	2,496	0.3	3.3	-9.0	-7	
Dow Jones	23,180	0.2	3.3	-8.6	-7	
Nikkei	20,015	-0.3	-0.8	-9.7	-12	
FTSE 100	6,733	2.3	0.2	-3.9	-12	
<b>EuroStoxx 50</b>	2,991	1.8	-0.3	-5.6	-14	
IBEX	8,495	1.6	-0.7	-6.7	-16	
DAX	10,559	1.7	-0.7	-6.5	-18	
CAC	4,688	1.9	-0.1	-5.9	-11	
MI	18,332	1.5	-0.4	-4.1	-16	
ASE Athens	603	0.9	-0.9	0.0	-26	
<b>MSCI Latam *</b>	84,770	0.2	-0.2	-1.6	-1	
Ibovespa (Brazil)	87,195	2.0	1.7	-2.3	12	
Mexbol (Mexico)	41,566	0.4	0.2	1.4	-17	
Merval (Argentina)	29,903	1.3	5.1	-4.0	-4	
<b>MSCI EM Europe *</b>	5,234	0.1	-1.5	-0.5	-3	
Poland	2,272	0.9	0.6	0.3	-8	
Micex 10 (Russia)	4,165	0.9	-0.8	-2.5	1	
Ise 100 (Turkey)	90,435	-0.6	-1.6	-3.9	-23	
<b>MSCI EM Asia *</b>	778	0.2	-0.7	-3.4	-16	
Shanghai Com (China)	2,494	0.4	-0.9	-4.1	-26	
Jakarta (Indonesia)	6,194	1.1	0.8	3.0	-3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>						
JPM	115.1	0.2	4.0	-14.9	-23	
Citi	97.6	0.6	3.7	-12.0	-10	
BoA	52.0	0.4	3.5	-20.7	-30	
MS	24.5	0.5	4.8	-13.9	-18	
GS	39.5	-0.4	4.8	-12.8	-24	
US	164.4	-0.6	2.7	-17.1	-36	
<b>EZ banks</b>						
BNP	68.9	2.3	-0.2	-13.2	-37	
Crédit Agricole	39.4	2.3	-0.2	-11.9	-37	
Deutsche Bank	9.4	3.0	0.1	-14.1	-32	
ING	7.0	3.2	-1.1	-18.9	-56	
Intesa	9.4	2.0	-1.2	-14.2	-39	
SG	1.9	1.7	1.5	-5.5	-30	
Unicredit	27.8	2.1	-1.1	-15.5	-36	
Unicredito	9.8	2.5	0.1	-15.6	-37	
<b>UK banks</b>						
HSBC	72.4	2.3	0.0	-6.2	-21	
Barclays	647.9	1.6	-0.9	-3.2	-15	
RBS	213.5	3.6	2.3	-3.0	-23	
Bank of Scotland	150.0	2.7	0.6	-10.1	-26	
Lloyds	51.1	2.1	-0.8	-9.3	-25	
<b>Large Spanish banks</b>						
BBVA	58.1	2.0	0.3	-6.8	-31	
Santander	3.9	2.2	0.4	-6.5	-28	
Cajamar	4.6	1.8	0.2	-7.0	-35	
<b>Medium Spanish banks</b>						
Caixabank	56.6	2.0	-1.1	-10.6	-26	
Sabadell	3.1	2.2	-1.3	-12.5	-21	
Bankinter	1.0	2.5	-1.3	-12.2	-41	
Bankia	6.9	1.9	-1.3	-8.1	-14	
Bankia	2.5	1.8	-0.4	-12.6	-37	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
<b>EURUSD</b>	1.144	0.1	0.6	0.7	-5	
GBPUSD	1.27	0.3	0.3	-1.1	-7	
USDJPY	110.41	0.5	0.7	3.0	2	
DXY	96.37	-0.1	-0.6	-0.4	5	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	37.80	1.4	0.5	1.8	-51	
USDBRL (Brazil)	3.88	-0.1	0.5	-0.7	-16	
USDCLP (Chile)	693.58	0.6	-0.2	-2.6	-13	
USDCOP (Colombia)	3251	0.8	1.2	0.6	0	
USDMXN (Mexico)	19.63	0.2	1.6	3.4	-10	
USDPEN (Peru)	3.37	0.2	-0.2	0.2	-4	
LACI	54.31	0.3	0.8	0.6	-15	
USDPLN (Poland)	3.76	-0.3	0.3	0.2	-8	
USDRUB (Russia)	69.52	0.0	-0.8	-3.5	-17	
USDTRY (Turkey)	5.28	0.2	0.7	-1.0	-29	
USDCNY (China)	6.88	-0.2	0.4	1.1	-6	
USDINR (India)	69.93	0.6	0.3	1.0	-9	
USDIDR (Indonesia)	14568	0.0	-0.1	-0.3	-7	
ADXDR	105.18	0.2	0.7	0.7	-4	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
<b>Brent</b>	52.2	0.0	-3.1	-11	-22	
WTX	45	0.9	-1.3	-10	-25	
Copper	271	1.7	1.3	-3	-17	
Gold	1279	0.2	1.8	5	-3	
S&P Spot commodity *	374	-1.6	-1.6	-7	-15	
S&P Metals Spot *	449	-3.7	-2.5	-11	-21	
S&P Metals Spot *	321	-0.3	-0.9	-2	-19	
S&P Agricultural *	284	-0.3	-0.9	-2	0	

\* Source: Bloomberg, Datastream and Haver

\* With one day delay