

Sovereign yields slid further as global growth concerns aggravated

Financial markets remained under pressure this week amid mounting concerns over global economic outlook. A spate of weaker economic data, dovish central bank rhetoric, combined with uncertainty surrounding US-China trade talks and Brexit dragged heavily on global bond yields. Meanwhile, the GBP was penalized by a step up in political chaos in the UK after PM May's Brexit deal was rejected by the UK Parliament for third time (see). On trade, US-China two-day talks ended today, with officials acknowledging progress but highlighting that further negotiations still need to be done (see). Earlier this week, Chinese President Xi's visit to the EU saw EU leaders urged China to open up its markets to foreign investors (see).

In closely watched speeches for policy cues, Fed's Evans (see) and Clarida (see) echoed the FOMC's dovish shift, noting that external risks must be evaluated in order to assess the Fed's policy path. For Eurozone, ECB's Draghi and Praet reaffirmed Euro area growth weakness and mentioned that the ECB will study possible measures to offset the side-effects of negative rates on banks profitability (see), in turn fueling markets expectations for a further delay in the hiking cycle. In addition, ECB's Rehn hinted that further details regarding TLTRO-III will be known by June, and that its operational framework could be similar to the previous one - a potential positive surprise for banks (see).

The safe-haven mood let core yields to slip further despite a slight recovery towards the end of the week. The US Treasury 10Y yield fell below levels not seen since December 2017 (hovering below 2.40%) fueled by the downward revision of the US GDP 4Q18 (see). In Europe, 10Y Bund yields fell further into negative territory and below the Japanese yields for the first time since 2016 amid weak EZ inflation expectations and activity data as well as dovish ECB rhetoric. Peripheral risk premia increased in the week, led by Italy, mainly on reports that flagged a potential stagnation in the Italian economy for 2019 (see).

Equity markets across developed economies found some support towards the later half of the week underpinned by continued, albeit slow, progress on US-China trade talks, which continue in next week. While US and European stocks gained marginally, most Asian equity markets ended the week in red, weighing in part by the slump in Chinese industrial production growth outturn (see).

The USD appreciated in the week while the EUR was unable to recover lost ground after last Friday's weak PMI figures. As expected, the GBP remained highly volatile and depreciated sharply as a series of votes kept fears of a no-deal Brexit alive. On EM FX, the increase in oil prices was not enough to halt the depreciation across Latam currencies, specially the ARS. The MXN weakened as Banxico left benchmark rates unchanged, as expected, and maintained its stance (see). Finally, the TRY was under high pressure ahead of local elections this weekend and despite policy measures to support the exchange rate (see).

