

The tone in markets improved with US-China trade talks in the spotlight

- Financial markets started the week on the front foot after last week's increase in volatility. **The continuation of US-China trade talks later this week increased the optimism about a potential agreement** before the increase of duties from the US to imports from China before the deadline (March 1st). **US politics are also in the spotlight** due to a new potential shutdown as the deadline (February 15th) approaches and negotiations remain stuck. The release of the US CPI, German's 4Q18 GDP, China's trade balance and Brexit negotiations could also be great drivers for markets.
- The **nomination of P. Lane** (Governor of the Central Bank of Ireland) to succeed P. Praet in May on the ECB board was not a surprise. His role in policy decisions will be key for the euro zone ([see](#)) given the challenging environment.
- Sovereign core yields inched up slightly from very subdued levels** in both the US and Germany (German yields recovered from multi-year lowest levels of 0.07% in 10Y). Meanwhile the peripheral risk premia have stabilized: Italy's risk premium narrowed while Spanish and Portuguese remained steady, the latter ahead of this week's rating update by Moody's.
- Developed equity markets inched up at the beginning of the week.** European stocks outperformed, while US equity indices were broadly flat. In Asia, Chinese equity markets closed up in their first session in a week due to holidays, favored, among other things, by **China's better-than-expected FX reserve for January** ([see](#)). The RMB consolidated levels below 6.90 RMB/USD.
- The **USD continued to appreciate against its main peers while the EUR remained with its downwards trend** hovering around 1.13 USD/EUR. The release of **worse-than-expected 4Q18 GDP figure in the UK** weighed on the GBP ([see](#)) ahead of news about Brexit this week. EM currencies depreciated against a strong dollar and the poor performance of oil prices.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.49	2.3	-4.9	-9	0
US	2.65	2.0	-7.0	-9	-3
GER (2-yr)	-0.57	0.6	-0.2	2	4
Germany	0.12	3.2	-5.8	-14	-18
France	0.57	2.5	-1.8	-11	-14
Spain	1.24	0.9	-0.2	-21	-23
Italy	2.90	-6.0	16.4	1	16
Portugal	1.65	0.3	-0.3	-20	-21
Greece	4.01	-0.8	10.4	-32	-39
Japan (2-yr)	-0.16	0.0	0.5	-2	-2
Japan	-0.03	0.0	-2.0	-5	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.11	7.7	34.7	-13	-12
Chile	4.10	-2.9	-9.4	-17	-16
Colombia	6.94	3.8	6.1	25	19
Mexico	8.34	5.5	-7.3	-28	-30
Peru	5.13	0.6	-3.5	-15	-23
Poland	2.74	0.9	-4.6	-11	-9
Russia	8.29	2.9	4.3	-23	-49
Turkey	14.22	14.0	35.0	-200	-158
India	7.36	2.2	-4.9	-23	-1
Indonesia	7.95	7.7	8.9	2	-7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	45	-0.7	4.0	9	4
Italy	278	-9.2	22.2	15	34
Portugal	154	-2.9	5.5	-7	-3
Spain	112	-2.3	5.6	-7	-5
2-yr sovereign spread vs Germany					
France	12	-0.8	0.0	-1	-3
Italy	116	-7.3	17.2	6	8
Portugal	36	-1.1	-0.3	-5	10
Spain	33	0.1	0.9	-5	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	172	3.6	6	-7	-35
Chile	49	1.3	2	-5	-14
Colombia	121	1.7	0	-10	-37
Argentina	632	9.1	19	-68	-174
Mexico	140	2.2	5	8	-15
Peru	76	1.1	1	-8	-19
Poland	65	-0.3	0	-1	-3
Russia	138	2.3	3	-4	-16
Turkey	315	8.2	9	-50	-45
China	58	1.7	3	-4	-10
India	103	0.7	1	-4	-10
Indonesia	116	2.0	4	-10	-21
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	16	0.6	1	-3	-9
VSTOXX	15	-1.1	1	-3	-9
EM EFT volatility Index	19	0.2	0	-2	-6
