

Fears over global economic slowdown returned to markets

- After many days of calm, financial markets returned to risk-off mood with a significant drop in developed equity markets amid the resurface of fears over a global economic slowdown. The update of the **European Commission economic forecast, which signaled a cut in the euro zone economic growth and inflation rate, was one of the main drivers** today in financial markets ([see](#)).
- In this context, **the German 10Y Bund yield reached its lowest level since 2016** (currently hovering around 0.12%) **while the EUR depreciated somewhat**. The release of the disappointing industrial production data in Germany ([see](#)) also weighed on the EUR. Moreover, **the report showed that the slowest growth rate in the EU will be mostly explained by Italy**, widening its risk premia by around 14 bps ([see](#)), while other peripheral risk premia widened at a clearly slower pace. In line with this, the US Treasury 10Y yield declined to levels close to 2.65% while the USD remained flat.
- As expected, **the Bank of England left unchanged its interest rate at 0.75%, however it cuts its economic growth forecast for 2019** amid, among other things, to Brexit uncertainty ([see](#)). In this regard, today May sought in Brussels to reopen negotiations over the Brexit deal with the EU. They did not show any willingness to renegotiate the deal but remained open to reviewing the economic declaration with the Backdrop issue in the spotlight ([see](#)). All in all, the GBP appreciated as the positivism on Brexit offset the cut in the UK economy outlook.
- Regarding emerging markets, **currencies were mixed ahead of a series of central bank meetings**. The BRL depreciated despite the Central Bank of Brazil keeping its benchmark rate at 6.50% yesterday, as expected ([see](#)). The PEN was steady ahead of today's central bank meeting (no changes are expected) while the MXN was not able to benefit from the lower-than-expected inflation prints ([see](#)) and ahead of its central bank meeting later today.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.48	-4.1	2.6	-10	0
US	2.66	-3.4	3.2	-7	-2
GER (2-yr)	-0.58	-2.3	-1.4	0	3
Germany	0.12	-4.7	-3.4	-17	-19
France	0.55	-2.6	-0.3	-18	-16
Spain	1.24	-1.5	4.6	-27	-23
Italy	2.95	9.1	36.2	0	21
Portugal	1.66	-0.3	3.9	-30	-20
Greece	4.00	10.1	12.7	-34	-40
Japan (2-yr)	-0.16	0.2	0.7	-2	-2
Japan	-0.01	0.5	-1.3	-2	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.99	6.4	12.7	-15	-25
Chile	4.20	0.0	1.1	-1	-5
Colombia	6.90	1.2	-4.0	20	14
Mexico	8.28	-5.9	-11.8	-32	-36
Peru	5.13	-0.4	-9.9	-19	-23
Poland	2.74	-0.8	0.7	-12	-9
Russia	8.27	3.2	5.6	-51	-51
Turkey	14.12	10.0	30.0	-203	-168
India	7.33	-3.2	4.3	-21	-4
Indonesia	7.81	6.8	-19.7	-13	-21
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	44	2.1	3.1	-1	3
Italy	284	13.8	39.6	17	40
Portugal	154	4.4	7.3	-13	-2
Spain	113	3.2	8.0	-10	-5
2-yr sovereign spread vs Germany					
France	13	0.3	0.9	-2	-3
Italy	118	13.6	34.9	7	10
Portugal	38	3.3	2.2	1	12
Spain	33	2.3	2.3	-4	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	165	4.6	-3	-19	-42
Chile	47	1.2	-2	-8	-16
Colombia	116	1.5	-10	-19	-42
Argentina	605	16.0	-40	-118	-201
Mexico	132	2.6	-3	-3	-23
Peru	73	0.9	-3	-13	-22
Poland	65	0.0	0	-2	-3
Russia	135	1.7	0	-11	-19
Turkey	301	4.8	-17	-53	-59
China	54	0.3	-3	-12	-14
India	102	-0.5	-5	-10	-11
Indonesia	111	1.1	-5	-23	-27
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	17	1.9	1	-3	-8
VSTOXX	16	2.6	1	-3	-8
