

Caution in markets ahead of a key week for Brexit and trade talks

■ **Financial markets remained in a risk-off mood at the beginning of the week** as fears of a global economic slowdown resurfaced following last Friday's release of weak confidence indicators. On the trade front, in a final push to close a trade deal by late April, **a new round of high-level US-China trade talks are expected to resume later this week**. Also, developments in Europe will be in the spotlight: Brexit negotiations and Chinese President Xi's ongoing visit to the bloc.

■ **Sovereign core yields remained subdued after their recent drop triggered by safe-haven flows at the end of last week**. The US Treasury 10Yr yield remained well below 2.50% - the lowest level since January 2017. Similarly, the German 10Y Bund yield continued hovering around 0% **despite today's better-than-expected release of the German confidence indicator (IFO)**, which had muted impact on markets ([see](#)). Today's Coere's remarks echoed the recent dovish ECB stance.

■ **European peripheral risk premia increased**: the Spanish risk premium widened despite last Friday S&P maintaining Spain's credit rating. Moreover, Italy signed a MoU with China last weekend becoming the first G7 nation to join the Belt and Road Initiative ([see](#)).

■ **Developed equity indices remained weak**: US equity markets were flat following their recent sharp fall, with the US volatility VIX rising above 16%. Meanwhile European indices were down and Asian equity markets ended with losses following last Friday's negative close in developed markets.

■ **The USD was slightly changed against its main peers**. Meanwhile, the GBP remained volatile, waiting for deadlocked Brexit negotiations to progress. UK MPs will vote later today on different amendments to May's plan ([see](#)), while a third vote on May's Brexit plan could take place in the upcoming days ([see](#)).

