

Financial markets hold steady ahead of an eventful week (FOMC preview)

- Financial markets were broadly stable ahead of an eventful week, marked by the upcoming FOMC meeting, 1Q19 Euro area GDP growth outturn, alongside Chinese PMI and the US labor market figures.
- Data releases, today, continued to suggest improvement in growth momentum across the US and China amid muted inflation pressures while sentiment worsened in the Eurozone. China's industrial profits rebounded, led by strong credit support (see), while US personal spending beat expectations (see) and personal consumption deflator grew less than expected. On the flipside, economic confidence in the EU fell sharply to its lowest level since September 2016, reflecting business pessimism over production expectations, order books and stocks (see).
- US-China trade talks will continue this week in Washington, starting tomorrow as remain in constant touch, seeking to strike a deal by the end of May.
- Recent upward trend in oil prices waned as Trump's pressure on OPEC to pump more oil offset Iran-led supply concerns across global markets (see).
- Safe-haven bond yields inched up, reverting only partially Friday's decline after US Q1 GDP data showed that private demand abated somewhat. Peripheral risk premia slightly narrowed, including in Italy where S&P affirmed Italy's credit rating (BBB) while maintaining its negative outlook (see). Risk premiums narrowed moderately in Spain as well after Spain's General Elections (see) saw the Socialist party winning the most votes (123 seats in the 350-seat parliament). Markets now focus on the different coalition alternatives that could provide the socialist party enough majority to govern.
- FX markets traded in a narrow range, while equity markets slightly increased led by increase in US personal consumption, amid muted inflation pressure. Banking sector stocks found some relief after Italy's rating was reaffirmed by S&P.

