

Financial markets signal appetite for risk assets during the week

- Positive tone in financial markets during the second week of 2019. Last Friday strong US jobs data, and the three-day US-China trade talks helped risk assets to recover from the sharp fall in the final part of 2018. Furthermore, the release of the ECB and FOMC minutes along with plenty of Central Bank officers' speeches were in focus.
- Many Fed members added their voices to the more dovish stance:** Mr. Bullard warned that further rate hikes could harm the US economy ([see](#)), while Mr. Bostic and Mr. Evans showed a cautious tone regarding the gradual tightening path. Also, Powell expressed his view that the Fed should be patient before any hike in the interest rate ([see](#)). All in all, the release of the **FOMC minutes showed some interest in pausing the rate normalization strategy at least for the first quarter of 2019.**
- Meanwhile, **ECB's Villeroy said that no further details** about the timing of the normalization path will be released **before the spring meeting** ([see](#)). These remarks came after the **unsurprising ECB minutes** which reinforced ongoing concerns about global economic growth ([see](#)), but with muted impact on markets.
- Equity markets rose in developed countries, while volatility diminished** (VIX around 20%). Asian equity indices were higher in the week: Chinese equities showed gains, favoured by optimism on trade talks with the US and by the release of positive macroeconomic data (FX reserves) ([see](#)) while the **CNY ended at levels below 6.80 RMB/USD**. Nonetheless, the release of Chinese inflation figures added more concerns about economic growth ([see](#)).
- Core yields were mixed: the **UST 10Y yield was steady in the week** despite the release of disappointing non-manufacturing ISM figures, sluggish price figures ([see](#)) and a dovish Fed. Additionally, the partial shutdown of the US government, with the border wall as the main issue, has not significantly affected the US economy so far. Meanwhile, **in Europe, Germany's worse-than-expected economic figures** ([see](#)) **contributed to maintaining sovereign rates subdued.**
- In this context, the **USD went down, allowing the euro to reach the 1.15 USD/EUR threshold** for the first time since late October 2018. The GBP remained very volatile as the Parliamentary vote on Brexit will take place next week with ongoing uncertainty. **Today the GBP appreciated on a potential delay of the Brexit date** ([see](#)). Most EM currencies benefited from the weaker dollar, with the main exception of the TRY. **Latam currencies benefited from the boost in oil prices** due, among other things, to the potential cut in oil supply by Saudi Arabia ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.53	-4.7	3.5	-24	4
US	2.68	-6.1	1.3	-23	0
GER (2-yr)	-0.59	0.0	0.4	-3	2
Germany	0.22	-3.2	-4.5	-12	-8
France	0.65	-2.8	-5.3	-9	-6
Spain	1.43	-2.0	-4.3	0	-4
Italy	2.86	-3.1	-4.2	-14	12
Portugal	1.69	-2.2	-11.4	-3	-3
Greece	4.30	-3.2	-10.8	3	-10
Japan (2-yr)	-0.15	0.1	3.0	-1	-1
Japan	0.02	-0.7	5.5	-4	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.24	-0.4	12.0	-78	0
Chile	4.26	-0.4	8.7	-13	1
Colombia	6.68	0.0	-10.7	-19	-7
Mexico	8.59	-3.3	14.8	-44	-5
Peru	5.27	-0.8	-7.6	-23	-9
Poland	2.76	-8.6	-5.2	-19	-7
Russia	8.47	-4.5	-30.9	-27	-31
Turkey	16.03	-19.0	-2.0	-122	23
India	7.60	1.3	15.4	19	23
Indonesia	7.98	4.4	-11.2	-23	-4
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	42	0.4	-0.8	3	2
Italy	263	0.1	0.3	-3	19
Portugal	147	1.0	-6.9	9	5
Spain	121	1.2	0.2	12	4
2-yr sovereign spread vs Germany					
France	13	-0.9	-2.1	-3	-3
Italy	107	-3.8	-2.7	-8	-2
Portugal	39	-1.9	5.4	13	13
Spain	39	1.2	-2.7	0	2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	182	3.4	-17	-23	-25
