

Powell address reaffirmed the “patient” shift in Fed’s policy stance

■ Mild movements in financial markets with all eyes on Powell’s testimony at the US Senate today.

With his remarks, Powell reaffirmed the Fed’s decision to shift to a “patient” policy stance. Furthermore, he signalled that the US economy remained healthy but fears over a global economic slowdown, trade disputes and Brexit uncertainty are weighing somewhat on the economic outlook (see). Meanwhile in Europe, the latest reports that pointed to **May’s willingness to seek a delay in the deadline if her Brexit plan is not approved by mid-March**, have boosted the GBP (see). On the trade issue, optimism remained as a deal could be signed soon between Trump and Xi (see).

■ In this context, developed equity markets showed little movements. Disappointing quarterly earnings results had a muted effect on US stocks while European equity indices also remained broadly steady. Nonetheless, Asian markets trimmed partially early gains pending further steps to be taken in the trade negotiations.

■ Sovereign yields on core countries were mixed: the US Treasury 10Y yield inched down slightly ahead of the release of the Q4 2018 US GDP later this week. Meanwhile the German 10Y Bund yield approached to the 0.12% level while peripheral risk premia continued to narrow.

■ Regarding FX markets, the USD depreciated slightly while the EUR remained above the 1.13 USD/EUR level. The GBP was the best performer among DM currencies due to hopes for an orderly Brexit. Meanwhile, EM currencies were mixed: the COP and the ARS appreciated while the rest of Latam currencies were not able to benefit from the recovery in oil prices. The RMB remained broadly steady.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.49	-1.8	0.1	-12	0
US	2.64	-1.8	1.1	-11	-4
GER (2-yr)	-0.54	2.2	3.0	4	7
Germany	0.12	0.9	1.2	-8	-19
France	0.52	0.0	-0.9	-7	-19
Spain	1.14	-2.6	-7.1	-9	-34
Italy	2.71	-6.8	-8.3	6	-4
Portugal	1.43	-3.4	-7.5	-36	-43
Greece	3.73	-5.3	-4.4	-35	-67
Japan (2-yr)	-0.16	0.8	1.4	1	-2
Japan	-0.03	0.9	0.2	-2	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.97	-0.1	10.0	-11	-26
Chile	4.13	0.0	-0.6	-11	-12
Colombia	6.85	-1.3	-2.9	-20	9
Mexico	8.10	-5.2	-17.3	-27	-54
Peru	5.16	0.0	0.0	-14	-21
Poland	2.87	-4.1	19.1	5	4
Russia	8.43	3.4	-3.3	5	-35
Turkey	14.56	-6.0	-4.0	-33	-124
India	7.42	1.0	5.4	9	5
Indonesia	7.82	-8.5	-17.9	-29	-21
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	-0.9	-2.1	6	0
Italy	259	-7.7	-9.5	13	15
Portugal	132	-4.3	-8.7	-28	-25
Spain	102	-3.5	-8.3	-2	-15
2-yr sovereign spread vs Germany					
France	8	-2.4	-3.2	-3	-7
Italy	88	-8.1	-10.3	1	-21
Portugal	28	-2.8	-4.5	-12	2
Spain	26	-2.8	-4.8	-6	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	158	-3.4	-3	-13	-49
Chile	46	-1.6	-2	-4	-18
Colombia	109	-3.1	-9	-20	-49
Argentina	643	-5.8	-1	23	-163
Mexico	130	-2.1	-4	-1	-24
Peru	71	-1.8	-3	-6	-24
Poland	65	0.0	0	-1	-3
Russia	131	-3.2	-12	0	-23
Turkey	309	-8.6	-4	-6	-51
China	49	-2.7	-5	-10	-19
India	90	-1.1	-6	-17	-23
Indonesia	105	-3.3	-6	-15	-32
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	15	-0.1	0	-3	-11
VSTOXX	14	0.0	-1	-1	-10
EM EFT volatility Index	17	0.1	0	-2	-7
Dollar/euro volatility	5	-0.3	-1	-1	-2
EM FX volatility index	9	0.0	0	0	-1
