

European yields decline ahead of tomorrow's ECB meeting

■ There is calm on the financial markets pending fresh trade developments and ahead of tomorrow's ECB meeting. Moreover, the release of increasing trade deficit of the US, mainly due to a rise in imports from China, among others (see), could be a key issue in further trade negotiations. In terms of growth, concerns over a global economic slowdown remain in the spotlight: today the OECD has lowered its global growth forecasts mainly due to policy uncertainty and unresolved trade disputes, among others (see).

■ Sovereign core yields declined: the US Treasury 10Y yield returned to levels around 2.70%. In line the 10Y Bund yield also fell ahead of the ECB meeting in which markets expect changes in forward guidance on rates and the announcement of liquidity measures. In this regard, Bank of Canada has announced a re-think in its tightening strategy, adding another voice to the generalized dovish tone of the main developed central banks (see). Meanwhile, the peripheral risk premia was unchanged, with the sole exception of Italy's risk premium, which declined after reports showing the country's willingness to join China's Belt and Road Initiative by the end of this month (see).

■ Equity markets remained broadly steady among developed countries. Neither US nor European stocks showed significant movements during today's session.

■ In FX markets, the USD and the EUR were flat awaiting the outcome of the ECB policy meeting, while the GBP depreciated slightly amid stuck negotiations (see). Meanwhile, despite the stability of the US dollar, EM currencies showed a poor performance led by the ARS. The COP depreciated hampered by decreasing oil prices (see) (despite the release of lower-than-expected inflation prints). On another front, Turkey's Central Bank showed a tight stance at its meeting, which, as expected, resulted in it leaving its interest rate unchanged at 24%, which was not enough to prevent the depreciation of the TRY (see).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.52	-2.6	2.0	-2	3
US	2.69	-2.9	0.5	-4	0
GER (2-yr)	-0.52	-1.3	1.2	5	9
Germany	0.13	-3.9	-1.9	-5	-17
France	0.51	-4.8	-3.8	-7	-20
Spain	1.12	-3.9	-4.4	-13	-36
Italy	2.60	-11.1	-18.9	-14	-15
Portugal	1.42	-3.4	-2.7	-37	-44
Greece	3.75	4.4	5.1	-15	-64
Japan (2-yr)	-0.14	-0.3	2.2	3	0
Japan	0.00	-1.4	2.1	1	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.13	8.9	18.2	37	-10
Chile	4.18	0.4	4.7	-1	-7
Colombia	6.91	-1.1	6.2	3	15
Mexico	8.14	0.2	2.2	-28	-50
Peru	5.13	-0.6	-2.6	-4	-23
Poland	2.92	-2.7	0.2	13	9
Russia	8.48	3.4	-2.7	24	-30
Turkey	14.85	16.0	44.0	98	-95
India	7.39	1.1	-8.6	-2	2
Indonesia	7.89	2.7	8.0	2	-14
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	38	-0.9	-1.9	4	-2
Italy	247	-7.2	-17.0	-9	3
Portugal	130	0.5	-0.8	-33	-27
Spain	99	0.0	-2.5	-8	-19
2-yr sovereign spread vs Germany					
France	7	-0.3	-1.3	-5	-8
Italy	74	-8.4	-21.3	-25	-35
Portugal	27	0.5	-1.3	-10	1
Spain	22	-0.9	-3.4	-9	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	162	4.1	6	-4	-45
Chile	47	0.2	2	-1	-16
Colombia	112	0.7	4	-10	-47
Argentina	753	24.1	94	140	-54
Mexico	128	0.1	3	-8	-27
Peru	68	-1.7	-3	-7	-27
Poland	65	0.0	0	0	-3
Russia	127	-2.0	-3	-8	-27
Turkey	313	3.8	6	7	-47
China	46	-1.1	-3	-8	-21
India	86	-0.1	-8	-17	-28
Indonesia	96	-1.9	-11	-17	-42
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	15	0.5	1	0	-10
VSTOXX	13	-0.1	-1	-1	-10
