

## Markets start the week on front foot amid positive data surprises

■ **Financial markets started the week on an optimistic note** led by a positive surprise in activity survey indicators from China and the US alongside hopes of progress in US-China trade talks, which are scheduled later this week. March PMIs for China rebounded into expansionary territory while in the US, ISM data affirmed the underlying economic strength. Following last week's "constructive" talks in Beijing, Chinese Vice Premier Liu He will visit the US to continue negotiations. In a positive gesture, over the weekend, China extended the suspension of retaliatory tariffs on US autos ([see](#)). In addition, this week, payrolls data in the US, alongside Brexit developments will catch the market's attention.

■ **In this context, sovereign yields rose sharply across the board.** The US Treasury 10Y yield approached 2.50%, driven mainly by the release of better-than-expected ISM Manufacturing data ([see](#)) which offset downbeat US retail sales figures ([see](#)). German 10Y Bund yields also increased, but still remained in negative territory, dragged by lower than expected EZ inflation prints ([see](#)) and Draghi's reiteration of the need for policy stimulus in the euro area ([see](#)). Meanwhile, European peripheral risk premia narrowed slightly, mainly in Italy despite OECD's report highlighting rising debt-deficit risks ([see](#)).

■ **Developed equity markets also rose post the positive surprise in US-China activity data.** The US and European indices extended their gains from late last week while in Asia, equity markets recovered from last week losses, led by Chinese stocks, which were buoyed by the strong rebound in March Chinese PMI indicators, particularly Caixin Mfg PMI, which returned to expansionary territory for the first time in four months ([see](#)).

