

Markets benefited from potential easing in trade tensions

- The mood in financial markets continued to improve** amid the release of the Huawei CFO, coupled with comments from US President Trump announcing his intention to intervene in the case if necessary in order to avoid a rise in tensions in US-China relations (see). Also, China's willingness to open its markets to foreign companies further improved the mood in the markets (see). However, **in Europe, the latest news announcing a vote of confidence on Mrs May**, with results due late this evening, **warrant the uncertainty (see)**, while **tomorrow's focus will be on the ECB meeting**.
- Against this backdrop, **equity markets rose across the board as China-US trade tensions seemed to recede**. Asian equity indices closed high, while in China the RMB appreciated against the USD, favoured by the optimistic mood on trade issues.
- Both the US Treasury 10Y yield and the German 10Y Bund yield inched up**. Today's release of **inflation figures for the US**, which were in line with expectations, had a mild impact on US yields, but reinforced expectations of a hike in interest rates at next week's FOMC meeting (see). **Peripheral risk premia narrowed, driven by Italy**, after comments suggesting a potential cut in its budget deficit in order to compromise with the European Union rules (see).
- The USD depreciated across the board**, while the EUR recovered some ground ahead of tomorrow's ECB policy meeting. The GBP appreciated strongly, despite the surrounding fears about Brexit developments. EM currencies were able to take advantage of the weakness of the USD. The BRL outperformed other Latam currencies ahead of today's Central Bank meeting, in which it is expected to keep its interest rate on hold. **The increase in crude oil prices also supported Latam currencies**.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.77	0.8	-2.2	-15	85
US	2.90	2.3	-1.1	-28	44
GER (2-yr)	-0.57	3.1	3.4	4	4
Germany	0.27	3.8	-0.7	-13	-25
France	0.73	1.7	5.1	-5	-9
Spain	1.43	-1.0	-3.2	-17	-25
Italy	3.00	-12.3	-6.2	-44	90
Portugal	1.72	-3.7	-7.5	-23	-29
Greece	4.27	0.5	11.4	-14	16
Japan (2-yr)	-0.14	0.3	0.2	0	-1
Japan	0.06	0.5	-1.1	-6	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.05	-8.4	-6.6	-42	-20
Chile	4.38	0.0	-2.4	-14	-13
Colombia	6.88	-1.9	-6.0	-19	44
Mexico	9.03	0.0	-9.1	15	145
Peru	5.50	-3.6	7.1	0	63
Poland	2.95	-5.4	-11.2	-27	-36
Russia	8.74	-0.8	-8.3	-35	111
Turkey	17.25	42.0	105.0	100	589
India	7.41	-11.6	-2.9	-39	3
Indonesia	8.21	-7.4	30.0	-2	191
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	46	-2.1	5.8	8	16
Italy	273	-16.1	-5.5	-31	116
Portugal	145	-7.5	-6.8	-10	-4
Spain	116	-4.8	-2.5	-5	1
2-yr sovereign spread vs Germany					
France	15	-1.5	0.4	-5	-1
Italy	115	-10.8	-3.8	-46	79
Portugal	27	-5.3	-10.6	-18	-23
Spain	40	-2.9	-2.5	-8	13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	205	-3.5	-4	4	44
Chile	59	-1.2	2	9	10
Colombia	136	-1.8	-1	16	31
Argentina	710	9.0	32	134	472
Mexico	148	-1.8	-2	6	41
Peru	92	-3.1	-1	12	20
Poland	68	0.0	0	1	19
Russia	154	-1.8	-5	-3	36
Turkey	390	-0.1	3	26	226
China	69	-2.1	2	5	19
India	115	-0.2	2	5	46
Indonesia	140	-3.2	-1	-2	55
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	21	-1.0	0	0	11
VSTOXX	20	-1.4	1	2	6
EMEFT volatility Index	24	-1.7	-1	-4	8
Dollar/euro volatility	7	-0.1	0	-1	0
EM FX volatility index	10	-0.1	0	0	2
