

## Bond Yields fall to near multi-year lows

- Tensions between the US and China persist.** Chinese newspapers warned Beijing was ready to use its supply of rare earths in an increasingly bitter trade dispute with the United States. US treasury declared it has “significant” concerns about China’s currency practices, but stopped short of designating it a manipulator.
- German unemployment unexpectedly rose for the first time in nearly two years in May (see).** The number of people out of work rose by 60,000 to 2.279 million in seasonally adjusted terms.
- Investors have sought safety in Treasuries, with yields on US 10-year sovereigns sliding further to their lowest level since September 2017. German sovereign bonds also rallied, sending yields on 10-year Bunds to a two-and-a-half-year low of minus 0.176 per cent.** Investors also moved into UK government bonds, sending the yield on 10-year gilts to its lowest level since October 2016. As a result of investors hoarding safe-haven bonds, European periphery countries risk premia narrowed, even in Italy, despite the European Commission having requested that Italy explain the deterioration of its public finances (see) (Spain -2bps, Portugal -4bps and Italy -1bps). The risk-off mood weighed on high-yield bonds, where spreads widened.
- The US dollar hit fresh multi-month highs against the euro while CNY remained stable. Market Volatility is increasing (VIX 18.5) and commodity markets were also dominated by fears of economic downturn,** with Brent crude off at less than \$68 per barrel. Gold benefited from the safe-haven bid, rising 0.3% to \$1.282 an ounce.

Update 18:35 CET 29 May 2019

| Debt markets (10Y, %, changes in bp)           |        |       |        |         |      |
|--|--------|-------|--------|---------|------|
| Developed Markets                              | level  | Daily | Week   | Month   | YTD  |
| US (2-yr)                                      | 2.07   | -5.8  | -15.6  | -23     | -42  |
| <b>US</b>                                      | 2.22   | -4.2  | -15.8  | -30     | -46  |
| GER (2-yr)                                     | -0.65  | -0.4  | -1.7   | -7      | -4   |
| <b>Germany</b>                                 | -0.18  | -1.8  | -9.3   | -18     | -42  |
| France   | 0.23   | -2.4  | -8.1   | -14     | -48  |
| Spain  | 0.73   | -5.4  | -13.5  | -28     | -79  |
| Italy  | 2.64   | -4.2  | 0.9    | 6       | -25  |
| Portugal                                       | 0.85   | -7.0  | -17.6  | -28     | -101 |
| Greece   | 3.14   | -5.3  | -27.8  | -17     | -126 |
| Japan (2-yr)                                   | -0.17  | -1.2  | -1.9   | -2      | -3   |
| <b>Japan</b>                                   | -0.09  | -1.8  | -3.4   | -5      | -9   |
| Emerging Markets                               | level  | Daily | Weekly | Monthly | YTD  |
| Brazil   | 8.48   | -16.8 | -38.2  | -52     | -76  |
| Chile  | 3.52   | -5.5  | -27.4  | -43     | -73  |
| Colombia                                       | 6.73   | -0.9  | -6.0   | -11     | -3   |
| Mexico   | 7.92   | -0.9  | -12.3  | -18     | -72  |
| Peru   | 4.61   | -2.3  | -12.8  | -22     | -76  |
| Poland   | 2.73   | -4.6  | -13.3  | -22     | -10  |
| Russia   | 8.07   | 3.9   | 9.0    | -19     | -71  |
| Turkey   | 18.78  | 0.0   | -8.0   | 26      | 298  |
| India  | 7.13   | -2.2  | -13.4  | -28     | -24  |
| Indonesia                                      | 8.05   | 7.7   | -4.4   | 27      | 2    |
| Country risk (bp, changes in bp)               |        |       |        |         |      |
| Developed Markets                              | level  | Daily | Weekly | Monthly | YTD  |
