

An eventful week but limited surprises keeps investors hooked on bonds

■ It was an eventful week, but most of the events delivered the expected outcomes. Thus, investors stuck into bond markets, led by dovish central bank rhetoric, some improvement in the economic activity and muted inflation pressure, alongside some respite on Brexit.

■ The ECB reaffirmed its dovish tone, maintained its forward guidance on rates and reiterated that they are ready to act with all available instruments. Mr. Draghi signalled more details on TLTRO III at the June meeting ([see](#)). Meanwhile, the minutes of the last FOMC meeting saw the Fed set a high bar to raise rates again amid greater global headwinds and muted inflation. US March core CPI inflation disappointed while higher energy prices lead a pick up in producer prices ([see](#)).

■ Elsewhere, the EU agreed to extend the Brexit deadline for UK to end Oct 2019, thus avoiding a no-deal exit today. On trade, the US and China inched "closer and closer" to a trade deal, although still without a timeframe to conclude talks. Note that the decision on tariffs is the real game changer.

■ On data front, China's activity data surprised to the upside: Alongside, March manufacturing PMI, credit growth and exports grew well above expectations, providing more evidence of short-term recovery. Meanwhile in Europe, incoming data prints were mixed.

■ The week also saw early indications that investors may have resumed their 'search for yield' across bond markets. Eurozone peripheral and EM risk premia narrowed, trimming the widening gap as seen after German PMI weakness hit markets.

■ In FX; the USD slightly depreciated against G-10 currencies (DXY -0.4%), while the EUR and the GBP appreciated (0.6% and 0.2% respectively). EM FX also appreciated, especially in those countries exposed to oil prices, which increased (oil Brent above 70\$/B) on supply risks. TRY continued under pressure, and depreciated 2.8%, while the ARS appreciated (2%) after the IMF tranche, although the broader pressure on Argentine assets continues.

■ Equity indices inched down across the board, ahead of the kick off of the US 1Q19 corporate earnings season but strong results by JPM and Wells Fargo ([see](#)), earlier today, buoyed US equities and set a positive tone for earnings overall. Elsewhere, the drop in equity indices was more intense in those countries where financial tension have surged recently (Turkey, Argentina and Brazil registered fall -3% on average).

