

Risk on mood abated after disappointed European Economic data

- With the European markets closed for holidays today, the risk-on mood of financial markets faltered after European economic data fell short of expectations, and US mixed economic data failed to improve risk appetite.
- Germany's manufacturing PMI increased less than expected in April (44.5, consensus 45, previous 44.1). Services PMI as well (55.6, consensus 55, previous 55.4) ([see](#)). European Manufacturing PMI also increased below expectations (47.8, consensus 48, previous 47.5); Services PMI (52.5, consensus 53.1, previous 53.3); Eurozone composite (51.3, consensus 51.8, previous 51.6) ([see](#)). In addition to a lower-than-expected recovery in European Manufacturing data, the risks of softer services data have increased concerns about the economic cycle in the Eurozone.
- US activity data were mixed. Retail sales increased above expectations. Retail sales control group (excluded autos, gasoline and construction) grew (1%MoM, consensus -0.3%MoM, previous 0.2%MoM). However, housing data and building permits disappointed, while business activity growth slowed sharply in line with Market PMI ([see](#)). At the end of the day, after the recent set of economic data released, the GDP growth now cast for 1Q1 remained unchanged at 2.8%-1.4%.
- Today, with most markets closed for holidays, one of the market drivers is the US decision to eliminate sanction waivers after the May 2 expiry that allowed buyers to import crude oil from Iran. Consequently, oil prices rose significantly (Brent 2.6%) to the highest level in almost six months. Nonetheless, the increase could be short-lived if Saudi Arabia and the United Arab Emirates committed to increasing oil production, compensating for the decline in Iran's oil exports ([see](#)).
- Germany's bonds attracted safe-haven flows since last Wednesday. The German yield has declined (-4bps) since Wednesday's close, reverting the upward trend showed last Wednesday following China's positive GDP figures. The US yield has been steady. Meanwhile, peripheral risk premia have inched up slightly (Spain +2bps to 105bps, Italy +4bps to 258bps). Whereas the HY bond spread has remained generally stable. Nonetheless, the implied probability of a rate cut remained below (50%), with markets now expecting 52.3% probability of the Fed interest rate to remain unchanged in 2019, after China's strong data last Wednesday.
- In FX markets, the USD remained strong against the G10 currencies, except for the JPY. Moreover, EM currencies were mixed where those exposed to oil appreciated. The ARS appreciated approximately 1%, after the new measures to stabilize the exchange rates. However, depreciating pressure returned to the ARS today and continued in the TRY.
- Equity markets remained generally steady at high levels.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.38	0.4	-0.7	-2	-10
US	2.58	1.8	2.3	4	-11
GER (2-yr)	-0.57	0.0	-1.5	-2	4
Germany	0.03	0.0	-3.1	-2	-22
France	0.37	0.0	-5.0	-3	-34
Spain	1.07	0.0	-1.3	-3	-45
Italy	2.60	0.0	2.4	0	-29
Portugal	1.17	0.0	-2.2	-25	-69
Greece	3.31	0.0	3.1	-42	-108
Japan (2-yr)	-0.15	0.1	0.7	1	-1
Japan	-0.03	-0.1	-0.6	1	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.95	-1.1	4.8	19	-28
Chile	3.90	-0.3	-1.8	-11	-35
Colombia	6.60	-5.6	1.4	10	-15
Mexico	8.04	0.7	7.0	9	-61
Peru	4.87	1.5	3.0	-4	-50
Poland	2.88	0.0	-1.2	-2	6
Russia	8.33	0.2	3.0	12	-45
Turkey	17.25	19.0	19.0	189	145
India	7.47	5.5	8.4	11	11
Indonesia	7.63	4.1	-3.7	4	-40
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	35	0.0	-1.9	-2	-6
Italy	258	0.0	5.5	2	-7
Portugal	115	0.0	0.9	-9	-41
Spain	105	0.0	1.8	-12	-17
2-yr sovereign spread vs Germany					
France	6	0.0	-1.1	0	-9
Italy	108	0.0	5.5	35	0
Portugal	22	0.0	0.6	-6	-4
Spain	25	0.0	1.5	4	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	170	-0.7	1	10	-37
