

## Trade progress allows markets to recover further

- Financial markets started the week in a positive mood** as fresh news at the end of last week still weighed this week. The sharp rebound in risk asset prices last Friday was backed by hopes of easing trade frictions between China and the US ([see](#)) (which have extended today), strong US jobs data ([see](#)), actions from China's central bank ([see](#)), and especially due to patience showed in Powell's remarks at the American Economic Association annual meeting ([see](#)).
- Against this backdrop, **demand for safe-haven assets seemed to recede** and sovereign yields of core countries moved up somewhat from their recent lower bound despite the release of sluggish economic data. In the US, the non-manufacturing ISM index was 57.6 points in December, 3.1 points below November's reading and worse than expectations ([see](#)). Apart from this, the US government partial shutdown continues, with the wall issue still remaining as the main barrier to solving it ([see](#)). In Europe, the 10Y German yield returned above the 0.20% threshold, despite Germany's industrial output surprising strongly to the downside ([see](#)). Peripheral risk premia widened slightly despite the market mood improved.
- Positive performance in equity indices across financial markets** early in the week. US indices registered a good performance boosted by the manufacturing sector on rising hopes of progress on trade talks, while the main indices in the euro area also increased. Asian indices showed minor changes early this week.
- The USD inched up**, while the GBP has depreciated now that Britain's Parliament is going to resume the debate on Brexit after the Christmas recess ([see](#)). Oil prices continued to recover ([see](#)) but not enough to boost EM assets, which registered a mixed performance, with Turkey's lira suffering especially.
- Chinese reserves increased for the second month** in a row in a context in which the government continued to show clear support for the economy with further measures to offset the potential negative impact of trade angst ([see](#)).
- Onwards**, US-China trade talks, Trump's speech on the US-Mexico border and the debate of May's Brexit plan will be the key events, in a week in which the release of FOMC and ECB minutes along with Central Bank members' speeches will also be in the limelight.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.57	3.1	8.3	-14	8	
<b>US</b>	2.70	0.9	2.1	-14	2	
GER (2-yr)	-0.58	0.9	3.5	2	4	
<b>Germany</b>	0.23	0.5	-1.6	-2	-7	
France	0.73	0.7	2.3	5	2	
Spain	1.51	1.3	9.7	6	4	
Italy	2.95	5.5	21.2	-18	21	
Portugal	1.82	0.1	10.1	2	10	
Greece	4.34	-4.2	-5.7	11	-6	
Japan (2-yr)	-0.14	2.9	0.5	0	0	
<b>Japan</b>	0.01	2.2	0.9	-5	1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.14	-3.1	-9.1	-91	-9	
Chile	4.20	0.9	-4.8	-17	-5	
Colombia	6.73	-5.9	-2.0	-14	-2	
Mexico	8.57	2.4	-7.5	-47	-8	
Peru	5.33	-1.6	-3.7	-10	-4	
Poland	2.86	5.5	3.7	-19	4	
Russia	8.78	0.1	0.3	2	0	
Turkey	16.15	24.0	35.0	-39	35	
India	7.56	-7.6	14.4	10	19	
Indonesia	7.95	6.5	-7.9	-9	-8	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
<b>10-yr sovereign spread vs Germany</b>						
France	51	0.2	3.9	7	9	
Italy	273	5.0	22.8	-16	28	
Portugal	160	-0.4	11.7	5	17	
Spain	129	0.8	11.3	9	11	
<b>2-yr sovereign spread vs Germany</b>						
France	15	-0.8	-0.8	-1	-1	
Italy	111	2.0	2.9	-22	3	
Portugal	37	1.0	10.8	0	11	
Spain	37	-2.1	0.1	-7	0	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS *</b>						
Brazil	184	-5.5	-21	-25	-23	
Chile	55	-2.4	-7	-3	-8	
Colombia	136	-8.2	-21	-1	-22	
Argentina	723	-17.8	-77	44	-83	
Mexico	135	-8.0	-19	-15	-20	
Peru	86	-3.4	-9	-8	-9	
Poland	67	-0.4	0	0	0	
Russia	146	-5.4	-7	-16	-9	