Central Bank Annex

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| Debt markets (10Y, %, changes in bp) | | | | | | |
|--|--------|-------|--------|---------|------|--|
| Developed Markets | level | Daily | Week | Month | YTD | |
| US (2-yr) | 2,29 | 1,0 | -9,4 | 6 | -20 | |
| US | 2,53 | 3,1 | -6,0 | 13 | -16 | |
| GER (2-yr) | -0,58 | 1,5 | -0,6 | 1 | 3 | |
| Germany | 0,00 | 2,4 | -2,3 | 7 | -24 | |
| France | 0,37 | 1,3 | -0,5 | 5 | -35 | |
| Spain | 1,01 | -1,3 | -6,0 | -8 | -51 | |
| Italy | 2,58 | -0,1 | -1,9 | -5 | -31 | |
| Portugal | 1,12 | -0,8 | -5,2 | -15 | -74 | |
| Greece | 3,31 | 1,1 | -0,3 | -47 | -109 | |
| Japan (2-yr) | -0,15 | 0,0 | 0,0 | 3 | -1 | |
| Japan | -0,04 | 0,0 | -0,9 | 5 | -4 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| Brazil | 8,99 | 2,6 | 0,9 | 8 | -25 | |
| Chile | 3,94 | 1,5 | 3,5 | -2 | -31 | |
| Colombia | 6,75 | -0,4 | 13,7 | 13 | 0 | |
| Mexico | 8,10 | 3,8 | 5,9 | 12 | -54 | |
| Peru | 4,85 | -1,6 | -1,7 | -6 | -52 | |
| Poland | 2,95 | 3,4 | 6,4 | 13 | 12 | |
| Russia | 8,26 | -6,1 | -7,4 | -9 | -52 | |
| Turkey | 18,52 | 22,0 | 127,0 | 66 | 272 | |
| India | 7,41 | 0,0 | -6,4 | 9 | 4 | |
| Indonesia | 7,78 | 0,4 | 15,7 | 12 | -24 | |
| Country risk (bp, changes in bp) | | | | | | |
| Developed Markets | level | Daily | Weekly | Monthly | YTD | |
| 10-yr sovereign spread vs Germany | | | | | | |
| France | 36 | -1,1 | 1,8 | -2 | -5 | |
| Italy | 258 | -2,5 | 0,4 | -12 | -6 | |
| Portugal | 112 | -3,2 | -2,9 | -22 | -44 | |
| Spain | 101 | -3,7 | -3,7 | -15 | -21 | |
| 2-yr sovereign spread vs Germany | | | | | | |
| France | 4 | -0,8 | -1,5 | -1 | -11 | |
| Italy | 111 | -2,8 | 2,6 | 29 | 3 | |
| Portugal | 24 | -0,8 | 1,7 | -5 | -2 | |
| Spain | 25 | -1,4 | -0,6 | 3 | -12 | |
| Emerging Markets | level | Daily | Weekly | Monthly | YTD | |
| 5-yr sovereign CDS * | | | | | | |
| Brazil | 175 | -0,8 | 4 | -10 | -33 | |
| Chile | 38 | -0,6 | 2 | -9 | -25 | |
| Colombia | 97 | -1,1 | 2 | -17 | -61 | |
| Argentina | 1275 | 21,6 | 307 | 496 | 469 | |
| Mexico | 114 | -1,3 | 5 | -13 | -41 | |
| Peru | 57 | -0,7 | 3 | -12 | -38 | |
| Poland | 66 | 0,5 | -2 | -1 | -2 | |
| Russia | 127 | -2,4 | -3 | -12 | -27 | |
| Turkey | 458 | 0,7 | 25 | -13 | 98 | |
| China | 42 | -1,5 | 1 | -6 | -26 | |
| India | 78 | -1,6 | -3 | -7 | -35 | |
| Indonesia | 96 | -1,9 | 3 | -10 | -42 | |
| Risk indicators | | | | | | |
| Volatility indicators | level | Daily | Weekly | Monthly | YTD | |
| VIX | 13 | 0,1 | 0 | -2 | -13 | |
| VSTOXX | 13 | 0,4 | 2 | -4 | -11 | |
| EMEFT volatility Index | 16 | 0,2 | 0 | -3 | -9 | |
| Dollar/euro volatility | 5 | 0,0 | 1 | -1 | -2 | |
| EM FX volatility index | 8 | -0,1 | 0 | -1 | -1 | |
| Credit spread (BAA) (change in bps) | 211 | -3,2 | -3 | -16 | -35 | |
| US bonds volatility index | 49 | -0,4 | 1 | -10 | -17 | |
| Inflation expectations | level | Daily | Weekly | Monthly | YTD | |
| US Inflation expectations (5Y5Y) | 2,31 | - | 1 | 9 | 18 | |
| EZ Inflation expectations (5Y5Y) | 1,40 | - | -6 | 8 | -21 | |
