

The recent decline in risk assets halted ahead of US-China trade talks

■ **The risk aversion mood among investors eased somewhat but caution remained as fears of a deceleration in advanced economies coupled with uncertainty surrounding trade issues and Brexit lingered.** Ahead of US-China trade talks later this week, China has shown willingness to expand market access to foreign businesses ([see](#)). Moving to Europe, Chinese President Xi's visit to the bloc this week saw China signing bilateral trade deals with France yesterday, mainly in the airline and energy sectors ([see](#)). Today's meeting between German Chancellor Merkel, EU commissioner Juncker, French President Macron and President Xi will be key as it sets the tone for bilateral discussions ahead of the EU-China summit on April 9th. The EU leaders have expressed cautious optimism over China's Belt and Road Initiative (BRI) if it would mean that China will open up its economy to foreign companies ([see](#)).

■ **Developed equity markets recovered partially from their recent losses.** Both US and European stocks showed slightly gains. Meanwhile, Asian indices were mixed, with Chinese stocks under pressure, awaiting fresh developments on the US-China trade dispute. In this context, today an IMF official warned that trade tensions between the two economies could cost Asia almost 1% of GDP growth ([see](#)).

■ **Core sovereign bond yields inched up:** The US Treasury 10Y yield rose only slightly to 2.45%, weighed by comments from Fed's Evans, who echoed FOMC's recent dovish shift, noting that external growth risks will be evaluated in order to assess the Fed's policy path ([see](#)). Meanwhile, in Europe, the German 10Y Bund yield hovered below 0%. The ECB's Rehn hinted that further details regarding TLTRO-III will be known by June, and that its operational could be similar to that of TLTRO-II - if true, this would be a positive surprise for banks, given early expectations of tougher financing conditions as part of the new liquidity program ([see](#)).

■ **In FX markets, the USD remained broadly flat while the EUR depreciated,** losing its 1.13 USD/EUR level. The GBP appreciated ahead of tomorrow's UK Parliament vote on alternatives to the withdrawal plan ([see](#)). After yesterday's votes on different amendments, the Parliament has now taken the control of Brexit steps and has called for support from May on the upcoming results.

■ **Emerging currencies depreciated across the board with the exception of the TRY,** which continued appreciating after Turkish authorities raised the cost of shorting the currency ([see](#)). The BRL depreciated after the latest minutes from the Central Bank of Brazil followed the recent dovish tone of major Central Banks ([see](#)).

