

Positive economic data boost core yields this week

■ **Financial markets ended the week with a slightly risk-on mood amid the release of upbeat economic data** in the main economies. Apart from economic data, trade issues and the Fed were this week's main drivers. In trade, **the US announced the suspension of the rise in tariffs on Chinese goods scheduled for today** (with unknown duration) after their recent talks (see). With regard to Fed wording, during his semi-annual address, Powell reiterated the patient shift in the Fed's policy stance and hinted that there would be fresh news about balance sheet strategy very soon (see).

■ Against this backdrop, **yields rose across core countries**: the UST 10Y yield was above 2.70%, favored by better-than-expected data released in the week (mainly 4Q18 GDP (see)). In the same vein, the German 10Y Bund yield almost reached the 0.20% level in a week on the back of macroeconomic data (see) and also supported by US rates. This sharp increase on German ratio let the peripheral risk premia to narrow and the **Spanish risk premium is now around 100 bps**.

■ **The appetite for equity markets in the US and Europe remained very high despite the increase in core yields**. The positive economic data contributed to decrease the cyclical risk premium. **Chinese equity indices were the main winner this week** amid the trade developments and the better-than-expected Caixin PMI manufacturing (see), which offset yesterday's disappointing releases of other confidence indicators (see).

■ The potential geopolitical tension after the lack of agreement between the US and North Korea and the India-Pakistan crisis had a muted impact in the demand of safe-haven assets so far. **The USD depreciated** against most of its main peers, while the GBP benefited by the increase likelihood of an extension of Article 50 but with high uncertainty ahead the meaningful vote, which is expected to be held on March 12th (see).

