

Cautious mood returned to markets at the end of the week

■ **Cautious mood in financial markets at the end of week**, offsetting their improvement during the week as fears over US-China trade relations eased with the announcement of potential tariff cut on US cars imported by China along with the release on bail of the Huawei CFO. However, the positive mood faded as disappointing economic data were released and due to the latest developments with Brexit.

■ **Core sovereign yields remained almost unchanged during the week at very low levels.** The US Treasury 10Y yield continued below 2.90% ahead of next week's FOMC. The German 10Y Bund yield was broadly steady, in a week in which the ECB announced the end of QE (as was expected) along with a slight downward revision in its growth forecasts for the EZ ([see](#)). **Today's releases of worse-than-expected confidence data in the US and EZ reinforced concerns about global growth** ([see](#)).

■ **Peripheral risk premium narrowed this week, especially Italy's**, as Italian assets showed a positive trend in the week after Italy proposed significant cuts in its 2019 budget deficit in order to avoid EU sanctions ([see](#)).

■ **The USD strongly appreciated across the board** with the EUR and the GBP showing a very volatile performance as the flow of fresh news about Brexit continued ([see](#)). All in all, the GBP ended the week sharply depreciated with markets digesting May's survival of the no-confidence vote ([see](#)).

■ In this context, **equity markets in the US and mainly in Europe were able to recover somewhat** due to optimism on US-China trade disputes, although volatility remained high (VIX around 20%). However, Asian equity indices suffered from the release of disappointing data in China: foreign trade figures ([see](#)), retail sales and industrial production data ([see](#)) increased the pressure on its assets, leading the RMB to end the week depreciated.

