

European election results leave markets little changed

Financial markets traded with caution today, with German safe-haven yield inching down, although European equity markets extended Friday's soft rebound as voters in European elections showed broad but fragmented support for pro-EU parties. Markets in the US and UK were closed today due to a public holiday.

Comments from China's president Xi highlighted the structural challenges facing a potential US-China trade deal, in turn, dashing hopes of closing an agreement any time soon (see). Meanwhile, the PBoC continued to warn against short positions on the RMB (see). Bearish speculation against the RMB has increased over the past week amid escalating trade tensions with the US and the ensuing technology war, involving Huawei. With China's external as well as domestic headwinds on the rise, **May PMI data, releasing this Friday, will offer important cues on the economy's growth prospects.**

The European parliamentary elections delivered a hung parliament, although reassuringly, the euro-sceptic political parties advanced much less than expected. Nonetheless, the European elections results triggered concerns over the durability of Germany's SPD and CDU coalition government, while Greece is headed to snap elections (see) after Syriza defeat in EU vote. In Italy, the success of the League (far right Salvini's political party) and lack of support of the other for the 5-Star Movement has also increased odd for an early election. On June 20-21 it is expected that the European leaders will propose the candidate for the European Commission Presidency.

German yields declined, led by modest safe-haven demand amid a challenging market backdrop, characterized by the escalating trade tensions, recent weakens in recent global manufacturing data, rising risk of a no-deal Brexit, alongside political concerns in Germany and Italy. Italy's risk premium widening sharply today after Salvini said that the election results suggest a mandate for policies that are in conflict with austerity, in turn, increasing concerns about a potential rise in friction with the European Commission (see). On the other hand, Spain and Portugal remaining broadly steady, although the latter failed to capitalize the increase in its credit outlook by Fitch. Meanwhile Greek yield sharply decline due to snap elections.

