Steady markets pending this week's FOMC meeting (preview)

- **Calm prevailed in the financial markets at the start of the week.** This Wednesday's FOMC (see preview below) will capture all the attention from investors as the latest release of economic indicators in the US has underpinned the FED's accommodative monetary policy. Moreover, the EU summit (at which it is expected to debate on the Brexit issue and Chinese trade relations), Brexit developments and key confidence indicators for several economies could also be drivers for markets.

- **Sovereign yields across core countries remained at subdued levels:** the US Treasury 10Y yield seemed unable to reach the 2.65% level. In this vein, the German 10Y Bund yield remained below 0.10%. Peripheral risk premia narrowed: last Friday, Moody's left unchanged Italy's credit rating, leading the Italy 10Y yield to fall, as the decision surprised markets. In the case of Portugal, the S&P agency upgraded its sovereign credit rating by one notch and affirmed this decision on the back of sustained growth (see).

- **An upward trend in equity markets across developed countries.** US and European stocks continued to show gains. In Asia, Chinese equity indices ended the session positively ahead of the EU-China strategic dialogue, which started today (see), while there is no update on the US-China trade negotiations.

- **The USD was broadly flat ahead of this week's FOMC meeting;** however, the GBP depreciated amid the uncertainty surrounding Brexit. Following the eventful past week in the UK, this week a third "meaningful vote" on May's Brexit plan is expected to be held before the EU leaders summit (see). Meanwhile, **EM currencies appreciated,** with the main exception of the TRY. The PEN was flat despite the release of disappointing GDP figure for Peru while rest of Latam currencies benefited from the increase in oil prices.