EMEFT volatility Index	18	0.0	-1	-1	-7
Dollar/euro volatility	6	0.1	0	0	-1
EMFX volatility index	8	-0.1	0	-1	-2
Credit spread (BAA) (change in bps)	225	2.9	-1	-5	-20
US bonds volatility index	46	-0.9	-1	-3	-21
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.28	-	0	2	15
EZ Inflation expectations (5Y5Y)	1.51	-	6	0	-10
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	61	0.8	-3	-3	-21
EZ	87	1.4	1	-15	-33
UK	64	0.3	-3	-13	-30
Large Spanish	62	0.9	3	-6	-26
Medium Spanish	104	0.1	-4	-6	-9
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	152	0.8	-3	-3	-21
EZ Non-financial	72	1.4	1	-15	-33
UK Non-financial	97	-0.2	-2	-9	-21
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-1	-2
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.11	0	0	0	1
Libor 3m	2.61	0	-2	-13	-19
Libor 12m	2.88	0	1	-8	-13
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,779	-0.4	-0.5	2.0	11
Dow Jones	25,690	-0.5	-1.1	1.8	10
Nikkei	21,597	-0.6	0.2	3.4	8
FTSE 100	7,196	0.2	1.3	2.3	7
EuroStoxx 50	3,326	0.0	1.3	5.1	11
IBEX	9,304	0.5	1.0	3.7	9
DAX	11,590	-0.3	0.9	3.7	10
CAC	5,294	-0.1	1.3	5.9	12
MIB	20,841	0.6	1.7	6.3	14
ASE Athens	707	1.2	1.7	9.3	15
MSCI Latam *	90,798	-0.2	-3.4	-3.8	5
Ibovespa (Brazil)	94,702	0.1	-2.7	-3.9	8
Mexbol (Mexico)	42,096	-0.1	-2.8	-3.8	1
Merval (Argentina)	32,741	-3.2	-7.4	-11.9	8
MSCI EM Europe *	5,590	-0.4	-1.4	-2.0	6
Poland	2,327	0.3	-0.3	-2.6	2
Micex 10 (Russia)	4,433	1.1	0.2	-2.1	6
Ise 100 (Turkey)	103,453	-0.3	-0.7	1.2	13
MSCI EM Asia *	866	0.2	0.0	2.6	11
Shanghai Com (China)	3,102	1.6	5.0	18.5	24
Jakarta (Indonesia)	6,458	-0.5	-1.3	-1.2	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	130.9	0.0	-1.4	-0.5	13
JPM	104.2	0.1	-0.9	-0.1	7
Citi	63.0	0.1	-2.2	-1.7	21
BoA	29.1	0.0	-1.5	0.7	18
MS	41.9	0.1	-1.5	-1.2	6
GS	195.5	-0.3	-1.3	-1.1	17
EZ banks	77.5	-0.2	-0.1	10.5	12
BNP	44.7	0.4	1.1	11.4	13
Crédit Agricole	11.0	-0.6	-0.9	13.3	17
Deutsche Bank	8.2	1.3	2.3	6.7	17
ING	11.0	-2.5	-5.1	7.4	16
Intesa	2.2	0.9	2.3	11.2	12
SG	27.1	0.3	2.0	5.2	-3
Unicredito	11.8	0.1	1.1	22.2	20
UK banks	79.9	0.2	0.0	3.7	10
HSBC	624.2	0.1	1.2	-2.5	-4
RBS	261.2	0.5	-0.8	7.3	21
Barclays	165.4	0.5	-0.9	4.4	10
Lloyds	62.9	-0.1	0.0	8.8	21
Large Spanish banks	65.7	1.7	1.5	5.6	13
Santander	4.3	1.9	3.0	7.3	9
BBVA	5.4	1.5	0.1	4.1	16
Medium Spanish banks	58.3	0.2	1.4	9.7	1
Caixabank	3.1	0.1	0.0	6.5	-2
Sabadell	1.0	1.1	2.7	16.9	1
Bankinter	7.2	-0.4	1.5	8.9	2
Bankia	2.7	0.4	2.0	10.9	5
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.132	0.1	-0.5	-1.1	-1
GBPUSD	1.32	-0.2	-1.2	0.9	3
USDJPY	111.69	0.2	-0.6	-1.6	-2
DX	96.86	0.0	0.7	1.1	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	40.45	-1.5	-4.1	-8.1	-7
USDBRL (Brazil)	3.80	-0.6	-1.9	-3.6	2
USDCPL (Chile)	659.09	-0.3	-1.3	-1.2	5
USDCOP (Colombia)	3107	-0.2	-1.2	-0.6	5
USDMXN (Mexico)	19.38	-0.7	-1.1	-1.4	1
USDPEN (Peru)	3.31	0.0	-0.4	0.6	2
LACI	55.08	-0.6	-1.7	-2.6	1
USDPLN (Poland)	3.80	0.1	-0.1	-1.4	-2
USDRUB (Russia)	65.95	-0.2	-0.3	-0.6	5
USDTRY (Turkey)	5.43	-0.9	-2.2	-4.0	-3
USDCNY (China)	6.71	-0.1	-0.4	0.5	2
USDINR (India)	70.28	0.3	1.4	2.2	-1
USDIDR (Indonesia)	14143	-0.1	-0.8	-1.3	2
ADXY	106.31	-0.1	-0.4	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	65.5	-0.5	-1.3	5	22
WTx	56	-1.2	-1.9	2	23
Copper	293	-0.2	-0.9	5	12
Gold	1286	-0.1	-2.5	-2	0
S&P Spot commodity *	424	0.3	-0.6	3	13
S&P Brent Spot *	561	0.3	-1.1	5	22
S&P Metals Spot *	343	0.7	-0.7	1	7
S&P Agrispot *	280	0.8	-0.2	-4	-1

Source: Bloomberg, Datastream and Haver

* With one day delay