

## Investors make a guarded comeback

Equity markets bounced back trimming some losses inflicted by the renewed trade tensions, while volatility eased as Trump announced a six month extension of the deadline for imposing auto tariffs on Europe and Japan. Meanwhile, bond investors shifted to peripheral and EM sovereign bonds for extra yields. However, safe-haven bonds remained well in demand despite improved sentiment, reflecting underlying caution across financial markets

**Positive US housing data and building permits in April**, and the advance in Philadelphia Fed business index, jointly with the strong labor markets, eased yesterday's concerns about the health of the US economy, after both US industrial production and retail unexpectedly declined in March.

Moreover **China's Macro data disappointment continues** in April, with both retail sales and industrial production growing below expectations, undermining the durability of the data strength seen in March, and building a **case for more policy easing as fiscal front loading effect may be fading**.

US-China trade negotiators will most likely meet again, keeping alive some chance for both countries to seal an agreement before June 1. However, Trump's latest executive order that would let the US restrict telecommunications gear from 'foreign adversaries', and the inclusion of **China's Huawei to a list of entities** engaged in activities that are contrary to US interests, further undermines the frayed US-China relationship.

**Elsewhere, there were some bright spots in European economic data.** In Germany, the 1Q19 GDP advanced 0.4% QoQ, after showing no growth in the previous period and matching market expectations. Fixed investment and household consumption led the expansion. The Eurozone 1Q19 GDP grew in line with expectations (0.4%QoQ, consensus 0.4% QoQ, previous quarter 0.4% QoQ), whereas the trade balance reached a higher than expected surplus.

**Safe-haven bond yield inched up.** The 10Y yield rebounded after falling to 2.36% yesterday, the lowest level since February 2018. Whereas market implied probability of a Fed cut in 2019 inched down but remained above 70%. Meanwhile the 10Y German yield remained at negative levels. Nonetheless, the delay of Trump's decision on car tariff, coupled with the positive economic data in the Eurozone, pushed investors to take more risk. Both peripheral and EM sovereign risk yield spread narrowed. Moreover, Italy's risk prima narrowed sharply, underpinned by comments from Deputy Prime Minister Luigi Di Maio (5SM), saying that Italy's government wants to rein in debt, allaying some concerns.