Turkey	354	-5.6	-4	-41	-6	
China	66	-0.7	-1	-4	-2	
India	112	-1.3	0	-3	-1	
Indonesia	134	-2.2	-3	-8	-4	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	21	0.0	-4	-2	-4	
VSTOXX	19	-0.7	-4	-2	-4	
EM EFT volatility Index	23	-0.6	-2	-5	-2	
Dollar/euro volatility	7	0.0	-1	0	0	
EM FX volatility index	9	-0.2	0	-1	0	
Credit spread (BAA) (change in bps)	242	-0.9	-4	10	-4	
US bonds volatility index	61	-4.9	-6	0	-6	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.17	-	4	-14	3	
EZ Inflation expectations (5Y5Y)	1.57	-	1	-5	-3	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	0	-87.8	-82	-71	-82	
EZ	123	0.1	6	-1	3	
UK	97	0.4	6	5	3	
Large Spanish	89	-1.3	6	5	2	
Medium Spanish	110	0.5	-2	2	-2	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	194	-87.8	-82	-71	-82	
EZ Non-financial	98	0.1	6	-1	3	
UK Non-financial	118	-2.8	0	-1	-1	
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	
<b>Euribor 12m</b>	-0.12	0	0	2	0	
Libor 3m	2.80	-1	-1	3	0	
Libor 12m	2.99	3	-1	-12	-2	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
<b>S&amp;P500</b>	2,555	0.2	1.9	-3.0	2	
Dow Jones	23,669	0.6	1.5	-3.0	1	
Nikkei	20,204	0.8	0.9	-6.8	1	
FTSE 100	6,862	0.7	2.0	1.2	2	
<b>EuroStoxx 50</b>	3,056	0.7	1.8	-0.1	2	
IBEX	8,847	0.8	3.6	0.4	4	
DAX	10,804	0.5	2.3	0.1	2	
CAC	4,773	1.1	0.9	-0.8	1	
MB	19,000	0.2	3.7	1.4	4	
ASE Athens	626	0.9	2.1	-3.5	2	
<b>MSCI Latam *</b>	89,586	0.1	3.7	2.1	4	
Ibovespa (Brazil)	91,292	-0.4	3.9	3.6	4	
Mexbol (Mexico)	43,231	0.9	3.8	3.2	4	
Merval (Argentina)	32,708	-0.9	8.0	3.7	8	
<b>MSCI EM Europe *</b>	5,406	0.6	2.0	-0.2	2	
Poland	2,325	-0.3	2.1	1.9	2	
Micex 10 (Russia)	4,247	-0.3	1.4	-2.6	1	
Ise 100 (Turkey)	90,697	0.8	-0.6	-3.2	-1	
<b>MSCI EM Asia *</b>	783	1.4	-0.1	-2.1	0	
Shanghai Com (China)	2,526	-0.3	1.3	-3.0	1	
Jakarta (Indonesia)	6,263	-0.2	1.1	2.4	1	
Banking sector	level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>	119.4	-1.3	3.2	-2.8	3	
JPM	99.7	-1.0	2.2	-3.4	2	
Citi	55.0	-1.2	5.6	-5.8	6	
BoA	25.1	-1.7	2.0	-1.2	2	
MS	41.2	-1.2	3.9	-0.3	4	
GS	173.4	-1.5	3.8	-3.5	4	
<b>EZ banks</b>	71.9	0.2	4.3	-2.6	4	
BNP	40.9	0.5	3.6	-1.7	4	
Crédit Agricole	9.8	0.6	4.0	-3.7	4	
Deutsche Bank	7.6	1.0	9.4	-1.1	9	
ING	9.9	0.8	5.6	-1.8	6	
Intesa	2.0	-1.2	3.6	1.4	4	
SG	28.6	0.7	2.9	-6.0	3	
Unicredito	10.3	-1.6	4.2	-5.7	4	
<b>UK banks</b>	74.8	1.0	2.7	1.9	3	
HSBC	649.1	1.1	0.3	0.8	0	
RBS	225.8	0.8	4.2	7.5	4	
Barclays	157.3	1.2	4.5	1.9	5	
Lloyds	53.7	0.7	3.6	-0.6	4	
<b>Large Spanish banks</b>	61.7	0.8	5.6	4.9	6	
Santander	4.2	0.8	6.2	6.0	6	
<b>BBVA</b>	4.9	0.8	5.2	3.9	5	
<b>Medium Spanish banks</b>	59.6	0.6	3.7	-0.2	4	
Caixabank	3.3	0.2	3.4	-2.7	3	
Sabadell	1.0	0.1	4.8	-0.1	5	
Bankinter	7.2	1.1	3.1	2.1	3	
Bankia	2.7	0.9	5.0	-1.4	5	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.144	-0.3	-0.2	0.6	0	
GBPUSD	1.27	-0.4	-0.2	0.0	0	
USDJPY	108.59	0.1	1.1	3.8	1	
DX	95.91	0.3	-0.2	-0.6	0	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	37.40	-0.2	0.7	-0.1	1	
USDBRL (Brazil)	3.72	0.4	4.4	5.1	4	
USDCLP (Chile)	680.18	0.0	2.0	-0.8	2	
USDCOP (Colombia)	3155	0.7	3.1	-0.2	3	
USDMXN (Mexico)	19.35	0.1	1.6	4.7	2	
USDPEN (Peru)	3.35	0.1	0.7	0.6	1	
LACI	55.65	0.2	2.5	3.1	2	
USDPLN (Poland)	3.76	-0.3	-0.4	0.4	-1	
USDRUB (Russia)	66.80	-0.2	4.0	-0.5	4	
USDTRY (Turkey)	5.48	-1.7	-3.9	-3.3	-3	
USDCNY (China)	6.85	0.0	0.4	0.3	0	
USDINR (India)	70.20	-0.7	-1.1	0.9	-1	
USDIDR (Indonesia)	14148	-0.5	1.7	2.3	2	
ADXY	105.45	-0.2	0.2	0.7	0	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
<b>Brent</b>	58.3	1.8	8.4	-5	8	
WTx	50	2.0	9.0	-6	9	
Copper	264	-0.1	0.4	-4	0	
Gold	1285	-0.4	0.6	3	0	
S&P Spot commodity *	389	0.6	4.0	-6	4	
S&P Brent Spot *	488	0.5	6.6	-7	7	
S&P Metals Spot *	321	0.6	0.6	-3	1	
S&P Agricultural *	291	0.6	2.5	-2	3	

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