

## Uneventful State of the Union address but advance in US-China talks

Financial markets continued to show minor movements as yesterday's State of the Union address in the US did not bring any insight into the border with Mexico, the main issue to avoid a new shutdown with a clear deadline: February 15th. On another front, the US-China trade relations seems to be evolving positively as he said that a deal is possible, but China have to include structural changes (see). In this regard, the release of the US trade balance for November showed a narrow deficit, mainly due to a decrease in imports, among others from China (see). According to US Treasury Secretary, the US and China talks will continue (see) next week, while the US-North Korea meeting was confirmed for late February (see).

In this context, there were little movements across developed equity markets as both US and European stocks were relatively unchanged in the middle of the earnings seasons reports. Meanwhile, the US equity implied volatility (VIX) seemed to consolidate its recent levels, hovering around 15%.

The US Treasury 10Y yield inched down and positioned below 2.70%. In Europe, the release of disappointing factory orders for Germany dragged down the 10Y Bund yield and the EUR (see), but as the session went by, both were able to recover somewhat their lost ground.

The USD and the JPY appreciated slightly. Meanwhile, EM currencies depreciated across the board. The BRL underperformed others Latam currencies ahead of today's Central Bank policy meeting, in which markets do not expect any change in rates. The COP was steady despite the slightly lower-than-expected inflation figure for Colombia.

