

Markets remained optimistic regarding US-China trade talks

- **Financial markets continued with a positive sentiment** driven mainly by the optimism on the US-China trade relationship and the potential to avert another US government shutdown. Hopes for an ease in trade frictions rose after **Trump said that the March 1st deadline to increase tariffs on Chinese imports could be delayed** if significant progress is made during the high-level trade talks that will start tomorrow ([see](#)). However, a meeting between US and China leaders must be set in order to reach any final agreement.
- Against this backdrop, **the positive performance continued across developed equity markets**. US and European stocks were up once again with the US equity implied volatility VIX at levels below 20%. Similarly, Asian equity indices benefited from the positivism on trade developments.
- **Sovereign core yields ended little changed**: US yields inched up all along the curve with the US Treasury 10Y yield hovering around 2.70% after the release of slightly higher-than-expected inflation prints ([see](#)). These prints came after the comments from Kansas City Fed President Esther George, which showed support on the Fed's "wait-and-see" mood on rate hikes ([see](#)). In Europe, despite the weak industrial production data ([see](#)), the German 10Y Bund yield remained broadly steady.
- **The USD recovered its recent lost ground letting the EUR to depreciate ahead of tomorrow's 4Q18 GDP figure for Germany**. Most EM currencies depreciated, with Latam currencies underperforming once again despite the increase in oil prices. The ARS depreciated ahead of tomorrow's release of the CPI figure.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.52	1.6	-0.2	-1	3
US	2.69	0.5	-0.1	-1	1
GER (2-yr)	-0.56	0.7	-0.4	4	5
Germany	0.12	-0.9	-3.9	-11	-18
France	0.55	-1.5	-2.7	-9	-16
Spain	1.23	-0.6	-2.4	-19	-24
Italy	2.78	-6.1	-7.7	-6	4
Portugal	1.59	-4.4	-6.8	-23	-27
Greece	3.91	-3.3	0.6	-40	-49
Japan (2-yr)	-0.16	0.1	-0.2	-1	-2
Japan	-0.01	0.7	0.7	-2	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.92	-4.6	-0.7	-20	-32
Chile	4.11	-0.2	-9.6	-16	-14
Colombia	6.93	0.6	4.7	-7	18
Mexico	8.44	3.8	10.5	-11	-20
Peru	5.20	0.6	6.5	-9	-16
Poland	2.72	-1.5	-3.0	-2	-11
Russia	8.37	6.4	13.4	-12	-41
Turkey	14.29	10.0	27.0	-157	-151
India	7.29	-6.5	-6.6	7	-8
Indonesia	7.90	-2.7	15.7	-10	-12
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	43	-0.6	1.2	8	2
Italy	266	-5.2	-3.8	5	22
Portugal	147	-3.5	-2.9	-12	-9
Spain	111	0.3	1.5	-8	-6
2-yr sovereign spread vs Germany					
France	11	-1.0	-1.4	-3	-4
Italy	103	-7.1	-2.1	0	-6
Portugal	33	-1.7	-1.3	-7	7
Spain	30	-1.2	-0.9	-8	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	168	-5.3	8	-15	-39
Chile	48	-1.1	3	-6	-15
Colombia	120	-3.3	5	-16	-39
Argentina	625	-16.0	36	-61	-182
Mexico	138	-3.7	9	0	-17
Peru	75	-1.0	3	-9	-20
Poland	65	0.0	0	-1	-3
Russia	140	0.8	7	-3	-14
Turkey	312	-7.3	16	-58	-48
China	55	-1.5	2	-7	-12
India	100	-1.9	-3	-8	-14
Indonesia	114	-1.8	4	-13	-23
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	16	0.4	0	-3	-10
VSTOXX	14	-0.3	0	-4	-10
EM EFT volatility Index	18	0.4	-1	-2	-7
Dollar/euro volatility	6	0.1	0	-1	-1
EM FX volatility index	9	-0.2	0	-1	-1
