

## Positive mood remained in markets ahead of an eventful week

- There has been positive sentiment in the financial markets given the progress on trade talks.** Following last Friday's meeting between Trump and Liu He, talks were extended through the weekend amid optimism on both sides. During negotiations, Trump showed highly positivism on the issue and said he will delay the March 1st trade truce deadline, but it is unknown by how ([see](#)). Another **key event this week will be the Fed's Powell semi-annual address** after last week's FOMC minutes, which showed a "patient" Fed on rates and a shift in the balance sheet strategy. Also, Brexit developments will be closely followed while the release of confidence indicators in the US, EZ and China coupled with the US 4Q18 GDP could be drivers for markets this week.
- Against this backdrop, equity markets increased across the board:** US and European equity indices started the week showing gains. Asian markets were no exception, spurred by **the surge in Chinese equity indices** amid optimism on trade, while the RMB appreciated.
- Sovereign core yields increased:** the US Treasury 10Y yield rose while the German 10Y Bund yield also inched up. **The Italian risk premia narrowed after Fitch affirmed Italy's credit rating last Friday** (BBB with a negative outlook) and amid the outcome of last weekend regional elections ([see](#)).
- The USD and the EUR remained broadly steady at the start of the week.** Also, the GBP was flat despite Brexit negotiations, which remained stuck. This Wednesday's round of votes on Brexit path will be key; however, the amendments are still unknown. In this context, **May announced a "meaningful" vote on Brexit, which will be held on March 12th** ([see](#)).
- Most EM currencies appreciated slightly** against a stable USD: the MXN appreciated, favored by last Friday's release of lower-than-expected inflation prints ([see](#)). Today's sharp fall in crude prices after Trump's comments ([see](#)) did not penalized Latam currencies.

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| Debt markets (10Y, %, changes in bp)         |         |       |        |         |      |
|--|---------|-------|--------|---------|------|
| Developed Markets                            | level   | Daily | Week   | Month   | YTD  |
| US (2-yr)                                    | 2.51    | 2.1   | 0.0    | -5      | 3    |
| <b>US</b>                                    | 2.68    | 2.9   | 1.8    | -4      | 0    |
| GER (2-yr)                                   | -0.56   | 0.5   | 0.7    | 2       | 5    |
| <b>Germany</b>                               | 0.11    | 1.3   | -0.1   | -7      | -19  |
| France                                       | 0.52    | 0.7   | -2.2   | -6      | -19  |
| Spain  | 1.16    | -1.2  | -6.4   | -8      | -31  |
| Italy  | 2.77    | -7.6  | 0.5    | 11      | 3    |
| Portugal                                     | 1.47    | -1.9  | -4.8   | -33     | -40  |
| Greece                                       | 3.79    | -2.4  | 1.0    | -36     | -61  |
| Japan (2-yr)                                 | -0.17   | 0.4   | 0.1    | -1      | -3   |
| <b>Japan</b>                                 | -0.04   | 0.2   | -1.3   | -5      | -4   |
| Emerging Markets                             | level   | Daily | Weekly | Monthly | YTD  |
| Brazil                                       | 8.90    | -4.6  | -1.2   | -18     | -33  |
| Chile  | 4.12    | 0.2   | -1.1   | -12     | -13  |
| Colombia                                     | 6.85    | -0.9  | -4.2   | -20     | 10   |
| Mexico                                       | 8.17    | -6.6  | -14.2  | -29     | -47  |
| Peru   | 5.15    | -0.4  | -1.2   | -15     | -21  |
| Poland                                       | 2.91    | 14.1  | 21.1   | 8       | 8    |
| Russia                                       | 8.40    | -4.7  | -2.2   | 5       | -38  |
