

## The new US investigations taint US-China trade talks

- The positive tone in financial markets faded somewhat after the announcement of the US's investigation of Chinese company Huawei** for potential spying on US business partners ([see](#)), offsetting the positive effect of the announcement of further trade talks that will take place on 30-31 January between the US and China ([see](#)). Elsewhere, **May managed to win the no-confidence vote** ([see](#)), but the challenging context remained for her as she is now required to present a Brexit "plan B" next Monday ([see](#)).
- In this context, **equity markets were mixed**: US stocks were flat despite the release of Morgan Stanley's lower-than-expected fourth quarter earnings ([see](#)). Meanwhile, European equity indices showed little losses due to the threat of potential US tariffs on automobile imports from Europe ([see](#)), while Asian markets also ended lower amid trade fears.
- Sovereign core yields inched up**, but still remained at very low levels. The US Treasury yield remained above the 2.70% level, while the 10Y Bund yield continued to approach 0.25% despite today's release of **December's final inflation figures for the EZ which were in line with expectations** ([see](#)).
- The USD was broadly steady** despite the ongoing US government shutdown, which has now almost reached one month ([see](#)). **Despite the uncertainties about Brexit negotiations** and future relations between the UK and the EU, **the GBP appreciated**, while the euro remained below 1.14 USD/EUR. EM currencies depreciated across the board despite a stable USD. Moreover, the fall in crude prices despite the release of a fall in OPEC oil supply ([see](#)) added more pressure to Latam currencies.

