

Brexit uncertainty remains in financial markets

- The main focus in the markets remains around Brexit developments and its potential impact on financial markets**, which remained contained in UK assets, so far. Yesterday, the UK Parliament voted to take a no-deal scenario off the table, allowing the GBP to appreciate further ([see](#)). Following this, a vote to extend Article 50 will take place later today while May's new strategy is to hold a third vote on her Brexit plan for next week ([see](#)). Against this backdrop, **GBP volatility is expected to remain** as May continues to face a challenging context for her plan, with the March 29th Brexit deadline fast approaching.
- Although market sentiments have being calm recently, trade fears returned to the forefront** after the US announced that the highly expected Trump-Xi Summit will be delayed beyond March ([see](#)). Despite this, US equity indices were broadly flat today and the upward trend on European equity markets remained. In Asia, Chinese equity indices fell amid the release of disappointing industrial production data ([see](#)) and the uncertainty in China-US negotiations.
- Sovereign core yields slightly rose**: the US Treasury 10Y yield approached the 2.64% level ahead of next week's Fed meeting. In this vein, the German 10Y Bund yield increased despite both the slightly lower-than-expected German final inflation data and the cut in German economic growth forecast for 2019 by Ifo institute ([see](#)). Peripheral risk premia narrowed today leading by Italy.
- The USD recovered some ground today against its main peers**. Meanwhile most EM currencies depreciated with the main exception of the ARS ahead of today's release of Argentina's CPI. Others Latam currencies depreciated despite stable crude prices: the latest report showed that **OPEC cut its forecast for global oil demand in 2019**, signaling potential further oil supply cuts ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.45	-1.2	-2.1	-5	-4
US	2.63	0.5	-1.3	-6	-6
GER (2-yr)	-0.54	1.3	1.2	3	8
Germany	0.09	2.1	1.9	-5	-16
France	0.47	0.3	4.6	-10	-24
Spain	1.19	0.3	4.2	-15	-33
Italy	2.50	-5.1	3.2	-34	-24
Portugal	1.33	-1.2	-1.0	-45	-53
Greece	3.82	-0.9	-1.3	-12	-58
Japan (2-yr)	-0.16	-0.8	-2.0	0	-2
Japan	-0.04	0.1	-3.4	-3	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.81	7.8	-22.9	-15	-42
Chile	4.08	-0.7	-4.8	-3	-17
Colombia	6.77	-1.2	-12.7	-16	2
Mexico	8.04	0.7	-7.3	-36	-60
Peru	5.00	-0.6	-10.4	-20	-36
Poland	2.89	1.8	1.7	16	6
Russia	8.45	-0.6	-3.0	14	-33
Turkey	15.65	37.0	77.0	146	-15
India	7.37	-0.9	-1.9	1	0
Indonesia	7.83	-3.2	-6.3	-10	-20
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	38	-1.8	2.7	1	-3
Italy	242	-7.2	1.3	-30	-9
Portugal	125	-3.3	-2.9	-26	-31
Spain	111	-1.8	2.3	-11	-11
2-yr sovereign spread vs Germany					
France	6	-0.6	-0.7	-6	-9
Italy	69	-7.6	5.6	-41	-39
Portugal	29	-1.0	2.6	-6	3
Spain	24	-1.7	0.7	-8	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	155	-1.1	-9	-19	-53
Chile	45	-0.4	-1	-4	-18
Colombia	109	0.4	-3	-14	-50
Argentina	751	7.3	8	110	-55
Mexico	124	0.5	-4	-18	-31
Peru	65	-0.5	-3	-11	-30
Poland	65	0.0	-1	-1	-3
Russia	125	0.6	-1	-14	-29
Turkey	317	-2.8	2	-2	-42
China	47	-0.3	0	-10	-21
India	83	-1.5	-3	-19	-31
Indonesia	98	0.2	1	-18	-40
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.1	-3	-2	-12
VSTOXX	14	-0.3	0	-1	-10
EM EFT volatility Index	17	-0.2	-2	0	-8