**FX markets** registered minor changes, although the US dollar recovered some ground. Across EMs, Latam currencies were very stable despite oil prices continuing to climb, led by geopolitical concerns. Moreover, GBP continued to fall due to unresolved Brexit, as PM Teresa May faced calls to step down.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.20	3.9	-6.0	-21	-29
<b>US</b>	2.40	2.7	-4.3	-19	-28
GER (2-yr)	-0.65	0.5	-2.0	-8	-4
<b>Germany</b>	-0.10	0.3	-4.8	-16	-34
France	0.30	-0.9	-5.0	-13	-42
Spain	0.91	-5.0	-8.4	-18	-62
Italy	2.68	-6.3	0.1	9	-21
Portugal	1.08	-4.7	-3.9	-12	-78
Greece	3.47	-9.0	-6.9	16	-93
Japan (2-yr)	-0.16	-0.1	-0.1	-1	-2
<b>Japan</b>	-0.06	-1.0	-1.3	-4	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.92	5.5	13.1	-5	-31
Chile	3.84	-1.3	-6.4	-10	-41
Colombia	6.78	0.9	6.9	19	3
Mexico	8.02	-2.4	-10.2	1	-62
Peru	4.76	-3.0	-7.5	-9	-60
Poland	2.88	3.4	-4.7	1	6
Russia	8.21	-4.9	-1.9	-9	-57
Turkey	18.68	0.0	-180.0	109	288
India	7.38	-0.2	-1.9	-1	1
Indonesia	8.00	-2.7	-5.6	39	-2
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	39	-1.2	-0.2	4	-2
Italy	278	-6.6	4.9	25	13
Portugal	117	-5.0	0.9	4	-39
Spain	100	-5.3	-3.6	-2	-22
<b>2-yr sovereign spread vs Germany</b>					
France	8	-0.1	2.0	1	-7
Italy	132	-7.0	9.3	26	24
Portugal	30	-1.8	0.1	7	4
Spain	30	-1.2	1.8	6	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	175	2.1	4	7	-32
Chile	46	0.4	4	9	-17
Colombia	108	-0.7	2	12	-51
Argentina	1227	-14.7	96	337	421
Mexico	117	-3.4	0	5	-38
Peru	67	0.3	5	13	-28
Poland	65	0.0	-1	-3	-2
Russia	128	-1.3	-1	-3	-26
Turkey	493	7.2	19	40	133
China	49	-0.6	3	8	-18
India	82	-0.2	2	0	-31
Indonesia	106	0.8	3	11	-32
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	16	-0.9	-4	3	-10
VSTOXX	15	-1.7	-5	4	-9
EM EFT volatility Index	21	-1.3	-4	5	-4
Dollar/euro volatility	5	-0.2	0	0	-2
EM FX volatility index	9	0.0	0	1	-1
Credit spread (BAA) (change in bps)	223	-2.7	1	10	-23
US bonds volatility index	57	2.1	3	9	-9
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.16	-	-4	-12	3
EZ Inflation expectations (5Y5Y)	1.33	-	-4	-6	-28
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	59	0.5	1	4	-23
EZ	80	4.4	-3	3	-40
UK	66	1.4	6	8	-29
Large Spanish	59	1.1	5	1	-29
Medium Spanish	84	-0.6	-1	-18	-28
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	170	0.5	1	4	-23
EZ Non-financial	84	4.4	-3	3	-40
UK Non-financial	107	0.0	1	5	-12
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	-1	-1	-2
Euribor 3m	-0.31	0	0	0	0
<b>Euribor 12m</b>	-0.13	0	-1	-2	-1
Libor 3m	2.53	0	-2	-6	-27
Libor 12m	2.63	-1	-8	-12	-38
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,886	1.2	0.5	-0.7	15
Dow Jones	25,884	0.9	0.2	-2.1	11
Nikkei	21,063	-0.6	-1.6	-5.2	5
FTSE 100	7,354	0.8	2.0	-1.6	9
<b>EuroStoxx 50</b>	3,439	1.6	2.6	-0.7	15
IBEX	9,304	1.4	2.3	-2.0	9
DAX	12,310	1.7	2.8	1.7	17
CAC	5,448	1.4	2.5	-1.5	15
MIIB	21,152	1.4	1.6	-3.5	15
ASE Athens	727	0.5	-0.3	-6.4	18
<b>MSCI Latam *</b>	88,207	-0.4	-3.1	-3.2	2
Ibovespa (Brazil)	91,157	-0.5	-3.9	-3.4	4
Mexbol (Mexico)	43,628	0.7	1.0	-3.1	5
Merval (Argentina)	33,862	1.9	-0.8	4.9	12
<b>MSCI EM Europe *</b>	5,514	-0.3	-0.9	-3.6	4
Poland	2,188	0.9	0.4	-7.7	-4
Micex 10 (Russia)	4,550	0.4	-0.2	-0.5	9
Ise 100 (Turkey)	87,204	-0.2	-1.7	-9.9	-4
<b>MSCI EM Asia *</b>	843	0.3	-2.9	-5.7	8
Shanghai Com (China)	2,956	0.6	3.7	-9.2	19
Jakarta (Indonesia)	5,896	-2.9	-6.0	-8.4	-5
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	135.9	1.7	-2.2	-2.6	18
JPM	111.9	1.8	-0.6	0.7	15
Citi	66.2	2.0	-2.1	-4.5	27
BoA	28.8	1.7	-3.2	-3.7	17
MS	44.6	1.5	-4.1	-5.2	12
GS	199.3	1.5	-1.2	-1.3	19
<b>EZ banks</b>	75.6	1.8	-0.7	-9.3	10
BNP	46.0	1.5	1.2	-3.6	16
Crédit Agricole	11.3	2.3	-2.1	-8.5	20
Deutsche Bank	6.9	1.0	0.8	-11.1	-1
ING	10.3	1.6	-1.7	-14.9	9
Intesa	2.2	2.4	0.9	-6.0	13
SG	26.0	1.4	-1.1	-8.9	-7
Unicredit	10.8	1.7	-2.8	-16.0	9
<b>UK banks</b>	78.6	0.3	1.2	-5.0	8
HSBC	661.0	-0.3	1.4	-0.3	2
RBS	231.9	0.7	-0.1	-11.7	7
Barclays	160.7	0.4	2.4	-4.0	7
Lloyds	61.5	0.9	1.0	-6.6	19
<b>Large Spanish banks</b>	63.5	2.0	1.5	-7.1	9
Santander	4.2	2.1	1.1	-8.3	5
<b>BBVA</b>	5.2	2.0	1.9	-6.0	12
<b>Medium Spanish banks</b>	54.9	1.9	1.2	-2.9	-5
Caixabank	2.8	3.0	1.6	-4.7	-11
Sabadell	1.1	2.2	3.1	6.3	6
Bankinter	6.8	1.0	0.0	-7.1	-4
Bankia	2.4	2.0	1.4	-1.3	-8
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.118	-0.2	-0.3	-0.9	-3
GBPUSD	1.283	-0.4	-1.7	-1.9	0
USDJPY	109.83	-0.2	-0.1	2.0	0
DXY	97.78	0.2	0.4	0.8	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	44.77	0.5	1.1	-5.4	-16
USDBRL (Brazil)	4.02	-0.3	-1.7	-2.8	-3
USDCLP (Chile)	693.78	-0.4	-1.3	-4.5	0
USDCOP (Colombia)	3296	-0.3	-0.6	-4.2	-1
USDMXN (Mexico)	19.09	-0.2	0.8	-1.1	3
USDPEN (Peru)	3.32	0.0	-0.1	-0.6	2
LACI	53.27	-0.4	-0.9	-2.8	-2
USDPLN (Poland)	3.85	-0.2	-0.4	-1.6	-3
USDRUB (Russia)	64.59	0.1	1.0	-0.8	7
USDTRY (Turkey)	6.02	-0.4	2.8	-4.2	-12
USDCNY (China)	6.88	-0.1	-0.8	-2.5	0
USDINR (India)	70.03	0.4	-0.1	-0.6	0
USDIDR (Indonesia)	14452	0.1	-0.6	-2.5	0
ADXY	104.13	-0.3	-0.8	-2.0	-1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	72.9	1.6	3.6	2	36
WTX	63	1.6	2.1	-2	39
Copper	276	0.2	-0.8	-6	5
Gold	1286	-0.8	0.2	1	0
S&P Spot commodity *	440	0.6	1.3	-3	17
S&P Brent Spot *	603	0.8	1.5	0	32
S&P Metals Spot *	325	0.9	1.2	-4	2
S&P Agricultural *	265	0.0	2.4	-4	-7