

## Market steady ahead of eventful week. ECB Preview

- After last week investors' shift into risky assets, the risk-on mood tempered at the start of this eventful week. Markets will focus on several relevant issues in the week: 1) Central banks' decisions, the ECB will hold its meeting and Fed FOMC's minutes will be published, 2) the EU summit dealing with the extension of the Brexit deadline, and 3) the start of the company earning result season. Ongoing trade US-China trade negotiation and geopolitical factors will also be closely watched by investors.
- Sovereign bond yields were broadly steady, as last Friday's US employment reinforced the Fed's wait-and-see stance. The report showed strong labor market and mute wages pressure. Moreover 10Y German's yield struggled to return to positive level, although Germany's import and export figures declined more than expected in February (see). Peripheral risk premium narrowed in Spain and Portugal, but widened in Italy, ahead of the government unveil the stability program this week. It is expected that the government will revise GDP growth in 2019 to 0.1% (-0.9pp) and the fiscal target to 2.1 GDP (vs 2.0%), increasing the risk of friction with the European Commission.
- In FX markets, the USD slightly depreciated against G-10 currencies, as recent data reinforced Fed's interest rate pause. Additionally, the Euro and the GBP appreciated as the probability of the EU to extend the deadline for the Brexit has rose, while UK Prime Minister, May, try to hammer and agreement with the Labour Party and take a no-deal Brexit out of the table. Moreover, commodity linked currencies appreciated, underpinned by the increase in oil prices. On the other hand, EM FX were mixed, the Turkish lira depreciated ahead of the new economic plan amid political uncertainty.
- Crude oil prices reached its highest level since November 2018 due to the increase in geopolitical tension in Libya (see) as the uncertainty surrounding U.S. decision on the waivers to Iranian oil importers remains (see).
- The rally in equity markets falters, after equity indices reaching levels very close to October's highs. Although the probability of a US-China trade deal seems high (Trump advisor said the US and China are "closer and closer"), markets now wait for fresh news about how the agreement could impact tariffs (whether they will be lifted immediately or gradually). Moreover, equity markets will trend sideways this week, pending the kickoff of the 1Q19 US company results season late in the week.