| Banking 5y CDS | level | Daily | Weekly | Monthly | YTD | |
| US | 57 | -0,4 | 3 | -7 | -25 | |
| EZ | 81 | -1,9 | 3 | -9 | -39 | |
| UK | 59 | -0,9 | 2 | -11 | -36 | |
| Large Spanish | 57 | -2,2 | 1 | -12 | -30 | |
| Medium Spanish | 99 | -1,3 | 2 | -10 | -13 | |
| Corporate 5y CDS | level | Daily | Weekly | Monthly | YTD | |
| US Non-financial | 165 | -0,4 | 3 | -7 | -25 | |
| EZ Non-financial | 79 | -1,9 | 3 | -9 | -39 | |
| UK Non-financial | 105 | 1,3 | 2 | -2 | -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 | |
| Euribor 12m | -0,11 | 0 | 0 | 0 | 0 | |
| Libor 3m | 2,58 | 0 | 0 | -2 | -21 | |
| Libor 12m | 2,72 | 0 | -3 | 3 | -30 | |
| Stock markets (%) | | | | | | |
| Main indices | level | Daily | Weekly | Monthly | YTD | |
| S&P500 | 2.944 | 0,1 | 1,2 | 4,6 | 17 | |
| Dow Jones | 26.556 | 0,0 | 0,2 | 3,3 | 14 | |
| Nikkei | 22.259 | 0,0 | 0,2 | 5,8 | 11 | |
| FTSE 100 | 7.441 | 0,2 | -0,3 | 2,9 | 11 | |
| EuroStoxx 50 | 3.500 | 0,0 | 0,0 | 5,4 | 17 | |
| IBEX | 9.506 | 0,0 | -0,8 | 3,6 | 11 | |
| DAX | 12.328 | 0,1 | 0,9 | 7,9 | 17 | |
| CAC | 5.576 | 0,1 | -0,1 | 5,3 | 18 | |
| MBI | 21.785 | 0,2 | -0,8 | 3,3 | 19 | |
| ASE Athens | 773 | 0,0 | -0,7 | 8,3 | 26 | |
| MSCI Latam * | 93.003 | -0,1 | 0,7 | 3,6 | 8 | |
| Ibovespa (Brazil) | 96.123 | -0,1 | 1,6 | 1,8 | 9 | |
| Mexbol (Mexico) | 44.937 | -0,1 | -1,0 | 4,6 | 8 | |
| Merval (Argentina) | 29.483 | -1,7 | -4,2 | -10,4 | -3 | |
| MSCI EM Europe * | 5.758 | 0,4 | 0,0 | 3,2 | 9 | |
| Poland | 2.368 | -0,2 | 0,1 | 2,3 | 4 | |
| Micex 10 (Russia) | 4.564 | 0,7 | -1,0 | 3,0 | 9 | |
| Ise 100 (Turkey) | 94.535 | -0,3 | -1,5 | 2,6 | 4 | |
| MSCI EM Asia * | 889 | -0,1 | -1,1 | 3,1 | 14 | |
| Shanghai Com (China) | 3.062 | -0,8 | -4,7 | 2,3 | 23 | |
| Jakarta (Indonesia) | 6.426 | 0,8 | -1,2 | -0,3 | 4 | |
| Banking sector | level | Daily | Weekly | Monthly | YTD | |
| US banks | | | | | | |
| JPM | 144,3 | 1,8 | 2,4 | 13,7 | 25 | |
| Citi | 116,6 | 1,9 | 2,7 | 15,8 | 19 | |
| BoA | 71,1 | 2,3 | 2,9 | 14,7 | 37 | |
| MS | 31,0 | 2,1 | 3,2 | 13,4 | 26 | |
| GS | 48,3 | 0,9 | 2,1 | 15,2 | 22 | |
| GS | 205,9 | 1,4 | 0,6 | 7,7 | 23 | |
| EZ banks | | | | | | |
| BNP | 81,9 | 1,6 | -2,6 | 10,3 | 19 | |
| BNP | 47,6 | 1,4 | -2,9 | 13,3 | 20 | |
| Crédit Agricole | 12,4 | 2,1 | -0,7 | 16,2 | 31 | |
| Deutsche Bank | 7,4 | 0,4 | -5,3 | 1,6 | 6 | |
| ING | 11,4 | 0,3 | -5,7 | 6,6 | 21 | |
| Intesa | 2,3 | 2,2 | 0,2 | 7,9 | 20 | |
| SG | 28,3 | 2,0 | -2,6 | 11,0 | 2 | |
| Unicredit | 12,4 | 2,4 | -3,2 | 9,1 | 25 | |
| UK banks | | | | | | |
| HSBC | 80,6 | 1,0 | -3,0 | 4,4 | 11 | |
| HSBC | 669,4 | 0,6 | 0,4 | 8,4 | 3 | |
| RBS | 241,0 | 0,4 | -8,2 | -2,6 | 11 | |
| Barclays | 164,5 | 2,1 | -2,9 | 7,5 | 9 | |
| Lloyds | 63,6 | 1,0 | -3,5 | 2,7 | 23 | |
| Large Spanish banks | | | | | | |
| Santander | 67,3 | 0,7 | -2,6 | 8,6 | 15 | |
| Santander | 4,5 | 0,5 | -2,2 | 9,9 | 14 | |
| BBVA | | | | | | |
| BBVA | 5,4 | 0,8 | -3,1 | 7,4 | 17 | |
| Medium Spanish banks | | | | | | |
| Caixabank | 56,6 | 2,1 | -0,9 | 7,6 | -2 | |
