

Positive mood in financial markets with focus on today's Fed minutes

- **The positive tone in financial markets continued on the back of optimism regarding the US-China trade talks** which ended today with positive remarks by both parties ([see](#)). Apart from this, all eyes are on the **release of the December FOMC meeting minutes** later today, as more Fed members added their voices to the more dovish stance.
- In this regard, Mr. Bullard signalled today that the current level of US interest rates seemed to be appropriate and further rate hikes could harm the US economy ([see](#)), while Mr. Bostic said that the Fed should be cautious about further interest hikes ([see](#)) and Mr. Evans urged that hikes in 2019 should be data-dependent ([see](#)).
- However, **the US Treasury 10Y yield continued to move slightly up from its recent lower bound**, while the **10Y Bund yield remained hovering around the 0.20% level ahead of tomorrow's release of ECB minutes**. The release of worse-than-expected economic indicators in the euro zone (today German exports [see](#)) could weigh on current concerns about the global growth slowdown.
- **The USD depreciated sharply across the board after comments from Fed officials** regarding the tightening path and with the ongoing US government shutdown ([see](#)). In this context, the EUR rose above 1.15 USD/EUR for the first time in a while, while the GBP appreciated amid continuing Brexit negotiations. The Canadian dollar appreciated, while its central bank left the benchmark interest rate unchanged in today's meeting.
- **Equity indices continued to show gains across the board**, mainly in Europe, while the US remained stable after three days in a row of gains. Asian equity indices ended higher, with China driving the positive movement, due to hopes of progress in easing the two biggest economies' trade dispute.
- **The sharp increase in oil prices** (currently above \$60 per barrel) due to optimism on US-China trade negotiations and despite the release of a smaller-than-expected drop in US crude inventories ([see](#)) **led EM currencies linked to oil prices to appreciate**, while the weakness of the USD also weighed.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.58	-0.2	11.6	-15	10
US	2.74	0.7	11.5	-12	5
GER (2-yr)	-0.58	-0.9	3.0	-1	3
Germany	0.22	-0.7	5.4	-3	-2
France	0.71	-1.9	6.3	2	0
Spain	1.49	-2.1	9.1	5	2
Italy	2.88	-7.5	18.7	-23	14
Portugal	1.77	-5.0	6.0	-1	5
Greece	4.30	-3.9	-8.7	5	-10
Japan (2-yr)	-0.14	-0.4	0.1	0	0
Japan	0.03	2.0	2.9	-1	3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.06	-7.8	-12.7	-111	-17
Chile	4.23	2.2	4.8	-15	-2
Colombia	6.68	-1.9	-5.5	-20	-8
Mexico	8.64	3.8	3.0	-43	0
Peru	5.29	-2.6	-6.1	-28	-7
Poland	2.85	-0.9	nit	-16	3
Russia	8.57	-21.4	-21.1	-21	-21
Turkey	16.10	-5.0	5.0	-60	30
India	7.53	0.0	17.7	-5	16
Indonesia	7.95	0.7	-9.4	-16	-7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	44	-7.2	-5.1	-1	2
Italy	260	-12.8	7.3	-26	16
Portugal	149	-10.3	-5.4	-4	7
Spain	121	-7.4	-2.3	2	4
2-yr sovereign spread vs Germany					
France	14	-0.5	-0.2	-1	-1
Italy	106	-5.6	-0.5	-19	-3
Portugal	39	2.5	12.6	7	13
Spain	37	-0.3	-1.6	-4	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	183	-1.2	-22	-23	-24
Chile	55	-0.1	-7	-3	-8
Colombia	136	0.4	-21	0	-22
Argentina	731	7.4	-69	53	-76
Mexico	135	0.2	-19	-13	-20
Peru	86	0.4	-9	-7	-9
Poland	67	-0.7	-1	-1	-1
Russia	146	0.4	-7	-8	-8
Turkey	366	11.9	9	-20	6
China	63	-2.5	-3	-5	-4
India	110	-1.9	-1	-5	-3
Indonesia	131	-2.9	-6	-9	-6