■ **EM currencies were mixed** with the TRY recovering from its recent sharp depreciation. In Latam, the MXN appreciated ahead of this week Banxico meeting, while the COP remained broadly flat after last Friday, when the Central Bank of Colombia left the benchmark interest rate unchanged at 4.25%, as expected ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.26	-5.8	-19.4	-27	-23
US	2.41	-2.7	-19.1	-28	-27
GER (2-yr)	-0.56	0.1	-3.4	-1	5
Germany	-0.03	-1.4	-11.2	-16	-27
France	0.35	-0.1	-10.2	-19	-36
Spain	1.10	3.0	-5.7	-21	-42
Italy	2.51	5.9	5.3	-33	-24
Portugal	1.30	3.2	3.3	-36	-57
Greece	3.77	0.5	2.6	-3	-63
Japan (2-yr)	-0.18	-0.8	-2.6	0	-4
Japan	-0.08	-1.5	-4.9	-5	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.07	-6.4	26.9	8	-17
Chile	3.97	0.5	-9.5	-16	-28
Colombia	6.56	0.0	-16.6	-33	-19
Mexico	7.83	-8.2	-20.4	-42	-81
Peru	4.89	0.8	-8.1	-27	-47
Poland	2.86	0.3	-3.6	6	3
Russia	8.20	-10.0	-14.3	-25	-58
Turkey	16.66	75.0	113.0	184	86
India	7.32	-1.2	0.7	-3	-4
Indonesia	7.65	3.9	-7.8	-31	-38
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	38	1.3	1.0	3	-3
Italy	254	7.3	16.5	-17	4
Portugal	132	4.6	14.5	-6	-24
Spain	113	4.4	5.5	-5	-9
2-yr sovereign spread vs Germany					
France	6	-0.1	-1.0	-5	-9
Italy	83	4.7	15.7	-20	-26
Portugal	29	-0.6	2.6	-4	3
Spain	21	0.0	-0.3	-8	-15
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	178	15.4	23	14	-29
Chile	48	2.0	4	0	-15
Colombia	113	3.5	6	-2	-45
Argentina	776	38.4	62	99	-30
Mexico	128	3.3	5	-7	-27
Peru	69	1.8	6	-4	-25
Poland	67	-2.0	3	2	-1
Russia	135	2.3	9	-4	-19
Turkey	391	45.6	80	74	32
China	49	0.7	3	-3	-18
India	83	-2.3	2	-9	-30
Indonesia	104	3.6	6	-5	-33
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	17	0.4	4	2	-9
VSTOXX	17	-0.3	4	3	-7
EM EFT volatility Index	19	0.2	3	2	-6
Dollar/euro volatility	6	0.1	1	0	-1
EM FX volatility index	8	0.6	1	0	-1
Credit spread (BAA) (change in bps)	233	2.7	6	10	-13
US bonds volatility index	52	7.7	7	6	-14
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.25	-	-5	1	12
EZ Inflation expectations (5Y5Y)	1.40	-	-7	-4	-20
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	64	2.5	2	-1	-18
EZ	92	5.8	14	1	-28
UK	74	2.2	11	3	-20
Large Spanish	67	4.6	11	5	-20
Medium Spanish	109	6.9	6	3	-3
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	166	2.5	2	-1	-18
EZ Non-financial	85	5.8	14	1	-28
UK Non-financial	107	2.6	9	5	-11
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	1	-2	-5	-19
Libor 12m	2.79	-1	-5	-9	-23
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,797	-0.1	-1.3	0.8	12
Dow Jones	25,458	-0.2	-1.8	-1.5	9
Nikkei	20,977	-3.0	-2.8	-2.3	5
FTSE 100	7,186	-0.3	-1.5	0.3	7
EuroStoxx 50	3,302	-0.1	-2.5	1.2	10
IBEX	9,185	-0.2	-2.4	-0.1	8
DAX	11,352	-0.1	-2.6	-0.6	8
CAC	5,265	-0.1	-2.7	1.3	11
MIB	21,083	0.0	-0.7	4.3	15
ASE Athens	708	0.0	-2.4	4.6	15
MSCI Latam *	90,760	-2.6	-3.5	-2.8	5
Ibovespa (Brazil)	93,936	0.2	-6.1	-3.1	7
Mexbol (Mexico)	42,588	0.7	0.9	-2.3	2
Merval (Argentina)	33,485	2.0	-4.2	-6.6	11
MSCI EM Europe *	5,646	-1.1	0.3	0.0	7
Poland	2,313	-0.3	-1.4	-1.2	2
Micex 10 (Russia)	4,459	0.6	0.3	1.6	7
Ise 100 (Turkey)	99,326	-0.5	-5.0	-3.1	9
MSCI EM Asia *	872	-0.2	0.9	2.4	12
Shanghai Com (China)	3,043	-2.0	-1.7	10.6	22
Jakarta (Indonesia)	6,411	-1.4	-0.8	-1.6	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	124.6	-0.8	-8.1	-5.7	8
JPM	98.8	-1.0	-7.9	-6.4	1
Citi	60.7	-0.5	-8.0	-5.7	17
BoA	26.8	-0.9	-10.3	-8.7	9
MS	41.2	-1.2	-6.4	-1.7	4
GS	188.3	-0.4	-7.0	-4.1	13
EZ banks	73.6	-0.2	-6.7	0.1	7
BNP	41.6	-0.2	-7.9	-0.1	5
Crédit Agricole	10.5	-0.5	-7.6	-0.3	11
Deutsche Bank	7.2	-0.6	-11.1	-5.6	4
ING	10.5	0.3	-4.3	-4.1	12
Intesa	2.2	-0.3	-3.7	5.4	11
SG	25.4	-0.5	-9.2	1.7	-9
Unicredito	11.4	0.3	-5.5	2.7	15
UK banks	77.5	0.1	-4.8	-0.8	6
HSBC	615.6	0.4	-1.8	-1.2	-5
RBS	249.1	0.4	-7.4	-2.4	15
Barclays	155.8	0.2	-6.3	-3.1	3
Lloyds	62.0	-0.4	-5.1	-2.8	20
Large Spanish banks	63.2	0.1	-5.2	-0.2	8
Santander	4.2	0.1	-6.3	0.1	4
BBVA	5.2	0.2	-4.2	-0.5	12
Medium Spanish banks	53.9	0.2	-4.9	-4.0	-6
Caixabank	2.8	-0.4	-7.9	-7.3	-12
Sabadell	0.9	-0.1	-8.0	-4.9	-9
Bankinter	7.0	0.5	-2.2	0.6	-1
Bankia	2.4	0.3	-4.3	-8.7	-8
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.131	0.1	-0.2	-0.2	-1
GBPUSD	1.32	-0.2	-0.6	1.0	3
USDJPY	110.02	-0.1	1.3	0.6	0
DXY	96.56	-0.1	0.0	0.0	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41.87	-0.2	-4.4	-5.6	-10
USDBRL (Brazil)	3.87	0.8	-2.1	-2.9	0
USDCLP (Chile)	679.96	0.0	-2.1	-3.8	2
USDCOP (Colombia)	3132	0.1	-1.1	-0.3	4
USDMXN (Mexico)	19.03	0.3	0.2	1.4	3
USDPEN (Peru)	3.30	-0.1	-0.1	0.3	2
LACI	54.66	-0.6	-1.3	-1.5	1
USDPLN (Poland)	3.79	0.3	-0.2	0.8	-1
USDRUB (Russia)	64.14	0.8	0.3	2.3	8
USDTRY (Turkey)	5.57	3.3	-1.9	-4.6	-5
USDCNY (China)	6.71	0.1	0.1	0.2	3
USDINR (India)	68.94	0.0	-0.6	3.3	1
USDIDR (Indonesia)	14185	-0.2	0.4	-0.8	1
ADXY	106.50	0.2	0.0	0.1	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	67.2	0.2	-0.5	0	25
WTx	59	-0.1	-0.2	4	30
Copper	284	0.0	-2.4	-2	8
Gold	1322	0.6	1.4	0	3
S&P Spot commodity *	434	-1.0	-0.1	1	16
S&P Brent Spot *	568	-1.4	-0.9	-1	24
S&P Metals Spot *	340	-0.8	-0.9	0	6
S&P Agricultural *	280	-0.1	0.8	-3	-1

Source: Bloomberg, Datastream and Haver

* With one day delay