

Fears of slowdown extend risk aversion mood

- **Risk aversion mood persisted today in financial markets** as fears of a global slowdown increased. Apple's reduced revenue outlook, which it attributed largely to China's slowdown, as well as trade tensions added to yesterday's release of disappointing Chinese confidence data. Furthermore, **US manufacturing confidence data**, at its lowest in two years, also point in this direction ([see](#)).
- In the US, the ongoing shut-down continued, on the day on which the **Democrats took control of the House** ([see](#)). Yesterday's talks between Democrats and Republican officials made no progress, but talks are expected to resume tomorrow.
- Against this backdrop, **investors continued to flee from risky assets**, increasing risk perception across financial markets. The main developed equity indices were down abruptly, while core yields remained subdued. Demand for other safe-haven assets such as gold and the JPY ("flash-crash" overnight [see](#)) continued to increase.
- This time, the turbulence reached European peripheral risk and in a context in which 10Y German yield stands below the 0.15% threshold, **Italy's risk premium surged more than 20 bps**, as Banca Carige's problems continued in the spotlight ([see](#)).
- The **USD momentarily halted its rising trend**: the EUR recovered to 1.14 USD while the JPY appreciated more than 1%, favoured by safe-haven flows.
- **Emerging markets showed mixed performances**, due among other things to the stabilization of oil prices. On the positive side, the **Brazilian real** continued to enjoy the positive mood after Bolsonaro's inauguration. Meanwhile other assets such as the **Turkish lira** continued to depreciate as positive inflation figures increased expectations of a loose monetary stance in the future ([see](#)).