Chile	54	0.0	-8	-5	-9
Colombia	134	3.0	-21	-2	-25
Argentina	687	-13.2	-75	-23	-119
Mexico	137	4.2	-15	-11	-18
Peru	84	-0.2	-10	-8	-11
Poland	66	0.0	-1	-2	-2
Russia	144	1.8	-12	-10	-10
Turkey	367	2.1	0	-23	7
China	64	1.8	-7	-6	-4
India	108	0.7	-5	-7	-5
Indonesia	128	2.2	-14	-12	-9
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	20	0.0	-2	-2	-6
VSTOXX	18	-0.8	-3	-2	-6
EMEFT volatility Index	21	0.1	-3	-4	-4
Dollar/euro volatility	7	0.0	0	0	-1
EM FX volatility index	10	0.0	0	-1	0
Credit spread (BAA) (change in bps)	245	6.1	0	21	-1
US bonds volatility index	57	-0.4	-9	-2	-10
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.16	-	5	-13	3
EZ Inflation expectations (5Y5Y)	1.55	-	1	-8	-6
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	84	2.8	-13	14	2
EZ	118	2.8	-7	-4	-1
UK	95	1.0	-2	3	1
Large Spanish	85	1.4	-6	4	-2
Medium Spanish	108	-3.2	-3	-2	-4
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	2.8	-13	14	2
EZ Non-financial	93	2.8	-7	-4	-1
UK Non-financial	115	0.8	-7	-4	-4
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-1	-1
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.12	0	0	1	0
Libor 3m	2.80	0	0	2	0
Libor 12m	3.04	0	3	-5	3
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,584	-0.5	2.1	-2.5	3
Dow Jones	23,800	-0.8	1.6	-3.0	2
Nikkei	20,360	1.0	4.1	-5.8	2
FTSE 100	6,917	-0.4	1.2	0.5	3
EuroStoxx 50	3,067	-0.3	0.8	-1.3	2
IBEX	8,860	0.0	1.4	0.1	4
DAX	10,882	-0.4	1.1	-0.4	3
CAC	4,781	-0.5	0.9	-2.6	1
MIIB	19,266	-0.2	2.3	1.7	5
ASE Athens	636	0.4	3.3	-1.6	4
MSCI Latam *	91,547	0.2	2.9	6.8	6
Ibovespa (Brazil)	93,397	-0.4	1.7	7.4	6
Mexbol (Mexico)	43,436	-0.5	2.3	6.2	4
Merval (Argentina)	34,006	-0.5	5.3	9.4	12
MSCI EM Europe *	5,465	0.4	3.3	2.0	3
Poland	2,330	-0.2	2.0	2.4	2
Micex 10 (Russia)	4,370	0.7	2.6	2.8	4
Ise 100 (Turkey)	91,687	0.5	3.2	1.8	0
MSCI EM Asia *	800	0.2	4.8	1.0	2
Shanghai Com (China)	2,554	0.7	1.5	-1.9	2
Jakarta (Indonesia)	6,361	1.4	2.3	4.7	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	120.3	-0.8	-0.1	0.6	4
JPM	99.3	-1.1	-1.4	-1.7	2
Citi	56.5	0.1	2.5	0.9	9
BoA	25.6	-0.5	0.1	4.4	4
MS	41.2	-1.1	-0.2	1.0	4
GS	173.3	-1.6	-1.0	-2.0	4
EZ banks	71.8	-0.5	0.6	-3.3	4
BNP	41.1	-0.3	0.8	-2.0	4
Crédit Agricole	9.8	-0.6	0.6	-4.0	4
Deutsche Bank	7.4	-0.7	-0.1	-5.5	7
ING	9.8	-0.6	-0.4	-3.5	4
Intesa	2.0	-1.0	0.1	-0.6	3
SG	28.7	-0.5	1.0	-5.8	3
Unicredito	10.6	0.5	3.4	-2.3	7
UK banks	75.0	-0.6	0.9	1.1	3
HSBC	646.6	-0.7	-1.5	-1.5	0
RBS	225.6	0.7	2.0	8.2	4
Barclays	156.9	-1.6	1.1	-1.3	4
Lloyds	54.6	-0.4	3.4	2.3	5
Large Spanish banks	63.0	0.3	3.1	7.3	8
Santander	4.3	0.0	2.8	6.7	8
BBVA	5.0	0.6	3.4	7.9	8
Medium Spanish banks	57.8	-0.9	-2.2	-4.7	1
Caixabank	3.3	0.9	0.2	-3.8	3
Sabadell	1.0	-0.5	-1.8	-4.1	2
Bankinter	6.9	-1.9	-4.1	-5.2	-2
Bankia	2.6	-1.8	-2.4	-6.1	1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.147	-0.2	0.7	0.9	0
GBPUSD	1.28	0.4	0.6	1.3	0
USDJPY	108.34	0.1	0.2	4.6	1
DXY	95.70	0.2	-0.5	-1.4	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.17	-0.2	0.5	1.1	1
USDBRL (Brazil)	3.71	0.0	0.1	3.8	5
USDCPL (Chile)	674.38	0.2	1.2	0.5	3
USDCOP (Colombia)	3157	-0.6	1.2	0.4	3
USDMXN (Mexico)	19.16	-0.2	1.3	4.8	3
USDPEN (Peru)	3.34	0.0	0.1	0.5	1
LACI	55.96	-0.1	0.7	3.0	3
USDPLN (Poland)	3.75	-0.3	0.6	0.8	0
USDRUB (Russia)	67.09	-0.3	0.7	-1.0	3
USDTRY (Turkey)	5.49	-1.3	-2.9	-2.6	-4
USDCNY (China)	6.76	0.4	1.6	1.7	2
USDINR (India)	70.50	-0.1	-1.1	2.2	-1
USDIDR (Indonesia)	14048	0.0	1.6	3.9	2
ADXY	106.10	0.2	0.5	1.3	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	60.7	-1.6	6.4	1	13
WTx	52	-1.6	7.9	1	14
Copper	264	0.0	-0.3	-4	1
Gold	1291	0.3	0.5	4	1
S&P Spot commodity *	406	0.1	4.9	-1	8
S&P Brent Spot *	526	0.4	8.2	3	15
S&P Metals Spot *	320	-0.1	0.3	-3	0
S&P Agricultural *	288	-1.3	-0.3	-2	2

Source: Bloomberg, Datastream and Haver

* With one day delay