Dollar/euro volatility	6	0.1	1	0	-1
EM FX volatility index	9	0.1	0	-1	-1
Credit spread (BAA) (change in bps)	228	-2.0	-3	-14	-18
US bonds volatility index	50	0.7	1	-7	-17
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.19	-	-7	1	5
EZ Inflation expectations (5Y5Y)	1.45	-	-5	-11	-15
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	68	1.9	5	-13	-14
EZ	105	1.0	3	-10	-15
UK	80	0.6	2	-14	-14
Large Spanish	71	1.1	3	-13	-17
Medium Spanish	110	1.8	0	-2	-3
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	182	1.9	5	-13	-14
EZ Non-financial	85	1.0	3	-10	-15
UK Non-financial	106	1.0	0	-7	-12
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	-1
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.11	0	0	1	1
Libor 3m	2.70	0	-3	-10	-10
Libor 12m	2.94	-1	-3	-10	-8
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,708	0.0	-0.6	4.3	8
Dow Jones	25,053	-0.2	-0.7	4.4	7
Nikkei	20,333	0.0	-2.6	0.8	2
FTSE 100	7,129	0.8	1.4	2.7	6
EuroStoxx 50	3,166	1.0	0.0	2.9	5
IBEX	8,939	0.9	-0.4	0.9	5
DAX	11,015	1.0	-1.4	0.9	4
CAC	5,014	1.1	0.3	4.3	6
MIIB	19,587	1.2	-0.1	1.5	7
ASE Athens	655	0.7	1.1	3.4	7
MSCI Latam *	92,527	0.4	-2.0	1.3	7
Ibovespa (Brazil)	94,197	-1.2	-4.5	0.4	7
Mexbol (Mexico)	43,423	0.6	-0.7	-0.6	4
Merval (Argentina)	36,841	0.5	-0.8	7.8	22
MSCI EM Europe *	5,636	-0.5	-1.2	3.6	7
Poland	2,354	0.0	-1.5	0.8	3
Micex 10 (Russia)	4,503	0.4	-0.6	3.7	8
Ise 100 (Turkey)	104,395	1.9	2.1	14.5	14
MSCI EM Asia *	839	-0.7	-0.6	5.1	7
Shanghai Com (China)	2,654	1.4	1.4	4.7	6
Jakarta (Indonesia)	6,495	-0.6	-0.7	3.6	5
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	127.3	-0.4	-3.3	4.9	10
Citi	101.0	-0.4	-3.2	0.6	3
BoA	61.7	-0.5	-3.7	9.3	18
MS	28.3	-0.1	-2.1	9.8	15
GS	40.4	-1.0	-4.8	-3.0	2
US banks	191.6	-0.1	-3.1	8.8	15
EZ banks					
BNP	70.8	1.3	1.0	-1.8	3
Crédit Agricole	40.5	1.6	1.0	-1.7	3
Deutsche Bank	9.6	0.9	-0.8	-2.5	2
ING	7.4	2.4	-3.7	-1.5	6
Intesa	10.9	1.3	6.5	10.4	16
SG	24.2	0.5	-6.2	-16.1	-13
Unicredit	10.4	1.9	7.6	-0.8	5
UK banks					
HSBC	76.9	0.8	-0.2	2.0	6
RBS	650.5	1.3	1.6	-0.1	1
RBS	237.8	-0.5	-2.3	6.1	10
Barclays	156.8	0.6	-1.0	-1.6	4
Lloyds	57.7	1.5	-0.2	5.4	11
Large Spanish banks					
Santander	61.7	1.2	-0.8	-1.7	6
Santander	4.0	1.2	-0.5	-6.2	1
BBVA	5.1	1.1	-1.1	2.6	10
Medium Spanish banks					
Caixabank	53.9	1.6	1.2	-7.6	-6
Sabadell	3.0	2.5	1.3	-8.2	-7
Sabadell	0.9	0.9	0.1	-16.0	-13
Bankinter	6.7	1.6	1.0	-4.9	-5
Bankia	2.5	1.3	3.0	-5.0	-2
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.128	-0.4	-1.4	-1.9	-2
GBPUSD	1.29	-0.6	-1.4	0.9	1
USDJPY	110.39	-0.6	-0.5	-1.8	-1
DXY	97.04	0.4	1.2	1.6	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.19	-0.9	-2.7	-2.9	-1
USDBRL (Brazil)	3.77	-0.9	-2.7	-1.5	3
USDCLP (Chile)	663.07	-0.6	-1.8	1.9	5
USDCLP (Colombia)	314.02	-0.8	-1.8	-0.2	4
USDMXN (Mexico)	19.29	-1.1	-0.9	-0.8	2
USDPEN (Peru)	3.33	-0.2	0.0	0.4	1
LACI	55.56	-1.0	-1.8	-0.8	2
USDPLN (Poland)	3.84	-0.7	-2.3	-2.6	-3
USDRUB (Russia)	65.87	-0.7	-0.5	1.5	5
USDTRY (Turkey)	5.29	-0.8	-1.4	2.4	0
USDCNY (China)	6.79	-0.7	-0.7	-0.1	1
USDINR (India)	71.17	0.2	0.9	-1.1	-2
USDIDR (Indonesia)	14034	-0.6	-0.5	0.1	3
ADXY	105.84	-0.3	-0.4	-0.1	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	61.4	-1.2	-1.8	-1	14
WTx	52	-1.7	-5.1	-2	14
Copper	279	-0.7	-0.2	6	6
Gold	1310	-0.4	-0.2	2	2
S&P Spot commodity *	408	0.4	-1.2	1	9
S&P Brent Spot *	528	0.7	-0.7	1	15
S&P Metals Spot *	334	-0.8	-1.4	4	5
S&P Agricultural *	289	0.1	-0.8	0	2

Source: Bloomberg, Datastream and Haver

* With one day delay