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The EUR recovered after Draghi's speech despite surrounding risks

- Cautious mood seemed to prevail in financial markets. Today's **attention was on the euro zone due to the release of confidence data and the ECB meeting**. Meanwhile, despite the non-representation of the US administration in Davos, the US-China trade dispute continued in the forefront as the major players in the global economy pointed to this issue as a significant global economic risk (see).

- As expected, the ECB left its monetary policy unchanged at its first meeting in the year (see). However, Draghi confirmed that the **balance of risks "has moved to the downside"** due to, among other things, trade tensions, and geopolitical factors (see). Nonetheless, he remained confident on the expansion despite the surrounding risks. In this context, **the euro managed to recover the ground previously lost**, but ended depreciated amid expected volatility in the currency.

- **Sovereign yields in core countries declined**: the US Treasury 10Y yield was below 2.75% despite the **better-than-expected confidence data for the US** (see). Meanwhile, concerns about the impact of the US shutdown on the economy were in the spotlight, while there will be a delay in Trump's State of the Union address until the shutdown ends (see). In Europe, hours before the ECB meeting, attention moved to the **release of lower-than-expected PMIs in the euro zone, which dragged down the German 10Y Bund yield** (see). In Germany, the manufacturing PMI showed the first signs of deceleration in the economy, adding more pressure to global growth concerns (see).

- **Risky assets recovered somewhat from their recent mild losses**. In the US, equity markets were slightly up despite the latest news citing a US official saying that a US-China trade deal could not be reached soon (see), increasing trade fears. European stocks also showed gains, favoured by the release of better-than-expected earnings results (see).

- The **USD appreciated** ahead of today's Senate vote to end the US government shutdown (see). Meanwhile, EM FX were little changed, while the recent stability of oil prices also left Latam currencies with mild changes. Today's **lower-than-expected inflation figures** for Mexico **supported a slight appreciation of the MXN** (see).

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Debt markets (10Y, %, changes in bp)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.56	-1.9	0.1	0	8
US	2.71	-2.9	-3.8	3	3
GER (2-yr)	-0.59	-0.3	0.5	2	3
Germany	0.18	-4.4	-6.2	-13	-12
France	0.59	-5.0	-5.8	-11	-13
Spain	1.24	-7.2	-12.3	-16	-23
Italy	2.66	-9.4	-10.7	-17	-8
Portugal *	1.65	-6.2	-10.5	-18	-21
Greece	4.14	-3.8	-8.0	-25	-26
Japan (2-yr)	-0.16	0.4	0.7	-1	-2
Japan	0.01	0.6	0.5	-1	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.01	6.6	-15.1	-36	-22
Chile	4.25	-5.0	-4.2	-4	0
Colombia	7.03	-3.0	-1.3	27	28
Mexico	8.47	-11.8	-19.5	-33	-18
Peru	5.31	-0.1	2.7	-9	-5
Poland	2.83	-1.5	0.2	0	0
Russia	8.35	-6.4	-6.1	-51	-43
Turkey	15.05	-16.0	-28.0	-104	-75
India	7.32	2.8	4.5	4	-5
Indonesia	8.12	2.2	1.6	14	9

Country risk (bp, changes in bp)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	40	-0.6	0.4	2	0
Italy	248	-5.0	-4.5	-4	4
Portugal	147	-1.9	-4.4	-5	-9
Spain	106	-2.8	-6.1	-3	-11
2-yr sovereign spread vs Germany					
France	12	0.7	0.1	-4	-4
Italy	86	-4.9	-7.0	-30	-23
Portugal	40	-1.2	-4.6	14	14
Spain	34	-1.1	-1.5	-3	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	171	-5.8	-10	-43	-36
Chile	49	-1.5	-3	-17	-14
Colombia	129	-1.9	-3	-30	-30
Argentina	637	-25.4	-29	-171	-169
Mexico	130	-2.7	-4	-26	-24
Peru	77	-1.6	-5	-20	-18
Poland	66	-0.3	-1	-2	-2
Russia	130	-3.9	-8	-23	-24
Turkey	321	-12.4	-33	-39	-39
China	61	-1.1	1	-9	-7
India	108	1.2	1	-6	-6
Indonesia	123	-2.0	0	-19	-15

Risk indicators

Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	19	-0.3	1	-17	-6
VSTOXX	16	-0.9	0	-5	-8
EM EFT volatility Index	20	-1.0	0	-8	-5
Dollar/euro volatility	6	-0.3	0	-1	-1
EM FX volatility index	9	0.0	0	-1	-1
Credit spread (BAA) (change in bps)	242	2.9	-1	7	-4
US bonds volatility index	54	-0.4	1	-12	-12
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.16		-4	-2	3
EZ Inflation expectations (5Y5Y)	1.53	-	0	-4	-8
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	74	-0.6	-2	-8	-9
EZ	106	-1.4	-3	-13	-14
UK	81	-1.3	-1	-13	-13
Large Spanish	72	-2.2	-3	-14	-15
Medium Spanish	113	0.4	-2	3	1
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	188	-0.6	-2	-8	-9
EZ Non-financial	89	-1.4	-3	-13	-14
UK Non-financial	112	0.1	0	-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	2.77	-1	-1	-4	-3
Libor 12m	3.04	0	0	-1	2