■ **EM currencies were mixed this week, with jittery oil prices being the main cause**. Oil prices registered high volatility as it was down as US showed concern about the high level of oil prices (see), while this effect was offset partially by the release of lower-than-expected reserves in the US later this week (see). The MXN was particularly active this week, amid the positive effect of lower-than-expected inflation rates (see) and the negative impact of the Banxico outlook for the Mexican economy (see). The RMB was showed little movement after the release of mixed economic data for China.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.54	2.8	4.9	3	5	
US	2.74	2.7	9.0	6	6	
GER (2-yr)	-0.51	0.8	5.4	5	10	
Germany	0.20	1.9	10.6	1	-10	
France	0.60	2.6	7.9	0	-12	
Spain	1.21	3.9	3.7	-4	-26	
Italy	2.75	0.2	-9.3	16	1	
Portugal	1.50	3.2	1.7	-31	-36	
Greece	3.65	-1.7	-16.4	-28	-75	
Japan (2-yr)	-0.15	0.7	3.0	1	0	
Japan	-0.01	1.5	3.0	-1	-1	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.06	5.5	11.1	2	-18	
Chile	4.17	0.2	4.5	-6	-8	
Colombia	6.85	0.0	-0.6	-16	10	
Mexico	8.15	-1.1	-9.0	-31	-49	
Peru	5.15	-0.3	-0.9	-16	-21	
Poland	3.00	4.0	23.2	22	18	
Russia	8.43	0.6	-1.9	5	-35	
Turkey	14.74	29.0	-3.0	35	-106	
India	7.38	-3.2	-4.2	5	1	
Indonesia	7.85	3.8	-9.3	-30	-17	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	39	0.7	-2.7	4	-2	
Italy	255	-1.7	-19.9	14	11	
Portugal	130	1.3	-8.9	-32	-26	
Spain	101	2.0	-6.9	-6	-16	
2-yr sovereign spread vs Germany						
France	8	-0.2	-3.3	-4	-8	
Italy	89	-1.0	-19.0	6	-20	
Portugal	26	-1.0	-6.0	-12	0	
Spain	26	0.0	-3.3	-7	-11	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	154	1.2	-11	-16	-53	
Chile	45	0.9	-3	-4	-18	
Colombia	108	1.4	-8	-23	-51	
Argentina	674	12.6	1	27	-132	
Mexico	124	2.0	-12	-9	-31	
Peru	69	0.8	-5	-8	-26	
Poland	65	0.0	0	0	-3	
Russia	129	-1.3	-9	-4	-26	
Turkey	301	-1.3	-19	-24	-59	
China	50	-0.4	-2	-9	-18	
India	92	-2.4	0	-14	-21	
Indonesia	104	-1.5	-6	-15	-34	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	14	-0.5	1	-3	-11	
VSTOXX	13	-0.4	-1	-3	-11	
EMEFT volatility Index	18	-0.5	1	-3	-7	
Dollar/euro volatility	6	-0.1	0	-1	-2	
EMFX volatility index	8	-0.1	0	-1	-2	
Credit spread (BAA) (change in bps)	220	-2.7	-5	-19	-26	
US bonds volatility index	47	0.4	0	-1	-19	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.31	-	7	10	17	
EZ Inflation expectations (5Y5Y)	1.50	-	7	0	-11	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	62	-0.6	-4	-8	-21	
EZ	83	-1.7	-7	-19	-36	
UK	63	-2.4	-7	-15	-31	
Large Spanish	57	-0.7	-4	-14	-31	
Medium Spanish	102	-1.1	-5	-10	-11	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	150	-0.6	-4	-8	-21	
EZ Non-financial	73	-1.7	-7	-19	-36	
UK Non-financial	98	-0.4	-4	-11	-21	
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	0	1	
Libor 3m	2.63	0	-2	-12	-17	
Libor 12m	2.87	0	-2	-16	-15	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,805	0.7	0.4	4.6	12	
Dow Jones	26,129	0.8	0.4	4.5	12	
Nikkei	21,603	1.0	0.8	5.1	8	
FTSE 100	7,114	0.6	-0.9	2.5	6	
EuroStoxx 50	3,324	0.8	1.6	5.1	11	
IBEX	9,318	0.4	1.2	2.7	9	
DAX	11,663	1.3	1.8	4.3	10	
CAC	5,276	0.7	1.2	6.1	12	
MIB	20,768	0.5	2.5	5.0	13	
ASE Athens	715	1.0	5.6	12.4	17	
MSCI Latam *	91,979	-1.6	-2.0	-0.9	7	
Ibovespa (Brazil)	95,501	-0.1	-2.4	-1.5	9	
Mexbol (Mexico)	42,824	0.0	-2.1	-1.9	3	
Merval (Argentina)	35,086	1.7	-4.3	-2.6	16	
MSCI EM Europe *	5,634	-0.3	0.4	-0.6	7	
Poland	2,337	0.2	-0.8	-0.9	3	
Micex 10 (Russia)	4,429	0.2	0.3	-1.8	6	
Ise 100 (Turkey)	103,159	-1.3	0.0	-1.0	13	
MSCI EM Asia *	857	-0.8	0.2	3.5	10	
Shanghai Com (China)	2,994	1.8	6.8	16.2	20	
Jakarta (Indonesia)	6,500	-0.4	-0.6	1.0	5	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	132.8	1.0	1.0	0.2	15	
JPM	105.6	1.2	0.5	1.1	8	
Citi	65.0	1.6	1.3	1.2	25	
BoA	29.4	1.1	1.1	1.1	19	
MS	42.0	0.0	0.5	-1.9	6	
GS	199.1	1.2	1.6	-1.7	19	
EZ banks	79.3	0.6	7.1	6.9	15	
BNP	45.4	0.7	8.2	7.2	15	
Crédit Agricole	11.2	-0.2	6.1	10.3	19	
Deutsche Bank	8.2	1.1	8.2	2.3	18	
ING	11.8	1.0	6.0	11.4	25	
Intesa	2.2	0.4	6.6	5.6	12	
SG	27.3	1.2	7.9	-3.1	-2	
Unicredito	12.1	0.8	8.3	14.8	22	
UK banks	79.6	-0.2	2.6	2.1	9	
HSBC	615.6	0.4	-1.3	-5.6	-5	
RBS	265.6	0.0	3.7	9.2	23	
Barclays	162.6	-1.0	4.1	0.5	8	
Lloyds	63.2	-0.6	5.3	8.1	22	
Large Spanish banks	66.0	-0.2	4.2	3.1	13	
Santander	4.3	0.2	4.3	2.5	8	
BBVA	5.4	-0.5	4.2	3.6	17	
Medium Spanish banks	58.8	0.5	5.3	0.4	2	
Caixabank	3.1	0.1	4.3	-6.4	-1	
Sabadell	1.0	1.1	7.1	-1.6	1	
Bankinter	7.2	0.2	4.9	3.8	3	
Bankia	2.7	1.0	6.5	5.7	6	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.139	0.2	0.5	-0.8	-1	
GBPUSD	1.33	0.0	1.6	1.1	4	
USDJPY	111.80	-0.4	-1.0	-2.5	-2	
DXY	96.21	0.1	-0.3	0.9	0	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	39.29	-0.4	-0.2	-4.6	-4	
USDBRL (Brazil)	3.78	-0.7	-0.9	-2.7	3	
USDCLP (Chile)	656.04	-0.2	-0.8	1.8	6	
USDCOP (Colombia)	3092	-0.4	0.5	2.3	5	
USDMXN (Mexico)	19.28	0.0	-0.7	-0.8	2	
USDPEN (Peru)	3.30	-0.1	0.1	1.5	2	
LACI	55.49	-0.3	-0.6	-1.4	2	
USDPLN (Poland)	3.78	0.1	1.2	-1.3	-1	
USDRUB (Russia)	65.77	0.3	-0.6	-0.5	5	
USDTRY (Turkey)	5.38	-0.8	-1.2	-2.9	-2	
USDCNY (China)	6.71	-0.2	0.1	0.1	3	
USDINR (India)	70.91	-0.2	0.3	0.3	-2	
USDIDR (Indonesia)	14120	-0.4	-0.4	0.1	2	
ADXY	106.35	-0.1	-0.2	-0.3	1	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	66.3	0.4	-1.2	8	23	
WTx	57	0.2	0.1	6	26	
Copper	297	0.6	0.2	7	13	
Gold	1308	-0.4	-1.5	-1	2	
S&P Spot commodity *	426	-0.1	-0.7	4	14	
S&P Brent Spot *	564	-0.4	-1.4	8	23	
S&P Metals Spot *	346	0.0	0.6	3	8	
S&P Agricultural *	278	-0.9	-3.4	-4	-2	

Source: Bloomberg, Datastream and Haver

* With one day delay