

Risk assets extend declines after FOMC meeting

- As expected, yesterday the FOMC raised its benchmark interest rate by 25 bps for the fourth time this year. The assessment of growth, labour markets and inflation remained effectively unchanged. Moreover, the FOMC reaffirmed that, based on current and expected economic conditions, additional hikes are warranted, although the tone was adjusted to signal more uncertainty and a shallower path. This is consistent with a federal funds rate that has finally reached the lower end of the neutral range (see).
- The US markets reacted sharply, as investors were expecting a more dovish tone from the FOMC. The US 10 year Treasury yield dropped around 6 bps and equity indices declined, however the USD appreciated. Today's movements in the US variables were mixed: equity markets extended their losses, fuelled by disappointed earnings results (see), while yields remained steady, with the USD depreciating across the board.
- In Europe, equity markets also registered losses and the German 10Y Bund yield went down to levels similar to those of June 2017 (currently below 0.25%). Nonetheless, the EUR appreciated, favoured mainly by the weakness of the USD.
- Other central bank meetings took place today. The Bank of Japan left its interest rate unchanged and continued with its debt purchases to maintain long-term rates at around 0% (see). In Europe, the Bank of England also held its benchmark rate steady at 0.75%, as expected, and affirmed that uncertainty regarding Brexit issues and concerns over global growth have been greatly penalising UK markets, (see). The MXN appreciated ahead of the Banxico meeting later today, in which it is expected to hike rates by 25 bps.
- EM currencies were mixed: the TRY appreciated after the minutes from the last central bank meeting reinforced the tight monetary policy stance, despite the recent release of lower-than-expected inflation data (see). Meanwhile today's resumption of the fall in crude oil prices penalised some Latam currencies such as the COP. Additionally, prices of other commodities such as aluminium fell in response to the potential lifting of US sanctions on a Russian producer (see).