Dollar/euro volatility	5	-0.2	-1	-1	-2
EM FX volatility index	8	0.0	0	-1	-2
Credit spread (BAA) (change in bps)	224	-0.5	-1	-5	-21
US bonds volatility index	45	-0.3	-1	-4	-22
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.27	-	0	8	13
EZ Inflation expectations (5Y5Y)	1.48	-	1	3	-13
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	62	-1.2	0	-5	-20
EZ	78	-2.8	-8	-26	-42
UK	63	-0.8	-1	-17	-32
Large Spanish	57	-2.0	-3	-14	-31
Medium Spanish	105	-0.3	2	-4	-7
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	153	-1.2	0	-5	-20
EZ Non-financial	74	-2.8	-8	-26	-42
UK Non-financial	98	-1.6	0	-8	-20
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	2.61	2	2	-8	-19
Libor 12m	2.86	-1	-3	-7	-15
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,812	0.0	2.3	2.5	12
Dow Jones	25,712	0.0	0.9	1.1	10
Nikkei	21,287	0.0	-0.8	2.0	6
FTSE 100	7,185	0.4	0.4	0.7	7
EuroStoxx 50	3,342	0.6	1.0	4.7	11
IBEX	9,210	0.2	-0.4	2.5	8
DAX	11,587	0.1	0.6	4.1	10
CAC	5,350	0.8	1.6	5.8	13
MIB	20,877	0.6	0.9	5.4	14
ASE Athens	720	1.4	2.2	9.9	17
MSCI Latam *	93,760	0.9	3.5	2.0	9
Ibovespa (Brazil)	98,306	-0.6	4.2	2.2	12
Mexbol (Mexico)	41,757	-0.4	0.3	-3.1	0
Merval (Argentina)	33,501	-1.5	0.9	-11.1	11
MSCI EM Europe *	5,592	0.2	-0.8	-1.2	6
Poland	2,319	0.2	0.5	-2.2	2
Micex 10 (Russia)	4,399	-0.5	-0.5	-3.0	5
Ise 100 (Turkey)	102,432	0.2	0.1	-1.3	12
MSCI EM Asia *	860	-0.2	-0.9	2.2	10
Shanghai Com (China)	2,991	-1.2	-3.7	11.9	20
Jakarta (Indonesia)	6,413	0.9	-0.7	-1.3	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
US banks	133.0	0.9	3.3	2.9	15
JPM	105.6	1.1	2.5	2.9	8
Citi	64.1	0.7	3.6	2.3	23
BoA	29.6	1.1	3.7	3.2	20
MS	42.8	0.9	3.9	4.0	8
GS	197.9	0.3	2.7	1.8	18
EZ banks					
EZ banks	76.8	0.5	2.3	7.2	11
BNP	43.8	0.7	1.5	6.9	11
Crédit Agricole	11.0	-0.5	2.8	11.7	16
Deutsche Bank	7.9	-0.9	1.8	4.8	13
ING	10.9	1.0	2.1	0.3	16
Intesa	2.2	0.7	1.7	8.2	12
SG	27.0	1.0	4.1	10.2	-3
Unicredito	11.7	1.3	2.1	9.9	19
UK banks					
UK banks	80.3	1.0	1.3	3.7	10
HSBC	620.4	0.0	-0.6	-5.1	-4
RBS	265.9	1.8	2.1	10.7	23
Barclays	165.0	0.7	1.7	4.4	10
Lloyds	63.8	2.0	2.7	10.1	23
Large Spanish banks					
Large Spanish banks	64.8	0.4	2.1	4.2	11
Santander	4.3	0.7	3.2	7.3	8
BBVA					
BBVA	5.3	0.1	1.2	1.6	14
Medium Spanish banks					
Medium Spanish banks	55.3	-0.4	-0.8	1.8	-4
Caixabank	3.0	-0.1	-1.1	-0.1	-7
Sabadell	1.0	0.7	2.0	9.2	-4
Bankinter	7.0	-0.8	0.3	3.3	-1
Bankia	2.4	-0.9	-5.3	-4.8	-6
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.130	-0.2	1.0	-0.2	-1
GBPUSD	1.33	-0.5	1.4	2.9	4
USDJPY	111.73	-0.5	-0.1	-1.1	-2
DX	96.76	0.2	-0.9	0.1	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	40.80	1.1	3.8	-6.9	-8
USDBRL (Brazil)	3.84	-0.7	0.8	-3.4	1
USDCCLP (Chile)	671.28	-0.4	-0.8	-1.6	3
USDCOP (Colombia)	3142	0.1	0.0	-0.4	4
USDMXN (Mexico)	19.33	-0.3	1.1	-0.4	2
USDPEN (Peru)	3.29	0.1	0.6	1.1	2
LACI	54.73	-0.2	1.1	-2.1	1
USDPLN (Poland)	3.81	-0.3	1.2	0.3	-2
USDRUB (Russia)	65.49	-0.1	1.2	0.6	6
USDTRY (Turkey)	5.47	-0.3	0.0	-4.0	-3
USDCNY (China)	6.72	-0.2	-0.1	-0.8	2
USDINR (India)	69.35	0.3	0.9	2.0	1
USDIDR (Indonesia)	14278	-0.1	-0.9	-1.5	1
ADXY	106.22	-0.2	0.2	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	67.4	-0.3	1.6	8	25
WTx	59	0.5	3.4	10	29
Copper	289	-1.5	-0.7	4	10
Gold	1296	-1.0	0.8	-1	1
S&P Spot commodity *	431	1.3	1.9	5	15
S&P Brent Spot *	574	1.3	1.8	8	25
S&P Metals Spot *	345	0.8	1.7	5	8
S&P Agricultural *	275	0.0	1.1	-6	-3

Source: Bloomberg, Datastream and Haver

* With one day delay