### Central Bank Annex

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.35	1.0	1.7	-12	-14	
<b>US</b>	2.51	1.8	1.2	-13	-17	
GER (2-yr)	-0.58	-0.7	2.5	-3	4	
<b>Germany</b>	0.01	-0.1	3.2	-6	-24	
France	0.36	0.1	-1.1	-6	-35	
Spain	1.09	-1.9	-5.5	-6	-44	
Italy	2.49	0.7	-2.2	2	-26	
Portugal	1.22	-3.3	-5.1	-26	-64	
Greece	3.48	-4.6	-23.0	-35	-92	
Japan (2-yr)	-0.16	-0.6	1.3	-1	-1	
<b>Japan</b>	-0.05	-1.6	2.8	-4	-5	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	8.98	6.2	14.6	-7	-26	
Chile	3.97	0.4	-4.3	-16	-29	
Colombia	6.64	-1.1	1.8	-26	-11	
Mexico	7.92	-4.0	-9.9	-20	-72	
Peru	4.81	-0.9	-5.8	-29	-55	
Poland	2.92	-1.0	4.6	5	10	
Russia	8.34	-3.4	-5.2	-13	-44	
Turkey	16.79	20.0	0.0	191	99	
India	7.40	4.8	5.1	1	3	
Indonesia	7.64	6.3	2.3	-25	-39	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
<b>10-yr sovereign spread vs Germany</b>						
France	36	0.2	-4.3	0	-5	
Italy	248	0.8	-5.4	8	-2	
Portugal	122	-3.2	-8.3	-6	-34	
Spain	108	-1.8	-8.7	0	-14	
<b>2-yr sovereign spread vs Germany</b>						
France	7	0.3	-0.5	0	-8	
Italy	83	0.2	-0.6	19	-26	
Portugal	25	0.4	-3.8	-1	-1	
Spain	25	2.6	1.0	2	-12	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
<b>5-yr sovereign CDS *</b>						
Brazil	169	-2.5	-6	6	-38	
Chile	41	-0.2	-4	-6	-22	
Colombia	105	-1.0	-3	-7	-53	
Argentina	837	28.3	58	95	31	
Mexico	118	-1.1	-5	-10	-37	
Peru	59	-0.5	-7	-9	-36	
Poland	69	0.0	2	4	1	
Russia	131	-0.4	-4	5	-23	
Turkey	386	5.7	-38	71	27	
China	43	0.0	-2	-4	-25	
India	83	-0.2	-2	-3	-30	
Indonesia	100	2.9	-3	3	-37	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	13	0.5	0	-3	-12	
VSTOXX	15	1.1	0	1	-9	
EM EFT volatility Index	17	0.3	-1	-3	-8	
Dollar/euro volatility	5	0.1	0	-1	-2	
EM FX volatility index	8	-0.1	0	0	-1	
Credit spread (BAA) (change in bps)	221	-1.8	-2	-4	-25	
US bonds volatility index	49	-2.5	-3	3	-17	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.28	-	4	1	14	
EZ Inflation expectations (5Y5Y)	1.37	-	1	-10	-24	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	58	-1.3	-5	-5	-25	
EZ	81	-3.0	-8	-5	-39	
UK	62	-1.1	-4	-1	-32	
Large Spanish	61	-2.2	-7	1	-27	
Medium Spanish	103	-2.2	-5	0	-10	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	161	-1.3	-5	-5	-25	
EZ Non-financial	79	-3.0	-8	-5	-39	
UK Non-financial	104	0.5	-2	6	-14	
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	
<b>Euribor 12m</b>	-0.11	0	0	0	1	
Libor 3m	2.59	0	-1	0	-20	
Libor 12m	2.75	1	4	-14	-26	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
<b>S&amp;P500</b>	2,890	-0.1	0.8	5.1	15	
Dow Jones	26,307	-0.4	0.2	3.3	13	
Nikkei	21,762	-0.2	1.2	1.4	9	
FTSE 100	7,452	0.1	1.8	4.1	11	
<b>EuroStoxx 50</b>	3,438	-0.3	1.6	3.9	15	
IBEX	9,438	-0.8	1.0	2.0	11	
DAX	11,963	-0.4	2.4	3.9	13	
CAC	5,472	-0.1	1.2	3.9	16	
MB	21,772	0.1	1.2	5.2	19	
ASE Athens	754	-0.1	1.7	7.0	23	
<b>MSCI Latam *</b>	94,048	1.1	2.0	3.8	9	
Ibovespa (Brazil)	97,025	-0.1	1.0	2.8	10	
Mexbol (Mexico)	44,956	-0.1	2.9	8.0	8	
Merval (Argentina)	32,834	0.5	-0.5	-1.1	8	
<b>MSCI EM Europe *</b>	5,717	-0.1	2.0	1.4	8	
Poland	2,360	0.4	0.8	2.2	4	
Micex 10 (Russia)	4,575	0.6	1.7	3.5	9	
Ise 100 (Turkey)	96,978	-1.8	3.1	-5.2	6	
<b>MSCI EM Asia *</b>	891	0.3	2.2	2.8	14	
Shanghai Com (China)	3,245	-0.1	2.3	4.5	30	
Jakarta (Indonesia)	6,426	-1.1	-0.7	-0.5	4	
Banking sector	level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>	134.4	0.0	1.9	4.3	16	
JPM	105.4	0.1	0.7	2.3	8	
Citi	65.6	0.0	1.9	5.9	26	
BoA	29.2	0.2	2.1	2.1	18	
MS	44.7	-0.4	2.7	8.6	13	
GS	201.8	-0.3	2.6	4.7	21	
<b>EZ banks</b>	77.9	-0.4	1.3	3.7	13	
BNP	44.5	-0.1	2.2	2.9	13	
Crédit Agricole	11.3	-0.2	2.1	6.2	20	
Deutsche Bank	7.3	-1.9	-2.4	-5.2	5	
ING	11.3	-0.1	2.3	5.4	20	
Intesa	2.2	0.0	1.2	4.7	15	
SG	26.5	-0.5	0.0	2.2	-5	
Unicredito	11.9	-0.9	-0.1	3.8	20	
<b>UK banks</b>	80.1	0.1	1.6	1.0	10	
HSBC	652.2	-0.1	2.6	4.5	1	
RBS	252.5	0.3	1.9	-3.1	17	
Barclays	162.1	-0.4	2.4	-0.1	8	
Lloyds	62.6	0.7	-0.4	0.8	21	
<b>Large Spanish banks</b>	65.9	-1.7	1.6	3.8	13	
Santander	4.4	-0.2	2.8	5.5	11	
<b>BBVA</b>	5.3	-2.9	0.5	2.2	15	
<b>Medium Spanish banks</b>	55.5	-1.0	1.2	-0.5	-3	
Caixabank	3.0	-0.3	1.8	-0.9	-6	
Sabadell	0.9	-2.4	1.2	-0.5	-6	
Bankinter	7.1	-0.7	1.3	2.4	1	
Bankia	2.4	-1.4	0.5	-5.9	-7	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
<b>EURUSD</b>	1.126	0.4	0.4	0.6	-2	
GBPUSD	1.30	0.0	-0.5	-0.3	2	
USDJPY	111.47	0.2	-0.1	0.1	-2	
DXY	97.07	-0.3	-0.2	-0.6	1	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	43.73	0.5	-2.3	-3.2	-14	
USDBRL (Brazil)	3.86	0.3	-0.2	0.4	1	
USDCLP (Chile)	662.58	0.3	1.4	0.5	5	
USDCOP (Colombia)	3115	0.3	0.9	0.9	4	
USDMXN (Mexico)	18.97	0.5	0.9	3.1	4	
USDPEN (Peru)	3.29	0.1	0.5	0.6	2	
LACI	54.74	0.4	0.3	1.1	1	
USDPLN (Poland)	3.81	0.5	0.6	1.2	-2	
USDRUB (Russia)	65.05	0.4	0.3	1.9	7	
USDTRY (Turkey)	5.69	-1.1	-3.5	-3.8	-7	
USDCNY (China)	6.72	-0.1	-0.1	0.0	2	
USDINR (India)	69.67	-0.6	-0.7	0.5	0	
USDIDR (Indonesia)	14167	-0.2	0.4	-0.2	2	
ADXY	106.17	-0.1	-0.2	0.1	1	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
<b>Brent</b>	70.9	0.9	2.8	7	32	
WTX	64	1.5	4.0	13	41	
Copper	293	1.3	0.3	1	11	
Gold	1297	0.4	0.7	1	1	
S&P Spot commodity *	447	0.8	1.7	6	19	
S&P Brent Spot *	598	1.2	1.8	6	31	
S&P Metals Spot *	342	-0.4	-0.8	1	7	
S&P Agricultural *	278	-0.3	0.9	2	-2	

