

Markets remain cautiously optimistic on US-China trade deal hopes

- Financial markets were little changed awaiting further details on US-China trade talks, which are currently underway.** The US is mulling over giving China until 2025 to fulfill its trade promise, which includes a commitment to purchase more US agricultural products and allowing full ownership for US companies in China ([see](#)). In a positive sign that the two sides are getting closer to finalizing a deal, Chinese Vice Premier Liu He is to meet US President Trump later today. Ongoing talks are expected to pave the way for Trump and Xi to seal a trade deal. A schedule for a leaders-level meeting could be unveiled as early as this week ([see](#)).
- Meanwhile, the minutes for March 7th ECB policy meeting confirmed a “wait-and-see” approach,** in line with market expectations, and affirmed the extension of the forward guidance until end 2019 while reinforcing data-dependency amid uncertainty over the global economic outlook. The minutes also confirmed that the launch of TLTRO-III should help monetary policy transmission. Further, for the first time, the ECB signalled concerns over the side effects of the negative rates on banking sector profitability, although no measures were discussed ([see](#)). **The release of ECB minutes alongside weaker-than-expected German factory order data ([see](#)) had a marginal impact on markets.** EUR was broadly flat, hovering around 1.12 against the USD, while the 10Y Bund yield ended slightly below the 0% level.
- The US Treasury 10Y yield was little changed at around 2.50%,** largely unaffected by Trump's complaints about the Fed's monetary policy stance ([see](#)), which he highlighted as harmful to the US economy. Meanwhile the USD appreciated against its main peers.
- Mild movements across developed equity markets.** Both, US and European stock markets reflected little gains and the equity implied volatility remained below 15%. Moreover, Asian indices were up once again, amid positive steps on the US-China trade negotiations.
- In the UK, talks between opposition party leader Corbyn and May took place yesterday** with Labour members demanding a second referendum ([see](#)). Meanwhile, yesterday, UK MPs voted by a majority of one to block a no-deal Brexit on April 12th by seeking a delay in Brexit ([see](#)). In this context, the GBP depreciated protracted Brexit uncertainty. Finally, **EM currencies were mixed with the Indian rupee underperforming its peers** after RBI signaled a neutral policy stance despite cutting interest rates again for the second straight meeting today citing negative output gap and benign inflation pressures ([see](#)).