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.29	4.7	-18.0	-20	-20	
US	2.43	3.4	-18.1	-22	-25	
GER (2-yr)	-0.56	0.9	-3.0	1	5	
Germany	-0.02	1.2	-11.3	-11	-26	
France	0.36	0.2	-11.1	-16	-35	
Spain	1.09	-1.0	-8.1	-19	-43	
Italy	2.47	-3.6	-2.8	-38	-28	
Portugal	1.29	-0.3	-1.0	-33	-57	
Greece	3.79	2.1	3.6	-2	-61	
Japan (2-yr)	-0.17	1.3	-0.5	1	-3	
Japan	-0.07	1.9	-2.5	-3	-7	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	8.99	1.7	18.3	4	-24	
Chile	3.97	-0.1	-9.0	-15	-28	
Colombia	6.55	-1.2	-16.2	-32	-21	
Mexico	7.89	4.1	-15.9	-35	-75	
Peru	4.88	-0.9	-10.5	-28	-48	
Poland	2.87	0.9	-4.8	10	4	
Russia	8.23	3.5	-8.5	-21	-55	
Turkey	16.79	13.0	119.0	202	99	
India	7.34	1.8	-3.3	-8	-3	
Indonesia	7.62	-3.4	-10.8	-33	-41	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	37	-1.0	0.2	1	-4	
Italy	248	-4.8	8.5	-27	-2	
Portugal	131	-1.5	10.3	-8	-25	
Spain	111	-2.2	3.2	-8	-11	
2-yr sovereign spread vs Germany						
France	6	-0.3	-0.5	-5	-9	
Italy	77	-6.1	5.8	-31	-32	
Portugal	27	-2.6	0.0	-5	1	
Spain	20	-1.6	-0.4	-9	-17	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	175	-3.5	22	10	-33	
Chile	48	-0.2	5	0	-15	
Colombia	113	0.2	8	-3	-45	
Argentina	771	-4.7	53	98	-35	
Mexico	127	-1.0	6	-9	-28	
Peru	69	-0.2	7	-5	-26	
Poland	68	1.0	4	3	0	
Russia	130	-5.4	4	-8	-24	
Turkey	407	15.4	100	87	47	
China	48	-0.8	3	-4	-19	
India	85	2.0	6	-7	-28	
Indonesia	104	0.2	9	-5	-33	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	15	-0.9	2	2	-10	
VSTOXX	16	-1.5	3	2	-8	
EM EFT volatility Index	18	-1.1	2	1	-7	
Dollar/euro volatility	6	-0.1	0	0	-2	
EM FX volatility index	9	0.1	1	0	-1	
Credit spread (BAA) (change in bps)	228	-3.4	1	3	-18	
US bonds volatility index	57	4.8	13	10	-9	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.24	-	-6	0	10	
EZ Inflation expectations (5Y5Y)	1.38	-	-9	-5	-22	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	65	0.6	4	-1	-18	
EZ	94	2.0	18	3	-26	
UK	75	0.3	11	4	-20	
Large Spanish	69	1.9	14	9	-18	
Medium Spanish	108	-0.9	5	1	-4	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	167	0.6	4	-1	-18	
EZ Non-financial	85	2.0	18	3	-26	
UK Non-financial	108	0.5	10	6	-11	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	0	
Euribor 3m	-0.31	0	0	0	0	
Euribor 12m	-0.11	0	0	0	1	
Libor 3m	2.61	0	-2	-4	-19	
Libor 12m	2.75	-4	-7	-14	-27	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,812	0.5	-0.7	0.7	12	
Dow Jones	25,643	0.5	-0.9	-1.5	10	
Nikkei	21,428	2.2	-0.6	0.0	7	
FTSE 100	7,196	0.3	-1.7	0.2	7	
EuroStoxx 50	3,320	0.6	-2.6	1.5	11	
IBEX	9,183	0.0	-3.3	-0.2	8	
DAX	11,419	0.6	-3.1	-0.3	8	
CAC	5,307	0.9	-2.2	1.8	12	
MIB	21,139	0.4	-1.4	4.3	15	
ASE Athens	712	0.6	-0.3	5.2	16	
MSCI Latam *	90,809	0.1	-4.1	-3.3	5	
Ibovespa (Brazil)	94,862	1.3	-4.7	-3.1	8	
Mexbol (Mexico)	42,825	0.3	1.1	-2.1	3	
Merval (Argentina)	32,295	-2.6	-6.0	-11.9	7	
MSCI EM Europe *	5,643	-0.1	-0.4	0.5	7	
Poland	2,325	0.5	-1.2	-1.3	2	
Micex 10 (Russia)	4,482	0.5	0.5	1.5	7	
Ise 100 (Turkey)	97,379	-2.0	-7.1	-5.6	7	
MSCI EM Asia *	859	-1.6	-1.7	0.4	10	
Shanghai Com (China)	2,997	-1.5	-3.0	6.9	20	
Jakarta (Indonesia)	6,470	-0.8	-0.6	-1.0	4	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	125.0	0.3	-7.4	-5.0	8	
JPM	98.9	0.0	-7.4	-5.8	1	
Citi	60.6	0.4	-7.7	-5.6	16	
BoA	26.9	0.3	-9.2	-7.4	9	
MS	41.4	0.3	-5.9	-1.0	4	
GS	189.5	0.5	-5.8	-3.3	13	
EZ banks	73.5	-0.1	-6.8	-0.7	7	
BNP	41.4	-0.2	-8.2	-1.2	5	
Crédit Agricole	10.5	0.2	-7.2	-0.7	11	
Deutsche Bank	7.3	1.1	-8.9	-4.2	5	
ING	10.5	-0.1	-4.4	-5.4	11	
Intesa	2.1	-0.3	-4.1	5.0	11	
SG	25.5	0.3	-8.9	0.6	-8	
Unicredito	11.2	-1.4	-8.1	0.9	14	
UK banks	76.8	-0.7	-5.9	-1.1	5	
HSBC	612.4	-0.3	-1.8	-1.8	-5	
RBS	247.4	-0.2	-8.5	-3.4	14	
Barclays	153.3	-1.4	-9.1	-1.8	2	
Lloyds	61.5	-0.9	-6.1	2.4	19	
Large Spanish banks	62.4	-1.2	-7.5	-1.3	7	
Santander	4.1	-1.4	-8.9	-1.0	3	
BBVA	5.1	-1.1	-6.2	-1.6	11	
Medium Spanish banks	52.7	-2.0	-7.2	-5.6	-8	
Caixabank	2.7	-1.3	-9.3	-8.8	-13	
Sabadell	0.9	-3.4	-11.7	-7.4	-12	
Bankinter	6.8	-2.4	-5.0	-1.5	-3	
Bankia	2.3	-1.0	-5.8	-8.7	-9	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.129	-0.2	-0.6	-0.4	-2	
GBPUSD	1.32	0.2	-0.4	1.3	4	
USDJPY	110.49	-0.5	0.8	0.2	-1	
DXY	96.67	0.1	0.3	0.2	1	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	42.67	-1.5	-5.0	-8.2	-12	
USDBRL (Brazil)	3.87	-0.4	-2.1	-3.2	0	
USDCPL (Chile)	680.82	-0.1	-2.2	-4.4	2	
USDCOP (Colombia)	3153	-0.6	-1.8	-1.5	3	
USDMXN (Mexico)	19.09	-0.3	-0.4	0.3	3	
USDPEN (Peru)	3.31	-0.1	-0.2	0.0	2	
LACI	54.48	-0.4	-1.7	-2.4	0	
USDPLN (Poland)	3.80	-0.2	-0.6	0.7	-2	
USDRUB (Russia)	64.38	-0.6	0.0	1.6	8	
USDTRY (Turkey)	5.43	2.2	0.8	-2.1	-3	
USDCNY (China)	6.72	-0.1	-0.8	0.0	2	
USDINR (India)	68.86	0.1	0.1	3.3	1	
USDIDR (Indonesia)	14173	0.1	0.4	-0.8	2	
ADXY	106.38	-0.1	-0.1	-0.2	1	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	67.7	0.8	0.2	1	26	
WTx	60	1.6	1.3	4	32	
Copper	285	0.1	-2.3	-4	9	
Gold	1316	-0.5	0.7	-1	3	
S&P Spot commodity *	434	0.0	-0.2	1	16	
S&P Brent Spot *	569	0.1	-0.9	-1	24	
S&P Metals Spot *	339	-0.2	-2.0	-1	6	
S&P Agricultural *	282	0.5	1.4	-2	-1	

Source: Bloomberg, Datastream and Haver

* With one day delay