| <b>10-yr sovereign spread vs Germany</b>       |        |       |        |         |      |
| France   | 41     | -0.6  | 1.2    | 4       | 0    |
| Italy  | 282    | -2.4  | 10.2   | 24      | 17   |
| Portugal                                       | 103    | -5.2  | -8.3   | -9      | -53  |
| Spain  | 91     | -3.6  | -4.2   | -10     | -31  |
| <b>2-yr sovereign spread vs Germany</b>        |        |       |        |         |      |
| France   | 6      | -0.4  | -1.0   | 1       | -9   |
| Italy  | 127    | -2.6  | 7.0    | 16      | 19   |
| Portugal                                       | 25     | 0.4   | 0.1    | 1       | -2   |
| Spain  | 29     | -0.1  | -0.2   | 4       | -8   |
| Emerging Markets                               | level  | Daily | Weekly | Monthly | YTD  |
| <b>5-yr sovereign CDS *</b>                    |        |       |        |         |      |
| Brazil   | 179    | 0.0   | 3      | 4       | -28  |
| Chile  | 50     | 1.0   | 4      | 12      | -13  |
| Colombia                                       | 113    | 0.8   | 6      | 16      | -45  |
| Argentina                                      | 1150   | 17.1  | 9      | -125    | 344  |
| Mexico   | 122    | 1.3   | 8      | 8       | -33  |
| Peru   | 70     | 0.2   | 4      | 13      | -25  |
| Poland   | 66     | 0.0   | 0      | 0       | -1   |
| Russia   | 127    | -0.5  | -1     | 0       | -27  |
| Turkey   | 517    | 7.3   | 30     | 59      | 157  |
| China  | 54     | 0.7   | 4      | 12      | -14  |
| India  | 82     | -0.6  | 2      | 4       | -32  |
| Indonesia                                      | 109    | 1.1   | 5      | 13      | -29  |
| Risk indicators                                |        |       |        |         |      |
| Volatility indicators                          | level  | Daily | Weekly | Monthly | YTD  |
| VIX  | 18     | 1.0   | 4      | 5       | -7   |
| VSTOXX   | 18     | 1.6   | 2      | 5       | -6   |
| EMOFT volatility Index                         | 21     | 0.3   | 2      | 6       | -4   |
| Dollar/euro volatility                         | 5      | 0.1   | 0      | 0       | -2   |
| EM FX volatility index                         | 8      | 0.0   | 0      | 0       | -1   |
| Credit spread (BAA) (change in bps)            | 236    | 4.2   | 9      | 21      | -10  |
| US bonds volatility index                      | 62     | 1.2   | 7      | 14      | -5   |
| Inflation expectations                         | level  | Daily | Weekly | Monthly | YTD  |
| US Inflation expectations (5Y5Y)               | 2.11   | -     | -4     | -19     | -2   |
| EZ Inflation expectations (5Y5Y)               | 1.31   | -     | -2     | -4      | -29  |
| Banking 5y CDS                                 | level  | Daily | Weekly | Monthly | YTD  |
| US   | 63     | 3.7   | 6      | 6       | -20  |
| EZ   | 86     | 0.8   | 4      | 5       | -34  |
| UK   | 77     | 0.8   | 8      | 18      | -18  |
| Large Spanish                                  | 60     | -0.6  | 2      | 3       | -28  |
| Medium Spanish                                 | 88     | 3.1   | 7      | -11     | -25  |
| Corporate 5y CDS                               | level  | Daily | Weekly | Monthly | YTD  |
| US Non-financial                               | 175    | 3.7   | 6      | 6       | -20  |
| EZ Non-financial                               | 85     | 0.8   | 4      | 5       | -34  |
| UK Non-financial                               | 109    | 1.4   | 4      | 5       | -10  |
| Interbank markets (% , changes in bp)          |        |       |        |         |      |
|  | level  | Daily | Weekly | Monthly | YTD  |
| EONIA Index                                    | -0.37  | 0     | 0      | 0       | -1   |