■ Regarding EM markets, **EM currencies depreciated against a strong USD** in a week full of central bank meetings. The TRY depreciated, despite its central bank's leaving its interest rate unchanged ([see](#)) ahead of a Fitch rating review. Meanwhile, oil prices were not able to recover this week, increasing pressure on Latam currencies, although the PEN and the BRL ended steady after their respective central banks held benchmark interest rates as expected.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.74	-2.1	3.0	-13	82	
US	2.89	-2.0	4.8	-23	43	
GER (2-yr)	-0.61	-2.4	-0.7	-4	0	
Germany	0.25	-3.1	0.5	-14	-27	
France	0.71	-1.9	2.5	-7	-11	
Spain	1.41	p	-3.9	-21	-26	
Italy	2.96	0.7	-16.9	-53	87	
Portugal	1.67	-1.1	-13.4	-30	-34	
Greece	4.25	1.3	2.1	-25	15	
Japan (2-yr)	-0.15	-1.0	-1.3	-2	-2	
Japan	0.04	-2.2	-2.4	-8	-1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.70	-11.2	-35.6	-71	-56	
Chile	4.40	-0.6	2.3	-12	-12	
Colombia	6.86	1.3	-1.0	-23	42	
Mexico	8.95	-3.0	-8.9	-10	137	
Peru	5.52	-1.0	10.1	1	65	
Poland	2.93	-3.0	-12.5	-32	-38	
Russia	8.80	1.4	3.9	-1	116	
Turkey	17.22	-4.0	68.0	91	586	
India	7.44	3.3	-2.3	-29	5	
Indonesia	8.12	-9.2	8.3	0	182	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	46	1.2	2.0	8	16	
Italy	271	3.8	-17.4	-38	114	
Portugal	141	2.0	-13.9	-15	-8	
Spain	116	1.9	-4.4	-6	1	
2-yr sovereign spread vs Germany						
France	17	1.0	1.0	0	0	
Italy	119	5.9	-14.9	-46	82	
Portugal	27	-0.6	-9.8	-15	-23	
Spain	42	1.7	-2.2	-2	15	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	196	-1.7	-13	-9	36	
Chile	55	-2.4	-4	4	6	
Colombia	129	-2.0	-8	5	24	
Argentina	714	16.4	35	128	476	
Mexico	142	-0.2	-7	-5	36	
Peru	86	-2.8	-8	5	14	
Poland	68	0.0	0	1	19	
Russia	147	-2.8	-15	-10	29	
Turkey	381	-4.0	-14	13	216	
China	64	-0.6	-6	-2	13	
India	113	-1.4	-1	2	44	
Indonesia	132	-1.8	-11	-14	47	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	21	0.4	-2	0	11	
VSTOXX	19	0.2	-2	1	6	
EMEFT volatility Index	24	0.3	-3	-4	8	
Dollar/euro volatility	7	0.3	0	-1	0	
EM FX volatility index	10	-0.1	0	0	2	
Credit spread (BAA) (change in bps)	226	2.4	-5	18	48	
US bonds volatility index	56	-2.5	-5	2	7	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.23	-	-8	-14	-9	
EZ Inflation expectations (5Y5Y)	1.63	-	0	-6	-11	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	69	-0.2	-2	12	27	
EZ	110	-4.0	-14	7	71	
UK	88	-2.3	-4	13	47	
Large Spanish	75	-3.1	-9	1	40	
Medium Spanish	108	-3.7	-1	8	33	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	192	-0.2	-2	12	27	
EZ Non-financial	89	-4.0	-14	7	71	
UK Non-financial	113	-2.4	-6	8	20	
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	0	-1	-3	99	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,632	-0.7	0.0	-2.6	-2	
Dow Jones	24,313	-1.2	-0.3	-3.1	-2	
Nikkei	21,375	-2.0	-1.4	-2.2	-6	
FTSE 100	6,864	-0.2	1.3	-2.4	-10	
EuroStoxx 50	3,102	-0.3	1.4	-3.2	-11	
IBEX	8,907	-0.2	1.0	-2.2	-12	
DAX	10,898	-0.2	1.0	-4.5	-15	
CAC	4,869	-0.6	1.2	-3.9	-8	
MIB	18,944	-0.5	1.1	-0.7	-13	
ASE Athens	645	-0.5	-0.5	1.7	-21	
MSCI Latam *	86,972	1.0	-0.9	1.5	1	
Ibovespa (Brazil)	87,895	0.1	-0.2	2.2	13	
Mexbol (Mexico)	41,476	-0.1	-0.9	-2.0	-17	
Merval (Argentina)	31,115	0.3	-1.4	5.9	0	
MSCI EM Europe *	5,384	0.7	-0.6	0.9	0	
Poland	2,305	-0.3	1.0	3.3	-6	
Micex 10 (Russia)	4,236	-0.6	-2.8	-1.2	3	
Ise 100 (Turkey)	90,529	-0.9	-3.4	-3.0	-23	
MSCI EM Asia *	808	0.7	1.1	1.6	-12	
Shanghai Com (China)	2,594	-1.5	-0.5	-1.5	-23	
Jakarta (Indonesia)	6,170	0.9	0.9	5.7	-3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	119.6	0.3	-2.6	-9.2	-20	
JPM	100.9	-0.3	-2.4	-6.0	-7	
Citi	56.2	0.7	-3.8	-11.6	-24	
BoA	24.6	1.0	-3.1	-9.4	-18	
MS	40.8	0.4	-1.3	-7.0	-22	
GS	174.9	-0.6	-2.7	-13.6	-32	
EZ banks	73.9	-1.0	0.1	-7.3	-32	
BNP	41.6	-1.3	0.1	-9.6	-33	
Crédit Agricole	10.1	-1.0	-0.5	-9.0	-27	
Deutsche Bank	7.9	0.1	2.1	-9.9	-51	
ING	10.2	-0.6	0.8	-8.8	-33	
Intesa	2.0	-0.8	1.7	1.9	-27	
SG	30.0	-1.7	-1.6	-10.4	-31	
Unicredit	10.8	-1.7	-1.6	-2.8	-32	
UK banks	74.1	-0.1	0.9	-6.5	-20	
HSBC	654.0	-0.3	1.6	1.5	-15	
RBS	211.8	0.4	0.9	-14.6	-24	
Barclays	158.7	-0.2	2.8	-8.6	-22	
Lloyds	53.1	-0.1	-1.8	-9.1	-22	
Large Spanish banks	59.5	-0.3	1.3	-5.1	-30	
Santander	4.1	-0.2	2.1	-5.1	-26	
BBVA	4.7	-0.5	0.5	-6.0	-30	
Medium Spanish banks	61.1	-0.2	2.2	-6.2	-20	
Caixabank	3.4	-0.6	0.7	-9.3	-15	
Sabadell	1.1	0.2	3.0	-10.2	-36	
Bankinter	7.3	0.2	3.6	-2.6	-8	
Bankia	2.8	-0.8	1.4	-4.2	-32	
Currencies (% , red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.129	-0.7	-0.8	-0.2	-6	
GBPUSD	1.26	-0.7	-1.4	-3.4	-8	
USDJPY	113.55	0.1	-0.8	0.1	-1	
DXY	97.57	0.5	1.1	0.8	6	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	38.26	-1.2	-2.3	-6.2	-52	
USDBRL (Brazil)	3.90	-0.2	0.2	-2.9	-16	
USDCLP (Chile)	687.65	-0.9	-1.8	-0.7	-12	
USDCOP (Colombia)	3197	-0.6	-1.6	0.1	-8	
USDMXN (Mexico)	20.34	-0.1	-0.4	0.3	-4	
USDPEN (Peru)	3.35	0.1	0.6	1.1	-3	
LACI	53.65	-0.4	-0.6	-1.6	-16	
USDPLN (Poland)	3.80	-0.5	-0.9	-0.1	-9	
USDTRY (Russia)	66.72	-0.7	-0.4	0.6	-14	
USDTRY (Turkey)	5.39	-0.9	-1.6	1.3	-30	
USDCNY (China)	6.91	-0.4	-0.5	0.6	-6	
USDINR (India)	71.90	-0.3	-1.5	0.6	-12	
USDIDR (Indonesia)	14581	-0.6	-0.7	1.4	-7	
ADXY	104.31	-0.4	-0.3	0.4	-5	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	60.7	-1.3	-1.6	-8	-9	
WTX	52	-1.7	-1.8	-8	-14	
Copper	274	-0.9	-0.7	1	-16	
Gold	1236	-0.5	-1.0	2	-6	
S&P Spot commodity *	413	1.2	-0.8	-5	-7	
S&P Metals Spot *	524	2.2	-0.2	-7	-7	
S&P Metals Spot *	329	-0.1	-0.6	0	-16	
S&P Agricultural *	296	0.3	0.1	2	4	

Source: Bloomberg, Datastream and Haver

* With one day delay