Chile	36	0.0	-2	-11	-27
Colombia	95	-0.2	-2	-18	-64
Argentina	968	0.0	77	224	162
Mexico	110	-0.3	-3	-19	-45
Peru	53	-0.1	-2	-15	-42
Poland	68	-0.5	-1	-2	0
Russia	130	0.0	-3	-5	-24
Turkey	433	1.4	-13	104	74
China	40	0.0	-2	-10	-27
India	82	0.0	-1	-7	-32
Indonesia	92	-0.2	-5	-13	-45
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	13	0.7	0	-1	-13
VSTOXX	11	0.0	0	-5	-13
EM EFT volatility Index	17	1.3	1	0	-8
Dollar/euro volatility	5	0.1	0	-1	-3
EM FX volatility index	8	0.0	0	0	-1
Credit spread (BAA) (change in bps)	211	-1.8	-3	-17	-34
US bonds volatility index	49	0.0	2	5	-17
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.29	-	0	-1	15
EZ Inflation expectations (5Y5Y)	1.46	-	8	-2	-15
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	54	0.1	-1	-10	-28
EZ	77	0.0	1	-4	-42
UK	56	0.1	0	-12	-38
Large Spanish	56	0.2	-2	-4	-32
Medium Spanish	97	-2.0	-6	-6	-16
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	159	0.1	-1	-10	-28
EZ Non-financial	76	0.0	1	-4	-42
UK Non-financial	103	0.0	1	-3	-16
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	1	-1
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.11	0	0	0	1
Libor 3m	2.58	0	-2	-3	-22
Libor 12m	2.75	0	0	-7	-27
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,905	0.0	0.0	1.8	16
Dow Jones	26,546	-0.1	0.6	2.2	14
Nikkei	22,218	0.1	0.2	2.8	11
FTSE 100	7,460	0.0	0.3	1.4	11
EuroStoxx 50	3,499	0.0	1.4	3.9	17
IBEX	9,582	0.0	0.9	2.4	12
DAX	12,222	0.0	1.7	5.8	16
CAC	5,580	0.0	1.3	3.7	18
MIB	21,957	0.0	0.3	2.7	20
ASE Athens	778	0.0	0.6	8.4	27
MSCI Latam *	92,355	0.0	1.2	-1.6	7
Ibovespa (Brazil)	93,927	-0.7	0.9	-2.9	7
Mexbol (Mexico)	45,533	0.0	2.0	5.3	9
Merval (Argentina)	30,836	-3.7	-2.9	-9.8	2
MSCI EM Europe *	5,758	0.0	0.1	1.2	9
Poland	2,365	0.0	0.3	0.3	4
Micex 10 (Russia)	4,610	0.7	1.1	3.2	10
Ise 100 (Turkey)	95,953	-0.9	0.8	-7.2	5
MSCI EM Asia *	899	0.0	0.3	2.9	15
Shanghai Com (China)	3,215	-1.7	1.2	3.7	29
Jakarta (Indonesia)	6,415	-1.4	0.1	-1.0	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	141.1	-0.2	2.4	8.2	22
JPM	113.6	0.1	3.3	10.4	16
Citi	69.5	-0.3	3.1	8.7	33
BoA	30.0	0.0	0.6	6.6	22
MS	47.3	-0.5	2.6	9.7	19
GS	205.0	-0.5	2.5	5.3	23
EZ banks	84.1	0.0	2.4	10.3	22
BNP	49.0	0.0	4.6	13.8	24
Crédit Agricole	12.5	0.0	2.2	14.2	32
Deutsche Bank	7.8	0.0	1.8	4.7	12
ING	12.0	0.0	0.8	12.1	28
Intesa	2.3	0.0	1.4	5.3	20
SG	29.0	0.0	3.7	9.2	4
Unicredito	12.8	0.0	2.2	7.0	29
UK banks	83.1	0.0	1.0	5.2	14
HSBC	666.5	0.0	1.6	5.8	3
RBS	262.4	0.0	0.0	5.4	21
Barclays	169.4	0.0	1.0	5.5	13
Lloyds	65.9	0.0	1.1	4.2	27
Large Spanish banks	69.1	0.0	1.6	5.5	18
Santander	4.6	0.0	1.1	6.9	16
BBVA	5.6	0.0	2.1	4.1	21
Medium Spanish banks	57.1	0.0	1.8	4.4	-1
Caixabank	3.0	0.0	2.0	2.9	-7
Sabadell	1.0	0.0	3.0	9.9	2
Bankinter	7.3	0.0	1.0	5.5	5
Bankia	2.4	0.0	2.3	-0.3	-6
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.126	0.1	-0.4	-1.0	-2
GBPUSD	1.30	-0.1	-0.9	-0.9	2
USDJPY	111.94	0.0	0.4	-1.0	-2
DXY	97.30	-0.1	0.1	0.8	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42.73	-2.0	-2.6	-4.0	-12
USDBRL (Brazil)	3.93	0.0	-1.4	-3.4	-1
USDCLP (Chile)	664.54	-0.4	-0.2	0.7	4
USDCOP (Colombia)	3151	0.2	-0.4	-2.0	3
USDMXN (Mexico)	18.84	-0.3	0.1	0.1	4
USDPEN (Peru)	3.31	-0.3	-0.3	-0.5	2
LACI	54.67	-0.2	-0.7	-1.4	1
USDPLN (Poland)	3.81	0.1	-0.6	-1.0	-2
USDRUB (Russia)	63.83	0.3	0.8	0.1	9
USDTRY (Turkey)	5.84	-0.4	-0.6	-6.4	-9
USDCNY (China)	6.71	-0.1	-0.1	-0.2	2
USDINR (India)	69.67	-0.5	-0.4	-1.2	0
USDIDR (Indonesia)	14078	-0.2	-0.1	0.4	2
ADXY	106.19	-0.2	-0.2	-0.5	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	74.0	2.8	3.9	9	37
WTx	66	2.6	3.5	9	45
Copper	291	-0.6	-0.8	0	11
Gold	1275	0.0	-1.0	-3	-1
S&P Spot commodity *	451	0.0	0.2	3	20
S&P Brent Spot *	608	0.0	1.0	6	33
S&P Metals Spot *	339	0.0	-0.6	-1	6
S&P Agricultural *	276	0.0	-1.2	-1	-3

Source: Bloomberg, Datastream and Haver

* With one day delay