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	20	-0.4	-3	-3	-5
VSTOXX	19	-0.5	-4	-5	-5
EM EFT volatility Index	22	-0.7	-3	-5	-3
Dollar/euro volatility	7	0.1	-1	0	0
EM FX volatility index	9	0.0	0	-1	0
Credit spread (BAA) (change in bps)	239	-0.7	-10	8	-7
US bonds volatility index	59	-1.8	-4	-1	-8
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.18	-	9	-10	4
EZ Inflation expectations (5Y5Y)	1.58	-	2	-3	-3
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	81	-3.6	-1	9	-2
EZ	119	-4.1	3	-3	-1
UK	96	-0.6	6	6	2
Large Spanish	86	-3.2	3	4	-2
Medium Spanish	113	2.4	0	6	0
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	-3.6	-1	9	-2
EZ Non-financial	96	-4.1	3	-3	-1
UK Non-financial	116	-1.5	-1	-3	-2
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	1	0	-1
Euribor 3m	-0.31	0	0	1	0
Euribor 12m	-0.12	0	0	2	0
Libor 3m	2.78	-1	-3	1	-1
Libor 12m	3.02	2	1	-8	0
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,586	0.5	3.0	-1.9	3
Dow Jones	23,927	0.6	2.5	-2.0	3
Nikkei	20,427	1.1	2.1	-3.7	2
FTSE 100	6,907	0.7	2.6	2.8	3
EuroStoxx 50	3,070	0.5	2.6	1.8	2
IBEX	8,824	-0.3	3.2	1.9	3
DAX	10,893	0.8	3.0	2.6	3
CAC	4,814	0.8	2.6	1.5	2
MI	19,179	0.9	4.6	4.2	5
ASE Athens	638	1.9	5.4	0.0	4
MSCI Latam *	90,242	0.7	4.4	3.4	5
Ibovespa (Brazil)	93,401	1.5	2.6	8.7	6
Mexbol (Mexico)	43,897	0.8	3.8	6.1	5
Merval (Argentina)	33,929	3.1	9.1	10.3	12
MSCI EM Europe *	5,396	-0.2	1.9	-1.0	2
Poland	2,342	0.7	1.7	4.4	3
Micex 10 (Russia)	4,298	1.2	2.7	0.1	3
Ise 100 (Turkey)	91,157	0.5	2.6	-1.2	0
MSCI EM Asia *	783	-0.1	-0.3	-2.1	0
Shanghai Com (China)	2,544	0.7	3.2	-1.6	2
Jakarta (Indonesia)	6,272	-0.2	1.3	2.4	1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	121.5	0.8	3.0	0.8	5
Citi	100.7	0.1	1.4	-0.6	3
BofA	56.3	1.6	5.2	-1.3	8
MS	25.7	0.6	2.8	3.7	4
GS	41.8	0.9	3.6	2.8	6
GS	177.1	1.0	2.9	-1.0	6
EZ banks					
BNP	71.6	-0.5	4.8	-0.1	4
Crédit Agricole	40.8	-0.3	4.3	0.9	3
Crédit Agricole	9.8	-0.1	5.2	-0.9	4
Deutsche Bank	7.4	-2.8	3.7	1.9	6
ING	9.8	-1.2	5.1	-0.1	4
Intesa	2.0	-0.1	5.3	3.4	3
SG	28.5	-0.4	3.9	-3.5	2
Unicredito	10.4	0.7	6.2	-2.5	5
UK banks					
HSBC	74.4	-0.6	2.5	2.9	2
RBS	646.1	-2.5	-0.1	1.2	0
Barclays	220.9	-0.2	2.0	8.5	2
Barclays	156.8	-0.3	4.1	2.3	4
Lloyds	53.8	0.2	5.5	1.7	4
Large Spanish banks					
Santander	62.0	0.5	5.8	8.2	6
Santander	4.2	-0.4	5.6	8.4	6
BBVA	4.9	1.4	5.9	8.0	7
Medium Spanish banks					
Caixabank	58.9	-1.2	3.2	0.0	3
Sabadell	3.2	-0.8	3.7	-1.6	3
Sabadell	1.0	-0.1	4.6	1.8	5
Bankinter	7.1	-2.1	1.5	0.4	1
Bankia	2.7	-1.0	5.3	-0.1	4
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.152	0.7	1.6	1.5	0
GBPUSD	1.28	0.3	1.2	1.6	0
USDJPY	108.40	0.3	0.4	4.5	1
DXY	95.35	-0.6	-1.5	-1.9	-1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.42	0.4	0.6	0.7	1
USDBRL (Brazil)	3.68	0.8	2.8	6.5	5
USDCLP (Chile)	676.98	0.5	3.0	0.5	3
USDCOP (Colombia)	3132	0.6	3.3	1.8	4
USDMXN (Mexico)	19.24	0.6	1.7	5.5	2
USDPEN (Peru)	3.33	0.2	1.1	1.1	1
LACI	56.02	0.6	2.2	4.3	3
USDPLN (Poland)	3.73	0.7	1.4	1.3	0
USDRUB (Russia)	66.75	0.2	3.6	-0.1	4
USDTRY (Turkey)	5.48	0.0	-1.5	-2.9	-4
USDCNY (China)	6.82	0.5	0.7	1.4	1
USDINR (India)	70.47	-0.4	-0.4	1.2	-1
USDIDR (Indonesia)	14125	0.2	2.4	3.0	2
ADXY	105.73	0.2	0.5	1.4	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	61.3	4.3	11.5	2	14
WTx	52	5.1	12.4	3	15
Copper	266	0.1	1.5	-2	1
Gold	1289	0.3	0.3	4	0
S&P Spot commodity *	394	1.4	4.4	-3	5
S&P Brent Spot *	500	2.5	7.0	-2	9
S&P Metals Spot *	320	-0.4	2.4	-3	0
S&P Agricultural *	290	-0.2	2.2	-1	2

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