| Turkey                                       | 14.62   | -15.0 | 22.0   | -43     | -118 |
| India  | 7.42    | 0.1   | 5.1    | 11      | 5    |
| Indonesia                                    | 7.90    | -4.6  | -10.4  | -22     | -13  |
| Country risk (bp, changes in bp)             |         |       |        |         |      |
| Developed Markets                            | level   | Daily | Weekly | Monthly | YTD  |
| <b>10-yr sovereign spread vs Germany</b>     |         |       |        |         |      |
| France                                       | 41      | -0.6  | -2.1   | 7       | 1    |
| Italy  | 266     | -8.9  | 0.6    | 18      | 22   |
| Portugal                                     | 136     | -3.2  | -4.7   | -25     | -20  |
| Spain  | 105     | -2.5  | -6.3   | -1      | -12  |
| <b>2-yr sovereign spread vs Germany</b>      |         |       |        |         |      |
| France                                       | 11      | -0.5  | -0.5   | -1      | -5   |
| Italy  | 96      | -12.1 | 1.2    | 10      | -13  |
| Portugal                                     | 32      | -0.9  | -1.6   | -8      | 6    |
| Spain  | 29      | -0.1  | -2.1   | -5      | -8   |
| Emerging Markets                             | level   | Daily | Weekly | Monthly | YTD  |
| <b>5-yr sovereign CDS *</b>                  |         |       |        |         |      |
| Brazil                                       | 162     | -3.3  | 1      | -9      | -46  |
| Chile  | 47      | -1.3  | -1     | -2      | -16  |
| Colombia                                     | 112     | -3.7  | -6     | -17     | -46  |
| Argentina                                    | 649     | -24.1 | 5      | 12      | -157 |
| Mexico                                       | 133     | -2.9  | -3     | 2       | -22  |
| Peru   | 73      | -1.2  | -1     | -4      | -22  |
| Poland                                       | 65      | 0.0   | 0      | -1      | -3   |
| Russia                                       | 134     | -3.8  | -9     | 4       | -20  |
| Turkey                                       | 317     | -2.2  | 7      | -4      | -42  |
| China  | 52      | -0.4  | -1     | -9      | -16  |
| India  | 92      | -0.4  | -5     | -16     | -22  |
| Indonesia                                    | 109     | -0.9  | -2     | -14     | -29  |
| Risk indicators                              |         |       |        |         |      |
| Volatility indicators                        | level   | Daily | Weekly | Monthly | YTD  |
| VIX  | 14      | 0.3   | -1     | -5      | -12  |
| VSTOXX                                       | 14      | -0.1  | -1     | -2      | -10  |
| EM EFT volatility Index                      | 17      | 0.2   | -1     | -3      | -8   |
| Dollar/euro volatility                       | 6       | -0.2  | -1     | -1      | -2   |
| EM FX volatility index                       | 9       | -0.1  | 0      | 0       | -1   |
| Credit spread (BAA) (change in bps)          | 222     | -2.7  | -6     | -15     | -23  |
| US bonds volatility index                    | 47      | 0.7   | 1      | -7      | -19  |
| Inflation expectations                       | level   | Daily | Weekly | Monthly | YTD  |
| US Inflation expectations (5Y5Y)             | 2.28    | -     | 11     | 12      | 14   |
| EZ Inflation expectations (5Y5Y)             | 1.45    | -     | 0      | -7      | -15  |
| Banking 5y CDS                               | level   | Daily | Weekly | Monthly | YTD  |
| US   | 66      | 0.0   | 1      | -8      | -17  |
| EZ   | 91      | 0.9   | -7     | -14     | -28  |
| UK   | 71      | 0.6   | -5     | -10     | -23  |
| Large Spanish                                | 61      | 0.5   | -8     | -12     | -27  |
| Medium Spanish                               | 107     | 0.1   | -1     | -6      | -5   |
| Corporate 5y CDS                             | level   | Daily | Weekly | Monthly | YTD  |