Update 18.00 CET 17 January 2019

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.56	1.9	-1.6	-8	7
<b>US</b>	2.73	1.3	-0.8	-8	5
GER (2-yr)	-0.59	1.4	0.3	2	2
<b>Germany</b>	0.24	1.9	-1.2	-6	-6
France	0.65	0.9	-2.9	-6	-6
Spain	1.37	-0.9	-8.5	-1	-11
Italy	2.77	1.8	-11.5	-17	3
Portugal	1.76	-3.0	-9.7	-2	-10
Greece	4.22	-2.1	-10.9	-16	-18
Japan (2-yr)	-0.17	-0.8	-1.8	-1	-3
<b>Japan</b>	0.01	-0.4	-1.8	-2	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.25	0.9	0.8	-47	1
Chile	4.27	0.9	0.8	-9	2
Colombia	7.06	3.8	37.1	19	30
Mexico	8.63	5.2	0.5	-12	-1
Peru	5.28	-0.1	0.0	-20	-8
Poland	2.82	4.0	-2.2	-9	0
Russia	8.41	5.2	-10.5	-47	-37
Turkey	15.33	-6.0	-89.0	-154	-47
India	7.28	1.0	-30.6	-6	-9
Indonesia	8.10	1.8	16.2	-3	7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	40	-1.0	-1.7	0	-1
Italy	253	-0.1	-10.3	-10	9
Portugal	152	-4.9	-8.5	5	-4
Spain	112	-2.8	-7.3	5	-5
<b>2-yr sovereign spread vs Germany</b>					
France	11	-0.8	-2.1	-6	-4
Italy	93	1.6	-16.9	-22	-15
Portugal	44	-4.9	3.3	17	18
Spain	35	-1.3	-2.4	-5	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	180	-1.7	1	-16	-27
Chile	51	-0.9	-2	-4	-12
Colombia	132	-1.9	1	2	-26
Argentina	666	-9.3	-35	-99	-140
Mexico	134	-3.0	2	-4	-21
Peru	81	-1.1	-3	-6	-13
Poland	67	0.7	1	-1	-1
Russia	137	-2.6	-5	-8	-17
Turkey	355	-11.9	-10	-23	-5
China	60	-1.7	-2	-4	-8
India	107	0.4	-1	-5	-7
Indonesia	123	-3.4	-3	-11	-14
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	19	-0.3	-1	-7	-7
VSTOXX	15	-0.3	-3	-5	-8
EMEFT volatility Index	20	0.2	-1	-6	-5
Dollar/euro volatility	6	-0.3	0	0	-1
EM FX volatility index	9	0.0	0	0	0
Credit spread (BAA) (change in bps)	245	-1.3	3	18	-1
US bonds volatility index	52	-1.1	-5	-7	-15
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.22	-	4	-1	8
EZ Inflation expectations (5Y5Y)	1.54	-	-3	-6	-7
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	76	-7.4	-6	1	-7
EZ	109	-5.8	-7	-4	-11
UK	82	-4.2	-12	-9	-12
Large Spanish	75	-4.7	-8	-4	-12
Medium Spanish	116	0.3	4	6	3
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	190	-7.4	-6	1	-7
EZ Non-financial	89	-5.8	-7	-4	-11
UK Non-financial	112	-1.9	-1	-3	-6
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	-1
Euribor 3m	-0.31	0	0	0	0
<b>Euribor 12m</b>	-0.12	0	0	1	0
Libor 3m	2.78	1	-2	-2	-2
Libor 12m	3.03	2	-1	-7	2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,621	0.2	1.0	3.0	5
Dow Jones	24,185	-0.1	0.8	2.2	4
Nikkei	20,402	-0.2	1.2	-3.4	2
FTSE 100	6,836	-0.4	-1.5	2.0	2
<b>EuroStoxx 50</b>	3,069	-0.3	-0.2	0.9	2
IBEX	8,902	-0.1	0.5	2.3	4
DAX	10,911	-0.2	-0.1	1.6	3
CAC	4,794	-0.4	-0.2	0.8	1
MIIB	19,494	0.1	1.0	4.6	6
ASE Athens	617	-0.9	-2.6	-1.3	1
<b>MSCI Latam *</b>	92,112	0.5	0.8	8.0	7
Ibovespa (Brazil)	94,840	0.5	1.1	9.5	8
Mexbol (Mexico)	43,936	0.3	0.6	7.4	6
Merval (Argentina)	33,967	-0.2	-0.6	14.1	12
<b>MSCI EM Europe *</b>	5,512	0.5	1.3	3.4	4
Poland	2,359	-0.2	1.0	1.9	4
Micex 10 (Russia)	4,419	0.6	1.8	4.8	6
Ise 100 (Turkey)	96,817	1.5	6.2	6.3	6
<b>MSCI EM Asia *</b>	811	0.4	1.6	2.0	4
Shanghai Com (China)	2,560	-0.4	1.0	-0.7	3
Jakarta (Indonesia)	6,424	0.2	2.4	5.5	4
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	129.4	-1.1	6.6	10.5	12
JPM	102.3	-0.2	1.9	3.8	5
Citi	61.9	-0.4	9.7	14.8	19
BoA	28.5	0.2	10.8	16.6	16
MS	42.2	-5.1	1.4	5.9	7
GS	195.3	-0.9	11.0	13.9	17
<b>EZ banks</b>	73.1	-2.6	1.3	1.7	6
BNP	41.6	-3.5	0.8	2.5	5
Crédit Agricole	10.2	-1.7	2.9	3.2	8
Deutsche Bank	7.8	-3.9	4.3	2.0	12
ING	10.1	-1.7	2.8	2.2	8
Intesa	2.0	-0.6	-0.1	1.7	4
SG	28.3	-6.2	-1.5	-1.6	2
Unicredito	10.6	-0.3	1.0	1.4	7
<b>UK banks</b>	76.2	-0.3	1.1	4.9	5
HSBC	638.5	-1.3	-2.0	-1.6	-1
RBS	236.9	1.3	5.7	13.2	9
Barclays	160.5	-0.6	2.7	5.4	7
Lloyds	56.2	0.1	2.6	8.1	8
<b>Large Spanish banks</b>	63.0	-1.3	0.3	7.1	8
Santander	4.3	-1.2	-0.5	6.6	7
<b>BBVA</b>	5.0	-1.5	1.0	7.5	9
<b>Medium Spanish banks</b>	58.5	-1.9	0.3	2.2	2
Caixabank	3.3	-1.5	2.7	-0.3	5
Sabadell	1.0	-3.6	0.0	-1.9	3
Bankinter	7.0	-1.2	0.2	-1.8	0
Bankia	2.6	-2.7	-2.7	-6.3	0
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.138	-0.1	-1.0	0.2	-1
GBPUSD	1.29	0.4	1.4	2.3	1
USDJPY	109.05	0.0	-0.6	3.2	1
DXY	96.14	0.1	0.6	-1.0	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.77	-0.7	-1.8	1.3	0
USDBRL (Brazil)	3.76	-0.6	-1.2	4.0	3
USDCLP (Chile)	671.06	0.0	0.7	2.6	3
USDCOP (Colombia)	3137	-0.6	0.0	2.2	4
USDMXN (Mexico)	19.06	-0.9	0.3	5.3	3
USDPEN (Peru)	3.33	-0.1	0.3	0.4	1
LACI	55.81	-0.6	-0.3	3.8	3
USDPLN (Poland)	3.77	-0.3	-0.9	0.1	-1
USDRUB (Russia)	66.41	-0.1	0.7	1.5	4
USDTRY (Turkey)	5.36	-0.4	1.1	-0.2	-1
USDCNY (China)	6.78	-0.3	0.2	1.8	2
USDINR (India)	71.04	0.3	-0.9	-0.8	-2
USDIDR (Indonesia)	14192	-0.5	-1.0	2.2	1
ADXY	105.78	-0.2	-0.1	1.0	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	60.9	-0.8	-1.3	8	13
WTx	52	-1.3	-1.8	12	14
Copper	269	-0.1	1.8	1	2
Gold	1292	-0.2	0.4	3	1
S&P Spot commodity *	406	0.5	0.1	5	9
S&P Brent Spot *	522	0.9	-0.7	9	14
S&P Metals Spot *	322	0.8	0.6	-1	1
S&P Agricultural *	288	0.5	-0.2	-2	1

Source: Bloomberg, Datastream and Handv

\* With one day delay