Credit spread (BAA) (change in bps)	229	-0.5	0	-18	-17
US bonds volatility index	49	0.7	2	-6	-18
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.19	-	-5	1	6
EZ Inflation expectations (5Y5Y)	1.44	-	-6	-10	-16
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	66	-1.7	3	-17	-16
EZ	100	-3.6	-2	-15	-20
UK	79	-1.5	1	-13	-16
Large Spanish	68	-2.0	0	-14	-19
Medium Spanish	111	2.0	3	-4	-1
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	179	-1.7	3	-17	-16
EZ Non-financial	83	-3.6	-2	-15	-20
UK Non-financial	105	-1.5	0	-9	-14
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	0	-5	-9	-10
Libor 12m	2.92	-1	-7	-10	-10
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,749	0.2	0.6	6.4	10
Dow Jones	25,504	0.3	0.4	6.7	9
Nikkei	21,144	1.3	1.3	3.9	6
NITSE 100	7,192	0.8	0.3	4.9	7
EuroStoxx 50	3,205	0.5	-0.2	4.9	7
IBEX	8,986	0.0	-1.3	1.9	5
DAX	11,178	0.5	-1.3	3.0	6
CAC	5,079	0.4	0.0	6.6	7
MIIB	19,980	0.9	-0.1	4.2	9
ASE Athens	656	0.2	0.3	4.2	7
MSCI Latam *	93,004	1.1	-2.2	1.7	8
Ibovespa (Brazil)	95,389	-0.8	0.8	1.0	9
Mexbol (Mexico)	42,614	-1.2	-2.8	-1.8	2
Merval (Argentina)	37,217	-1.2	1.3	10.2	23
MSCI EM Europe *	5,706	0.8	-0.6	4.0	8
Poland	2,346	-1.0	-2.8	0.8	3
Micex 10 (Russia)	4,447	-2.0	-2.1	1.8	6
Ise 100 (Turkey)	101,646	-2.0	-0.9	10.4	11
MSCI EM Asia *	845	0.3	-0.1	5.2	8
Shanghai Com (China)	2,721	1.8	3.9	7.3	9
Jakarta (Indonesia)	6,419	-1.2	-1.0	0.9	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	130.2	0.7	-0.6	5.1	13
JPM	103.3	0.7	-0.4	2.3	6
Citi	63.2	0.9	-1.0	7.3	21
BoA	28.8	0.3	0.2	9.2	17
MS	41.4	0.6	-2.4	-2.6	4
GS	196.9	1.2	0.1	10.2	18
EZ banks	72.0	0.6	-2.2	-0.2	5
BNP	41.6	1.4	-0.7	-0.1	5
Crédit Agricole	9.9	0.9	-2.8	-0.7	5
Deutsche Bank	7.6	0.7	-4.0	1.6	9
ING	10.9	0.0	-1.4	10.2	16
Intesa	20.9	0.3	-1.4	1.5	4
SG	24.3	-0.7	-8.2	-16.2	-13
Unicredito	10.9	2.0	5.3	4.7	10
UK banks	77.8	0.5	-0.7	2.9	7
HSBC	659.6	0.9	1.4	3.2	2
RBS	242.1	0.7	-3.1	4.1	12
Barclays	158.3	0.2	-2.0	-0.5	5
Lloyds	58.0	0.0	-0.5	4.4	12
Large Spanish banks	61.7	-0.9	-2.6	-1.5	6
Santander	4.0	0.1	-2.8	-5.6	1
BBVA	5.1	-1.7	-2.5	2.5	10
Medium Spanish banks	54.4	0.1	0.0	-5.5	-5
Caixabank	3.0	-0.1	0.6	-9.4	-7
Sabadell	0.9	2.3	1.0	-11.9	-10
Bankinter	6.7	-0.5	-0.3	-1.5	-4
Bankia	2.5	-0.2	-1.1	-2.7	-1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.129	-0.4	-0.7	-1.6	-2
GBPUSD	1.29	-0.2	-0.5	0.0	1
USDJPY	110.84	-0.3	-0.8	-2.4	-1
DXY	97.00	0.3	0.6	1.5	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.16	-0.5	-1.6	-3.1	-1
USDBRL (Brazil)	3.75	-1.1	-1.4	-1.5	3
USDCLP (Chile)	663.74	-0.5	-1.4	1.4	5
USDCOP (Colombia)	313.39	-0.4	-1.1	0.1	4
USDMXN (Mexico)	19.42	-0.8	-1.6	-2.2	1
USDPEN (Peru)	3.34	-0.2	-0.4	0.2	1
LACI	55.51	-0.7	-1.4	-1.3	2
USDPLN (Poland)	3.84	-0.5	-1.6	-2.6	-3
USDRUB (Russia)	65.88	0.0	0.0	1.7	5
USDTRY (Turkey)	5.28	-0.5	-1.2	3.1	0
USDCNY (China)	6.76	0.2	-0.3	0.1	2
USDINR (India)	70.81	-0.1	1.1	0.2	-1
USDIDR (Indonesia)	14059	0.1	-1.0	0.5	2
ADXY	106.03	-0.2	-0.2	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	63.6	1.8	1.4	8	18
WTx	54	1.9	0.2	7	19
Copper	277	-0.2	-2.3	5	5
Gold	1313	0.1	0.5	2	2
S&P Spot commodity *	410	1.0	-0.4	3	10
S&P Brent Spot *	531	1.4	-0.5	5	16
S&P Metals Spot *	328	-0.9	-3.0	3	3
S&P Agricultural *	291	1.0	-0.4	1	3

Source: Bloomberg, Datastream and Haver

* With one day delay