Stock markets (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,641	0.1	0.2	12.3	5
Dow Jones	24,579	0.0	0.9	12.8	5
Nikkei	20,575	-0.1	0.8	7.4	3
FTSE 100	6,819	-0.3	-0.2	2.0	1
EuroStoxx 50	3,126	0.5	1.9	5.1	4
IBEX	9,150	0.2	2.7	7.9	7
DAX	11,130	0.5	1.9	4.7	5
CAC	4,872	0.7	1.6	5.3	3
MIB	19,564	0.8	0.5	6.3	7
ASE Athens	632	0.2	2.5	3.9	3
MSCI Latam *	93,291	0.9	1.3	9.8	8
Ibovespa (Brazil)	97,318	0.8	2.1	13.6	11
Mexbol (Mexico)	43,521	-0.4	-0.9	5.2	5
Merval (Argentina)	35,169	1.0	2.6	23.6	16
MSCI EM Europe *	5,641	1.1	2.4	7.5	7
Poland	2,406	0.0	2.0	6.5	6
Micex 10 (Russia)	4,496	-0.7	1.7	10.1	5
Ise 100 (Turkey)	101,774	1.6	5.1	12.0	12
MSCI EM Asia *	814	-0.2	0.4	4.7	4
Shanghai Com (China)	2,592	0.4	1.3	3.5	4
Jakarta (Indonesia)	6,467	0.0	0.8	4.9	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	130.8	0.5	0.0	20.8	13
JPM	103.0	0.3	0.0	11.7	5
Citi	62.6	0.7	0.2	27.1	20
BoA	29.0	0.3	0.1	27.7	18
MS	42.2	0.2	-0.7	14.1	7
GS	199.4	1.3	0.1	27.5	19
EZ banks	73.1	-0.3	0.1	7.2	6
BNP	41.4	-0.5	-0.1	6.7	5
Crédit Agricole	10.1	0.2	-0.2	9.1	7
Deutsche Bank	7.8	-1.9	0.5	11.1	12
ING	10.3	-1.1	2.2	10.9	10
Intesa	2.0	-0.5	0.7	6.1	5
SG	27.7	0.6	-2.7	-0.4	0
Unicredito	10.7	0.8	0.7	8.5	8
UK banks	77.0	0.0	1.0	7.8	6
HSBC	633.1	-0.9	-0.9	-2.1	-2
RBS	241.0	0.8	1.7	17.0	11
Barclays	162.7	-0.1	1.4	11.1	8
Lloyds	57.7	0.7	2.8	13.2	11
Large Spanish banks	64.6	-0.4	2.6	12.8	11
Santander	4.3	-0.4	1.8	11.4	9
BBVA	5.2	-0.4	3.3	14.2	12
Medium Spanish banks	59.2	-0.6	1.3	5.3	3
Caixabank	3.3	-1.8	0.0	7.2	5
Sabadell	1.0	-2.0	0.4	6.4	3
Bankinter	7.3	1.4	4.0	5.8	4
Bankia	2.5	-1.4	-1.1	1.6	-1

Currencies (%, red for currency depreciation)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.133	-0.5	-0.6	-0.6	-1
GBPUSD	1.30	-0.3	0.3	-2.8	2
USDJPY	109.71	-0.1	-0.4	0.5	0
DXY	96.36	0.2	0.3	-0.2	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.51	0.1	0.5	1.3	0
USDBRL (Brazil)	3.75	0.3	0.0	4.2	4
USDCLP (Chile)	670.85	0.3	0.0	2.7	3
USDCOP (Colombia)	3162	-0.4	-0.9	4.0	3
USDMXN (Mexico)	18.97	0.3	0.2	5.0	4
USDPEN (Peru)	3.35	-0.2	-0.7	0.3	1
LACI	55.94	0.2	-0.1	3.8	3
USDPLN (Poland)	3.79	-0.4	-0.6	-0.6	-1
USDRUB (Russia)	65.76	0.5	0.9	4.5	5
USDTRY (Turkey)	5.26	0.5	1.7	0.9	1
USDCNY (China)	6.79	0.1	-0.2	1.5	1
USDINR (India)	71.08	0.4	-0.1	-1.3	-2
USDIDR (Indonesia)	14170	0.1	0.2	2.7	2
ADXY	105.69	0.0	-0.1	0.9	0

Commodities (%)

	level	Daily	Weekly	Monthly	YTD
Brent	61.2	0.1	2.0	21	14
WTx	53	1.0	2.0	25	17
Copper	268	-0.6	-0.8	0	2
Gold	1282	0.0	-0.8	1	0
S&P Spot commodity *	406	-0.2	-0.1	10	8
S&P Brent Spot *	519	-0.6	-0.2	20	13
S&P Metals Spot *	328	0.9	1.3	2	3
S&P Agricultural *	292	0.4	0.5	2	3

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