

Central Banks minutes had mild impact on markets

- Calm in financial markets amid two days of high-level trade talks that started today, but now in the US, followed by the Liu He - Trump meeting tomorrow. Meanwhile, all eyes are on the release of multiple Memoranda of Understanding (MoU) which have been prepared by the negotiators and will detail key issues and agreements. However a final deal will be made after an unscheduled Trump-Xi meeting [\(see\)](#). On the other hand, the release of minutes from the ECB and the FOMC's January meetings held the attention of investors.
- Yesterday, the minutes from January's FOMC confirmed that the decision to shift to a "patient" policy stance was mainly driven by increasing concerns about downside risks. In fact, "roughly balanced" was removed from the statement based on the committee's concerns about a "sharper-than-expected slowdown in global economic growth, particularly in China and Europe, a rapid waning of fiscal policy stimulus, or a further tightening of financial market conditions." Members also expressed worries that longer-run inflation expectations were lower than levels consistent with the 2% target. In terms of future actions, further rate hikes could take place if the economy grows as expected and the inflation outlook is higher. Regarding the balance sheet normalization plans, they hinted that the wind down could end sooner and suggested that the terminal level will be higher than previously expected. The shift in policy was supported by the committee's decision to implement monetary policy through a "floor system", which requires an abundant supply of excess reserves.
- After the release, the impact on US markets was mild and today the USD remained stable. Today, the US Treasury 10Y yield increased due to better-than-expected confidence indicator in the US [\(see\)](#), while the cut in the 1Q19 GDP growth by S&P has so far had a muted impact [\(see\)](#).
- Meanwhile, today's ECB minutes did not surprise markets, but reinforced serious concerns over the slowdown in the economy, as it seemed to be deeper than expected [\(see\)](#). This release did not have a significant impact on the markets: the EUR remained broadly flat, hovering around 1.13 against the USD. The 10Y Bund yield was positioned above 0.12%, favored by the release of better-than-expected PMIs services for Germany [\(see\)](#) and the Eurozone [\(see\)](#), while the final inflation print for Germany did not miss market expectations.
- Main developed equity indices were mixed: US stocks fell slightly after the positive trend during recent sessions, and negated some of the recent gains, while European equity markets were flat.
- In FX markets, the GBP was steady despite UK's negative outlook given by Fitch amid the uncertainty of the Brexit negotiations [\(see\)](#). Meanwhile, most EM currencies depreciated: the BRL underperformed Latam currencies, while the focus will remain on discussions about the pension reform plan. The MXN also depreciated amid fears over Pemex outlook showed on the minutes from Banxico [\(see\)](#).

