

Risk aversion wanes at the end of the week, backed by US Payrolls and trade talks

- Financial markets started 2019 on the wrong foot, but the market mood improved as the week went by.** Doubts about the global slowdown which depressed risky assets in the final part of last year were fed by the release of worsening confidence data in China ([see](#)) and in the US ([see](#)). However, today's fresh news about the trade tensions between the US and China ([see](#)) and the release of **better-than-expected job figures in the US** ([see](#)) totally offset the sluggish data in the EZ ([see](#)), and improved the situation.
- Sovereign core yields went down sharply from their already very low levels in both the US and Germany to reach their lowest level in more than one year despite today's increases after US payroll data.** In fact, the 10Y German yield fell below the 0.15% threshold in some parts of the week. Peripheral risk premia inched up, especially in Italy ([see](#)) while other peripheral risk premia increased, albeit to a significantly lesser extent.
- Equity indices continued to suffer high volatility (VIX above 25%) but at the end of the week movements in the main equity markets were very moderate.** Asian markets opened the year with a very poor performance that led China's equity markets to stay at their lowest level in more than two years.
- Safe-haven currencies** also benefited from the challenging market environment. The JPY appreciated, while the USD remained stable despite the ongoing partial government shutdown ([see](#)). The GBP depreciated sharply as negotiations about Brexit seem to be stalled.
- Commodity prices felt the doubts regarding the global economy.** Demand for metals other than gold seems to have dropped, mainly copper, while **oil prices recovered during the week** boosted by the release of oil exports from Saudi Arabia ([see](#)).
- In this context, EM equities and currencies registered a mixed performance with LatAm countries outperforming. Meanwhile debt spreads widened across the board. The increase in oil prices and the stable USD moderated the impact of the market turbulence. The TRY depreciated sharply amid doubts regarding future monetary policy after the release of positive inflation figures ([see](#)), while Brazilian assets improved after Bolsonaro's inauguration ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.48	10.5	-3.2	-31	0
US	2.64	8.6	-7.9	-27	-4
GER (2-yr)	-0.60	1.4	1.2	1	1
Germany	0.20	4.6	-4.3	-8	-10
France	0.69	3.4	-2.2	1	-2
Spain	1.48	4.7	6.0	2	0
Italy	2.89	3.1	14.9	-17	15
Portugal	1.81	4.7	9.2	2	9
Greece	4.41	-0.3	3.5	25	1
Japan (2-yr)	-0.18	-3.7	-3.7	-4	-4
Japan	-0.04	-4.1	-4.1	-10	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.22	5.3	-1.9	-90	-2
Chile	4.17	0.4	-8.0	-24	-8
Colombia	6.78	3.0	3.1	-16	3
Mexico	8.57	0.7	-11.4	-55	-7
Peru	5.35	0.1	-1.8	-8	-2
Poland	2.80	6.1	-3.0	-27	-3
Russia	8.78	0.6	-3.3	-5	0
Turkey	16.05	-2.0	19.0	-15	25
India	7.45	2.2	6.4	1	8
Indonesia	8.09	-0.2	7.3	18	7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	49	-1.2	2.1	9	8
Italy	269	-1.5	19.2	-9	25
Portugal	162	0.1	13.5	10	19
Spain	128	0.1	10.3	10	10
2-yr sovereign spread vs Germany					
France	14	-0.2	-1.4	-1	-1
Italy	110	-6.6	1.7	-9	2
Portugal	33	-0.2	6.0	-5	7
Spain	41	0.6	4.1	-1	5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	200	-2.7	-11	-10	-8
Chile	62	-0.4	-2	5	-1
Colombia	155	-1.2	-5	17	-4
Argentina	762	-23.8	-46	85	-44
Mexico	152	-0.6	-5	3	-3
Peru	93	0.6	-1	1	-1
Poland	67	0.6	0	0	0
Russia	156	0.0	3	-3	2
Turkey	367	3.4	7	-20	8