Source: Bloomberg, Datastream and Haver

\* With one day delay

## Central Bank Annex

### ECB preview

- The ECB is expected to leave monetary policy unchanged, after the dovish turn in March (announcement of the new round of long term liquidity and the delay in rate hike). The ECB is not expected to reveal any more details on TLTRO-III next week, more likely in June. The central bank could give some hints about potential measures to mitigate the side-effects of negative rates on bank profitability (the ECB is looking at ways of "tiering" the negative interest rate that banks pay on cash). Regarding our baseline scenario for euro rates, we have delayed our expectations of the first (depo and refi) rate hikes six months, on downward revisions of Eurozone projections and recent dovish tone by ECB members (following the already explicit guidance on rates in March "interest rates to remain at their present levels at least through the end of 2019"). We now expect first depo rate hike (+10bps) in Jun20 and first refi rate hike (+25bps) in Dec20. Regarding the Eurozone macroeconomic scenario, over the last month economic indicators point to weak momentum in the Eurozone to persist so far this year, but it seems to have bottomed out. The deterioration in confidence seems to be halted, but only in services, while consumer confidence increased in March for the fourth month in a row supported by the strength of domestic factors along with lower inflation. Hard data up to January surprised slightly to the upwards, offsetting partly disappointing readings in previous months, especially in retail sales. Exports and industrial production increased in January, but remained subdued, increasing concerns on the effects of trade tensions, global slowdown and high uncertainty in the industrial sector and investment. These indicators suggest that Eurozone GDP growth would be around 0.2% QoQ in the first quarter, with recovery gradually over the second half of the year. Regarding prices, core inflation declined in March to 1% YoY driven by calendar effects. Beyond this volatility in services prices, core inflation is expected to increase only gradually in coming months.