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| Debt markets (10Y, %, changes in bp) | | | | | | |
|--|--------|-------|--------|---------|-----|--|
| Developed Markets | level | Daily | Week | Month | YTD | |
| US (2-yr) | 2.26 | 2.6 | -5.5 | -24 | -23 | |
| US | 2.41 | 1.6 | -2.9 | -27 | -27 | |
| GER (2-yr) | -0.61 | -1.5 | -4.0 | -8 | 1 | |
| Germany | -0.07 | -0.3 | -5.7 | -22 | -31 | |
| France | 0.32 | 0.5 | -3.7 | -23 | -39 | |
| Spain | 1.10 | 0.5 | 2.3 | -17 | -43 | |
| Italy | 2.48 | -0.4 | 3.3 | -30 | -26 | |
| Portugal | 1.25 | -2.3 | -1.4 | -34 | -61 | |
| Greece | 3.74 | -4.0 | -2.4 | 4 | -66 | |
| Japan (2-yr) | -0.17 | 0.6 | 0.3 | -1 | -3 | |
| Japan | -0.08 | 0.9 | -1.2 | -6 | -8 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| Brazil | 8.89 | -1.3 | -24.0 | -6 | -35 | |
| Chile | 3.97 | 0.8 | 0.7 | -16 | -28 | |
| Colombia | 6.62 | -0.5 | 6.7 | -22 | -13 | |
| Mexico | 8.00 | 1.6 | 8.4 | -12 | -64 | |
| Peru | 4.90 | -0.9 | 1.4 | -26 | -46 | |
| Poland | 2.84 | 2.0 | -1.4 | -7 | 1 | |
| Russia | 8.41 | 6.4 | 11.5 | -10 | -37 | |
| Turkey | 17.18 | -68.0 | 127.0 | 277 | 138 | |
| India | 7.35 | 2.6 | 1.3 | -13 | -2 | |
| Indonesia | 7.63 | -3.4 | 2.2 | -18 | -39 | |
| Country risk (bp, changes in bp) | | | | | | |
| Developed Markets | level | Daily | Weekly | Monthly | YTD | |
| 10-yr sovereign spread vs Germany | | | | | | |
| France | 39 | 0.8 | 2.0 | -1 | -2 | |
| Italy | 255 | -0.1 | 9.0 | -8 | 5 | |
| Portugal | 132 | -2.0 | 4.3 | 2 | -24 | |
| Spain | 117 | 0.8 | 8.0 | 5 | -5 | |
| 2-yr sovereign spread vs Germany | | | | | | |
| France | 7 | 1.2 | 1.0 | -1 | -8 | |
| Italy | 83 | 1.2 | 5.5 | -12 | -25 | |
| Portugal | 29 | 0.9 | -0.3 | 2 | 3 | |
| Spain | 23 | 1.3 | 1.8 | -3 | -14 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| 5-yr sovereign CDS * | | | | | | |
| Brazil | 180 | -4.9 | 17 | 24 | -27 | |
| Chile | 46 | -1.1 | 0 | 1 | -17 | |
| Colombia | 111 | -3.1 | 2 | 4 | -47 | |
| Argentina | 789 | 9.9 | 51 | 130 | -18 | |
| Mexico | 124 | -3.3 | -1 | -1 | -31 | |
| Peru | 68 | -1.2 | 0 | -3 | -27 | |
| Poland | 67 | -0.3 | -2 | 2 | -1 | |
| Russia | 137 | -2.2 | 3 | 6 | -17 | |
| Turkey | 452 | -19.5 | 106 | 144 | 92 | |
| China | 46 | -1.8 | -3 | -4 | -22 | |
| India | 87 | 1.8 | 1 | -7 | -27 | |
| Indonesia | 106 | 0.9 | 6 | 0 | -31 | |
| Risk indicators | | | | | | |
| Volatility indicators | level | Daily | Weekly | Monthly | YTD | |
| VIX | 14 | -0.6 | -3 | -1 | -12 | |
| VSTOXX | 15 | -1.3 | -2 | 1 | -9 | |
| EM EFT volatility Index | 18 | -0.7 | -1 | 0 | -7 | |