| US Non-financial                             | 304     | 0.0   | 1      | -8      | -17  |
| EZ Non-financial                             | 79      | 0.9   | -7     | -14     | -28  |
| UK Non-financial                             | 102     | -0.5  | -3     | -11     | -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    |
| <b>Euribor 12m</b>                           | -0.11   | 0     | 0      | 1       | 1    |
| Libor 3m                                     | 2.65    | 0     | -4     | -12     | -15  |
| Libor 12m                                    | 2.89    | 0     | -1     | -14     | -12  |
| Stock markets (%)                            |         |       |        |         |      |
| Main indices                                 | level   | Daily | Weekly | Monthly | YTD  |
| <b>S&amp;P500</b>                            | 2,810   | 0.6   | 1.2    | 6.3     | 12   |
| Dow Jones                                    | 26,209  | 0.7   | 1.3    | 6.7     | 12   |
| Nikkei                                       | 21,528  | 0.5   | 1.2    | 4.6     | 8    |
| FTSE 100                                     | 7,184   | 0.1   | -0.5   | 5.3     | 7    |
| <b>EuroStoxx 50</b>                          | 3,280   | 0.3   | 1.1    | 4.9     | 9    |
| IBEX   | 9,204   | 0.0   | 0.5    | 0.6     | 8    |
| DAX  | 11,505  | 0.4   | 1.8    | 3.4     | 9    |
| CAC  | 5,232   | 0.3   | 1.2    | 7.4     | 11   |
| MIB  | 20,437  | 0.9   | 0.5    | 4.5     | 12   |
| ASE Athens                                   | 687     | 1.5   | 2.9    | 8.6     | 12   |
| <b>MSCI Latam *</b>                          | 94,225  | 0.4   | 0.5    | 1.0     | 9    |
| Ibovespa (Brazil)                            | 97,566  | -0.3  | 1.1    | -0.1    | 11   |
| Mexbol (Mexico)                              | 44,041  | 0.7   | 2.5    | 1.1     | 6    |
| Merval (Argentina)                           | 36,150  | -1.4  | -3.2   | 3.5     | 19   |
| <b>MSCI EM Europe *</b>                      | 5,651   | 0.7   | 0.5    | 0.2     | 7    |
| Poland                                       | 2,372   | 0.7   | 2.0    | -1.4    | 4    |
| Micex 10 (Russia)                            | 4,431   | 0.3   | 0.5    | -1.4    | 6    |
| Ise 100 (Turkey)                             | 104,330 | 1.1   | 2.6    | 2.5     | 14   |
| <b>MSCI EM Asia *</b>                        | 861     | 0.7   | 3.0    | 5.8     | 10   |
| Shanghai Com (China)                         | 2,961   | 5.6   | 7.5    | 14.3    | 19   |
| Jakarta (Indonesia)                          | 6,525   | -0.2  | 2.1    | 1.1     | 5    |
| Banking sector                               | level   | Daily | Weekly | Monthly | YTD  |
| <b>US banks</b>                              |         |       |        |         |      |
| US banks                                     | 134.1   | 1.9   | 1.4    | 2.6     | 16   |
| JPM  | 107.0   | 1.9   | 1.4    | 4.2     | 10   |
| Citi   | 65.2    | 1.7   | 1.5    | 4.0     | 25   |
| BoA  | 29.6    | 1.7   | 1.5    | 1.7     | 20   |
| MS   | 42.7    | 2.2   | 1.7    | 1.5     | 8    |
| GS   | 200.6   | 2.3   | 1.0    | 1.4     | 20   |
| <b>EZ banks</b>                              |         |       |        |         |      |
| EZ banks                                     | 75.6    | 2.1   | 1.5    | 3.4     | 10   |
| BNP  | 42.9    | 2.2   | 1.0    | 3.6     | 9    |
| Crédit Agricole                              | 10.8    | 1.8   | 2.9    | 6.1     | 14   |
| Deutsche Bank                                | 7.7     | 1.6   | -0.1   | -1.0    | 11   |
| ING  | 11.2    | 1.5   | 1.4    | 8.8     | 20   |
| Intesa                                       | 2.1     | 2.1   | 0.9    | 2.8     | 7    |
| SG   | 26.1    | 2.8   | 3.5    | -6.0    | -6   |
| Unicredito                                   | 11.5    | 2.9   | -1.0   | 7.6     | 16   |
| <b>UK banks</b>                              |         |       |        |         |      |
| UK banks                                     | 78.3    | 0.8   | -0.5   | 1.6     | 7    |