China	71	1.3	3	4	3
India	114	-0.6	0	1	0
Indonesia	142	0.6	4	1	5
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	23	-2.7	-6	2	-3
VSTOXX	21	-2.3	-3	2	-3
EM EFT volatility Index	25	-1.6	-1	-1	0
Dollar/euro volatility	7	-0.2	0	0	0
EM FX volatility index	10	0.2	0	0	0
Credit spread (BAA) (change in bps)	247	-8.6	3	22	1
US bonds volatility index	66	3.0	-1	12	-1
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.10	-	-6	-22	-3
EZ Inflation expectations (5Y5Y)	1.54	-	-2	-9	-7
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	97	12.2	13	28	14
EZ	125	4.1	6	2	5
UK	97	3.2	2	5	3
Large Spanish	91	2.3	5	9	4
Medium Spanish	112	-0.4	0	4	-1
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	209	12.2	13	28	14
EZ Non-financial	101	4.1	6	2	5
UK Non-financial	122	2.2	3	7	3
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	-1	-1	-1
Euribor 3m	-0.31	0	0	1	0
Euribor 12m	-0.12	0	0	2	0
Libor 3m	2.79	0	-1	6	0
Libor 12m	3.00	0	-3	-13	-1
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,500	2.1	0.6	-7.4	0
Dow Jones	23,132	2.0	0.3	-7.6	-1
Nikkei	19,562	-2.3	-2.3	-10.8	-2
FTSE 100	6,830	2.0	1.4	-1.3	2
EuroStoxx 50	3,026	2.4	1.3	-3.9	1
IBEX	8,736	2.5	2.8	-3.1	2
DAX	10,700	2.7	1.3	-4.5	1
CAC	4,712	2.2	0.7	-4.7	0
MBI	18,756	2.9	2.4	-3.0	2
ASE Athens	615	1.2	1.8	-6.4	0
MSCI Latam *	88,994	0.3	5.0	1.5	3
Ibovespa (Brazil)	91,701	0.1	4.3	3.0	4
Mexbol (Mexico)	42,328	0.7	2.1	1.0	2
Merval (Argentina)	31,891	2.7	5.3	0.4	5
MSCI EM Europe *	5,293	-0.2	1.1	-3.9	0
Poland	2,281	1.5	0.2	-3.1	0
Micex 10 (Russia)	4,254	1.1	2.3	-2.5	2
Ise 100 (Turkey)	88,831	1.6	-1.8	-5.5	-3
MSCI EM Asia *	764	-1.0	-1.8	-7.6	-2
Shanghai Com (China)	2,515	2.0	0.8	-5.1	1
Jakarta (Indonesia)	6,275	1.5	1.4	2.0	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	118.3	2.1	3.4	-8.1	2
Citi	98.8	1.8	2.1	-7.8	1
BoA	53.9	2.5	4.0	-13.4	4
MS	25.2	2.6	3.3	-6.6	2
GS	40.6	2.2	3.0	-6.0	2
GS	172.0	1.5	5.5	-6.7	3
EZ banks					
BNP	70.7	3.8	2.8	-8.8	3
Crédit Agricole	40.3	3.8	2.4	-7.1	2
Crédit Agricole	9.6	3.8	2.4	-10.2	2
Deutsche Bank	7.3	3.3	5.2	-9.0	5
ING	9.7	3.9	4.0	-8.3	3
Intesa	2.0	4.4	2.4	-4.6	2
SG	28.2	2.9	1.6	-11.1	2
Unicredito	10.1	5.3	2.5	-12.8	3
UK banks					
HSBC	74.4	3.1	2.5	-2.1	2
HSBC	657.1	2.4	1.1	-0.4	2
RBS	220.4	3.4	2.9	-0.7	2
Barclays	155.9	3.8	3.8	-1.6	4
Lloyds	52.8	3.1	3.0	-6.1	2
Large Spanish banks					
Santander	61.1	3.7	4.9	0.0	5
Santander	4.2	3.8	5.5	0.5	5
BBVA	4.8	3.6	4.4	-0.5	4
Medium Spanish banks					
Caixabank	59.0	3.8	4.1	-4.4	3
Caixabank	3.2	3.5	3.3	-6.8	2
Sabadell	1.0	4.3	4.8	-4.9	4
Bankinter	7.2	3.3	4.5	-1.9	2
Bankia	2.6	5.4	4.5	-6.1	3
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.136	-0.3	-0.7	0.2	-1
GBPUSD	1.26	0.1	-0.5	-0.8	-1
USDJPY	108.32	-0.6	1.8	4.5	1
DXY	96.58	0.3	0.2	-0.5	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.39	0.2	0.7	0.3	1
USDBRL (Brazil)	3.77	-0.2	3.0	2.7	3
USDCLP (Chile)	688.00	1.1	0.8	-2.2	1
USDCOP (Colombia)	3211	1.0	1.3	-1.6	1
USDMXN (Mexico)	19.61	0.1	0.2	4.6	0
USDPEN (Peru)	3.36	0.2	0.4	0.5	0
LACI	55.02	0.1	1.3	2.0	1
USDPLN (Poland)	38.78	-0.3	-0.5	0.0	-1
USDRUB (Russia)	68.11	1.1	2.1	-2.3	2
USDTRY (Turkey)	5.41	1.1	-2.5	-1.6	-2
USDCNY (China)	6.87	0.0	0.1	-0.2	0
USDINR (India)	69.73	0.6	0.3	1.1	0
USDIDR (Indonesia)	14270	1.0	2.1	0.9	1
ADXY	105.21	0.2	0.0	0.1	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	57.9	3.4	10.9	-6	8
WTx	49	3.6	7.6	-8	7
Copper	261	1.6	-2.6	-6	-1
Gold	1280	-1.1	-0.1	3	0
S&P Spot commodity *	381	0.9	1.7	-8	2
S&P Brent Spot *	476	1.9	5.1	-9	4
S&P Metals Spot *	312	-0.2	-2.6	-7	-2
S&P Agricultural *	287	0.8	0.2	-2	1

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