Update 17:55 CET 21 February 2019

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.53	3.1	3.5	-6	4
US	2.69	4.5	3.6	-5	1
GER (2-yr)	-0.56	1.2	-0.3	3	5
Germany	0.13	2.7	2.4	-11	-18
France	0.54	1.6	1.3	-10	-17
Spain	1.20	0.3	-3.9	-13	-27
Italy	2.83	-2.7	3.0	9	9
Portugal	1.51	-0.7	-6.2	-36	-35
Greece	3.80	1.6	-6.7	-33	-60
Japan (2-yr)	-0.18	-0.2	-1.2	-1	-4
Japan	-0.04	-0.5	-2.4	-4	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.00	4.1	21.4	-10	-23
Chile	4.13	-0.2	1.0	-18	-12
Colombia	6.90	0.8	-1.2	-13	15
Mexico	8.27	-0.6	-10.3	-38	-37
Peru	5.15	-0.2	-3.4	-14	-21
Poland	2.80	14.8	9.5	-6	-3
Russia	8.45	-1.7	-5.9	4	-33
Turkey	14.82	1.0	31.0	-54	-98
India	7.35	1.3	2.0	5	-2
Indonesia	7.96	5.1	-4.0	-15	-7
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	42	-1.1	-1.1	7	1
Italy	271	-5.4	0.6	20	27
Portugal	139	-3.4	-8.6	-25	-18
Spain	108	-2.4	-6.3	-2	-10
2-yr sovereign spread vs Germany					
France	11	-0.3	0.1	0	-4
Italy	103	-1.9	-0.5	11	-6
Portugal	33	-0.9	-0.7	-10	7
Spain	30	-0.8	-0.1	-6	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	164	1.6	-6	-6	-44
Chile	48	0.2	0	1	-15
Colombia	115	-0.8	-4	-8	-43
Argentina	677	19.0	50	34	-129
Mexico	135	1.4	-4	8	-20
Peru	74	0.2	-1	-2	-21
Poland	65	0.0	0	-1	-3
Russia	139	-1.7	-1	8	-15
Turkey	317	4.6	9	-12	-43
China	52	-1.0	-1	-7	-16
India	93	-0.1	-4	-13	-21
Indonesia	109	-1.3	-1	-13	-29
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	15	0.6	-2	-6	-11
VSTOXX	14	0.1	-1	-2	-10
EM EFT volatility Index	18	0.1	0	-4	-7
Dollar/euro volatility	6	0.1	0	0	-1
EM FX volatility index	9	0.1	0	0	-1
Credit spread (BAA) (change in bps)	219	-4.7	-12	-19	-27
US bonds volatility index	45	-0.5	-3	-10	-22
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.25	-	5	5	11
EZ Inflation expectations (5Y5Y)	1.44	-	0	-10	-17
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	65	0.6	1	-6	-18
EZ	91	-3.4	-8	-13	-29
UK	71	-1.8	-6	-9	-23
Large Spanish	62	-3.2	-7	-10	-26
Medium Spanish	106	-2.6	-1	-7	-6
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	228	0.6	1	-6	-18
EZ Non-financial	79	-3.4	-8	-13	-29
UK Non-financial	102	-0.8	-1	-9	-17
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	2.66	2	-2	-11	-13
Libor 12m	2.87	-2	-4	-17	-14
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,776	-0.3	1.1	5.4	11
Dow Jones	25,886	-0.3	1.8	6.1	11
Nikkei	21,464	0.2	1.5	4.1	7
FTSE 100	7,167	-0.8	-0.4	3.9	7
EuroStoxx 50	3,264	0.1	2.5	4.8	9
IBEX	9,191	0.1	2.7	1.7	8
DAX	11,423	0.2	3.0	3.0	8
CAC	5,196	0.0	2.6	7.2	10
MIIB	20,210	-0.5	1.9	4.0	10
ASE Athens	677	0.8	3.5	7.5	10
MSCI Latam *	93,371	-0.5	1.1	0.1	8
Ibovespa (Brazil)	96,083	-0.5	-2.0	1.0	9
Mexbol (Mexico)	43,153	-0.1	1.0	-1.4	4
Merval (Argentina)	36,311	-0.5	-2.9	6.7	20
MSCI EM Europe *	5,644	1.3	0.7	1.5	7
Poland	2,340	-1.3	0.9	-0.8	3
Micex 10 (Russia)	4,387	-0.9	0.3	-2.1	5
Ise 100 (Turkey)	102,494	0.5	0.4	2.8	12
MSCI EM Asia *	852	1.2	0.4	3.7	9
Shanghai Com (China)	2,752	-0.3	1.2	6.7	10
Jakarta (Indonesia)	6,538	0.7	1.8	1.3	6
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	131.9	-0.8	2.7	1.0	14
JPM	105.2	-0.5	2.7	2.2	8
Citi	64.3	-0.6	2.9	3.9	23
BoA	29.2	-0.6	2.9	0.5	19
MS	41.8	-1.4	2.8	-1.3	6
GS	196.6	-1.0	2.1	-0.6	18
EZ banks	73.5	-1.4	4.0	0.7	7
BNP	41.6	-2.3	2.9	0.2	5
Crédit Agricole	10.5	-0.9	7.1	4.2	11
Deutsche Bank	7.7	-0.4	3.8	-2.5	10
ING	11.0	-1.3	2.1	5.6	16
Intesa	2.0	-0.8	2.8	0.7	5
SG	25.0	-1.3	5.0	-10.2	-10
Unicredit	11.1	-2.8	4.3	6.8	12
UK banks	78.2	-1.6	0.9	1.2	7
HSBC	623.1	-3.2	-5.7	-2.8	-4
RBS	255.2	-1.1	5.6	6.5	18
Barclays	160.8	-0.1	2.4	-1.5	7
Lloyds	60.3	-1.3	5.1	5.0	16
Large Spanish banks	63.4	-0.1	4.2	-3.8	9
Santander	4.1	0.1	4.4	-3.8	4
BBVA	5.2	-0.2	3.9	1.0	13
Medium Spanish banks	56.2	-0.3	4.0	-3.0	-2
Caixabank	3.0	-0.8	2.9	-7.4	-5
Sabadell	1.0	0.2	5.3	-7.2	-5
Bankinter	6.9	-0.1	4.2	-1.3	-1
Bankia	2.6	-0.3	4.3	3.7	1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.133	-0.1	0.3	-0.2	-1
GBPUSD	1.31	0.0	1.9	0.8	2
USDJPY	110.77	0.1	-0.3	-1.3	-1
DXY	96.55	0.1	-0.4	0.3	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	39.55	0.3	-3.4	-5.1	-5
USDBRL (Brazil)	3.76	-0.9	-1.2	1.1	3
USDCLP (Chile)	654.10	-0.2	2.0	2.7	6
USDCOP (Colombia)	3125	-0.4	0.8	0.6	4
USDMXN (Mexico)	19.29	-0.4	-0.2	-0.6	2
USDPEN (Peru)	3.32	0.0	0.6	0.5	2
LACI	55.51	-0.4	-0.5	0.1	2
USDPLN (Poland)	3.83	-0.2	0.1	-1.4	-2
USDRUB (Russia)	65.49	0.2	1.8	1.5	6
USDTRY (Turkey)	5.33	-0.1	-1.0	0.2	-1
USDCNY (China)	6.72	0.0	0.7	1.3	2
USDINR (India)	71.24	-0.2	-0.1	0.3	-2
USDIDR (Indonesia)	14071	-0.2	0.1	1.1	2
ADXY	106.33	-0.1	0.3	0.8	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	66.9	-0.3	3.6	9	24
WTx	57	-0.1	4.5	8	25
Copper	291	-0.8	4.8	8	11
Gold	1330	-0.6	1.3	3	4
S&P Spot commodity *	427	0.7	2.6	5	14
S&P Brent Spot *	571	1.0	4.0	9	25
S&P Metals Spot *	338	1.2	3.2	4	6
S&P Agricultural *	285	-0.2	-0.9	-2	1

Source: Bloomberg, Datastream and Haver

* With one day delay