Update 17:30 CET 12 April 2019

Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.39	3.1	4.6	-8	-10
US	2.55	4.8	5.0	-8	-14
GER (2-yr)	-0.56	1.6	0.7	-1	5
Germany	0.06	6.4	4.8	-1	-19
France	0.40	6.9	3.9	-6	-31
Spain	1.05	4.5	-5.6	-14	-47
Italy	2.54	1.8	-9.1	-17	-36
Portugal	1.17	3.6	-8.9	-32	-69
Greece	3.29	-5.7	-23.5	-53	-110
Japan (2-yr)	-0.16	0.0	-1.2	-1	-2
Japan	-0.06	-0.1	-2.7	-1	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.90	-0.1	-0.9	17	-33
Chile	3.86	1.2	-9.9	-22	-39
Colombia	6.57	0.2	-7.4	-21	-18
Mexico	7.93	0.4	-3.1	-11	-72
Peru	4.84	1.9	1.6	-17	-52
Poland	2.91	0.5	-1.9	4	9
Russia	8.24	-0.4	-14.2	-22	-55
Turkey	16.80	12.0	21.0	152	100
India	7.41	3.8	5.5	3	4
Indonesia	7.68	0.5	11.0	-17	-34
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	0.5	-0.9	-5	-6
Italy	248	-4.4	-13.7	-15	-17
Portugal	111	-2.8	-13.7	-17	-45
Spain	99	-1.9	-10.4	-23	-23
2-yr sovereign spread vs Germany					
France	6	-0.4	-0.8	-1	-9
Italy	100	22.7	17.3	23	-9
Portugal	21	-0.4	-3.7	-9	-5
Spain	23	0.0	1.2	-2	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	171	3.7	-1	15	-36
Chile	40	0.2	-1	-5	-23
Colombia	101	-0.4	-5	-8	-57
Argentina	905	-7.6	95	161	98
Mexico	116	0.6	-3	-8	-39
Peru	58	0.1	-2	-8	-37
Poland	69	0.0	0	4	1
Russia	134	2.4	3	10	-20
Turkey	429	17.2	48	109	69
China	43	0.0	1	-4	-24
India	82	-1.8	-1	-2	-31
Indonesia	99	0.2	1	1	-39
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.4	0	-1	-13
VSTOXX	12	-0.7	-2	-2	-12
EMEFT volatility Index	16	-0.7	0	-1	-9
Dollar/euro volatility	5	0.2	0	-1	-3
EMFX volatility index	8	0.0	0	0	-2
Credit spread (BAA) (change in bps)	216	-4.8	-6	-8	-29
US bonds volatility index	47	-1.7	-2	2	-20
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.30	-	4	4	16
EZ Inflation expectations (5Y5Y)	1.37	-	0	-12	-24
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	57	-0.7	-1	-6	-25
EZ	78	-0.7	-5	-2	-41
UK	59	-1.1	-5	-5	-36
Large Spanish	59	-0.9	-4	0	-29
Medium Spanish	102	-2.0	-3	-4	-11
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	163	-0.7	-1	-6	-25
EZ Non-financial	78	-0.7	-5	-2	-41
UK Non-financial	104	-0.9	0	4	-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	-1	1	0	-20
Libor 12m	2.73	-1	0	-13	-28
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,900	0.4	0.3	3.2	16
Dow Jones	26,337	0.7	-0.3	2.5	13
Nikkei	21,871	0.7	0.3	2.7	9
FTSE 100	7,423	0.1	-0.3	3.7	10
EuroStoxx 50	3,448	0.4	0.0	3.7	15
IBEX	9,471	0.3	-0.4	3.0	11
DAX	12,002	0.6	-0.1	3.7	14
CAC	5,501	0.3	0.5	3.7	16
MIB	21,844	0.7	0.4	5.3	19
ASE Athens	766	0.2	1.5	7.8	25
MSCI Latam *	92,418	-1.1	-0.7	-0.5	7
Ibovespa (Brazil)	94,466	-0.3	-2.7	-4.5	7
Mexbol (Mexico)	44,660	0.2	-0.7	6.5	7
Merval (Argentina)	31,145	-1.1	-4.7	-8.5	3
MSCI EM Europe *	5,740	-1.0	0.3	2.9	9
Poland	2,367	-0.3	0.7	2.2	4
Micex 10 (Russia)	4,569	0.0	0.5	3.3	9
Ise 100 (Turkey)	95,977	-0.1	-2.8	-6.1	5
MSCI EM Asia *	892	-0.7	0.4	3.6	14
Shanghai Com (China)	3,189	0.0	-1.8	5.3	28
Jakarta (Indonesia)	6,406	-1.1	-1.4	0.8	3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	139.1	3.2	3.5	5.5	20
JPM	110.8	4.3	5.2	6.1	14
Citi	67.3	2.1	2.6	5.7	29
BoA	29.9	2.8	2.8	2.0	21
MS	46.6	3.9	3.7	9.8	17
GS	207.8	2.4	2.7	5.3	24
EZ banks	81.4	3.4	4.2	6.6	18
BNP	46.7	4.2	4.9	7.2	18
Crédit Agricole	11.9	3.0	5.2	8.4	26
Deutsche Bank	7.6	2.4	1.8	-4.1	10
ING	11.9	3.5	4.8	9.6	26
Intesa	2.3	2.6	2.6	6.4	18
SG	28.0	3.8	4.9	4.6	0
Unicredit	12.4	3.9	2.8	6.7	25
UK banks	82.0	1.2	2.5	3.2	13
HSBC	659.0	1.2	0.9	6.3	2
RBS	260.7	1.1	3.6	-0.2	20
Barclays	166.2	1.5	2.1	1.4	10
Lloyds	64.8	1.0	4.2	3.6	25
Large Spanish banks	68.2	2.3	1.9	5.7	17
Santander	4.6	2.2	4.0	7.3	15
BBVA	5.5	2.3	0.0	4.2	19
Medium Spanish banks	55.8	2.0	-0.4	0.5	-3
Caixabank	2.9	1.5	-3.0	-2.5	-9
Sabadell	1.0	2.7	3.3	4.1	-1
Bankinter	7.2	2.1	1.1	3.0	3
Bankia	2.3	2.3	-3.8	-3.9	-9
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.132	0.6	0.9	-0.1	-1
GBPUSD	1.31	0.4	0.6	-1.7	3
USDJPY	111.98	-0.3	-0.2	-0.7	-2
DXY	96.79	-0.4	-0.6	0.3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42.13	1.4	4.3	-2.1	-11
USDBRL (Brazil)	3.87	-0.2	0.1	-1.4	0
USDCLP (Chile)	660.71	0.7	0.6	1.2	5
USDCOP (Colombia)	3108	0.4	0.5	1.2	5
USDMXN (Mexico)	18.77	0.4	1.6	2.8	5
USDPEN (Peru)	3.29	0.1	0.0	0.0	2
LACI	55.13	0.4	1.2	0.5	2
USDPLN (Poland)	3.78	0.7	1.2	0.4	-1
USDRUB (Russia)	64.30	0.5	1.6	1.8	8
USDTRY (Turkey)	5.75	-0.3	-2.2	-5.2	-8
USDCNY (China)	6.70	0.2	0.1	0.1	3
USDINR (India)	69.18	-0.4	0.1	0.5	1
USDIDR (Indonesia)	14120	0.1	0.1	1.0	2
ADXY	106.48	0.3	0.2	0.0	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	71.5	0.9	1.6	6	33
WTx	64	1.0	1.8	10	41
Copper	294	2.0	1.7	0	12
Gold	1293	0.0	0.1	-1	1
S&P Spot commodity *	450	-0.9	0.6	4	20
S&P Brent Spot *	599	-1.4	0.2	4	31
S&P Metals Spot *	339	-0.6	-0.8	-2	6
S&P Agricultural *	279	-0.2	0.4	2	-2

Source: Bloomberg, Datastream and Xaver

* With one day delay