| Euribor 3m                                     | -0.32  | 0     | -1     | -1      | -1   |
| <b>Euribor 12m</b>                             | -0.16  | -1    | -1     | -4      | -4   |
| Libor 3m                                       | 2.52   | 0     | 0      | -6      | -27  |
| Libor 12m                                      | 2.60   | -2    | -5     | -12     | -41  |
| Stock markets (%)                              |        |       |        |         |      |
| Main indices                                   | level  | Daily | Weekly | Monthly | YTD  |
| <b>S&amp;P500</b>                              | 2,774  | -1.0  | -2.9   | -5.8    | 11   |
| Dow Jones                                      | 25,044 | -1.2  | -2.8   | -5.7    | 7    |
| Nikkei   | 21,003 | -1.2  | -1.3   | -5.6    | 5    |
| FTSE 100                                       | 7,185  | -1.2  | -2.0   | -3.4    | 7    |
| <b>EuroStoxx 50</b>                            | 3,298  | -1.5  | -2.6   | -5.8    | 10   |
| IBEX   | 9,081  | -1.2  | -1.6   | -4.6    | 6    |
| DAX  | 11,838 | -1.6  | -2.7   | -4.0    | 12   |
| CAC  | 5,222  | -1.7  | -2.9   | -6.4    | 10   |
| MIB  | 20,000 | -1.3  | -2.8   | -8.2    | 9    |
| ASE Athens                                     | 793    | -0.2  | 8.4    | 2.6     | 29   |
| <b>MSCI Latam *</b>                            | 89,850 | 0.7   | 0.2    | -3.4    | 4    |
| Ibovespa (Brazil)                              | 96,649 | 0.3   | 2.4    | 0.5     | 10   |
| Mexbol (Mexico)                                | 42,663 | 1.1   | -0.7   | -5.1    | 2    |
| Merval (Argentina)                             | 33,856 | -2.3  | -2.1   | 17.4    | 12   |
| <b>MSCI EM Europe *</b>                        | 5,630  | -0.2  | 0.3    | -2.2    | 6    |
| Poland   | 2,187  | -0.2  | -1.2   | -7.6    | -4   |
| Micex 10 (Russia)                              | 4,617  | 0.8   | 0.7    | 1.2     | 10   |
| Ise 100 (Turkey)                               | 87,186 | 0.5   | 4.2    | -7.8    | -4   |
| <b>MSCI EM Asia *</b>                          | 816    | 0.1   | -1.2   | -8.2    | 4    |
| Shanghai Com (China)                           | 2,915  | 0.2   | 0.8    | -4.8    | 17   |
| Jakarta (Indonesia)                            | 6,104  | 0.1   | 2.6    | -4.6    | -1   |
| Banking sector                                 | level  | Daily | Weekly | Monthly | YTD  |
| <b>US banks</b>                                |        |       |        |         |      |
| JPM  | 129.3  | -1.1  | -3.4   | -10.3   | 12   |
| Citi   | 107.6  | -0.8  | -2.9   | -7.3    | 10   |
| Citi   | 63.3   | -0.8  | -2.2   | -11.0   | 21   |
| BoA  | 27.5   | -1.3  | -3.4   | -10.5   | 12   |
| MS   | 41.8   | -0.8  | -3.8   | -13.7   | 5    |
| GS   | 185.7  | -2.0  | -5.0   | -10.2   | 11   |
| <b>EZ banks</b>                                |        |       |        |         |      |
| BNP  | 68.0   | -1.8  | -5.5   | -17.1   | -1   |
| Crédit Agricole                                | 41.3   | -6.7  | -7.2   | -13.3   | 5    |
| Deutsche Bank                                  | 10.2   | -0.9  | -6.9   | -17.5   | 8    |
| Deutsche Bank                                  | 6.2    | -2.4  | -7.0   | -16.8   | -12  |
| ING  | 9.7    | -1.0  | -1.8   | -14.6   | 3    |
| Intesa   | 1.9    | -1.1  | -3.9   | -20.0   | -4   |
| SG   | 22.6   | -0.2  | -9.9   | -20.7   | -19  |
| Unicredit                                      | 10.2   | 2.2   | -0.4   | -17.5   | 3    |
| <b>UK banks</b>                                |        |       |        |         |      |
| HSBC   | 75.0   | -0.3  | -1.3   | -7.0    | 3    |
| HSBC   | 655.5  | -0.5  | -0.3   | -2.1    | 1    |