Credit spread (BAA) (change in bps)	226	-2.3	1	27	48
US bonds volatility index	59	-1.5	5	5	10
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.24	-	-8	-14	-8
EZ Inflation expectations (5Y5Y)	1.62	-	0	-7	-12
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	70	-3.0	1	18	28
EZ	122	-1.0	-1	22	83
UK	91	-0.6	-1	18	51
Large Spanish	81	-0.9	-1	8	46
Medium Spanish	111	-1.6	3	11	36
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	194	-3.0	1	18	28
EZ Non-financial	94	-1.0	-1	22	83
UK Non-financial	119	-0.3	4	15	26
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	1
Euribor 3m	-0.31	0	0	0	2
Euribor 12m	-0.13	0	1	2	6
Libor 3m	2.78	0	4	16	108
Libor 12m	3.09	1	-4	-5	98
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,674	1.4	-1.0	-1.9	-1
Dow Jones	24,708	1.4	-1.3	-2.7	0
Nikkei	21,603	2.2	-1.4	-3.0	-5
FTSE 100	6,886	1.2	-0.5	-2.4	-10
EuroStoxx 50	3,113	1.9	-1.2	-2.5	-11
IBEX	8,872	1.6	-1.6	-2.2	-12
DAX	10,950	1.6	-2.2	-3.3	-15
CAC	4,915	2.3	-0.6	-2.8	-7
MIB	18,995	2.2	-1.7	-0.3	-13
ASE Athens	646	1.6	-1.6	1.7	-21
MSCI Latam *	85,739	0.2	-2.2	-1.6	0
Ibovespa (Brazil)	87,667	1.4	-1.5	2.5	13
Mexbol (Mexico)	40,898	0.0	-2.4	-5.6	-18
Merval (Argentina)	31,440	1.6	-1.1	6.9	1
MSCI EM Europe *	5,356	-0.2	-2.8	-0.7	-1
Poland	2,275	2.4	-3.4	1.9	-8
Micex 10 (Russia)	4,250	-0.7	-2.6	-1.8	3
Ise 100 (Turkey)	90,051	-1.9	-4.2	-1.5	-23
MSCI EM Asia *	792	0.2	-4.2	-0.8	-14
Shanghai Com (China)	2,602	0.3	-1.8	-1.1	-22
Jakarta (Indonesia)	6,116	0.1	-0.6	4.1	-4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	120.6	0.9	-6.3	-9.7	-19
JPM	101.2	0.8	-5.6	-7.1	-6
Citi	56.5	0.5	-9.2	-12.0	-24
BoA	24.7	0.5	-8.5	-11.0	-17
MS	41.4	1.9	-4.0	-6.2	-21
GS	178.4	0.9	-3.2	-13.4	-30
EZ banks	74.3	3.4	-4.1	-6.3	-32
BNP	41.9	3.0	-3.5	-8.1	-33
Crédit Agricole	10.2	3.5	-4.6	-8.2	-27
Deutsche Bank	7.9	6.2	-2.1	-9.0	-51
ING	10.2	2.5	-4.4	-9.0	-34
Intesa	2.0	4.3	-3.1	2.9	-27
SG	30.4	2.8	-4.3	-8.4	-30
Unicredit	10.8	2.9	-6.8	-1.6	-31
UK banks	74.1	2.4	-2.5	-5.2	-20
HSBC	657.0	2.0	-0.4	3.5	-14
RBS	208.3	2.6	-6.2	-14.9	-25
Barclays	59.4	3.3	0.4	-6.8	-22
Lloyds	53.4	1.9	-5.1	-7.9	-21
Large Spanish banks	58.9	3.2	-3.5	-4.6	-30
Santander	4.0	3.6	-2.9	-4.3	-26
BBVA	4.7	2.9	-4.0	-5.0	-34
Medium Spanish banks	60.8	2.6	-1.6	-5.6	-21
Caixabank	3.4	2.4	-2.3	-7.6	-15
Sabadell	1.1	3.3	-2.2	-9.1	-36
Bankinter	7.2	2.5	-0.8	-3.7	-9
Bankia	2.8	2.8	-1.7	-3.8	-32
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.136	0.4	0.2	1.3	-6
GBPUSD	1.127	1.4	-0.6	-1.5	-7
USDJPY	113.25	0.1	-0.1	0.5	-1
DXY	97.04	-0.4	0.0	-0.5	6
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.63	0.5	-0.3	-5.5	-51
USDBRL (Brazil)	3.85	1.3	0.4	-2.2	-15
USDCLP (Chile)	677.70	0.7	-0.7	1.4	-10
USDCOP (Colombia)	3168	0.6	-0.2	0.4	-7
USDMXN (Mexico)	20.10	0.5	2.0	1.3	-3
USDPEN (Peru)	3.36	0.1	0.6	0.5	-4
LACI	54.31	0.8	0.7	-0.7	-15
USDPLN (Poland)	3.78	0.6	0.0	1.6	-9
USDTRY (Russia)	66.35	0.2	0.3	2.3	-13
USDTRY (Turkey)	5.35	0.2	-0.5	2.1	-30
USDCNY (China)	6.88	0.3	-0.3	1.2	-6
USDINR (India)	72.02	-0.2	-2.2	1.2	-12
USDIDR (Indonesia)	14598	0.1	-1.3	1.5	-7
ADXY	104.69	0.3	-0.4	1.1	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	61.1	1.5	-0.7	-13	-8
WTX	52	1.5	-0.9	-12	-13
Copper	276	-0.2	-0.2	3	-15
Gold	1246	0.2	0.7	4	-5
S&P Spot commodity *	410	0.3	-1.5	-7	-7
S&P Metals Spot *	513	0.4	-2.1	-14	-9
S&P Metals Spot *	330	0.7	-1.1	1	-16
S&P Agricultural *	294	-0.1	0.3	1	3

Source: Bloomberg, Datastream and Haver

* With one day delay