Update 17,35 CET 03 January 2019

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.42	-4.5	-14.0	-37	-6
US	2.58	-4.2	-18.9	-34	-11
GER (2-yr)	-0.61	0.2	1.4	0	0
Germany	0.15	-1.3	-7.9	-11	-15
France	0.65	0.3	-4.1	-1	-6
Spain	1.43	2.7	4.2	-6	-5
Italy	2.86	17.2	11.6	-29	12
Portugal	1.77	5.5	8.4	-4	5
Greece	4.41	1.9	1.7	17	1
Japan (2-yr)	-0.14	0.0	-1.7	-1	0
Japan	0.00	0.0	-2.3	-7	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.15	-4.5	-14.5	-91	-9
Chile	4.18	-0.8	-6.4	-24	-7
Colombia	6.75	1.6	-2.4	-21	0
Mexico	8.56	-5.2	-17.5	-58	-8
Peru	5.35	-1.0	0.1	-12	-2
Poland	2.73	-3.0	-9.1	-32	-9
Russia	8.77	-0.7	-4.2	2	-1
Turkey	16.07	2.0	10.0	-13	27
India	7.43	7.7	15.6	-14	6
Indonesia	8.10	4.8	8.3	26	7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	50	1.6	3.8	10	9
Italy	271	18.5	19.5	-18	27
Portugal	162	6.8	16.3	7	19
Spain	128	4.0	12.1	5	10
2-yr sovereign spread vs Germany					
France	14	-0.1	-2.5	0	-1
Italy	117	10.7	3.7	-11	9
Portugal	33	6.1	4.9	-1	7
Spain	41	2.4	2.7	-4	4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	202	-2.1	-11	-3	-5
Chile	62	-0.6	-3	7	-1
Colombia	156	-1.4	-6	21	-3
Argentina	786	-13.6	-23	140	-20
Mexico	153	-1.5	-7	10	-2
Peru	93	-1.9	-4	2	-2
Poland	67	-0.7	-1	-1	-1
Russia	156	3.5	4	-2	2
Turkey	364	7.1	2	-16	4
China	69	2.6	-1	5	2
India	114	3.1	0	1	1
Indonesia	142	4.4	-1	6	4
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	25	1.8	-5	4	0
VSTOXX	23	-0.4	-3	6	-1
EM EFT volatility Index	26	1.2	-1	1	1
Dollar/euro volatility	7	0.0	0	0	0
EM FX volatility index	10	0.0	0	0	0
Credit spread (BAA) (change in bps)	256	4.2	20	32	11
US bonds volatility index	63	-3.8	-6	9	-4
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.09	-	-8	-20	-4
EZ Inflation expectations (5Y5Y)	1.54	-	-2	-9	-6
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	84	3.0	2	21	2
EZ	121	5.0	1	0	1
UK	94	3.2	-1	5	0
Large Spanish	89	6.3	2	8	1
Medium Spanish	112	-0.6	1	3	0
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	207	3.0	2	21	2
EZ Non-financial	99	5.0	1	0	1
UK Non-financial	119	1.8	1	7	1
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	-3	0	-1
Euribor 3m	-0.31	0	0	1	0
Euribor 12m	-0.12	0	0	2	0
Libor 3m	2.79	-1	-2	4	0
Libor 12m	3.00	0	-5	-14	-1
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,477	-1.3	-0.5	-8.3	-1
Dow Jones	22,980	-1.6	-0.7	-8.2	-1
Nikkei	20,015	0.0	-0.3	-9.2	0
FTSE 100	6,693	-0.6	1.6	-4.7	-1
EuroStoxx 50	2,955	-1.3	0.6	-7.3	-2
IBEX	8,536	-0.2	2.1	-5.8	0
DAX	10,417	-1.5	0.3	-8.1	-1
CAC	4,611	-1.7	0.3	-8.0	-3
MI	18,218	-0.6	0.9	-5.9	-1
ASE Athens	607	0.3	1.5	-7.6	-1
MSCI Latam *	88,725	2.7	4.8	0.2	3
Ibovespa (Brazil)	90,517	-0.5	5.9	2.1	3
Mexbol (Mexico)	41,844	-1.0	1.0	0.0	0
Merval (Argentina)	30,934	-0.5	4.8	-3.2	2
MSCI EM Europe *	5,304	0.1	1.4	-3.5	0
Poland	2,247	-2.4	-0.2	-4.2	-1
Micex 10 (Russia)	4,207	0.5	1.9	-3.3	0
Ise 100 (Turkey)	87,399	-1.6	-3.9	-6.9	-4
MSCI EM Asia *	771	-1.7	-0.6	-7.1	-1
Shanghai Com (China)	2,464	0.0	-0.8	-7.6	-1
Jakarta (Indonesia)	6,221	0.4	1.5	1.7	0
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	116.4	-1.4	1.3	-9.6	1
Citi	97.8	-1.6	0.8	-8.8	0
BofA	52.9	-1.3	2.1	-15.1	2
MS	24.7	-1.1	1.3	-8.5	0
GS	39.8	-1.5	0.3	-7.7	0
GS	169.7	-1.4	2.6	-7.9	2
EZ banks					
BNP	68.1	-0.3	1.1	-12.5	-1
Crédit Agricole	38.9	-0.6	0.8	-11.4	-2
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Deutsche Bank	7.1	-0.7	5.2	-11.9	2
ING	9.4	0.3	2.0	-12.4	0
Intesa	1.9	-0.3	-0.4	-7.9	-2
SG	27.4	0.1	0.8	-14.7	-1
Unicredito	9.6	-1.4	0.4	-16.2	-3
UK banks					
HSBC	72.2	-0.6	2.0	-5.2	-1
HSBC	641.4	-0.8	0.5	-5.1	-1
RBS	213.1	-1.6	3.4	-5.7	-2
Barclays	150.3	-0.3	2.9	-16.6	0
Lloyds	51.2	0.4	2.3	-7.6	-1
Large Spanish banks					
BBVA	58.9	0.5	3.3	-4.5	1
BBVA	4.0	0.8	3.8	-3.8	1
BBVA	4.7	0.3	2.9	-5.1	1
Medium Spanish banks					
Caixabank	56.9	-0.4	2.4	-8.3	-1
Caixabank	3.1	-0.1	2.2	-11.3	-1
Sabadell	1.0	-0.3	3.8	-8.5	0
Bankinter	6.9	-0.3	2.9	-5.0	-1
Bankia	2.5	-0.9	0.9	-11.5	-2
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.140	0.5	-0.2	0.5	-1
GBPUSD	1.26	0.2	0.0	-0.6	-1
USDJPY	108.14	0.7	2.7	4.3	1
DXY	96.33	-0.5	-0.2	-0.7	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.59	0.1	1.9	-0.6	0
USDBRL (Brazil)	3.74	1.3	3.6	2.9	4
USDCLP (Chile)	695.46	0.3	0.3	-4.0	0
USDCOP (Colombia)	3252	-0.4	0.8	-2.4	0
USDMXN (Mexico)	19.61	-0.2	0.4	4.7	0
USDPEN (Peru)	3.37	-0.1	0.0	0.3	0
LACI	55.00	0.4	1.6	1.8	1
USDPLN (Poland)	3.76	0.5	-0.3	0.3	-1
USDRUB (Russia)	68.62	0.8	1.3	-2.5	1
USDTRY (Turkey)	5.47	-1.3	-3.4	-1.5	-3
USDCNY (China)	6.87	-0.1	-0.1	-0.5	0
USDINR (India)	70.18	0.0	0.3	0.5	-1
USDIDR (Indonesia)	14417	0.3	1.0	-0.9	0
ADXDR	105.12	-0.1	0.1	-0.1	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	55.4	0.8	6.1	-11	3
WTX	47	0.4	4.7	-12	3
Copper	256	-2.6	-4.2	-7	-3
Gold	1289	0.3	1.1	4	1
S&P Spot commodity *	378	1.0	1.0	-9	1
S&P Brent Spot *	467	2.1	4.1	-12	2
S&P Metals Spot *	312	-2.2	-2.6	-7	-2
S&P Agricultural *	284	0.1	0.0	-3	0

* Source: Bloomberg, Datastream and Haver
* With one day delay