

## Optimism on trade and growth outlook boosted financial markets

- There is a positive tone in the financial markets on the back of trade optimism and improvement in China's growth outlook. Both equity and sovereign bond yields increased across the board, suggesting a decline in global risk premium.
- A recent media report showed that the US and China were closer to reaching a final deal, as most of the outstanding issues have been resolved, raising positivism among investors (see). Moreover, markets will follow closer today's resumed trade negotiations in the US, following last week's "constructive" talks between the two major economies. Meanwhile, on the growth side, the biggest positive surprise for markets came again from China as the services confidence indicator showed a sharp improvement (see).
- Against this backdrop, core yields increased across the board, recovering from yesterday's decline. The US Treasury 10Y yield rose above 2.50% level despite the weaker-than-expected ISM-Non manufacturing data (see). In this vein, the German 10Y Bund yield returned to a positive territory (although remained around 0%), underpinned by better-than-expected EZ retail sales (see), jointly with the improvement in Chinese outlook. Meanwhile, peripheral risk premia narrowed.
- Equity markets rose across developed economies: European stocks outperformed the US. However, both of them reflected the optimistic view on both trade deal and growth. Following the rebound of the previous confidence indicators released early this week, today China's Caixin PMI service beat market expectations, leading to a rise across Asian equity indices.
- The USD depreciated, helping the EUR to maintain its level slightly above 1.12 USD/EUR ahead of tomorrow's ECB minutes. Meanwhile, Brexit issues boosted UK assets. The GBP appreciated on the back of optimism on Brexit after May opened to door to a softer Brexit by asking for a delay (see). In this context, May has offered to work with Labour leader Corbyn to break the Brexit deadlock (see). Nonetheless, the European Commission highlighted that for a short Brexit extension, the withdrawal agreement must be approved by April 12th (see). EM currencies appreciated across the board with the exception of the TRY which ended steady after Turkish inflation data, which was in line with expectations (see) and waiting for the new economic plan to be unveiled by next week.