| Dollar/euro volatility | 5 | -0.4 | 0 | 0 | -2 | |
| EM FX volatility index | 9 | 0.2 | 1 | 1 | 0 | |
| Credit spread (BAA) (change in bps) | 225 | -1.6 | -5 | -1 | -21 | |
| US bonds volatility index | 60 | -1.0 | 8 | 13 | -7 | |
| Inflation expectations | level | Daily | Weekly | Monthly | YTD | |
| US Inflation expectations (5Y5Y) | 2.25 | - | -2 | -3 | 11 | |
| EZ Inflation expectations (5Y5Y) | 1.35 | - | -6 | -9 | -26 | |
| Banking 5y CDS | level | Daily | Weekly | Monthly | YTD | |
| US | 64 | -0.6 | 2 | -1 | -19 | |
| EZ | 91 | 0.6 | 5 | 4 | -29 | |
| UK | 68 | -2.3 | -4 | 0 | -27 | |
| Large Spanish | 70 | 0.7 | 7 | 11 | -18 | |
| Medium Spanish | 109 | 0.2 | 7 | 2 | -3 | |
| Corporate 5y CDS | level | Daily | Weekly | Monthly | YTD | |
| US Non-financial | 165 | -0.6 | 2 | -1 | -19 | |
| EZ Non-financial | 85 | 0.6 | 5 | 4 | -29 | |
| UK Non-financial | 107 | 0.4 | 2 | 8 | -12 | |
| Interbank markets (% , changes in bp) | | | | | | |
| | level | Daily | Weekly | Monthly | YTD | |
| EONIA Index | -0.37 | 0 | 0 | 1 | -1 | |
| Euribor 3m | -0.31 | 0 | 0 | 0 | 0 | |
| Euribor 12m | -0.11 | 0 | 0 | 0 | 1 | |
| Libor 3m | 2.59 | -1 | -1 | -4 | -21 | |
| Libor 12m | 2.69 | 1 | -10 | -18 | -32 | |
| Stock markets (%) | | | | | | |
| Main indices | level | Daily | Weekly | Monthly | YTD | |
| S&P500 | 2,828 | 0.5 | 1.0 | 1.3 | 13 | |
| Dow Jones | 25,819 | 0.4 | 1.2 | -0.6 | 11 | |
| Nikkei | 21,206 | 0.8 | -1.9 | -1.6 | 6 | |
| FTSE 100 | 7,267 | 0.5 | 0.8 | 2.3 | 8 | |
| EuroStoxx 50 | 3,347 | 0.8 | 1.2 | 1.9 | 12 | |
| IBEX | 9,237 | 0.7 | 0.4 | 0.3 | 8 | |
| DAX | 11,510 | 0.7 | 1.3 | 0.2 | 9 | |
| CAC | 5,341 | 0.8 | 1.4 | 2.2 | 13 | |
| MIB | 21,251 | 0.8 | 0.8 | 3.7 | 16 | |
| ASE Athens | 721 | 1.1 | 1.9 | 3.8 | 18 | |
| MSCI Latam * | 91,231 | 1.6 | -2.1 | -3.0 | 6 | |
| Ibovespa (Brazil) | 95,746 | 1.4 | 2.1 | -1.6 | 9 | |
| Mexbol (Mexico) | 43,058 | 0.3 | 1.8 | -0.6 | 3 | |
| Merval (Argentina) | 33,238 | 1.1 | 1.2 | -6.0 | 10 | |
| MSCI EM Europe * | 5,585 | 0.1 | -2.1 | -1.5 | 6 | |
| Poland | 2,312 | -0.1 | -0.3 | -0.9 | 2 | |
| Micex 10 (Russia) | 4,430 | 0.0 | 0.0 | 0.2 | 6 | |
| Ise 100 (Turkey) | 93,784 | 1.8 | -6.1 | -9.9 | 3 | |
| MSCI EM Asia * | 862 | 0.1 | -1.4 | -0.5 | 10 | |
| Shanghai Com (China) | 3,091 | 3.2 | -0.4 | 4.6 | 24 | |
| Jakarta (Indonesia) | 6,469 | 0.4 | -0.5 | -1.1 | 4 | |
| Banking sector | level | Daily | Weekly | Monthly | YTD | |
| US banks | 127.5 | 0.4 | 1.5 | -4.0 | 10 | |
| JPM | 101.1 | 0.4 | 1.4 | -3.8 | 4 | |
| Citi | 62.2 | 0.3 | 2.0 | -3.4 | 19 | |
| BoA | 27.5 | 0.5 | 1.7 | -7.0 | 11 | |
