

Potential deal to avoid US government shutdown boosts risk assets

- There is a **positive tone on the financial markets** after the announcement from **US lawmakers of a potential deal** that includes some funding for the border. This has somewhat allayed fears over another government shutdown ahead of this Friday's deadline ([see](#)). Moreover, there is a **positive sentiment on the US-China trade relationship** ahead of the resumption of high-level talks later in the week ([see](#)). On another front, Brexit negotiations continued to be uncertain.
- In this context, the **US Treasury 10Y yield continued to inch up**, approaching the 2.70% level while the **10Y Bund yield increased slightly** but remained at very subdued levels. Peripheral risk premia remained almost unchanged with **Italy's risk premium narrowing after the outcome of this weekend's regional elections** ([see](#)).
- Developed equity markets were up**, recovering partially from recent drops, mainly in Europe. Hopes of US-China trade developments along with the potential aversion of another US government shutdown were the main drivers, while positive earnings results ([see](#)) also helped.
- Regarding the UK, **May continues in her attempts to renegotiate the Brexit plan with the EU** while the backstop issue remains the main issue ([see](#)). May continued to defend reaching a deal within deadline, but as time goes by, even if an agreement is reached shortly, an extension of Article 50 seems likely if the necessary legislation is to be approved.
- The recent rally in the USD halted today**, and the EUR appreciated somewhat. Regarding EM currencies, these appreciated across the board. **Latam countries benefited the most from the rise in crude oil prices** (reaching levels above \$62 per barrel) due to reports showing a potential additional cut in crude oil production by Saudi Arabia ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.50	1.6	-2.0	-4	1
US	2.68	3.1	-1.4	-2	0
GER (2-yr)	-0.57	0.7	-0.1	2	4
Germany	0.13	1.1	-3.9	-11	-17
France	0.57	0.2	-1.4	-10	-14
Spain	1.24	-0.4	-1.8	-21	-24
Italy	2.85	-5.4	5.2	-1	10
Portugal	1.64	-1.7	-2.5	-21	-22
Greece	3.95	-6.2	4.8	-36	-45
Japan (2-yr)	-0.16	0.2	0.2	-1	-2
Japan	-0.01	1.6	-0.4	-3	-2
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.98	-5.3	18.0	-20	-25
Chile	4.10	-0.2	-8.9	-18	-16
Colombia	6.94	0.0	5.4	0	18
Mexico	8.40	-2.4	3.0	-22	-25
Peru	5.13	-0.1	-0.7	-15	-23
Poland	2.73	-0.4	-2.0	-4	-9
Russia	8.31	2.0	10.2	-15	-47
Turkey	14.19	-3.0	36.0	-184	-161
India	7.36	0.4	-2.2	-23	-1
Indonesia	7.93	-2.5	6.4	-5	-10
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	44	-0.9	2.5	7	3
Italy	272	-6.5	9.1	10	28
Portugal	151	-2.8	1.4	-10	-5
Spain	111	-1.5	2.1	-10	-7
2-yr sovereign spread vs Germany					
France	12	-0.5	-0.1	-2	-3
Italy	110	-6.4	9.0	3	1
Portugal	35	-2.2	-0.9	-5	9
Spain	31	-2.4	0.0	-8	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	174	1.7	10	-9	-34
Chile	50	0.4	3	-4	-14
Colombia	123	2.0	4	-11	-35
Argentina	641	8.3	36	-47	-166
Mexico	142	1.8	8	5	-13
Peru	76	0.2	2	-8	-19
Poland	65	0.0	0	-1	-3
Russia	139	0.4	2	-5	-15
Turkey	319	3.9	12	-48	-41
China	57	-1.2	2	-7	-11
India	102	-1.8	-1	-7	-12
Indonesia	116	-0.3	4	-12	-22
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	15	-0.5	0	-3	-10
VSTOXX	14	-0.9	1	-3	-10
EM EFT volatility Index	18	-1.2	-1	-3	-7