Crude oil prices rose despite the release of an increase in US crude oil inventories.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.52	-0.6	0.8	-2	3
<b>US</b>	2.69	-1.1	1.0	-1	0
GER (2-yr)	-0.55	1.1	1.1	3	6
<b>Germany</b>	0.16	-0.7	-2.5	-12	-14
France	0.58	-0.4	-2.0	-15	-13
Spain	1.26	-0.1	0.1	-25	-22
Italy	2.84	4.8	24.3	-6	10
Portugal	1.66	-0.3	-0.7	-30	-20
Greece	3.90	0.5	-2.4	-48	-50
Japan (2-yr)	-0.16	0.5	-0.1	1	-2
<b>Japan</b>	-0.01	-0.4	-1.8	0	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.87	6.9	-16.5	-30	-36
Chile	4.20	1.3	-2.5	0	-5
Colombia	6.86	-2.5	-15.8	6	10
Mexico	8.36	-0.6	-10.0	-18	-28
Peru	5.14	-0.3	-17.4	-21	-23
Poland	2.75	-0.5	-3.3	-6	-8
Russia	8.24	3.1	-14.4	-55	-54
Turkey	14.02	19.0	-37.0	-189	-178
India	7.36	-2.0	3.6	-28	-1
Indonesia	7.75	-12.0	-41.0	-14	-28
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	41	0.3	0.5	-3	1
Italy	268	5.5	26.8	6	24
Portugal	150	0.4	1.8	-18	-6
Spain	109	0.6	2.6	-13	-8
<b>2-yr sovereign spread vs Germany</b>					
France	12	0.2	0.7	-3	-3
Italy	104	2.7	20.7	-6	-5
Portugal	35	-1.0	-3.4	-1	9
Spain	31	-0.3	-2.0	-8	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	161	-3.1	-10	-29	-47
Chile	46	-0.7	-4	-12	-17
Colombia	115	-3.8	-15	-29	-43
Argentina	589	-16.3	-58	-152	-217
Mexico	129	-4.1	-4	-13	-25
Peru	72	-2.5	-6	-17	-23
Poland	65	0.0	0	-3	-3
Russia	133	-3.8	1	-18	-21
Turkey	296	-10.6	-29	-64	-64
China	53	-1.2	-5	-13	-14
India	103	0.0	-4	-10	-11
Indonesia	110	-2.1	-9	-26	-28
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	15	-0.5	-3	-6	-10
VSTOXX	14	0.0	-2	-7	-10
EM EFT volatility Index	19	0.1	-2	-5	-6
Dollar/euro volatility	6	0.0	-1	-1	-2
EM FX volatility index	9	-0.1	0	-1	-1
Credit spread (BAA) (change in bps)	229	1.1	-10	-13	-16
US bonds volatility index	49	-0.3	0	-12	-18
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.23	-	3	9	10
EZ Inflation expectations (5Y5Y)	1.50	-	1	-4	-10
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	63	-0.2	-7	-25	-20
EZ	101	-3.5	-1	-21	-18
UK	78	-2.2	0	-19	-17
Large Spanish	69	-2.6	-1	-22	-19
Medium Spanish	108	-1.3	-4	-2	-4
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	179	-0.2	-7	-25	-20
EZ Non-financial	80	-3.5	-1	-21	-18
UK Non-financial	105	-2.1	-4	-16	-14
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	1	0	-1
Euribor 3m	-0.31	0	0	0	0
<b>Euribor 12m</b>	-0.11	0	0	1	1
Libor 3m	2.74	0	-1	-7	-6
Libor 12m	2.99	1	-4	2	-3
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,731	-0.2	1.9	7.1	9
Dow Jones	25,393	-0.1	1.5	7.9	9
Nikkei	20,874	0.1	1.5	4.2	4
FTSE 100	7,173	-0.1	3.3	5.3	7
<b>EuroStoxx 50</b>	3,212	-0.1	1.6	5.9	7
IBEX	9,098	0.1	0.3	3.7	7
DAX	11,325	-0.4	1.3	5.4	7
CAC	5,079	-0.1	2.1	7.6	7
MIB	19,974	0.7	1.0	5.4	9
ASE Athens	654	0.3	2.9	5.4	7
<b>MSCI Latam *</b>	95,084	0.1	2.4	6.3	10
Ibovespa (Brazil)	96,531	-1.8	-0.5	5.3	10
Mexbol (Mexico)	44,381	0.1	1.7	3.6	7
Merval (Argentina)	37,093	-1.0	2.9	12.4	22
<b>MSCI EM Europe *</b>	5,742	0.7	1.3	6.8	9
Poland	2,414	0.2	2.4	3.6	6
Micex 10 (Russia)	4,541	-0.4	0.7	6.6	8
Ise 100 (Turkey)	102,584	0.1	-1.5	14.0	12
<b>MSCI EM Asia *</b>	845	0.3	2.1	9.4	8
Shanghai Com (China)	2,618	0.0	1.7	3.4	5
Jakarta (Indonesia)	6,548	1.0	1.7	4.4	6
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	130.7	-0.4	-1.4	8.0	13
JPM	103.6	-0.2	-0.7	2.8	6
Citi	63.7	-0.2	-0.8	14.6	22
BoA	28.6	-0.6	-1.6	11.9	16
MS	42.2	-0.7	-1.5	1.1	6
GS	196.6	-0.7	-2.9	11.7	18
<b>EZ banks</b>	73.7	2.9	-0.6	2.6	7
BNP	41.9	1.8	-1.1	2.9	6
Crédit Agricole	10.2	2.1	0.1	4.3	8
Deutsche Bank	7.9	1.2	-2.1	4.5	13
ING	11.1	6.1	4.8	12.1	18
Intesa	2.0	2.4	-1.0	0.4	5
SG	26.5	1.7	-6.0	-6.7	-5
Unicredit	10.3	4.4	-1.7	-1.4	4
<b>UK banks</b>	78.4	0.3	0.4	5.7	8
HSBC	650.6	-0.4	-0.2	1.3	1
RBS	249.8	1.1	2.7	11.5	15
Barclays	161.6	0.7	-0.2	4.0	7
Lloyds	58.3	0.4	-0.1	9.2	12
<b>Large Spanish banks</b>	63.3	0.4	-1.0	3.5	8
Santander	4.1	0.5	-1.8	-1.4	4
<b>BBVA</b>	5.2	0.3	-0.3	8.4	13
<b>Medium Spanish banks</b>	54.5	1.5	-7.0	-8.1	-5
Caixabank	2.9	0.1	-12.4	-10.0	-7
Sabadell	0.9	2.9	-13.5	-15.1	-11
Bankinter	6.7	1.4	-3.6	-6.0	-4
Bankia	2.6	2.2	-0.5	-4.2	0
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.138	-0.3	-0.9	-0.8	-1
GBPUSD	1.30	0.1	-1.2	1.4	2
USDJPY	109.76	0.2	-0.7	-0.9	0
DXY	96.25	0.2	1.0	0.6	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.53	-0.9	-0.1	-0.6	0
USDBRL (Brazil)	3.70	-0.9	-0.5	0.9	5
USDCLP (Chile)	654.57	-0.4	2.0	3.9	6
USDCOP (Colombia)	3106	0.0	1.8	2.3	5
USDMXN (Mexico)	19.11	-0.4	0.1	1.3	3
USDPEN (Peru)	3.33	0.0	0.8	0.8	1
LACI	56.32	-0.5	0.1	1.4	4
USDPLN (Poland)	3.78	-0.5	-1.1	-0.8	-1
USDRUB (Russia)	65.78	-0.3	-0.6	1.4	5
USDTRY (Turkey)	5.22	-0.3	0.2	3.2	1
USDCNY (China)	6.74	0.0	-0.4	1.6	2
USDINR (India)	71.56	0.0	-0.6	-2.6	-3
USDIDR (Indonesia)	13920	0.3	1.5	1.2	3
ADXY	106.25	-0.1	-0.4	0.5	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	62.8	1.3	1.8	9	17
WTx	54	1.1	0.1	12	19
Copper	284	0.8	2.4	7	8
Gold	1312	-0.3	-0.6	2	2
S&P Spot commodity *	410	-0.6	0.0	5	10
S&P Brent Spot *	527	-0.8	0.7	8	15
S&P Metals Spot *	339	0.0	1.5	6	6
S&P Agricultural *	292	0.2	0.7	0	3

Source: Bloomberg, Datastream and Haver

\* With one day delay