Update 17:50 CET 04 April 2019

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.33	0.0	9.9	-21	-15
US	2.51	-1.8	11.2	-21	-18
US (2-yr)	-0.58	0.2	1.0	-8	3
Germany	-0.01	-1.3	6.4	-17	-25
France	0.37	-3.0	5.6	-19	-34
Spain	1.11	-3.1	2.0	-15	-41
Italy	2.52	-2.6	3.0	-19	-23
Portugal	1.26	-0.9	-1.0	-34	-60
Greece	3.61	-4.4	-16.8	-10	-79
Japan (2-yr)	-0.16	-0.2	2.0	-2	-1
Japan	-0.04	0.1	4.6	-5	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.92	-6.5	2.2	-12	-31
Chile	3.96	-0.8	-0.8	-22	-30
Colombia	6.64	-0.1	1.4	-27	-11
Mexico	8.03	0.5	4.8	-11	-61
Peru	4.85	-2.0	-5.5	-28	-51
Poland	2.91	2.0	9.5	-3	9
Russia	8.42	1.8	6.7	-3	-37
Turkey	16.66	-7.0	-120.0	197	86
India	7.35	7.5	2.3	-3	-2
Indonesia	7.59	-3.4	-7.8	-27	-44
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	37	-1.7	-0.8	-2	-4
Italy	252	-1.3	-3.4	-2	2
Portugal	127	0.4	-7.4	-2	-29
Spain	112	-1.8	-4.4	2	-10
2-yr sovereign spread vs Germany					
France	7	-0.4	1.4	0	-8
Italy	86	0.3	3.8	4	-22
Portugal	27	-0.1	-1.8	1	1
Spain	22	0.1	0.5	-1	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	170	-0.2	-15	12	-38
Chile	41	-1.5	-6	-6	-22
Colombia	106	-1.3	-8	-5	-53
Argentina	785	-7.4	6	56	-21
Mexico	119	-2.7	-8	-9	-36
Peru	59	-2.4	-9	-10	-35
Poland	69	0.0	2	4	1
Russia	132	-1.3	-7	3	-22
Turkey	393	-14.7	-78	84	33
China	42	-1.0	-6	-6	-26
India	83	-0.3	-2	-3	-30
Indonesia	96	-3.7	-9	-2	-42
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	14	-0.1	-1	-1	-12
VSTOXX	14	0.1	-2	1	-10
EMEFT volatility Index	17	-0.7	-2	-1	-8
Dollar/euro volatility	5	-0.1	-1	0	-2
EMFX volatility index	9	0.0	-1	1	-1
Credit spread (BAA) (change in bps)	224	1.8	-2	2	-21
US bonds volatility index	54	-0.4	-6	8	-13
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.25	-	2	-4	12
EZ Inflation expectations (5Y5Y)	1.36	-	4	-15	-25
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	59	-1.2	-5	-1	-24
EZ	84	-2.6	-7	-2	-36
UK	63	-2.5	-7	-1	-32
Large Spanish	64	-1.8	-5	3	-24
Medium Spanish	105	0.7	-4	1	-7
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	161	-1.2	-5	-1	-24
EZ Non-financial	79	-2.6	-7	-2	-36
UK Non-financial	104	0.0	-3	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
Euribor 12m	-0.11	0	0	0	1
Libor 3m	2.60	0	0	-1	-20
Libor 12m	2.75	2	7	-13	-26
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,873	0.0	2.0	3.0	15
Dow Jones	26,352	0.5	2.5	2.1	13
Nikkei	21,725	0.1	3.3	0.0	9
FTSE 100	7,406	-0.2	2.4	3.1	10
EuroStoxx 50	3,444	0.2	3.7	3.5	15
IBEX	9,532	0.5	3.9	3.0	12
DAX	11,990	0.3	4.9	3.2	14
CAC	5,468	0.0	3.2	3.2	16
MIB	21,722	-0.2	3.0	4.9	19
ASE Athens	745	-0.6	4.4	6.6	21
MSCI Latam *	91,576	-0.5	2.0	0.6	6
Ibovespa (Brazil)	95,769	1.4	1.5	1.2	9
Mexbol (Mexico)	43,652	0.7	1.7	3.6	5
Merval (Argentina)	32,190	1.3	-2.1	-4.9	6
MSCI EM Europe *	5,710	0.5	2.4	1.8	8
Poland	2,389	-0.8	3.2	2.9	5
Micex 10 (Russia)	4,537	0.4	2.4	3.5	8
Ise 100 (Turkey)	98,337	4.1	6.7	-5.2	8
MSCI EM Asia *	888	0.7	3.1	2.7	14
Shanghai Com (China)	3,247	0.9	8.4	6.3	30
Jakarta (Indonesia)	6,495	0.3	0.8	0.1	5
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	134.9	1.0	6.2	3.1	17
JPM	105.4	0.0	4.6	1.2	8
Citi	66.0	1.4	6.5	4.8	27
BoA	29.2	1.3	6.9	0.4	19
MS	45.0	1.4	7.3	7.4	14
GS	203.2	1.2	6.3	3.7	22
EZ banks	78.8	0.5	6.2	1.4	14
BNP	44.9	0.8	6.8	0.8	14
Crédit Agricole	11.5	-0.8	7.6	3.6	22
Deutsche Bank	7.6	-0.8	4.5	-6.0	9
ING	11.4	0.7	7.1	1.4	21
Intesa	2.2	1.0	3.5	3.6	15
SG	27.0	0.5	5.9	-0.2	-3
Unicredito	121.0	-0.7	6.9	2.4	22
UK banks	80.4	-0.8	4.1	0.8	10
HSBC	648.6	0.0	5.0	4.0	0
RBS	254.1	0.1	2.7	-2.2	17
Barclays	165.0	0.6	7.8	0.2	10
Lloyds	62.7	-3.3	1.2	-0.3	21
Large Spanish banks	67.0	1.2	8.1	3.7	15
Santander	4.4	0.8	7.3	3.7	11
BBVA	5.5	1.6	9.0	3.6	19
Medium Spanish banks	56.2	1.2	6.8	-3.5	-2
Caixabank	3.0	0.9	7.3	-4.5	-6
Sabadell	1.0	1.8	11.1	-3.3	-3
Bankinter	7.2	0.9	5.4	-0.6	2
Bankia	2.4	2.1	6.5	-8.9	-4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.122	-0.1	0.0	-0.8	-2
GBPUSD	1.31	-0.6	0.2	-0.8	3
USDJPY	111.56	-0.1	-0.8	0.3	-2
DXY	97.29	0.2	0.1	0.4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	43.17	-0.7	1.1	-7.7	-13
USDBRL (Brazil)	3.87	0.0	0.8	-2.4	0
USDCLP (Chile)	664.67	0.3	2.8	-1.1	4
USDCOP (Colombia)	3133	-0.3	1.4	-1.1	4
USDMXN (Mexico)	19.18	0.2	0.9	0.4	2
USDPEN (Peru)	3.30	0.0	0.7	0.4	2
LACI	54.52	0.0	1.4	-1.6	0
USDPLN (Poland)	3.82	-0.1	0.1	-0.5	-2
USDRUB (Russia)	65.48	-0.4	-0.7	0.5	6
USDTRY (Turkey)	5.58	0.9	-0.3	-3.4	-5
USDCNY (China)	6.72	-0.1	0.3	-0.1	2
USDINR (India)	69.16	-1.1	-0.3	1.9	1
USDIDR (Indonesia)	14183	0.3	0.4	-0.4	1
ADXY	106.39	-0.1	0.2	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	69.7	0.5	2.7	6	29
WTx	63	0.2	5.5	11	38
Copper	291	-1.2	1.4	-1	11
Gold	1288	-0.1	-0.2	0	0
S&P Spot commodity *	444	0.2	2.5	5	18
S&P Brent Spot *	590	-0.1	3.3	5	29
S&P Metals Spot *	345	1.0	1.1	1	8
S&P Agricultural *	277	0.4	-0.3	-1	-2

Source: Bloomberg, Datastream and Haver

* With one day delay