| RBS  | 215.1  | -0.7  | -1.0   | -10.7   | -1   |
| Barclays                                       | 150.8  | 0.1   | -1.3   | -8.5    | 0    |
| Lloyds   | 57.5   | -0.2  | -2.8   | -9.6    | 11   |
| <b>Large Spanish banks</b>                     |        |       |        |         |      |
| Santander                                      | 60.9   | -0.7  | -0.9   | -9.6    | 4    |
| Santander                                      | 4.0    | -0.4  | -1.3   | -11.5   | 1    |
| <b>BBVA</b>                                    | 5.0    | -1.0  | -0.6   | -7.7    | 8    |
| <b>Medium Spanish banks</b>                    |        |       |        |         |      |
| Caixabank                                      | 53.2   | -1.1  | -0.5   | -6.2    | -7   |
| Caixabank                                      | 2.8    | -1.4  | 0.2    | -4.6    | -12  |
| Sabadell                                       | 1.0    | -0.8  | -1.7   | -3.3    | 1    |
| Bankinter                                      | 6.6    | -0.9  | -0.2   | -8.6    | -6   |
| Bankia   | 2.3    | -1.5  | -0.9   | -7.6    | -12  |
| Currencies (% , red for currency depreciation) |        |       |        |         |      |
| Developed                                      | level  | Daily | Weekly | Monthly | YTD  |
| <b>EURUSD</b>                                  | 1.114  | -0.2  | -0.1   | -0.4    | -3   |
| GBPUSD   | 1.26   | -0.2  | -0.3   | -2.4    | -1   |
| USDJPY   | 109.36 | 0.0   | 0.9    | 2.1     | 0    |
| DXY  | 98.13  | 0.2   | 0.1    | 0.3     | 2    |
| Emerging                                       | level  | Daily | Weekly | Monthly | YTD  |
| USDARS (Argentina)                             | 44.36  | 0.7   | 1.2    | 0.0     | -15  |
| USDBRL (Brazil)                                | 3.99   | 1.0   | 1.3    | -1.1    | -3   |
| USDCLP (Chile)                                 | 708.65 | -0.2  | -1.6   | -4.1    | -2   |
| USDCOP (Colombia)                              | 3370   | 0.2   | -1.0   | -3.6    | -3   |
| USDMXN (Mexico)                                | 19.20  | 0.0   | -1.1   | -1.0    | 2    |
| USDPEN (Peru)                                  | 3.36   | -0.1  | -0.4   | -1.4    | 0    |
| LACI   | 53.10  | 0.2   | -0.1   | -1.6    | -2   |
| USDPLN (Poland)                                | 3.86   | -0.2  | 0.1    | -0.5    | -3   |
| USDRLB (Russia)                                | 65.15  | -0.7  | -1.2   | -1.0    | 6    |
| USDTRY (Turkey)                                | 6.02   | 0.1   | 1.3    | -1.2    | -12  |
| USDCNY (China)                                 | 6.91   | -0.1  | -0.1   | -2.6    | -1   |
| USDINR (India)                                 | 69.83  | -0.2  | -0.2   | 0.3     | 0    |
| USDIDR (Indonesia)                             | 14410  | -0.2  | 0.8    | -1.4    | 0    |
| ADXY   | 103.86 | -0.2  | -0.1   | -1.8    | -1   |
| Commodities (%)                                |        |       |        |         |      |
|  | level  | Daily | Weekly | Monthly | YTD  |
| <b>Brent</b>                                   | 68.9   | -1.7  | -2.9   | -4      | 28   |
| WTx  | 57     | -2.9  | -6.5   | -10     | 26   |
| Copper   | 267    | -1.2  | -0.6   | -8      | 2    |
| Gold   | 1282   | 0.2   | 0.7    | 0       | 0    |
| S&P Spot commodity *                           | 432    | 1.1   | -0.9   | -3      | 15   |
| S&P Brent Spot *                               | 584    | 1.8   | -1.9   | -4      | 28   |
| S&P Metals Spot *                              | 319    | 0.1   | 1.1    | -5      | 0    |
| S&P Agricultural *                             | 288    | 3.0   | 5.1    | 7       | 2    |

Source: Bloomberg, Datastream and Haver

\* With one day delay