■ **The USD and the EUR remained broadly flat ahead of the release of March 7th ECB minutes.** Following last Friday's third-rejection of May's Brexit plan, the new key date for Brexit deadline will be April 12th. The GBP is in a recovery mode following its recent fall ahead of a new round of UK Parliament votes on different alternatives to May's Brexit deal, scheduled later today ([see](#)). Meanwhile, EM currencies appreciated across the board, mainly Latam currencies amid increasing oil prices (Brent above \$68 per barrel). The PEN was the least favored in the rally, mainly due to the cut in Peru's economic growth by its Central Bank ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.32	6.5	8.3	-19	-16
<b>US</b>	2.48	8.0	8.7	-23	-20
GER (2-yr)	-0.60	0.4	-3.1	-8	1
<b>Germany</b>	-0.03	4.3	0.1	-21	-27
France	0.37	5.5	1.9	-20	-34
Spain	1.14	4.4	4.0	-14	-38
Italy	2.51	2.0	0.6	-24	-23
Portugal	1.28	2.5	-1.9	-33	-59
Greece	3.71	-2.3	-5.6	5	-69
Japan (2-yr)	-0.17	0.1	1.2	-2	-3
<b>Japan</b>	-0.07	0.8	1.1	-5	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.92	-4.4	-5.2	-8	-31
Chile	4.00	1.2	2.3	-17	-26
Colombia	6.61	-1.1	5.2	-25	-14
Mexico	8.00	-1.6	15.3	-16	-64
Peru	4.89	-1.0	-0.5	-27	-48
Poland	2.88	3.6	1.9	-9	5
Russia	8.39	-1.7	19.7	-3	-39
Turkey	16.79	-39.0	13.0	234	99
India	7.35	0.0	2.7	-6	-2
Indonesia	7.61	-2.0	-3.7	-20	-41
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	40	1.2	1.8	1	-1
Italy	254	-2.3	0.5	-3	4
Portugal	130	-1.8	-2.0	2	-26
Spain	117	0.1	3.9	7	-5
<b>2-yr sovereign spread vs Germany</b>					
France	7	0.2	0.9	-1	-8
Italy	83	-0.1	0.7	-7	-25
Portugal	29	-0.3	-0.6	2	3
Spain	24	0.6	1.8	-2	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	175	-4.8	-3	22	-32
Chile	45	-1.3	-4	1	-18
Colombia	108	-2.8	-5	2	-50
Argentina	779	-9.1	3	118	-27
Mexico	122	-1.4	-5	1	-32
Peru	66	-1.8	-4	-3	-29
Poland	67	-0.2	-1	2	-1
Russia	135	-1.7	-1	5	-19
Turkey	424	-27.3	33	122	65
China	45	-0.7	-4	-5	-23
India	85	-2.0	2	-10	-29
Indonesia	103	-3.2	-1	-2	-34
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	14	0.0	-3	-1	-12
VSTOXX	15	-0.5	-3	1	-9
EM EFT volatility Index	18	-0.6	-2	-1	-7
Dollar/euro volatility	5	-0.1	0	0	-2
EM FX volatility index	9	-0.2	1	1	-1
Credit spread (BAA) (change in bps)	219	-8.0	-13	-5	-27
US bonds volatility index	59	-1.4	1	11	-8
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.24	-	1	-5	10
EZ Inflation expectations (5Y5Y)	1.38	-	-2	-10	-23
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	62	-1.5	-2	0	-20
EZ	89	-2.0	-3	4	-31
UK	66	-1.9	-9	0	-28
Large Spanish	67	-2.4	0	10	-20
Medium Spanish	108	-1.3	-1	5	-5
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	164	-1.5	-2	0	-20
EZ Non-financial	83	-2.0	-3	4	-31
UK Non-financial	106	-1.0	-1	7	-13
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	1	1	0
Euribor 3m	-0.31	0	0	0	0
<b>Euribor 12m</b>	-0.11	0	0	0	1
Libor 3m	2.60	1	-1	-3	-20
Libor 12m	2.71	2	-8	-16	-30
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,857	0.8	2.1	2.6	14
Dow Jones	26,181	1.0	2.6	1.0	12
Nikkei	21,509	1.4	2.5	0.6	7
FTSE 100	7,317	0.5	1.9	3.4	9
<b>EuroStoxx 50</b>	3,385	1.0	2.6	2.6	13
IBEX	9,342	1.1	1.8	0.7	9
DAX	11,682	1.4	3.0	1.4	11
CAC	5,406	1.0	2.8	3.1	14
MIB	21,520	1.1	2.2	4.2	17
ASE Athens	741	2.7	4.6	4.7	21
<b>MSCI Latam *</b>	92,162	1.0	1.5	-1.4	7
Ibovespa (Brazil)	96,473	1.1	3.0	0.9	10
Mexbol (Mexico)	43,574	0.7	2.0	1.8	5
Merval (Argentina)	33,694	0.7	1.6	-2.3	11
<b>MSCI EM Europe *</b>	5,604	0.3	-0.7	-0.8	6
Poland	2,341	1.2	1.2	0.4	3
Micex 10 (Russia)	4,497	1.5	0.8	1.7	7
Ise 100 (Turkey)	94,101	0.3	-5.3	-10.0	3
<b>MSCI EM Asia *</b>	872	1.1	-0.1	0.9	11
Shanghai Com (China)	3,170	2.6	4.2	7.8	27
Jakarta (Indonesia)	6,453	-0.4	-1.1	-1.1	4
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	131.1	2.6	5.2	-0.3	13
JPM	103.7	2.5	4.8	-0.6	6
Citi	64.1	3.0	6.2	0.1	23
BoA	28.4	3.0	5.8	-2.3	15
MS	43.3	2.5	4.9	3.0	9
GS	196.0	2.1	4.0	-0.4	17
<b>EZ banks</b>	76.9	2.6	4.6	-2.3	12
BNP	43.5	2.0	4.7	-3.5	10
Crédit Agricole	11.1	2.9	5.9	-1.3	18
Deutsche Bank	7.5	3.7	4.2	-7.8	8
ING	11.0	2.4	5.2	-5.1	7
Intesa	2.2	1.6	2.6	1.7	14
SG	26.5	2.9	4.4	-1.8	-5
Unicredit	11.9	4.3	4.6	-0.4	20
<b>UK banks</b>	78.8	1.5	1.9	-1.3	8
HSBC	635.8	2.0	3.5	3.7	-2
RBS	247.7	0.3	-0.1	-6.8	14
Barclays	158.3	2.4	1.8	-3.6	5
Lloyds	62.9	1.2	1.4	-1.0	21
<b>Large Spanish banks</b>	64.8	3.6	2.5	-1.9	11
Santander	4.3	3.1	3.0	-0.6	8
<b>BBVA</b>	5.3	4.2	2.0	-3.1	14
<b>Medium Spanish banks</b>	54.8	3.6	2.0	-6.2	-5
Caixabank	2.9	4.6	4.8	-7.1	-8
Sabadell	0.9	4.1	1.9	-7.7	-8
Bankinter	7.0	3.2	0.7	-2.9	0
Bankia	2.4	3.1	1.4	-11.3	-7
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.121	0.0	-0.9	-1.4	-2
GBPUSD	1.31	0.8	-0.4	-0.9	3
USDJPY	111.30	-0.4	-1.2	0.1	-1
DXY	97.22	-0.1	0.7	1.1	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42.81	1.2	-1.8	-8.6	-12
USDBRL (Brazil)	3.87	1.3	-0.4	-3.0	0
USDCLP (Chile)	672.13	1.1	1.2	-2.6	3
USDCOP (Colombia)	3144	1.4	-0.3	-2.1	4
USDMXN (Mexico)	19.21	1.1	-1.0	0.3	2
USDPEN (Peru)	3.31	0.3	-0.1	-0.3	2
LACI	54.44	1.1	-0.5	-2.2	0
USDPLN (Poland)	3.83	0.1	-1.0	-1.2	-2
USDRUB (Russia)	65.44	0.5	-2.2	0.8	6
USDTRY (Turkey)	5.47	1.9	1.5	-2.4	-3
USDCNY (China)	6.71	0.0	0.0	-0.3	2
USDINR (India)	69.16	0.0	-0.3	2.3	1
USDIDR (Indonesia)	14229	0.1	-0.3	-1.1	1
ADXY	106.40	0.2	-0.1	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	68.5	0.2	2.0	4	27
WTx	61	1.4	3.7	7	34
Copper	294	0.3	3.3	0	12
Gold	1291	-0.1	-2.3	-2	1
S&P Spot commodity *	434	0.3	0.0	2	16
S&P Brent Spot *	575	0.7	1.2	2	26
S&P Metals Spot *	345	1.2	1.9	0	8
S&P Agricultural *	273	-1.7	-3.0	-2	-4

Source: Bloomberg, Datastream and Haver

\* With one day delay