Despite the gains made by European equity markets today, the sector performance was quite defensive. Yet the automobile sector outperformed, after Fiat proposed a merger with Renault. Elsewhere, most other equity markets remained broadly stable. The Euro has also barely moved today.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.16	0.0	-5.7	-17	-32
US	2.32	0.0	-9.6	-21	-36
GER (2-yr)	-0.65	-1.5	-0.3	-6	-4
Germany	-0.14	-2.7	-5.7	-14	-39
France	0.26	-2.0	-4.9	-11	-45
Spain	0.81	-1.2	-7.0	-28	-71
Italy	2.68	12.4	-2.3	-1	-21
Portugal	0.96	-1.4	-9.6	-23	-90
Greece	3.16	-20.3	-26.0	-14	-124
Japan (2-yr)	-0.16	-0.3	-0.1	-1	-1
Japan	-0.07	0.1	-2.6	-4	-7
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.76	-8.8	-21.9	-19	-47
Chile	3.70	-0.4	-12.6	-24	-56
Colombia	6.76	-0.7	-2.2	4	1
Mexico	7.99	-0.4	-5.5	-11	-65
Peru	4.68	0.0	-8.1	-19	-68
Poland	2.81	-2.2	-8.3	-12	-2
Russia	8.03	-1.2	-9.8	-34	-75
Turkey	18.78	0.0	60.0	82	298
India	7.17	-5.8	-12.0	-28	-20
Indonesia	7.92	0.2	-16.7	15	-10
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	0.7	0.8	3	0
Italy	282	15.1	3.4	12	18
Portugal	111	1.3	-3.9	-9	-45
Spain	96	1.5	-1.3	-14	-26
2-yr sovereign spread vs Germany					
France	7	1.0	-1.5	2	-8
Italy	126	15.0	-3.9	6	18
Portugal	25	1.5	-2.9	0	-1
Spain	31	2.1	1.0	4	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	179	-1.8	-6	2	-28
Chile	49	-0.1	2	9	-14
Colombia	113	-1.5	4	14	-45
Argentina	1133	-15.8	-150	-124	326
Mexico	121	-0.1	4	4	-34
Peru	70	-0.1	2	12	-25
Poland	67	0.0	1	1	-1
Russia	127	-1.9	-2	0	-27
Turkey	515	-5.3	26	79	155
China	52	-1.3	3	11	-15
India	83	0.9	2	6	-31
Indonesia	108	-1.8	3	14	-30
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	16	0.0	0	3	-10
VSTOXX	16	-0.5	-1	3	-8
EMEFTX volatility Index	21	0.0	-1	4	-4
Dollar/euro volatility	5	-0.1	0	-1	-2
EM FX volatility index	8	-0.2	-1	0	-1
Credit spread (BAA) (change in bps)	227	0.0	4	12	-19
US bonds volatility index	61	-0.5	4	11	-6
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.19	-	3	-12	6
EZ Inflation expectations (5Y5Y)	1.32	-	0	-8	-28
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	59	-1.3	3	4	-23
EZ	85	-2.9	6	6	-35
UK	76	-1.0	9	18	-18
Large Spanish	60	-0.8	3	4	-27
Medium Spanish	83	1.3	-1	-14	-29
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	173	-1.3	3	4	-23
EZ Non-financial	84	-2.9	6	6	-35
UK Non-financial	108	0.0	2	5	-11
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	-0.15	0	-1	-4	-3
Libor 3m	2.52	0	0	-6	-27
Libor 12m	2.62	-3	-2	-11	-39
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,826	0.0	-0.5	-3.4	13
Dow Jones	25,586	0.0	-0.4	-3.3	10
Nikkei	21,183	0.3	-0.6	-5.0	6
FTSE 100	7,278	0.0	-0.5	-2.1	8
EuroStoxx 50	3,364	0.4	-0.2	-3.7	12
IBEX	9,216	0.5	0.2	-3.0	8
DAX	12,071	0.5	0.2	-1.7	14
CAC	5,336	0.4	-0.4	-4.0	13
MIIB	20,363	-0.1	-0.9	-6.2	11
ASE Athens	777	6.1	8.3	0.5	27
MSCI Latam *	88,636	-0.4	1.7	-4.0	3
Ibovespa (Brazil)	95,131	1.6	3.5	-1.5	8
Mexbol (Mexico)	42,561	-0.1	-2.2	-5.5	2
Merval (Argentina)	35,165	0.2	5.0	19.0	16
MSCI EM Europe *	5,617	0.1	1.3	-2.9	6
Poland	2,190	0.1	0.7	-7.2	-4
Micex 10 (Russia)	4,623	0.7	2.5	1.5	10
Ise 100 (Turkey)	85,545	-0.6	-1.4	-9.5	-6
MSCI EM Asia *	814	0.1	-1.5	-9.1	4
Shanghai Com (China)	2,892	1.4	0.8	-7.4	16
Jakarta (Indonesia)	6,099	1.1	4.7	-5.4	-2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	132.4	0.0	-1.4	-5.7	14
JPM	109.7	0.0	-1.5	-3.4	12
Citi	64.4	0.0	-0.9	-6.3	24
BoA	28.2	0.0	-0.8	-6.3	14
MS	43.0	0.0	-2.1	-9.2	8
GS	193.0	0.0	-2.1	-4.2	16
EZ banks	69.7	-0.7	-3.9	-13.3	1
BNP	44.2	0.7	-1.0	-5.5	10
Crédit Agricole	10.4	1.6	-6.5	-13.9	12
Deutsche Bank	6.4	1.3	-3.0	-13.8	-7
ING	9.8	0.2	-1.8	-13.7	4
Intesa	1.9	-0.6	-3.5	-16.2	-2
SG	23.0	-6.5	-8.1	-16.3	-17
Unicredit	10.1	-2.3	-2.4	-16.0	2
UK banks	75.4	0.0	-1.3	-6.3	4
HSBC	659.4	0.0	1.4	-0.4	2
RBS	216.7	0.0	-2.5	-13.3	0
Barclays	149.3	0.0	-4.5	-6.9	-1
Lloyds	58.5	0.0	-1.6	-8.0	13
Large Spanish banks	61.4	0.3	-1.1	-8.0	5
Santander	4.0	0.4	-1.4	-10.0	2
BBVA	5.0	0.2	-0.7	-6.1	9
Medium Spanish banks	53.4	0.5	-1.5	-2.2	-7
Caixabank	2.8	0.7	0.4	-1.2	-12
Sabadell	1.0	0.1	-3.1	4.7	2
Bankinter	6.6	0.4	-1.9	-5.9	-6
Bankia	2.3	0.6	-1.7	-3.0	-12
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.119	-0.1	0.2	0.5	-2
GBPUSD	1.27	-0.3	-0.4	-1.7	-1
USDJPY	109.52	-0.2	0.5	1.9	0
DXY	97.76	0.1	-0.2	-0.5	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	44.91	-0.1	0.6	0.3	-16
USDBRL (Brazil)	4.02	0.0	1.8	-1.8	-4
USDCLP (Chile)	697.45	-0.4	-0.2	-3.2	0
USDCOP (Colombia)	3356	0.1	-0.1	-3.7	-3
USDMXN (Mexico)	19.04	0.1	0.2	-0.1	3
USDPEN (Peru)	3.35	0.0	0.1	-0.5	1
LACI	53.13	-0.1	0.8	-1.8	-2
USDPLN (Poland)	3.83	-0.1	0.4	0.6	-2
USDRUB (Russia)	64.39	0.1	0.3	0.4	8
USDTRY (Turkey)	6.06	0.3	-0.6	-2.2	-13
USDCNY (China)	6.90	0.0	0.2	-2.2	0
USDINR (India)	69.51	0.0	0.3	1.1	0
USDIDR (Indonesia)	14380	0.1	0.5	-1.3	0
ADXY	104.16	0.0	0.2	-1.4	-1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	69.7	1.5	-3.2	-6	30
WTX	59	0.4	-6.7	-10	30
Copper	272	0.5	-0.6	-6	3
Gold	1285	0.0	0.6	1	0
S&P Spot commodity *	427	1.0	-3.7	-6	14
S&P Brent Spot *	574	1.5	-5.2	-8	25
S&P Metals Spot *	319	0.8	-0.1	-5	0
S&P Agricultural *	280	2.6	2.1	3	-1

Source: Bloomberg, Datastream and Haver

* With one day delay