Dollar/euro volatility	6	0.0	0	0	-1
EM FX volatility index	9	0.1	0	-1	-1
Credit spread (BAA) (change in bps)	227	-3.0	-2	-16	-19
US bonds volatility index	48	-1.3	0	-8	-18
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.20	-	-5	1	7
EZ Inflation expectations (5Y5Y)	1.45	-	-5	-10	-15
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	68	-0.5	5	-16	-15
EZ	103	-1.8	-2	-15	-16
UK	80	0.2	0	-15	-14
Large Spanish	70	-0.4	-1	-15	-17
Medium Spanish	109	-0.8	0	0	-4
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	182	-0.5	5	-16	-15
EZ Non-financial	84	-1.8	-2	-15	-16
UK Non-financial	106	-0.1	-1	-8	-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	2.69	-1	-5	-11	-11
Libor 12m	2.92	-1	-6	-9	-9
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,740	1.1	0.1	5.5	9
Dow Jones	25,378	1.3	-0.1	5.8	9
Nikkei	20,864	2.6	0.1	2.5	4
FTSE 100	7,133	0.1	-0.6	3.1	6
EUROStoxx 50	3,191	0.8	-0.7	4.0	6
IBEX	9,002	0.7	-1.0	1.4	5
DAX	11,126	1.0	-2.1	2.2	5
CAC	5,056	0.8	-0.5	5.8	7
MIB	19,805	1.1	-0.1	2.7	8
ASE Athens	655	0.1	0.4	3.1	7
MSCI Latam *	91,952	-0.6	-3.2	0.4	7
Ibovespa (Brazil)	95,879	1.6	-2.5	2.4	9
Mexbol (Mexico)	43,379	0.2	-2.2	-0.4	4
Merval (Argentina)	37,636	1.7	0.4	11.1	24
MSCI EM Europe *	5,662	0.5	-0.7	3.6	7
Poland	2,371	0.7	-1.6	1.5	4
Micex 10 (Russia)	4,536	0.7	-0.5	3.7	8
Ise 100 (Turkey)	103,762	-0.6	1.3	13.2	14
MSCI EM Asia *	842	0.3	-0.2	5.2	8
Shanghai Com (China)	6,472	0.7	2.0	4.6	7
Jakarta (Indonesia)	2,626	-1.5	-0.9	1.5	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	129.6	1.8	-1.3	6.4	12
JPM	102.5	1.6	-1.2	2.6	5
Citi	62.9	2.1	-1.4	10.9	21
BoA	28.7	1.1	-0.2	10.4	17
MS	41.3	2.8	-2.6	-1.0	4
GS	195.2	2.0	-1.4	10.3	17
EZ banks	71.6	1.1	0.1	-0.7	4
BNP	41.0	1.2	-0.3	-0.9	4
Crédit Agricole	9.8	1.7	-1.6	-0.8	4
Deutsche Bank	7.5	2.2	-3.4	1.0	8
ING	10.9	0.2	4.6	10.9	16
Intesa	2.0	0.3	0.7	-0.2	3
SG	24.5	1.5	-5.9	-15.1	-12
Unicredit	10.7	2.3	7.8	0.7	8
UK banks	77.4	0.6	-0.9	3.1	6
HSBC	653.6	0.5	0.0	0.9	1
RBS	240.3	1.1	-2.7	6.5	11
Barclays	158.1	0.8	-1.5	0.5	5
Lloyds	58.0	0.4	-0.1	5.9	12
Large Spanish banks	62.2	0.8	-1.4	-1.5	7
Santander	4.0	-0.2	-2.4	-6.5	1
BBVA	5.2	1.7	-0.4	3.3	12
Medium Spanish banks	54.4	0.9	1.3	-5.9	-5
Caixabank	3.0	0.0	0.8	-8.9	-6
Sabadell	0.9	1.4	1.6	-14.4	-12
Bankinter	6.7	1.3	1.7	-1.5	-4
Bankia	2.5	1.1	1.3	-2.5	-1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.132	0.4	-0.8	-1.3	-1
GBPUSD	1.29	0.3	-0.4	0.4	1
USDJPY	110.50	-0.1	-0.5	-1.8	-1
DXY	96.81	-0.3	0.8	1.2	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.93	0.1	-1.9	-2.7	-1
USDBRL (Brazil)	3.71	1.2	-1.2	0.1	5
USDCLP (Chile)	660.60	0.4	-1.4	2.1	5
USDCOP (Colombia)	3132	0.3	-0.8	0.2	4
USDMXN (Mexico)	19.25	0.3	-1.1	-0.5	2
USDPEN (Peru)	3.33	0.0	-0.2	0.5	1
LACI	55.94	0.5	-1.2	-0.2	3
USDPLN (Poland)	3.83	0.2	-1.8	-2.2	-2
USDRUB (Russia)	65.56	0.4	0.1	2.0	6
USDTRY (Turkey)	5.26	0.3	-1.2	3.9	1
USDCNY (China)	6.77	0.3	-0.5	-0.2	2
USDINR (India)	70.72	0.6	1.2	-0.3	-2
USDIDR (Indonesia)	14068	-0.2	-0.8	-0.1	2
ADXY	106.15	0.3	-0.2	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	62.6	1.8	1.0	4	16
WTx	53	1.7	-0.7	3	17
Copper	276	-1.0	-1.9	4	5
Gold	1310	0.2	-0.4	2	2
S&P Spot commodity *	406	-0.4	-1.0	1	9
S&P Brent Spot *	524	-0.9	-0.7	2	14
S&P Metals Spot *	332	-0.8	-2.3	4	4
S&P Agricultural *	288	-0.4	-1.4	-1	2

Source: Bloomberg, Datastream and Haver

* With one day delay