Update 17:55 CET 03 April 2019

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.33	2.8	13.1	-21	-16
<b>US</b>	2.52	4.3	15.0	-21	-17
GER (2-yr)	-0.58	2.4	1.9	-7	3
<b>Germany</b>	0.01	5.6	8.8	-15	-24
France	0.40	4.2	9.6	-16	-31
Spain	1.14	2.4	8.4	-14	-38
Italy	2.54	1.6	8.8	-20	-20
Portugal	1.27	1.6	1.2	-33	-59
Greece	3.66	-3.2	-12.5	-2	-74
Japan (2-yr)	-0.15	0.2	1.4	-1	-1
<b>Japan</b>	-0.05	1.7	2.2	-5	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.91	2.0	-43.6	-14	-33
Chile	3.98	-0.4	4.3	-21	-27
Colombia	6.64	0.3	2.3	-27	-11
Mexico	8.02	1.8	7.6	-16	-62
Peru	4.87	-0.4	-0.6	-27	-50
Poland	2.89	2.9	8.0	-6	7
Russia	8.40	-0.3	10.0	-5	-38
Turkey	16.73	3.0	-72.0	199	93
India	7.27	-0.1	-5.7	-11	-10
Indonesia	7.62	0.0	-0.3	-24	-40
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	39	-1.4	0.8	-1	-2
Italy	253	-4.0	0.0	-5	3
Portugal	126	-4.0	-7.6	-4	-30
Spain	113	-3.2	-0.4	1	-9
<b>2-yr sovereign spread vs Germany</b>					
France	8	-0.2	1.2	0	-8
Italy	86	-1.0	5.4	1	-22
Portugal	27	-2.3	-2.8	1	1
Spain	22	-1.2	-0.6	-3	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	170	1.5	-2	13	-37
Chile	42	0.0	-4	-3	-21
Colombia	107	1.4	-4	-2	-51
Argentina	792	13.9	19	84	-14
Mexico	122	1.7	-2	-4	-33
Peru	62	-0.3	-6	-8	-33
Poland	69	0.0	1	4	1
Russia	133	-0.2	3	4	-21
Turkey	408	17.2	-7	101	48
China	43	-0.7	-3	-7	-25
India	84	0.2	0	-6	-30
Indonesia	100	-1.7	-1	-1	-38
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.1	-2	-1	-12
VSTOXX	14	-0.6	-2	1	-10
EMEFT volatility Index	17	-0.2	-2	-1	-8
Dollar/euro volatility	5	0.0	-1	0	-2
EMFX volatility index	9	-0.1	-1	0	-1
Credit spread (BAA) (change in bps)	220	-4.3	-10	-1	-25
US bonds volatility index	54	1.5	-7	7	-12
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.28	-	7	-2	14
EZ Inflation expectations (5Y5Y)	1.37	-	5	-14	-23
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	60	-0.5	-3	0	-22
EZ	86	0.4	-4	1	-33
UK	65	0.6	-6	1	-29
Large Spanish	65	0.9	-1	7	-22
Medium Spanish	104	-1.7	-4	-1	-8
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	160	-0.5	-3	0	-22
EZ Non-financial	80	0.4	-4	1	-33
UK Non-financial	104	-0.7	-2	6	-15
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	2.60	1	0	0	-19
Libor 12m	2.73	0	1	-15	-28
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,883	0.5	2.8	3.2	15
Dow Jones	26,278	0.4	2.5	1.8	13
Nikkei	21,713	1.0	1.6	-0.5	8
FTSE 100	7,418	0.4	3.1	4.0	10
<b>EuroStoxx 50</b>	3,436	1.2	3.4	3.6	14
IBEX	9,488	1.3	2.8	2.5	11
DAX	11,954	1.7	4.7	3.1	13
CAC	5,469	0.8	3.2	3.4	16
MIB	21,756	1.1	2.7	5.0	19
ASE Athens	749	0.8	5.0	6.4	22
<b>MSCI Latam *</b>	92,016	-0.7	0.2	1.0	7
Ibovespa (Brazil)	95,981	0.6	4.4	1.5	9
Mexbol (Mexico)	43,337	0.0	0.9	2.2	4
Merval (Argentina)	32,309	-2.1	0.4	-4.5	7
<b>MSCI EM Europe *</b>	5,681	0.4	0.5	1.3	7
Poland	2,408	1.5	4.0	3.4	6
Micex 10 (Russia)	4,520	0.3	1.9	2.6	8
Ise 100 (Turkey)	94,441	1.0	2.8	-9.4	3
<b>MSCI EM Asia *</b>	882	0.3	2.4	2.4	13
Shanghai Com (China)	3,216	1.2	6.4	6.2	29
Jakarta (Indonesia)	6,476	0.4	0.1	-0.4	5
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	133.2	0.5	6.2	1.6	15
JPM	105.3	0.2	5.7	1.1	8
Citi	64.9	0.7	6.8	1.8	25
BoA	28.9	-0.1	6.8	-0.6	17
MS	44.2	1.2	6.9	5.3	12
GS	199.2	0.9	4.8	1.6	19
<b>EZ banks</b>	78.4	1.4	4.2	-0.2	14
BNP	44.5	1.4	5.2	-0.9	13
Crédit Agricole	11.4	1.9	4.7	2.4	21
Deutsche Bank	7.6	0.9	1.7	-6.0	10
ING	11.3	1.5	5.4	-2.6	20
Intesa	2.2	0.9	2.7	2.4	14
SG	26.8	0.9	3.4	-1.4	-4
Unicredito	12.2	2.7	5.6	2.7	23
<b>UK banks</b>	81.0	1.7	4.3	1.4	11
HSBC	648.9	0.5	5.8	5.0	0
RBS	253.9	2.3	1.0	-4.7	17
Barclays	164.0	2.5	5.4	0.2	9
Lloyds	64.9	2.3	4.0	2.9	25
<b>Large Spanish banks</b>	66.2	1.8	5.5	2.1	13
Santander	4.4	2.0	5.1	2.9	10
<b>BBVA</b>	5.4	1.6	5.8	1.4	17
<b>Medium Spanish banks</b>	55.5	2.3	4.2	-4.5	-3
Caixabank	2.9	2.8	5.2	-5.4	-7
Sabadell	0.9	3.5	7.3	-5.1	-5
Bankinter	7.1	1.8	3.6	-0.7	1
Bankia	2.4	2.1	2.0	-10.9	-6
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.124	0.3	0.0	-0.9	-2
GBPUSD	1.32	0.4	-0.1	0.0	3
USDJPY	111.49	-0.2	-0.9	0.2	-2
DXY	97.09	-0.3	0.3	0.4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42.71	0.0	2.7	-6.7	-12
USDBRL (Brazil)	3.84	0.3	3.9	-1.7	1
USDCLP (Chile)	666.50	1.0	2.5	-1.2	4
USDCOP (Colombia)	3125	0.7	1.7	-0.9	4
USDMXN (Mexico)	19.17	0.3	1.0	0.7	2
USDPEN (Peru)	3.30	0.3	0.5	0.3	2
LACI	54.70	0.3	2.3	-1.2	1
USDPLN (Poland)	3.82	0.5	0.1	-0.6	-2
USDRUB (Russia)	65.12	0.3	-0.4	0.9	6
USDTRY (Turkey)	5.61	0.0	-5.0	-4.1	-6
USDCNY (China)	6.71	0.2	0.2	-0.1	2
USDINR (India)	68.43	0.5	0.7	3.6	2
USDIDR (Indonesia)	14223	0.0	-0.1	-0.7	1
ADXY	106.50	0.2	0.3	0.2	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	69.1	-0.4	1.9	5	28
WTx	62	-0.5	4.8	10	37
Copper	293	0.7	2.4	0	11
Gold	1290	-0.2	-1.5	0	1
S&P Spot commodity *	443	0.7	1.8	5	18
S&P Brent Spot *	590	0.5	3.2	6	29
S&P Metals Spot *	342	-0.9	0.0	0	7
S&P Agricultural *	276	0.1	-1.0	-1	-3

Source: Bloomberg, Datastream and Haver

\* With one day delay