| Caixabank | 2,9 | 2,6 | -1,4 | 5,4 | -8 | |
| Sabadell | 1,0 | 2,6 | 1,7 | 19,5 | 4 | |
| Bankinter | 7,2 | 1,4 | -2,6 | 5,4 | 2 | |
| Bankia | 2,4 | 2,7 | 0,8 | 5,9 | -5 | |
| Currencies (% , red for currency depreciation) | | | | | | |
| Developed | level | Daily | Weekly | Monthly | YTD | |
| EURUSD | 1,117 | 0,1 | -0,8 | -0,5 | -3 | |
| GBPUSD | 1,29 | 0,1 | -0,4 | -0,9 | 1 | |
| USDJPY | 111,79 | -0,2 | 0,1 | -1,0 | -2 | |
| DXY | 97,97 | 0,0 | 0,7 | 0,8 | 2 | |
| Emerging | level | Daily | Weekly | Monthly | YTD | |
| USDARS (Argentina) | 44,60 | 2,9 | -5,3 | -2,2 | -16 | |
| USDBRL (Brazil) | 3,94 | -0,1 | 0,0 | -0,9 | -1 | |
| USDCPL (Chile) | 678,88 | -0,6 | -2,2 | 0,7 | 2 | |
| USDCOP (Colombia) | 3251 | -0,7 | -3,0 | -2,3 | 0 | |
| USDMXN (Mexico) | 19,03 | -0,5 | -1,1 | 1,6 | 3 | |
| USDPEN (Peru) | 3,32 | -0,1 | -0,4 | 0,1 | 2 | |
| LACI | 53,88 | -0,1 | -1,5 | 0,2 | -1 | |
| USDPLN (Poland) | 3,85 | 0,2 | -1,1 | -0,5 | -3 | |
| USDRUB (Russia) | 64,51 | 0,4 | -1,1 | 0,7 | 8 | |
| USDTRY (Turkey) | 5,95 | -0,2 | -2,1 | -6,5 | -11 | |
| USDCNY (China) | 6,73 | -0,1 | -0,3 | 0,1 | 2 | |
| USDINR (India) | 70,02 | 0,0 | -0,5 | -1,0 | 0 | |
| USDIDR (Indonesia) | 14208 | -0,1 | -0,9 | 0,2 | 1 | |
| ADXY | 105,72 | 0,0 | -0,4 | -0,4 | 0 | |
| Commodities (%) | | | | | | |
| | level | Daily | Weekly | Monthly | YTD | |
| Brent | 72,1 | -0,1 | -2,7 | 6 | 34 | |
| WTx | 63 | -0,3 | -3,9 | 6 | 39 | |
| Copper | 288 | -2,9 | -0,8 | 1 | 10 | |
| Gold | 1279 | -0,6 | 0,3 | -1 | 0 | |
| S&P Spot commodity * | 445 | -1,7 | -2,4 | 3 | 19 | |
| S&P Metals Spot * | 610 | -2,7 | -2,4 | 7 | 33 | |
| S&P Metals Spot * | 335 | 0,1 | -1,1 | -2 | 5 | |
| S&P Agricultural * | 271 | 0,1 | -1,0 | -2 | -5 | |

* Source: Bloomberg, Datastream and Haver

* With one day delay

Central Bank Annex

FOMC preview

- At this week's FOMC meeting on Wednesday, we expect the Fed to maintain the committee's current policy stance, reemphasizing its "patience" with respect to interest rates and confirming its plans to end its quantitative tightening program. Moreover, with respect to risk management, we believe the committee will maintain its view that risks are asymmetrically skewed to the downside. That being said, the committee will have to address how they are incorporating the nontrivial pivot in the domestic economy and the easing of financial tensions into their outlook for the remainder of the year. Moreover, the strong gains in equity prices and the compression of risks spreads could force the committee to revisit the issue of financial vulnerabilities and overheating in financial markets. Most members believe the economy is at or above potential, and that growth is likely to be close to potential this year. If growth surprised the upside and there was a nontrivial rise in inflation, inflation expectations or significant increase in wage pressures, the FOMC may begin to reconsider raising rates at the end of the year. This fine-tuning would allow the Fed to get policy rates closer to neutral levels in this normalization cycle.