Update 17:55 CET 20 December 2018

Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.66	1.4	-10.2	-14	74	
US	2.76	0.5	-15.3	-30	30	
GER (2-yr)	-0.60	0.4	-1.8	-1	1	
Germany	0.23	-1.1	-5.7	-12	-29	
France	0.68	-2.9	-5.7	-8	-15	
Spain	1.37	-0.4	-5.0	-27	-30	
Italy	2.74	-3.7	-22.1	-88	64	
Portugal	1.66	0.7	-2.0	-33	-35	
Greece	4.29	-0.6	5.1	-40	19	
Japan (2-yr)	-0.15	0.5	-0.1	0	-1	
Japan	0.03	-0.8	-3.0	-8	-2	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.49	-8.1	-31.8	-64	-77	
Chile	4.33	-0.8	-6.7	-8	-18	
Colombia	6.79	-0.9	-5.6	-29	35	
Mexico	8.60	-9.1	-37.7	-49	102	
Peru	5.46	-1.6	-7.0	4	59	
Poland	2.88	-2.2	-7.8	-33	-43	
Russia	8.81	-7.1	2.1	-6	117	
Turkey	16.02	-19.0	-124.0	-67	466	
India	7.28	5.5	-13.3	-52	-11	
Indonesia	7.99	-1.5	-22.5	-6	169	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	45	-1.8	0.0	4	15	
Italy	251	-2.6	-16.4	-76	93	
Portugal	143	1.8	3.7	-21	-6	
Spain	115	0.7	0.7	-15	0	
2-yr sovereign spread vs Germany						
France	16	-0.9	0.0	2	-1	
Italy	102	-2.0	-10.3	-93	66	
Portugal	24	0.2	-3.6	-20	-26	
Spain	37	-0.6	-2.7	-10	10	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	202	3.5	4	-5	41	
Chile	58	2.0	1	4	9	
Colombia	137	3.0	5	1	32	
Argentina	766	3.5	68	164	528	
Mexico	142	3.2	-1	-14	35	
Peru	89	1.1	0	5	17	
Poland	68	0.0	0	0	19	
Russia	144	-0.7	-6	-9	26	
Turkey	358	-16.0	-26	-14	194	
China	65	0.9	0	-7	14	
India	112	0.6	-2	1	43	
Indonesia	133	0.5	-1	-17	48	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	27	1.3	6	4	17	
VSTOXX	21	1.1	2	1	7	
EMEFT volatility Index	25	-0.9	1	-4	8	
Dollar/euro volatility	6	-0.1	0	-1	0	
EMFX volatility index	10	0.0	0	-1	2	
Credit spread (BAA) (change in bps)	228	-0.5	3	11	50	
US bonds volatility index	59	-0.4	3	0	10	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.16	-	-11	-11	-15	
EZ Inflation expectations (5Y5Y)	1.58	-	-5	-9	-16	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	75	0.6	5	6	32	
EZ	110	-3.7	-4	-3	71	
UK	89	-1.3	-1	3	49	
Large Spanish	79	-1.0	1	-5	43	
Medium Spanish	107	-6.3	-5	2	32	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	201	0.6	5	6	32	
EZ Non-financial	92	-3.7	-4	-3	71	
UK Non-financial	116	-0.2	0	6	23	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	-1	-1	0	
Euribor 3m	-0.31	0	0	1	2	
Euribor 12m	-0.12	0	1	3	7	
Libor 3m	2.79	0	1	14	110	
Libor 12m	3.05	-1	-5	-5	95	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,481	-1.0	-6.4	-6.1	-8	
Dow Jones	22,945	-1.6	-6.7	-6.2	-8	
Nikkei	20,393	-2.8	-6.5	-5.5	-10	
FTSE 100	6,712	-0.8	-2.4	-3.4	-12	
EuroStoxx 50	3,001	-1.7	-3.6	-3.7	-14	
IBEX	8,615	-1.8	-3.5	-2.8	-15	
DAX	10,611	-1.4	-2.9	-4.1	-18	
CAC	4,692	-1.8	-4.2	-4.7	-11	
MI	18,600	-1.8	-2.4	0.7	-15	
ASE Athens	614	-0.9	-5.4	3.4	-25	
MSCI Latam *	85,248	-0.5	-1.0	-2.8	-1	
Ibovespa (Brazil)	85,582	-0.1	-2.6	-2.6	10	
Mexbol (Mexico)	41,573	0.4	0.1	-0.5	-17	
Merval (Argentina)	29,447	-1.7	-5.1	-0.9	-5	
MSCI EM Europe *	5,355	0.6	0.2	0.4	-1	
Poland	2,307	-1.5	-0.2	6.8	-6	
Micex 10 (Russia)	4,205	-0.5	-1.3	0.2	2	
Ise 100 (Turkey)	91,854	-0.8	0.5	0.2	-22	
MSCI EM Asia *	790	0.2	-1.6	-2.2	-14	
Shanghai Com (China)	2,536	-0.5	-3.7	-4.1	-24	
Jakarta (Indonesia)	6,148	1.1	0.5	2.4	-3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	115.1	-0.2	-3.5	-11.7	-23	
JPM	97.4	0.1	-3.7	-10.2	-10	
Citi	52.2	-1.1	-6.3	-16.5	-30	
BoA	24.2	0.0	-0.9	-11.7	-19	
MS	39.0	-0.7	-3.9	-9.5	-25	
GS	169.6	0.2	-3.6	-11.4	-34	
EZ banks	69.2	-4.3	-7.4	-9.1	-37	
BNP	39.4	-3.6	-6.6	-11.1	-37	
Crédit Agricole	9.5	-4.0	-7.5	-10.9	-32	
Deutsche Bank	7.0	-7.0	-10.9	-14.1	-56	
ING	9.4	-5.1	-8.9	-12.0	-39	
Intesa	1.9	-3.7	-4.3	3.5	-29	
SG	27.9	-3.4	-8.4	-13.6	-35	
Unicredito	10.2	-5.0	-6.6	-2.9	-35	
UK banks	71.9	-1.4	-3.1	-3.7	-22	
HSBC	650.2	-0.4	-0.9	1.2	-15	
RBS	207.7	-1.0	-1.5	-1.5	-25	
Barclays	147.8	-2.4	-7.0	-8.5	-27	
Lloyds	51.0	-2.4	-4.0	-7.9	-25	
Large Spanish banks	58.5	-1.6	-2.0	-3.3	-31	
Santander	4.0	-1.6	-2.3	-2.5	-27	
BBVA	4.7	-1.6	-1.8	-4.1	-34	
Medium Spanish banks	58.6	-2.0	-4.2	-7.8	-24	
Caixabank	3.3	-2.4	-3.9	-10.6	-18	
Sabadell	1.0	-2.4	-6.1	-10.2	-40	
Bankinter	7.1	-0.8	-3.1	-5.3	-11	
Bankia	2.6	-3.8	-5.4	-7.2	-35	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.142	0.4	0.5	0.5	-5	
GBPUSD	1.26	0.3	0.0	-1.1	-7	
USDJPY	111.39	1.0	2.0	1.2	1	
DXY	96.64	-0.4	-0.4	-0.2	5	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	38.14	0.6	-0.8	-5.1	-52	
USDBRL (Brazil)	3.86	1.1	0.9	-2.5	-15	
USDCLP (Chile)	691.10	-0.5	-1.4	-2.8	-12	
USDCOP (Colombia)	3259	-1.2	-2.5	-1.9	-10	
USDMXN (Mexico)	19.93	0.9	2.0	2.2	-2	
USDPEN (Peru)	3.34	0.2	0.2	1.2	-3	
LACI	54.13	0.6	0.5	-1.0	-15	
USDPLN (Poland)	3.75	0.4	0.8	1.0	-8	
USDRUB (Russia)	68.42	-1.4	-3.2	-3.2	-16	
USDTRY (Turkey)	5.27	0.3	1.4	2.1	-28	
USDCNY (China)	6.89	0.1	0.0	0.9	-6	
USDINR (India)	69.70	1.0	2.8	2.5	-9	
USDIDR (Indonesia)	14473	-0.2	0.2	0.8	-7	
ADXY	104.75	0.2	0.0	0.6	-5	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	55.1	-3.8	-10.4	-12	-17	
WTx	46	-2.2	-12.2	-14	-24	
Copper	269	-1.2	-2.7	-3	-14	
Gold	1260	1.3	1.4	3	-4	
S&P Spot commodity *	393	1.2	-4.9	-6	-11	
S&P Brent Spot *	489	2.2	-6.7	-9	-14	
S&P Metals Spot *	326	0.5	-1.1	-2	-17	
S&P Agricultural *	292	-0.9	-1.6	2	3	

Source: Bloomberg, Datastream and Haver

* With one day delay