

## Markets remained stable despite mounting signs of slowing growth

- Cautious mood in financial markets during the week, amid the resurfacing of concerns about global growth.** Early this week, the release of China's 4Q18 GDP (see), which confirmed the expected slowdown of the economy, had little impact on markets. The **cut in the IMF's global economic growth forecast (see)** and **disappointing confidence data also pointed in this direction**. Meanwhile in Europe, uncertainty about Brexit developments, along with the ECB meeting were the main drivers this week. The **World Economic Forum in Davos took place this week** with important leaders missing – among them the US President - while markets remained focused on an eventful upcoming week: the US-China trade talks and Fed meeting in the spotlight.
- Developed central banks showed caution about a potential slowdown but maintained their guidance unchanged.** As expected, the **ECB held its monetary policy stance**, but tilted the balance of risks to growth to the downside (see). Today's speeches from Coeure and Villeroy at Davos pointed to a possible delay in rate hikes depending on the euro area's economic performance (see). The **Bank of Japan also maintained its stance unchanged**, but with a slight downward revision of inflation expectations (see) ahead of next week's FED meeting.
- In this context, **safe haven yields attracted fresh flows during the week**. In what was a short week for US markets due to Monday's holiday, the Treasury 10Y yield declined by around 5 bps despite the confidence data - above expectations - for the US (see). In line with this, the German 10Y Bund yield went back to levels below 0.20% amid disappointing economic indicators (PMLs (see) and Germany's IFO (see)). Spain's risk premium narrowed due to the high demand on a new syndicated bond issued by the Spanish government (see).
- Developed equity markets were little changed in the week.** US stocks underperformed slightly, while European equity markets showed some gains amid a raft of corporate earnings releases. Asian equity indices ended the week in positive territory, after the release of China's industrial production and retail sales data (see), both above market expectations, which partly offset the decline in its GDP growth.
- The USD and the EUR were broadly flat, the first despite the **continuing partial shutdown** (now the longest in US history (see)). The **biggest outperformer among DM currencies was the GBP** due to the increasing probability of a Brexit delay in order to avoid a disorderly Brexit. Next week a vote will take place on May's "plan B" - (see)- submitted early this week.
- Regarding EM FX, the MXN ended stronger after the release of data showing decreasing inflationary pressures in Mexico (see), while the **COP depreciated ahead of next week's meeting of Colombia's Central Bank**. Other currencies in LatAm were penalized somewhat by crude prices, which were down despite the recent cut in oil output agreed by OPEC and its allies.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.58	1.5	-3.5	-4	9
<b>US</b>	2.74	2.1	-4.7	-7	5
GER (2-yr)	-0.58	0.3	0.0	2	3
<b>Germany</b>	0.19	0.9	-7.3	-12	-11
France	0.59	0.6	-6.9	-11	-12
Spain	1.23	-1.2	-11.8	-17	-25
Italy	2.67	0.6	-6.4	-17	-8
Portugal	1.65	-0.5	-8.1	-18	-22
Greece	4.09	-5.7	-9.3	-31	-31
Japan (2-yr)	-0.17	-0.8	-0.3	-4	-3
<b>Japan</b>	0.00	-1.4	-1.9	-3	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.08	0.0	0.3	-27	-15
Chile	4.25	0.6	-5.7	-1	0
Colombia	7.05	0.2	0.5	28	30
Mexico	8.35	-10.8	-29.0	-43	-29
Peru	5.31	0.7	3.0	-4	-5
Poland	2.81	-1.9	-4.8	-2	-2
Russia	8.37	1.4	-2.1	-50	-41
Turkey	14.89	-16.0	-57.0	-114	-91
India	7.33	2.2	2.0	7	-4
Indonesia	8.11	-0.7	1.9	9	8
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	40	-0.3	0.4	2	-1
Italy	248	-0.3	0.9	-4	4
Portugal	146	-1.4	-0.8	-6	-10
Spain	104	-2.1	-4.5	-5	-13
<b>2-yr sovereign spread vs Germany</b>					
France	12	-0.2	0.1	-4	-4
