

The GBP appreciated due to a potential Brexit delay

- Financial markets remained cautious. The focus continued on US-China trade talks following yesterday's rumours about the US rejection of pre-talks (see) ahead of high-level meetings next week. However, the information has been denied by both sides. The Brexit issue also came into the limelight with the possibility of a delay, while the Davos forum continued with its second day of meetings, with a positive view from China's officials about their economy (see).
- In this context, developed equity markets were slightly down. The US and European indices were not able to recover from yesterday's fall despite positive earnings releases (see), while Asian markets remained steady despite today's injection of liquidity from the PBoC (see).
- Core yields were mixed: the UST 10Y yield was steady ahead of tomorrow's Senate vote on proposals to end the US government partial shutdown, with the border wall funding remaining as the main issue (see). In Europe, the German 10Y Bund yield inched down (currently below 0.25%), while peripheral risk premia were little changed from their recent lower bound.
- The Bank of Japan left its monetary policy stance unchanged in its meeting today (see), but in line with other central banks, showed a more cautious tone. In consequence, the BOJ cut its inflation expectations for 2019.
- The USD depreciated and the EUR appreciated slightly ahead of tomorrow's ECB meeting, while the JPY depreciated somewhat after today's BoJ meeting. The GBP appreciated sharply due to a potential delay in the scheduled date for the departure (29 March), which could reduce the odds of a no-deal Brexit (see). In EM FX, the TRY outperformed other EM currencies after the minutes from the Turkish Central Bank's last meeting showed that energy inflation pressures are expected to slow (see).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.58	-0.8	3.8	2	9
US	2.74	0.4	2.1	0	6
GER (2-yr)	-0.58	1.0	2.2	2	3
Germany	0.23	-1.0	0.2	-8	-8
France	0.64	-0.7	0.0	-6	-7
Spain	1.31	-2.1	-6.2	-9	-16
Italy	2.75	1.0	-0.4	-8	1
Portugal	1.71	-1.5	-7.5	-11	-15
Greece	4.18	5.3	-6.3	-22	-22
Japan (2-yr)	-0.16	0.3	-0.5	-3	-2
Japan	0.01	0.2	-0.5	-4	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.01	-9.3	-22.7	-37	-22
Chile	4.30	-1.5	3.2	1	5
Colombia	7.03	0.0	1.4	27	28
Mexico	8.59	-5.3	1.5	-20	-5
Peru	5.30	1.2	2.1	-10	-6
Poland	2.84	-1.5	5.7	2	2
Russia	8.42	1.3	5.5	-41	-36
Turkey	15.21	-15.0	-18.0	-81	-59
India	7.31	0.8	3.8	2	-6
Indonesia	8.09	-1.6	1.2	12	7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	0.3	-0.2	2	0
Italy	253	2.0	-0.6	0	9
Portugal	149	-0.5	-7.7	-3	-7
Spain	109	-1.1	-6.4	0	-9
2-yr sovereign spread vs Germany					
France	11	-0.7	-1.2	-5	-4
Italy	90	-1.4	-1.4	-25	-18
Portugal	41	-1.8	-8.3	15	15
Spain	35	-0.7	-1.6	-2	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	177	7.1	-5	-32	-31
Chile	50	3.2	-2	-13	-13
Colombia	131	7.2	-3	-22	-28
Argentina	662	18.9	-13	-134	-144
Mexico	133	6.9	-4	-18	-22
Peru	78	2.9	-4	-15	-16
Poland	66	0.0	0	-2	-2
Russia	134	2.9	-6	-19	-20
Turkey	333	4.8	-33	-28	-26
China	62	2.7	0	-8	-6
India	107	0.6	0	-7	-7
Indonesia	125	2.9	-2	-15	-13
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	21	0.1	2	-15	-4
VSTOXX	16	0.5	1	-4	-7
EMEFT volatility Index	21	-0.2	2	-7	-4