EM EFT volatility Index	20	1.2	0	-3	-5
Dollar/euro volatility	6	0.3	0	-1	-1
EM FX volatility index	9	0.1	0	-1	-1
Credit spread (BAA) (change in bps)	232	3.4	-6	-7	-14
US bonds volatility index	47	-1.2	-2	-12	-19
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.22	-	-3	4	8
EZ Inflation expectations (5Y5Y)	1.48	-	-2	-9	-13
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	63	0.2	-3	-22	-19
EZ	101	-1.0	0	-22	-19
UK	77	-1.0	0	-20	-18
Large Spanish	68	-1.0	-1	-21	-20
Medium Spanish	108	-0.2	-2	-3	-5
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	178	0.2	-3	-22	-19
EZ Non-financial	79	-1.0	0	-22	-19
UK Non-financial	103	-1.6	-6	-14	-15
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
Euribor 12m	-0.11	0	0	1	1
Libor 3m	2.74	0	0	-6	-6
Libor 12m	2.96	-2	-6	-3	-5
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,695	-1.3	-0.3	4.7	8
Dow Jones	25,015	-1.5	0.1	5.2	7
Nikkei	20,751	-0.6	-0.1	2.7	4
FTSE 100	7,094	-1.1	1.8	3.4	5
EuroStoxx 50	3,151	-1.9	-0.3	3.1	5
IBEX	8,938	-1.8	-1.3	1.0	5
DAX	11,022	-2.7	-1.4	2.0	4
CAC	4,986	-1.8	-0.1	4.4	5
MIB	19,478	-2.6	-1.3	2.5	6
ASE Athens	645	-1.4	1.7	3.0	5
MSCI Latam *	92,552	-2.7	-1.0	3.3	7
Ibovespa (Brazil)	94,104	-0.6	-3.4	2.3	7
Mexbol (Mexico)	43,716	-0.3	-0.6	0.4	5
Merval (Argentina)	35,920	-2.2	-1.1	9.1	19
MSCI EM Europe *	5,731	-0.2	0.8	6.0	8
Poland	2,371	-1.8	-0.4	2.0	4
Micex 10 (Russia)	4,481	-1.3	-1.2	5.5	7
Ise 100 (Turkey)	102,784	0.2	-1.2	13.3	13
MSCI EM Asia *	846	0.1	1.5	8.0	8
Shanghai Com (China)	2,618	0.0	1.3	3.6	5
Jakarta (Indonesia)	6,536	0.8	1.1	4.0	6
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	127.9	-2.4	-2.3	6.0	11
Citi	101.7	-1.9	-1.7	1.2	4
BoA	62.2	-2.7	-3.6	12.1	19
MS	28.0	-2.5	-1.6	9.8	14
GS	41.3	-2.5	-2.4	-0.4	4
GS	191.9	-2.4	-3.1	9.4	15
EZ banks					
BNP	71.2	-3.4	-1.0	-1.0	3
Crédit Agricole	40.8	-2.6	-0.4	-0.2	3
Deutsche Bank	9.9	-3.0	-1.0	0.5	5
ING	7.4	-6.3	-4.6	-3.0	6
Intesa	10.9	-1.8	5.3	9.2	15
SG	2.0	-2.7	-0.5	-1.2	2
SG	24.7	-6.8	-9.0	-13.7	-11
Unicredit	10.1	-1.9	0.5	-1.7	2
UK banks					
HSBC	76.5	-2.4	-0.5	2.2	5
RBS	240.0	-1.4	0.4	-1.2	-1
RBS	641.5	-3.9	-0.4	6.3	11
Barclays	156.4	-3.2	-1.1	-0.6	4
Lloyds	57.2	-1.8	-1.2	6.5	10
Large Spanish banks					
Santander	61.3	-3.1	-2.5	-0.5	5
Santander	4.0	-3.2	-3.4	-5.3	1
BBVA	5.1	-3.1	-1.8	4.2	10
Medium Spanish banks					
Caixabank	53.2	-2.3	-7.3	-10.8	-7
Sabadell	2.9	-1.8	-12.5	-11.8	-9
Sabadell	0.9	-3.8	-14.3	-18.4	-14
Bankinter	6.6	-1.8	-3.0	-8.7	-6
Bankia	2.5	-2.9	-2.4	-7.8	-3
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.136	0.0	-0.8	-0.7	-1
GBPUSD	1.30	0.3	-1.1	2.0	2
USDJPY	109.70	0.2	-0.7	-0.9	0
DXY	96.43	0.0	0.9	0.5	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.88	-0.9	-1.5	-0.8	-1
USDBRL (Brazil)	3.72	-0.6	-2.1	-0.3	4
USDCLP (Chile)	655.16	-0.1	-0.1	3.8	6
USDCOP (Colombia)	3117	-0.4	-0.3	1.1	4
USDMXN (Mexico)	19.11	0.0	0.0	1.3	3
USDPEN (Peru)	3.32	0.0	0.1	0.5	1
LACI	56.09	-0.4	-0.8	0.8	3
USDPLN (Poland)	37.79	-0.3	-1.9	-1.0	-1
USDRUB (Russia)	66.13	-0.4	-1.1	1.2	5
USDTRY (Turkey)	5.26	-0.9	-1.9	4.2	0
USDCNY (China)	6.75	0.0	-0.7	1.6	2
USDINR (India)	71.46	0.2	-0.5	-1.8	-2
USDIDR (Indonesia)	13973	-0.4	0.0	1.3	3
ADXY	106.13	-0.1	-0.6	0.6	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	61.1	-2.5	-1.2	4	14
WTx	52	-3.3	-2.9	5	15
Copper	283	-0.2	1.4	6	8
Gold	1311	0.3	-0.8	2	2
S&P Spot commodity *	412	0.4	1.0	4	10
S&P Brent Spot *	534	1.1	3.0	7	17
S&P Metals Spot *	338	-0.2	0.7	6	6
S&P Agricultural *	292	0.0	1.0	1	3

Source: Bloomberg, Datastream and Haver

* With one day delay