Italy	87	1.8	-2.7	-28	-21
Portugal	39	-0.6	-3.5	14	13
Spain	32	-1.2	-2.1	-5	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	171	0.4	-6	-43	-36
Chile	49	0.3	-1	-16	-14
Colombia	129	0.1	-1	-30	-30
Argentina	620	-16.9	-40	-187	-186
Mexico	131	0.8	0	-26	-24
Peru	77	0.3	-3	-20	-18
Poland	66	0.0	0	-2	-2
Russia	131	1.5	-6	-21	-23
Turkey	315	-6.3	-34	-47	-45
China	60	-1.3	-2	-11	-8
India	107	-0.4	0	-6	-6
Indonesia	120	-2.6	-5	-22	-17
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
<b>VIX</b>	18	-0.8	0	-12	-7
VSTOXX	15	-0.6	1	-5	-9
EM EFT volatility Index	20	0.0	1	-7	-5
Dollar/euro volatility	6	-0.2	0	-1	-1
EM FX volatility index	9	0.0	0	-1	-1
Credit spread (BAA) (change in bps)	239	-2.1	1	6	-6
US bonds volatility index	54	0.0	0	-10	-12
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.15	-	-7	-5	2
EZ Inflation expectations (5Y5Y)	1.52	-	-3	-6	-9
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	71	-2.2	-4	-10	-11
EZ	105	-0.3	-2	-14	-14
UK	80	-1.3	0	-15	-14
Large Spanish	73	0.5	-1	-14	-15
Medium Spanish	114	0.6	-2	3	1
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	190	-2.2	-4	-10	-11
EZ Non-financial	88	-0.3	-2	-14	-14
UK Non-financial	112	-0.8	0	-7	-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
<b>Euribor 12m</b>	-0.11	0	0	0	0
Libor 3m	2.77	0	-1	-4	-3
Libor 12m	3.04	0	2	-1	2
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,642	0.0	-1.1	7.1	5
Dow Jones	24,553	0.0	-0.6	7.3	5
Nikkei	20,774	1.0	0.5	7.5	4
FTSE 100	6,837	0.3	-1.9	2.3	2
<b>EuroStoxx 50</b>	3,163	1.2	0.9	6.3	5
IBEX	9,194	0.5	1.4	8.4	8
DAX	11,315	1.7	1.0	6.4	7
CAC	4,925	1.1	1.0	6.4	4
MIIB	19,738	0.9	0.2	7.3	8
ASE Athens	633	0.1	2.6	4.0	3
<b>MSCI Latam *</b>	93,916	0.7	1.3	10.5	9
Ibovespa (Brazil)	97,677	0.0	1.6	14.7	11
Mexbol (Mexico)	43,566	0.0	-1.5	4.8	5
Merval (Argentina)	34,939	0.0	-0.5	22.7	15
<b>MSCI EM Europe *</b>	5,640	0.0	1.9	8.3	7
Poland	2,398	-0.4	0.8	6.1	5
Micex 10 (Russia)	4,486	-0.2	0.1	9.0	7
Ise 100 (Turkey)	101,941	0.2	3.5	12.0	12
<b>MSCI EM Asia *</b>	820	0.7	1.0	5.7	5
Shanghai Com (China)	2,602	0.4	0.2	4.1	4
Jakarta (Indonesia)	6,483	0.5	0.9	5.2	5
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	130.6	0.0	-1.7	14.9	13
JPM	102.7	0.0	-1.8	7.1	5
Citi	62.7	0.0	-0.6	21.9	20
BoA	29.1	0.0	-0.8	20.6	18
MS	42.1	0.0	-3.8	7.0	6
GS	197.8	0.0	-2.3	21.4	18
<b>EZ banks</b>	74.4	1.9	0.1	9.2	8
BNP	42.5	2.6	0.0	9.4	8
Crédit Agricole	10.3	1.5	-0.4	10.7	9
Deutsche Bank	8.0	2.4	0.2	13.7	15
ING	10.6	2.6	1.4	13.8	13
Intesa	2.0	0.7	0.1	6.8	5
SG	28.3	2.0	-1.2	2.4	2
Unicredit	10.8	1.2	1.1	9.8	9
<b>UK banks</b>	77.7	0.9	-1.0	8.7	7
HSBC	638.6	0.9	-2.0	-1.3	-1
RBS	244.4	1.4	-0.4	18.6	13
Barclays	163.5	0.5	-1.4	11.7	9
Lloyds	58.2	1.0	0.4	14.3	12
<b>Large Spanish banks</b>	65.2	0.8	0.6	12.4	10
Santander	4.4	0.9	-0.4	13.7	10
<b>BBVA</b>	5.2	0.7	0.8	15.0	13
<b>Medium Spanish banks</b>	60.1	1.5	1.5	6.9	4
Caixabank	3.4	1.8	2.0	9.1	7
Sabadell	1.1	3.6	0.8	10.2	7
Bankinter	7.3	0.6	2.9	6.4	4
Bankia	2.6	1.0	-1.2	2.6	0
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.135	0.4	-0.1	0.0	-1
GBPUSD	1.31	0.1	1.6	3.6	3
USDJPY	109.93	-0.3	-0.1	1.3	0
DXY	96.28	-0.3	-0.1	-0.8	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.18	0.6	1.1	3.7	1
USDBRL (Brazil)	3.77	0.1	-0.4	4.2	3
USDCLP (Chile)	666.49	0.7	0.5	4.1	4
USDCOP (Colombia)	3157	0.5	-1.0	3.9	3
USDMXN (Mexico)	18.91	0.6	1.0	5.3	4
USDPEN (Peru)	3.35	0.0	-0.8	0.7	1
LACI	55.98	0.3	0.3	4.1	3
USDPLN (Poland)	3.78	0.4	-0.1	-0.1	-1
USD RUB (Russia)	66.09	-0.5	0.1	4.0	5
USDTRY (Turkey)	5.28	-0.2	1.0	0.1	0
USDCNY (China)	6.76	0.5	0.3	1.9	2
USDINR (India)	71.17	-0.1	0.0	-1.5	-2
USDIDR (Indonesia)	14093	0.5	0.6	3.4	2
ADXY	106.12	0.4	0.5	1.2	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	61.1	0.1	-2.5	12	14
WTx	53	0.2	-1.1	15	17
Copper	268	0.3	-2.1	-1	2
Gold	1289	0.6	0.6	2	0
S&P Spot commodity *	407	0.2	-1.6	7	9
S&P Brent Spot *	521	0.2	-2.3	12	14
S&P Metals Spot *	327	-0.3	-0.1	1	2
S&P Agricultural *	291	-0.3	-0.3	2	3

Source: Bloomberg, Datastream and Haver

\* With one day delay