Dollar/euro volatility	6	-0.1	0	-1	-1
EM FX volatility index	9	-0.1	0	0	-1
Credit spread (BAA) (change in bps)	238	-0.4	-8	3	-8
US bonds volatility index	55	0.9	3	-11	-12
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.24	-	7	4	11
EZ Inflation expectations (5Y5Y)	1.53	-	-1	-4	-7
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	74	3.4	-9	-6	-8
EZ	107	3.6	-7	-10	-12
UK	83	2.4	-4	-11	-12
Large Spanish	75	2.8	-6	-11	-13
Medium Spanish	113	-0.2	-2	2	0
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	187	3.4	-9	-6	-8
EZ Non-financial	89	3.6	-7	-10	-12
UK Non-financial	112	1.0	-2	-6	-7
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
Euribor 12m	-0.12	0	0	0	0
Libor 3m	2.78	1	1	-4	-2
Libor 12m	3.04	0	3	-4	2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,629	-0.1	0.5	11.8	5
Dow Jones	24,385	-0.1	0.7	11.9	5
Nikkei	20,594	-0.1	0.7	2.1	3
FTSE 100	6,843	-0.8	-0.3	2.3	2
EuroStoxx 50	3,112	0.0	1.1	4.7	4
IBEX	9,129	1.0	2.4	7.6	7
DAX	11,072	-0.2	1.3	4.1	5
CAC	4,840	-0.1	0.6	4.6	2
MIB	19,400	-0.2	-0.4	5.5	6
ASE Athens	631	0.2	1.4	3.7	3
MSCI Latam *	92,485	-0.8	0.9	8.7	7
Ibovespa (Brazil)	96,176	1.1	1.9	12.2	9
Mexbol (Mexico)	43,655	-0.3	-0.4	5.5	5
Merval (Argentina)	34,552	1.5	1.5	21.4	14
MSCI EM Europe *	5,583	0.4	1.8	5.7	6
Poland	2,407	2.0	1.8	6.5	6
Micex 10 (Russia)	4,526	1.0	3.1	9.3	8
Ise 100 (Turkey)	100,141	0.5	5.0	9.4	10
MSCI EM Asia *	816	-0.7	1.0	4.4	4
Shanghai Com (China)	2,581	0.1	0.4	2.1	3
Jakarta (Indonesia)	6,451	0.0	0.7	4.7	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	129.8	-0.5	-0.7	19.9	12
JPM	102.6	-0.4	0.1	11.3	5
Citi	61.8	-0.1	-0.7	25.4	19
BoA	29.0	-0.3	1.9	27.5	18
MS	41.9	-1.1	-5.8	13.3	6
GS	195.9	-0.9	-0.6	25.3	17
EZ banks	73.3	0.4	-2.3	7.5	6
BNP	41.6	0.1	-3.5	7.2	5
Crédit Agricole	10.1	0.4	-2.3	8.8	7
Deutsche Bank	8.0	1.4	-1.7	13.2	14
ING	10.4	0.7	1.5	12.1	11
Intesa	2.0	0.6	0.4	6.6	5
SG	27.6	-0.9	-8.8	-0.2	-1
Unicredito	10.6	1.7	-0.7	7.7	7
UK banks	77.0	-0.3	0.7	7.8	6
HSBC	639.0	-0.4	-1.3	-1.2	-1
RBS	239.1	-0.2	2.3	16.1	10
Barclays	162.9	-0.2	0.9	11.3	8
Lloyds	57.3	-0.2	2.1	12.5	11
Large Spanish banks	64.9	1.1	1.7	13.3	11
Santander	4.4	1.1	1.1	11.9	10
BBVA	5.2	1.1	2.3	14.7	13
Medium Spanish banks	59.5	2.8	-0.1	5.9	4
Caixabank	3.4	3.8	0.4	9.2	7
Sabadell	1.1	2.5	-1.4	8.5	5
Bankinter	7.2	2.2	1.1	4.3	2
Bankia	2.6	3.5	-2.2	3.0	1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.139	0.2	0.0	-0.2	-1
GBPUSD	1.31	0.9	1.5	2.9	2
USDJPY	109.48	-0.1	-0.4	0.9	0
DXY	96.09	-0.2	0.0	-0.5	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.57	-0.1	-0.2	1.1	0
USDBRL (Brazil)	3.80	0.1	-1.7	2.8	2
USDCLP (Chile)	672.71	-0.1	-0.2	2.4	3
USDCOP (Colombia)	3149	-0.1	-1.0	4.4	3
USDMXN (Mexico)	19.09	0.4	-1.0	4.1	3
USDPEN (Peru)	3.34	-0.2	-0.3	0.5	1
LACI	55.57	0.2	-1.0	3.0	2
USDPLN (Poland)	3.77	0.1	-0.3	-0.4	-1
USDRUB (Russia)	66.14	0.6	0.3	3.8	5
USDTRY (Turkey)	5.29	0.9	0.8	-0.1	0
USDCNY (China)	6.79	0.2	-0.5	1.6	1
USDINR (India)	71.33	0.2	-0.1	-1.7	-2
USDIDR (Indonesia)	14188	0.2	-0.4	2.6	1
ADXY	105.63	0.1	-0.4	0.9	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	60.9	-1.0	-0.7	21	13
WTx	52	-0.2	0.3	23	16
Copper	269	0.2	0.0	1	3
Gold	1285	0.0	-0.7	1	0
S&P Spot commodity *	407	-1.6	0.1	11	9
S&P Brent Spot *	522	-1.9	0.1	21	14
S&P Metals Spot *	325	-0.7	0.8	1	2
S&P Agricultural *	291	-0.5	1.0	1	2

Source: Bloomberg, Datastream and Handv

* With one day delay