| HSBC   | 621.6   | -0.3  | -6.3   | -1.8    | -4   |
| RBS  | 259.2   | 1.2   | 2.9    | 7.6     | 20   |
| Barclays                                     | 159.2   | 2.0   | 0.7    | -2.1    | 6    |
| Lloyds                                       | 60.5    | 0.9   | 3.8    | 4.9     | 17   |
| <b>Large Spanish banks</b>                   |         |       |        |         |      |
| Large Spanish banks                          | 63.9    | 1.0   | 1.1    | -1.1    | 9    |
| Santander                                    | 4.2     | 1.5   | 1.7    | -3.4    | 5    |
| <b>BBVA</b>                                  | 5.3     | 0.5   | 0.5    | 1.0     | 13   |
| <b>Medium Spanish banks</b>                  |         |       |        |         |      |
| Medium Spanish banks                         | 56.2    | 0.7   | 0.2    | -5.0    | -2   |
| Caixabank                                    | 3.0     | 0.6   | -0.9   | -8.6    | -4   |
| Sabadell                                     | 0.9     | 0.2   | 0.5    | -8.4    | -5   |
| Bankinter                                    | 7.0     | 0.7   | 0.5    | -4.5    | -1   |
| Bankia                                       | 2.6     | 1.3   | 0.7    | 1.5     | 1    |
| Currencies (% red for currency depreciation) |         |       |        |         |      |
| Developed                                    | level   | Daily | Weekly | Monthly | YTD  |
| <b>EURUSD</b>                                | 1.135   | 0.1   | 0.3    | 0.4     | -1   |
| GBPUSD                                       | 1.31    | 0.1   | 1.1    | 0.0     | 2    |
| USDJPY                                       | 111.01  | -0.3  | -0.4   | -1.2    | -1   |
| DX   | 96.52   | 0.0   | -0.4   | -0.1    | 0    |
| Emerging                                     | level   | Daily | Weekly | Monthly | YTD  |
| USDARS (Argentina)                           | 38.92   | 0.7   | -0.4   | -3.9    | -3   |
| USDBRL (Brazil)                              | 3.73    | 0.4   | 0.1    | 1.1     | 4    |
| USDCLP (Chile)                               | 649.66  | 0.2   | 1.8    | 3.3     | 7    |
| USDCOP (Colombia)                            | 3107    | 0.0   | 0.6    | 2.0     | 5    |
| USDMXN (Mexico)                              | 19.10   | 0.2   | 0.8    | -0.4    | 3    |
| USDPEN (Peru)                                | 3.31    | 0.0   | 0.4    | 1.3     | 2    |
| LACI   | 56.01   | 0.3   | 0.5    | 0.4     | 3    |
| USDPLN (Poland)                              | 3.82    | 0.1   | 0.2    | -0.8    | -2   |
| USDRUB (Russia)                              | 65.49   | -0.2  | 1.2    | 0.4     | 6    |
| USDTRY (Turkey)                              | 5.30    | 0.4   | 0.0    | -0.6    | 0    |
| USDCNY (China)                               | 6.69    | 0.4   | 1.2    | 1.5     | 3    |
| USDINR (India)                               | 70.98   | 0.2   | 0.5    | 0.1     | -2   |
| USDIDR (Indonesia)                           | 14018   | 0.3   | 0.6    | 1.1     | 3    |
| ADXY   | 106.80  | 0.2   | 0.8    | 1.1     | 1    |
| Commodities (%)                              |         |       |        |         |      |
|  | level   | Daily | Weekly | Monthly | YTD  |
| <b>Brent</b>                                 | 64.9    | -3.3  | -2.4   | 6       | 21   |
| WTx  | 55      | -3.3  | -0.4   | 4       | 22   |
| Copper                                       | 295     | -0.4  | 5.3    | 10      | 12   |
| Gold   | 1328    | 0.0   | 0.1    | 4       | 4    |
| S&P Spot commodity *                         | 429     | 0.3   | 1.4    | 6       | 15   |
| S&P Brent Spot *                             | 572     | 0.1   | 1.6    | 10      | 25   |
| S&P Metals Spot *                            | 344     | 1.1   | 3.7    | 5       | 8    |
| S&P Agricultural *                           | 288     | 0.1   | -0.4   | -1      | 1    |

Source: Bloomberg, Datastream and Haver

\* With one day delay