| MS | 42.1 | 0.4 | 0.9 | -1.1 | 6 | |
| GS | 191.8 | 0.3 | 1.5 | -3.2 | 15 | |
| EZ banks | 74.8 | 0.7 | 1.4 | -3.6 | 8 | |
| BNP | 42.5 | 1.3 | 2.2 | -3.8 | 8 | |
| Crédit Agricole | 10.7 | 0.8 | 2.2 | -3.2 | 14 | |
| Deutsche Bank | 7.2 | -0.4 | -0.7 | -9.5 | 4 | |
| ING | 10.8 | 1.0 | 2.8 | -6.9 | 4 | |
| Intesa | 2.2 | 0.3 | 0.6 | 1.8 | 12 | |
| SG | 25.7 | 0.7 | 0.5 | -3.4 | -8 | |
| Unicredito | 11.4 | 0.5 | 0.0 | -2.9 | 15 | |
| UK banks | 77.5 | 0.3 | 0.1 | -3.0 | 6 | |
| HSBC | 623.8 | 1.0 | 1.8 | 1.2 | -4 | |
| RBS | 246.5 | -0.4 | -0.7 | -6.4 | 14 | |
| Barclays | 154.3 | 0.8 | -0.7 | -7.5 | 3 | |
| Lloyds | 61.8 | -0.3 | -0.9 | -1.8 | 19 | |
| Large Spanish banks | 62.4 | 0.7 | -1.2 | -3.6 | 7 | |
| Santander | 4.1 | 0.8 | -0.3 | -1.6 | 4 | |
| BBVA | 5.1 | 0.7 | -2.0 | -5.5 | 10 | |
| Medium Spanish banks | 52.8 | 0.4 | -1.9 | -8.3 | -8 | |
| Caixabank | 2.8 | 0.7 | -0.6 | -10.5 | -12 | |
| Sabadell | 0.9 | 1.3 | -3.2 | -10.5 | -12 | |
| Bankinter | 6.8 | -0.4 | -2.5 | -4.2 | -4 | |
| Bankia | 2.3 | 0.6 | -1.7 | -12.5 | -10 | |
| Currencies (% , red for currency depreciation) | | | | | | |
| Developed | level | Daily | Weekly | Monthly | YTD | |
| EURUSD | 1.123 | 0.1 | -0.6 | -1.2 | -2 | |
| GBPUSD | 1.30 | -0.1 | -1.3 | -2.1 | 2 | |
| USDJPY | 110.73 | -0.1 | -0.7 | 0.2 | -1 | |
| DXY | 97.18 | 0.0 | 0.5 | 1.1 | 1 | |
| Emerging | level | Daily | Weekly | Monthly | YTD | |
| USDARS (Argentina) | 43.44 | 0.5 | -3.8 | -10.7 | -13 | |
| USDBRL (Brazil) | 3.89 | 0.4 | 0.5 | -4.1 | 0 | |
| USDCLP (Chile) | 679.53 | 0.6 | 0.1 | -4.2 | 2 | |
| USDCOP (Colombia) | 3180 | -0.1 | -1.5 | -3.5 | 2 | |
| USDMXN (Mexico) | 19.39 | -0.2 | -1.5 | -1.1 | 1 | |
| USDPEN (Peru) | 3.32 | 0.0 | -0.7 | -0.8 | 1 | |
| LACI | 54.00 | 0.5 | -1.8 | -3.6 | -1 | |
| USDPLN (Poland) | 3.83 | -0.1 | -0.8 | -0.9 | -2 | |
| USDRUB (Russia) | 65.64 | -1.0 | -1.5 | 0.2 | 6 | |
| USDTRY (Turkey) | 5.65 | -1.5 | 2.0 | -5.9 | -6 | |
| USDCNY (China) | 6.71 | 0.4 | 0.1 | -0.4 | 2 | |
| USDINR (India) | 69.16 | 0.3 | -0.3 | 3.0 | 1 | |
| USDIDR (Indonesia) | 14243 | 0.0 | -0.6 | -1.5 | 1 | |
| ADXY | 106.27 | 0.1 | 0.0 | -0.4 | 1 | |
| Commodities (%) | | | | | | |
| | level | Daily | Weekly | Monthly | YTD | |
| Brent | 68.4 | 0.9 | 2.0 | 3 | 27 | |
| WTX | 60 | 1.5 | 1.9 | 6 | 33 | |
| Copper | 293 | 2.2 | 3.3 | -1 | 12 | |
| Gold | 1296 | 0.4 | -1.3 | -2 | 1 | |
| S&P Spot commodity * | 433 | -0.4 | -0.3 | 1 | 16 | |
| S&P Brent Spot * | 571 | -0.2 | 0.5 | 1 | 25 | |
| S&P Metals Spot * | 341 | -0.1 | 0.4 | -1 | 7 | |
| S&P Agricultural * | 278 | -0.4 | -0.8 | -1 | -2 | |