

Quiet start to the week in global financial markets

■ **There is calm in the financial markets after the past eventful week** in which, strong US jobs data, optimism about the US-China trade talks and positive earnings reports added to the Fed's dovish tone to boost risk assets. **After the delay of market expectation for further rate hikes by main Central Banks (especially the FED), the release of fresh economic data will be key from now on.** This week: US confidence and trade balance data and the update of the European Commission's economic forecast. Chinese markets will be closed this week due to new year holidays.

■ **Sovereign yields were mixed across core countries:** the US Treasury 10Y yield inched up, reaching levels above the 2.70% threshold ahead of tomorrow's State of the Union address. This event could be key to assess the likelihood of another potential shutdown as the border wall issue remains unresolved and the deadline is approaching (February 15th). In Europe, the German 10Y Bond yield remained at its recent lower bound while peripheral risk premia were broadly unchanged with **Italy's risk premium above 250 bps** after the worse-than-expected 4Q18 GDP growth release (technical recession).

■ **Equity markets were also mixed at the start of the week.** US equity indices were flat in the middle of relevant earnings reports with the US equity implied volatility (VIX) below 18%. Meanwhile, European equity markets continued underperforming led by the banking sector, among others.

■ **The USD appreciated against its main peers** and the GBP remained steady despite increasing uncertainty over Brexit negotiations and ahead of this week's Bank of England meeting, although it is not expected to change its stance. **In emerging currencies, the release of inflation data for some countries could drive their performance:** In Turkey it was in line with expectations ([see](#)) but the TRY depreciated slightly. Meanwhile, the MXN and the COP appreciated ahead of their inflation figures later this week.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.53	2.4	-6.3	15	4
US	2.72	3.9	-2.0	17	4
GER (2-yr)	-0.57	1.2	1.3	4	4
Germany	0.18	1.1	-2.8	-4	-13
France	0.59	1.2	-2.3	-7	-13
Spain	1.25	2.3	2.6	-18	-23
Italy	2.74	-1.1	7.1	-12	-1
Portugal	1.66	1.7	1.0	-25	-20
Greece	3.90	-2.1	-15.5	-51	-50
Japan (2-yr)	-0.17	0.4	-0.7	-3	-3
Japan	-0.01	0.3	-1.1	-1	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.80	10.1	-31.3	-37	-44
Chile	4.19	1.0	-2.8	2	-6
Colombia	6.88	-2.7	-18.0	13	13
Mexico	8.42	0.0	3.1	-15	-22
Peru	5.16	-1.1	-13.8	-18	-20
Poland	2.78	2.5	-3.1	5	-4
Russia	8.24	1.6	-16.6	-53	-54
Turkey	13.87	0.0	-94.0	-220	-193
India	7.41	3.3	7.6	-2	4
Indonesia	7.87	-2.8	-25.6	-23	-16
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	0.1	0.5	-3	0
Italy	256	-2.2	9.9	-9	12
Portugal	148	0.6	3.8	-21	-8
Spain	107	1.2	5.4	-15	-10
2-yr sovereign spread vs Germany					
France	12	0.0	0.5	-2	-3
Italy	99	-0.7	10.4	-18	-9
Portugal	36	-1.3	-3.7	3	10
Spain	32	-0.7	-0.7	-9	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	166	1.2	-4	-36	-41
Chile	47	0.0	-2	-15	-16
Colombia	121	-1.9	-7	-34	-37
Argentina	613	-9.1	-14	-173	-193
Mexico	136	0.1	5	-17	-19
Peru	75	-0.1	-2	-18	-20
Poland	65	0.0	0	-2	-3
Russia	135	4.8	4	-21	-19
Turkey	306	4.9	-9	-57	-53
China	55	0.8	-4	-15	-13
India	103	-1.5	-4	-12	-11
Indonesia	112	1.7	-4	-29	-25
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	16	-0.3	-3	-10	-10