Credit spread (BAA) (change in bps)	226	1.8	-4	-9	-20
US bonds volatility index	46	-1.1	1	-6	-20
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.27	-	7	11	13
EZ Inflation expectations (5Y5Y)	1.45	-	1	-6	-15
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	64	-1.5	0	-7	-18
EZ	88	-3.4	-7	-17	-32
UK	69	-1.8	-5	-11	-25
Large Spanish	60	-1.1	-7	-13	-28
Medium Spanish	107	-0.1	1	-7	-5
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	154	-1.5	0	-7	-18
EZ Non-financial	75	-3.4	-7	-17	-32
UK Non-financial	100	-1.6	-4	-11	-19
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	2.64	-1	0	-13	-16
Libor 12m	2.88	-1	-2	-15	-13
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,799	0.1	0.7	5.0	12
Dow Jones	26,093	0.0	0.8	5.5	12
Nikkei	21,449	-0.4	0.7	3.3	7
FTSE 100	7,151	-0.5	-0.4	5.0	6
EuroStoxx 50	3,289	0.3	1.5	4.0	10
IBEX	9,229	0.3	1.0	0.5	8
DAX	11,541	0.3	2.0	2.3	9
CAC	5,239	0.1	1.5	6.4	11
MIB	20,460	0.1	1.1	3.3	12
ASE Athens	693	0.9	3.9	9.4	13
MSCI Latam *	93,785	-0.5	0.8	-0.1	9
Ibovespa (Brazil)	97,756	0.5	0.1	0.1	11
Mexbol (Mexico)	43,567	-0.2	1.4	-0.2	5
Merval (Argentina)	35,873	-1.3	-1.2	3.1	18
MSCI EM Europe *	5,672	0.4	1.4	0.6	7
Poland	2,366	-0.2	1.9	-1.4	4
Micex 10 (Russia)	4,431	0.0	1.2	-1.4	6
Ise 100 (Turkey)	105,082	0.7	3.3	3.2	15
MSCI EM Asia *	869	0.9	3.1	6.0	11
Shanghai Com (China)	2,942	-0.7	6.7	13.1	18
Jakarta (Indonesia)	6,541	0.6	0.7	1.1	6
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	133.1	0.3	0.7	0.3	15
JPM	105.4	-0.7	0.2	1.9	8
Citi	64.5	0.0	0.2	0.8	24
BoA	29.6	1.1	1.5	0.0	20
MS	42.5	0.7	0.8	-1.1	7
GS	199.5	0.4	0.4	-0.6	19
EZ banks	75.7	0.2	2.3	0.7	10
BNP	43.2	0.7	2.2	0.4	9
Crédit Agricole	10.8	0.5	3.4	4.2	15
Deutsche Bank	7.8	1.1	3.1	-3.7	12
ING	11.4	0.9	2.5	6.6	21
Intesa	2.1	-0.4	1.0	0.6	7
SG	25.8	-1.1	2.9	-10.0	-7
Unicredito	11.5	0.0	0.5	4.2	16
UK banks	79.1	1.0	1.4	1.6	9
HSBC	614.4	-1.2	-3.6	-3.7	-5
RBS	260.0	0.3	1.6	6.9	20
Barclays	164.9	3.6	3.7	0.5	10
Lloyds	61.9	2.3	6.0	5.7	19
Large Spanish banks	63.8	-0.1	1.8	-3.1	9
Santander	4.2	-0.1	2.4	-5.3	5
BBVA	5.2	-0.1	1.2	-1.0	13
Medium Spanish banks	56.5	0.6	0.4	-6.3	-2
Caixabank	3.0	0.4	-0.3	-10.6	-4
Sabadell	1.0	0.8	0.6	-11.6	-5
Bankinter	7.0	0.7	1.0	-4.1	0
Bankia	2.6	0.4	0.0	0.0	1
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.138	0.2	0.3	-0.3	-1
GBPUSD	1.33	1.2	1.5	0.4	4
USDJPY	110.75	0.3	-0.1	-1.1	-1
DXY	96.19	-0.2	-0.3	0.4	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.92	0.3	0.9	-4.8	-3
USDBRL (Brazil)	3.76	-0.3	-1.0	0.3	3
USDCLP (Chile)	648.98	0.1	1.2	2.8	7
USDCOP (Colombia)	3097	0.3	0.6	1.7	5
USDMXN (Mexico)	19.16	-0.1	-0.1	-0.9	3
USDPEN (Peru)	3.30	0.0	0.4	1.2	2
LACI	55.84	-0.1	-0.1	-0.1	3
USDPLN (Poland)	3.80	0.5	0.5	-1.1	-2
USDRUB (Russia)	65.81	-0.4	-0.2	0.3	5
USDTRY (Turkey)	5.31	-0.1	-0.5	-0.7	0
USDCNY (China)	6.70	-0.2	0.9	0.7	3
USDINR (India)	71.07	-0.1	0.4	0.1	-2
USDIDR (Indonesia)	13992	0.2	0.8	0.7	3
ADXY	106.72	-0.1	0.4	0.5	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	65.3	0.9	-1.7	6	21
WTx	56	0.5	-0.6	4	23
Copper	295	0.1	2.5	8	12
Gold	1327	-0.1	-1.0	2	3
S&P Spot commodity *	421	-2.1	-0.9	3	12
S&P Brent Spot *	552	-3.5	-2.3	5	21
S&P Metals Spot *	343	-0.1	2.7	3	7
S&P Agricals Spot *	284	-1.5	-0.8	-3	0

Source: Bloomberg, Datastream and Haver

* With one day delay