🔍 **Central Bank Annex**

Update 18:05 CET 18 March 2019					
Debt markets (10Y, %, changes in bp)					
Developed Markets	**level**	**Daily**	**Week**	**Month**	**YTD**
US (2-yr)	2.45	1.4	-2.3	-4	-4
US	2.60	1.4	-3.6	-5	-8
GER (2-yr)	-0.53	1.1	0.8	2	8
Germany	0.08	-0.1	1.4	-2	-16
France	0.46	-0.4	4.6	-7	-26
Spain	1.16	-3.0	0.5	-19	-36
Italy	2.45	-4.2	-10.7	-35	-29
Portugal	1.26	-4.8	-5.5	-45	-60
Greece	3.74	-5.2	2.0	-12	-66
Japan (2-yr)	-0.15	0.0	-0.6	1	-1
Japan	-0.04	-0.1	-0.2	-2	-4
Emerging Markets	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
Brazil	8.86	3.0	-2.2	7	-38
Chile	4.07	1.4	-2.2	-5	-18
Colombia	6.73	-0.5	-8.3	-18	-2
Mexico	8.03	0.0	-2.4	-34	-61
Peru	4.97	0.2	-8.2	-22	-39
Poland	2.89	-0.9	0.3	19	7
Russia	8.34	-8.6	-13.1	-17	-44
Turkey	15.53	-2.0	65.0	102	-27
India	7.32	-2.0	-3.0	-1	-5
Indonesia	7.73	-4.5	-20.7	-27	-30
Country risk (bp, changes in bp)					
Developed Markets	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
10-yr sovereign spread vs Germany					
France	37	-0.3	3.2	1	-4
Italy	237	-4.1	-12.1	-33	-13
Portugal	118	-4.7	-6.9	-29	-38
Spain	108	-2.9	-0.9	-17	-14
2-yr sovereign spread vs Germany					
France	7	-0.3	0.2	-4	-8
Italy	67	-2.6	-9.4	-36	-42
Portugal	27	-2.8	-0.6	-7	1
Spain	22	-2.6	-1.5	-8	-15
Emerging Markets	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
5-yr sovereign CDS *					
Brazil	155	-0.2	-8	-15	-52
Chile	45	-0.4	-2	-4	-18
Colombia	107	-1.0	-7	-12	-52
Argentina	714	-24.0	-51	86	-92
Mexico	123	-0.8	-5	-16	-32
Peru	64	-1.1	-4	-11	-31
Poland	65	0.0	0	-1	-3
Russia	127	1.1	-2	-13	-27
Turkey	311	-5.2	-19	3	-48
China	46	-0.3	-6	-7	-21
India	81	0.0	-6	-16	-33
Indonesia	98	1.0	-6	-12	-39
Risk indicators					
Volatility indicators	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
VIX	13	0.3	-1	-3	-12
VSTOXX	13	0.3	-1	-3	-11
EM EFT volatility Index	16	0.7	-2	-2	-9
Dollar/euro volatility	5	-0.1	-1	-1	-2
EM FX volatility index	8	0.0	0	-1	-2
Credit spread (BAA) (change in bps)	227	-1.4	0	-4	-19
US bonds volatility index	46	0.8	1	-1	-21
Inflation expectations	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
US Inflation expectations (5Y5Y)	2.31	-	6	11	17
EZ Inflation expectations (5Y5Y)	1.47	-	0	3	-14
Banking 5y CDS	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
US	62	-1.6	-4	-2	-21
EZ	78	-0.2	-8	-21	-42
UK	63	1.0	-4	-14	-31
Large Spanish	56	-0.2	-6	-13	-31
Medium Spanish	103	-1.2	0	-5	-10
Corporate 5y CDS	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
US Non-financial	153	-1.6	-4	-2	-21
EZ Non-financial	73	-0.2	-8	-21	-42
UK Non-financial	98	0.5	-4	-5	-20
Interbank markets (%, changes in bp)					
	level	**Daily**	**Weekly**	**Monthly**	**YTD**
EONIA Index	-0.37	0	1	0	-1
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.11	0	0	0	1
Libor 3m	2.63	1	3	-6	-17
Libor 12m	2.84	-1	-2	-8	-17
Stock markets (%)					
Main indices	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
S&P500	2,829	0.2	1.6	3.0	13
Dow Jones	25,863	0.1	0.8	1.7	11
Nikkei	21,585	0.6	2.2	2.1	8
FTSE 100	7,299	1.0	2.4	1.4	8
EuroStoxx 50	3,388	0.1	2.5	6.4	13
IBEX	9,409	0.7	2.6	5.1	10
DAX	11,657	-0.2	1.0	5.1	10
CAC	5,413	0.1	2.8	6.9	14
MIB	21,235	0.9	2.9	7.1	16
ASE Athens	725	0.5	4.1	10.9	18
MSCI Latam *	94,074	0.6	3.2	1.9	9
Ibovespa (Brazil)	99,694	0.6	1.7	1.7	13
Mexbol (Mexico)	42,210	0.0	0.8	-1.2	1
Merval (Argentina)	34,278	1.0	1.4	-8.3	13
MSCI EM Europe *	5,631	0.8	1.0	0.5	6
Poland	2,346	0.0	2.0	1.1	3
Mcex 10 (Russia)	4,446	0.3	1.1	1.6	6
Ise 100 (Turkey)	104,595	1.2	3.7	2.4	15
MSCI EM Asia *	865	0.8	2.4	2.0	11
Shanghai Com (China)	3,096	2.5	2.3	13.9	24
Jakarta (Indonesia)	6,509	1.5	2.0	1.4	5
Banking sector	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
US banks	135.8	1.6	4.1	5.8	17
JPM	107.7	1.1	3.2	5.2	10
Citi	66.0	1.2	5.9	5.7	27
BoA	29.9	2.2	3.4	5.4	21
MS	43.9	1.4	5.0	7.9	11
GS	202.7	2.3	3.4	5.3	21
EZ banks	78.8	1.7	4.0	11.5	14
BNP	45.1	1.8	4.1	11.6	14
Crédit Agricole	11.3	2.6	4.0	15.6	20
Deutsche Bank	8.1	4.1	1.0	10.3	17
ING	11.0	-1.0	2.3	2.3	17
Intesa	2.2	1.5	4.5	12.6	15
SG	28.0	2.5	6.1	17.6	1
Unicredito	12.1	2.8	5.2	13.3	22
UK banks	81.4	0.5	3.2	5.0	12
HSBC	626.6	0.8	0.3	-5.2	-3
RBS	269.0	0.1	4.6	11.3	24
Barclays	166.2	0.2	3.2	5.9	10
Lloyds	65.4	0.8	5.8	13.9	26
Large Spanish banks	66.7	1.0	5.6	9.6	14
Santander	4.4	1.1	7.0	11.5	11
BBVA	5.4	0.9	4.2	7.8	17
Medium Spanish banks	56.7	2.3	3.6	4.9	-1
Caixabank	3.0	3.0	3.3	3.6	-4
Sabadell	1.0	2.6	6.4	8.8	-1
Bankinter	7.1	1.8	3.6	7.2	2
Bankia	2.5	2.3	1.7	-0.5	-4
Currencies (%, red for currency depreciation)					
Developed	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
EURUSD	1.133	0.1	0.8	0.3	-1
GBPUSD	1.32	-0.4	0.6	3.4	4
USDJPY	111.40	0.1	-0.2	-0.8	-2
DXY	96.59	0.0	-0.8	-0.4	0
Emerging	**level**	**Daily**	**Weekly**	**Monthly**	**YTD**
USDARS (Argentina)	39.75	0.6	3.8	-3.9	-5
USDBRL (Brazil)	3.81	0.2	0.9	-2.3	2
USDCLP (Chile)	665.93	0.4	0.7	0.1	4
USDCOP (Colombia)	3095	0.9	2.6	1.8	5
USDMXN (Mexico)	19.11	0.5	1.5	0.8	3
USDPEN (Peru)	3.30	0.0	0.2	1.2	2
LACI	55.37	0.5	1.5	-0.8	2
USDPLN (Poland)	3.79	0.3	1.0	1.3	-1
USDRUB (Russia)	64.45	0.5	2.3	3.4	8
USDTRY (Turkey)	5.47	-0.3	-0.4	-3.5	-3
USDCNY (China)	6.71	0.0	0.2	0.9	2
USDINR (India)	68.53	0.8	2.0	3.8	2
USDIDR (Indonesia)	14239	0.1	0.4	-1.0	1
ADXY	106.40	0.0	0.2	0.4	1
Commodities (%)					
	level	**Daily**	**Weekly**	**Monthly**	**YTD**
Brent	67.5	0.5	1.4	5	25
WTx	59	0.9	4.0	9	30
Copper	290	0.0	0.1	5	10
Gold	1302	0.0	0.7	-1	2
S&P Spot commodity *	432	0.2	2.0	4	16
S&P Brent Spot *	571	-0.1	0.8	4	25
S&P Metals Spot *	342	-0.2	1.3	4	7
S&P Agricultural *	279	1.2	3.6	-3	-2

Source: Bloomberg, Datastream and Haver
* With one day delay

Central Bank Annex

FOMC preview

- With markets adjusting to the Fed's policy tweaks, we expect the March meeting will be boilerplate. The committee will continue to stress patience despite the more optimistic domestic macroeconomic outlook and reduced financial tensions. The post-conference Q&A will also give the chairman the opportunity to answer any questions on the shift in the balance sheet strategy and operational framework. We maintain that the Fed will keep rates unchanged and wait until the 4Q19 before raising rates once more.