VSTOXX	14	0.2	-2	-9	-10
EM EFT volatility Index	19	-0.3	-1	-7	-6
Dollar/euro volatility	6	-0.1	-1	-2	-2
EM FX volatility index	9	0.1	0	-1	-1
Credit spread (BAA) (change in bps)	229	-3.9	-8	-20	-17
US bonds volatility index	49	-1.0	-2	-17	-18
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.27	-	10	20	13
EZ Inflation expectations (5Y5Y)	1.51	-	0	-3	-10
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	64	0.3	-5	-21	-19
EZ	102	3.9	0	-19	-18
UK	78	2.7	0	-16	-17
Large Spanish	68	1.0	-1	-21	-20
Medium Spanish	110	-0.9	-3	-2	-3
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	185	0.3	-5	-21	-19
EZ Non-financial	83	3.9	0	-19	-18
UK Non-financial	107	-0.1	-3	-13	-12
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	-0.11	0	0	1	1
Libor 3m	2.73	0	-2	-6	-6
Libor 12m	2.96	-2	-7	-4	-5
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,712	0.2	2.6	10.8	8
Dow Jones	25,076	0.0	2.2	10.5	7
Nikkei	20,884	0.5	1.1	4.3	4
FTSE 100	7,034	0.2	4.3	5.1	4
EuroStoxx 50	3,164	-0.2	0.8	7.1	5
IBEX	8,956	-0.7	-1.2	5.1	5
DAX	11,177	0.0	-0.3	7.3	6
CAC	5,000	-0.4	2.3	8.4	6
MIB	19,556	-0.1	-0.3	7.3	7
ASE Athens	647	0.9	2.6	6.6	6
MSCI Latam *	94,423	0.3	0.4	6.4	9
Ibovespa (Brazil)	97,787	-0.1	2.5	6.8	11
Mexbol (Mexico)	43,738	0.0	0.3	4.0	5
Merval (Argentina)	37,115	1.4	6.5	19.5	23
MSCI EM Europe *	5,704	0.1	0.8	7.4	8
Poland	2,390	-0.1	0.8	6.4	5
Micex 10 (Russia)	4,528	-0.2	1.8	7.6	8
Ise 100 (Turkey)	102,255	-0.7	1.0	17.0	12
MSCI EM Asia *	844	0.3	1.5	9.4	8
Shanghai Com (China)	2,618	0.0	0.8	6.2	5
Jakarta (Indonesia)	6,481	-0.8	0.0	4.9	5
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	130.7	0.3	-1.4	12.8	13
JPM	103.6	-0.3	-0.3	6.7	6
Citi	63.7	0.0	-0.3	21.2	22
BoA	28.8	1.5	-2.8	17.3	17
MS	42.0	0.5	-1.5	5.9	6
GS	195.7	-0.4	-2.0	15.5	17
EZ banks	70.2	-1.4	-5.3	3.1	2
BNP	40.1	-1.9	-5.5	3.2	2
Crédit Agricole	9.7	-2.0	-4.2	4.6	3
Deutsche Bank	7.7	-0.6	-5.0	7.9	10
ING	10.2	-1.0	-2.9	8.9	8
Intesa	2.0	-0.1	-4.1	3.2	1
SG	25.8	-2.8	-8.5	-6.2	-7
Unicredito	9.7	-1.2	-9.6	0.6	-2
UK banks	77.1	-0.2	1.0	6.8	6
HSBC	640.1	0.2	1.4	-0.2	-1
RBS	243.5	-0.2	2.1	14.3	12
Barclays	158.4	-0.1	-1.0	5.4	5
Lloyds	57.8	-0.6	1.4	12.9	11
Large Spanish banks	62.2	-0.7	-7.2	5.6	7
Santander	4.0	-0.9	-4.2	0.5	1
BBVA	5.2	-0.5	-1.4	10.6	12
Medium Spanish banks	53.2	-3.1	-9.4	-6.4	-7
Caixabank	2.9	-4.5	-12.2	-6.6	-8
Sabadell	0.9	-4.8	-17.3	-13.3	-14
Bankinter	6.6	-2.1	-6.5	-5.1	-6
Bankia	2.4	-2.1	-4.7	-3.2	-5
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.143	-0.2	0.0	0.3	0
GBPUSD	1.31	-0.1	-0.8	3.4	2
USDJPY	109.99	-0.4	-0.6	-2.1	0
DXY	95.89	0.3	0.1	-0.4	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.17	0.0	-0.1	0.8	1
USDBRL (Brazil)	3.67	-0.4	2.6	2.4	6
USDCLP (Chile)	651.25	0.1	3.3	6.8	7
USDCOP (Colombia)	3086	0.2	2.4	4.9	5
USDMXN (Mexico)	19.05	0.3	-0.1	3.0	3
USDPEN (Peru)	3.33	0.1	0.9	1.2	1
LACI	56.61	0.0	1.4	3.0	4
USDPLN (Poland)	3.75	-0.2	0.1	0.4	0
USDRUB (Russia)	65.63	-0.2	0.9	4.9	6
USDTRY (Turkey)	5.22	-0.2	2.1	4.7	1
USDCNY (China)	6.74	0.0	0.0	1.9	2
USDINR (India)	71.81	-0.8	-1.0	-2.3	-3
USDIDR (Indonesia)	13962	-0.1	0.8	3.3	3
ADXY	106.28	0.0	0.1	1.2	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	62.1	-1.1	3.6	11	15
WTx	54	-2.1	4.0	15	19
Copper	278	0.3	3.5	8	6
Gold	1315	-0.2	0.9	2	3
S&P Spot commodity *	413	1.3	3.0	8	10
S&P Brent Spot *	534	3.1	4.9	12	17
S&P Metals Spot *	335	-0.4	2.2	7	5
S&P Agricultural *	290	0.4	-0.2	1	2

Source: Bloomberg, Datastream and Haver

* With one day delay