BBVA Research
Market Comment

Global growth concerns return to markets at the start of the week

- **Cautious mood in financial markets caused by fears of global slowdown, mainly after the release of disappointing Chinese trade figures** (see), and despite last week's progress in US-China trade talks. Key global markets' drivers for this week: in the US, the start of the 4Q18 earnings season (mainly for banks) coupled with economic data (consumer sentiment, industrial production, retail sales), which will be closely monitored after last week's FOMC minutes in which the Fed signalled a pause in the hiking cycle in 1Q19. Also, all eyes will be on political developments in UK, with Parliament voting on the Brexit deal tomorrow.

- In this context, **developed equity markets trimmed last week's rally**. European and US stocks showed losses, the latter ahead of the start of the 4Q18 earnings season. Today, Citigroup announced 4Q18 revenues well below forecast, although earnings were up YoY thanks to a slight fall in expenses and a lower effective tax rate (see). Meanwhile in Asia, **Chinese equity indices suffered from the release of weak trade figures**: the worse-than-expected export data (see) could reflect the impact of the US-China trade disputes and also constitute further signs of weakening of the Chinese economy.

- **Main developed core yields continued at their lower bound:** the US Treasury 10Y yield has not been able to surpass the 2.80% threshold while the partial US government shutdown entered its 24th day without any agreement so far (see). Meanwhile in Europe, the German 10Y Bund yield inched down amid the release of **weaker-than-expected industrial production data for the euro zone** (see), which weighed on ongoing concerns about the slowdown in global growth.

- **The USD was flat, while the GBP appreciated slightly ahead of tomorrow's key vote by Parliament on the Brexit deal** (see). The lower USD and the expected pause in the Fed's policy had favoured EM FX markets. However, today the TRY depreciated amid geopolitical factors (see) and ahead of Turkey's Central Bank meeting next Wednesday in which no changes are expected in the official rate.

- **Crude oil prices fell slightly** amid concerns about a decrease in oil demand by China amid the release of weaker economic indicators.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.54	-0.4	-0.4	-23	5
US	2.70	0.4	0.8	-21	2
GER (2-yr)	-0.60	-0.8	-1.1	-1	2
Germany	0.23	-0.8	-5.0	-11	-7
France	0.64	-2.5	-8.7	-9	-7
Spain	1.42	-2.7	-8.2	-1	-6
Italy	2.84	-1.2	-5.7	-11	10
Portugal	1.68	-2.2	-13.9	1	-4
Greece	4.30	-0.2	-8.2	6	-10
Japan (2-yr)	-0.15	0.0	1.7	0	-1
Japan	0.02	0.0	2.7	-4	1

Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.15	-3.7	-2.6	-66	-9
Chile	4.26	-0.8	7.0	-14	1
Colombia	6.95	1.1	16.0	11	20
Mexico	8.55	-5.9	1.0	-43	-9
Peru	5.29	0.7	-4.9	-24	-7
Poland	2.74	-3.6	-7.2	-23	-9
Russia	8.49	2.9	-29.2	-30	-29
Turkey	15.86	-17.0	-5.0	-140	6
India	7.22	-36.4	-41.4	-18	-15
Indonesia	8.01	2.5	12.5	-20	-2

Country risk (bp, changes in bp)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	-1.7	-3.7	2	0
Italy	261	-0.4	-0.7	0	17
Portugal	145	-1.4	-8.9	12	3
Spain	119	-1.9	-3.2	11	1
2-yr sovereign spread vs Germany					
France	13	-0.1	-2.0	-2	-2
Italy	103	-4.2	-6.8	-10	-6
Portugal	40	0.5	4.5	13	14
Spain	38	-0.7	-0.9	-2	1

Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	183	0.6	-7	-15	-24
Chile	54	0.2	-4	-3	-9
Colombia	136	1.9	-9	4	-23
Argentina	685	-2.0	-56	-13	-121
Mexico	138	1.2	-5	-5	-17
Peru	84	0.4	-5	-5	-11
Poland	66	0.0	-2	-2	-2
Russia	143	-1.0	-8	-7	-11
Turkey	369	2.4	10	-15	10
China	63	-0.8	-4	-2	-5
India	107	-0.8	-6	-7	-6
Indonesia	127	-0.7	-9	-6	-10

Risk indicators

Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	19	1.1	-2	-1	-6
VSTOXX	18	0.5	-2	-1	-6
EM EFT volatility Index	20	0.2	-3	-4	-4
Dollar/euro volatility	7	0.3	0	0	0
EM FX volatility index	10	0.1	0	0	0
Credit spread (BAA) (change in bps)	243	-0.4	0	18	-3
US bonds volatility index	56	-0.7	-5	0	-11

Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.19		6	-9	6
EZ Inflation expectations (5Y5Y)	1.54	-	0	-9	-6

Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	84	-0.5	-4	14	1
EZ	115	-3.4	-8	1	-5
UK	92	-3.2	-5	2	-3
Large Spanish	82	-2.8	-8	4	-5
Medium Spanish	115	6.6	5	3	3

Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	-0.5	-4	14	1
EZ Non-financial	91	-3.4	-8	1	-5
UK Non-financial	113	-1.2	-7	-2	-5

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	2.79	-1	-2	1	-1
Libor 12m	3.02	0	5	-8	1

Stock markets (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,580	-0.4	1.4	-2.5	3
Dow Jones	23,889	-0.4	1.5	-2.9	2
Nikkei	20,360	0.0	1.6	-6.7	2
FTSE 100	6,855	-0.9	0.6	-0.3	2
EuroStoxx 50	3,055	-0.5	0.7	-1.8	2
IBEX	8,819	-0.7	0.5	-1.2	3
DAX	10,856	-0.3	1.0	-0.6	3
CAC	4,763	-0.4	0.9	-2.7	1
MIB	19,171	-0.6	1.2	0.6	5
ASE Athens	630	-0.9	1.5	-2.9	3
MSCI Latam *	91,428	-0.1	2.2	6.2	6
Ibovespa (Brazil)	94,180	0.6	2.7	7.2	7
Mexbol (Mexico)	43,472	-0.2	1.5	4.7	4
Merval (Argentina)	33,960	0.2	2.9	9.5	12
MSCI EM Europe *	5,485	0.4	2.0	2.6	4
Poland	2,328	-0.3	-0.2	0.7	2
Micex 10 (Russia)	4,369	-0.1	2.5	2.5	4
Ise 100 (Turkey)	92,054	0.4	2.3	0.7	1
MSCI EM Asia *	803	0.4	3.9	0.0	3
Shanghai Com (China)	2,536	-0.7	0.1	-3.7	2
Jakarta (Indonesia)	6,336	0.1	1.0	3.6	2

Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	123.2	1.2	1.9	3.3	7
JPM	100.7	0.8	-0.1	-0.4	3
Citi	58.8	3.7	5.7	5.4	13
BoA	26.2	0.8	2.7	7.5	6
MS	42.0	0.7	0.8	3.5	6
GS	177.7	0.4	1.0	1.0	6
EZ banks	72.2	0.1	0.6	-3.3	5
BNP	41.6	0.6	2.3	-1.4	5
Crédit Agricole	10.0	0.7	2.2	-2.8	6
Deutsche Bank	7.5	0.1	-1.2	-5.1	7
ING	9.9	-0.6	0.2	-3.8	5
Intesa	2.0	-1.5	-2.5	-2.5	2
SG	29.0	0.6	2.2	-4.8	4
Unicredito	10.4	-1.9	-0.8	-5.0	5
UK banks	75.7	0.7	2.1	2.0	4
HSBC	639.4	-1.3	-0.4	-2.5	-1
RBS	232.5	3.0	3.8	10.2	7
Barclays	159.1	1.2	2.4	0.1	6
Lloyds	55.5	1.5	4.1	4.6	4
Large Spanish banks	62.6	-0.9	2.4	4.8	7
Santander	4.2	-0.9	1.5	4.3	7
BBVA	5.0	-0.9	3.2	5.3	8
Medium Spanish banks	57.6	-0.2	-2.7	-5.8	0
Caixabank	3.3	0.4	-0.1	-4.2	3
Sabadell	1.0	-0.6	-2.7	-5.5	2
Bankinter	6.8	-0.5	-4.8	-7.0	-3
Bankia	2.6	-0.1	-2.7	-4.9	4

Currencies (%, red for currency depreciation)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.148	0.1	0.0	1.0	0
GBPUSD	1.29	0.2	0.7	1.8	1
USDJPY	108.23	0.2	0.5	5.0	1
DXY	95.54	-0.1	-0.1	-1.6	-1

Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.04	-0.3	0.7	2.1	2
USDBRL (Brazil)	3.71	0.2	0.8	5.0	5
USDCLP (Chile)	673.15	0.2	1.0	1.3	3
USDCOP (Colombia)	3139	0.0	1.2	1.3	4
USDMXN (Mexico)	19.02	0.7	1.8	6.8	3
USDPEN (Peru)	3.34	0.1	0.3	0.3	1
LACI	56.17	0.2	1.1	4.3	3
USDPLN (Poland)	3.74	0.1	0.2	1.2	0
USDRUB (Russia)	67.01	-0.2	-0.5	-1.2	3
USDTRY (Turkey)	5.48	-0.3	-1.7	-2.6	-4
USDCNY (China)	6.77	-0.1	1.2	1.7	2
USDINR (India)	70.93	-0.6	-1.8	1.1	-2
USDIDR (Indonesia)	14125	-0.5	-0.3	2.6	2
ADXY	106.05	-0.1	0.4	1.3	1

Commodities (%)

	level	Daily	Weekly	Monthly	YTD
Brent	60.0	-0.8	4.7	-2	12
WTx	51	-0.5	5.8	-2	13
Copper	264	-1.1	0.0	-4	0
Gold	1291	0.2	0.1	4	1
S&P Spot commodity *	403	-0.7	3.5	-2	9
S&P Brent Spot *	516	-1.9	5.7	-2	13
S&P Metals Spot *	320	0.0	-0.3	-3	0
S&P Agricultural *	290	0.5	-0.4	-2	2

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