

Markets take a breather from recent jitters

■ Cautious mood persists across global financial markets as a protracted US-China trade deadlock looms. Although markets were steady today, as there were not incremental news today.

■ On the economic front, the US 1Q19GDP was revised slightly downward, but to better than expected 3.1% (consensus 3%, previously 3.2%, previous quarter 2.2%). The decrease was led by non-residential fixed and private inventory investment, which offset the upward revision in personal consumption and strong net exports, despite the ongoing trade war (see). Meanwhile, US April wholesale inventories grew slightly above expectations. Nonetheless, investors will be focus on other major events such as Fed's Clarida today and Chinese PMI data for May, scheduled for tomorrow.

■ Safe-haven bond yields inched up slightly, after yesterday's weak demand at 7Y US Treasury auction spurred the recovery in US yield, which hit a 2.21% low level. Market's implied probability of a Fed rate cut in 2019 rose to 83%, while the probability of an additional cut in 2020 rose to 70%. Italy's risk premium remained steady despite Salvini continuing pushing through flat tax.

■ Most major currencies were largely range-bound. The US dollar slightly appreciated against main G-10 currencies, even against the JPY, which recently had been attracting safe-haven demand. Some EM FX posted gains. The MXN appreciated as Mexico began the process of ratifying the new North American Free Trade Agreement. Its gains were limited by Banxico's decision to lower its economic forecast for 2019 GDP growth (to 0.8%-1.8%; from 1.1-2.1%) on the back of 1Q19 transitory factors. Banxico noted that the balance of risks are tilted to the downside. The BRL also appreciated despite the economic shock in the 1Q19 (see), which has increased recession fears. Meanwhile, the TRY recovered some ground despite policy uncertainty (see).

■ Equity markets slightly bounced back, while equity volatility inched down.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.09	-2.2	-5.9	-18	-40
US	2.25	-1.2	-7.0	-25	-44
GER (2-yr)	-0.64	0.4	-0.5	-6	-3
Germany	-0.17	0.7	-5.2	-19	-41
France	0.24	1.4	-4.2	-13	-47
Spain	0.76	3.1	-8.8	-24	-76
Italy	2.65	1.0	1.3	10	-24
Portugal	0.87	1.5	-14.8	-25	-100
Greece	3.06	-8.0	-37.5	-31	-134
Japan (2-yr)	-0.16	0.7	-1.3	-2	-2
Japan	-0.08	1.1	-2.0	-4	-8
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.44	-7.5	-36.0	-53	-79
Chile	3.48	-0.5	-24.8	-46	-78
Colombia	6.67	-3.1	-16.2	-18	-8
Mexico	7.93	0.6	-9.2	-16	-71
Peru	4.62	0.5	-8.7	-18	-74
Poland	2.72	-1.5	-10.7	-30	-11
Russia	8.00	-7.4	-4.8	-24	-78
Turkey	18.26	-52.0	-53.0	-78	246
India	7.14	1.0	-10.0	-27	-23
Indonesia	8.05	0.0	6.2	22	2
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	0.7	1.0	6	0
Italy	282	0.3	6.5	28	18
Portugal	104	0.8	-9.6	-7	-52
Spain	94	2.4	-3.6	-5	-28
2-yr sovereign spread vs Germany					
France	5	-0.7	-1.7	2	-10
Italy	128	0.7	6.5	21	19
Portugal	24	-0.8	-1.2	0	-2
Spain	28	-0.7	-1.4	4	-9
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	178	-0.7	1	6	-29
Chile	50	0.4	3	12	-13
Colombia	114	0.7	5	17	-44
Argentina	1171	21.0	7	-19	365
Mexico	124	1.9	7	12	-31
Peru	70	0.6	3	14	-25
Poland	66	0.0	0	0	-1
Russia	128	1.8	0	4	-26
Turkey	519	2.0	19	66	159
China	57	3.5	7	16	-11
India	83	1.7	3	6	-30
Indonesia	114	5.1	8	20	-24
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	17	-0.6	0	4	-8
VSTOXX	17	-1.1	-1	3	-7
EMOFT volatility Index	20	-0.9	-2	4	-5
Dollar/euro volatility	5	-0.2	0	0	-2
EM FX volatility index	8	0.1	0	0	-1
Credit spread (BAA) (change in bps)	233	1.2	6	18	-12
US bonds volatility index	63	1.4	2	14	-3
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.13	-	-1	-15	-1
EZ Inflation expectations (5Y5Y)	1.31	-	-1	-12	-30
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	66	3.6	8	10	-16
EZ	87	1.6	4	8	-32
UK	77	0.0	4	19	-18
Large Spanish	61	1.5	2	5	-26
Medium Spanish	88	-0.1	4	-10	-25
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	176	3.6	8	10	-16
EZ Non-financial	87	1.6	4	8	-32
UK Non-financial	110	1.8	4	7	-9
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-1	-1
Euribor 3m	-0.32	0	-1	-1	-1
Euribor 12m	-0.16	-1	-2	-5	-5
Libor 3m	2.52	0	0	-6	-28
Libor 12m	2.57	-3	-9	-14	-44
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,790	0.2	-1.1	-5.3	11
Dow Jones	25,115	0.0	-1.5	-5.6	8
Nikkei	20,943	-0.3	-1.0	-5.9	5
FTSE 100	7,222	0.5	-0.1	-2.7	7
EuroStoxx 50	3,317	0.6	-0.3	-5.6	11
IBEX	9,153	0.8	0.4	-4.4	7
DAX	11,900	0.5	-0.4	-3.6	13
CAC	5,247	0.5	-0.7	-6.1	11
MIB	19,937	-0.3	-1.0	-8.9	9
ASE Athens	818	3.2	12.8	5.8	33
MSCI Latam *	90,500	0.7	1.2	-2.6	5
Ibovespa (Brazil)	97,654	1.1	4.0	1.4	11
Mexbol (Mexico)	43,298	1.0	1.1	-2.9	4
Merval (Argentina)	34,683	2.1	0.9	17.3	14
MSCI EM Europe *	5,687	1.0	0.5	-0.9	8
Poland	2,222	1.6	2.2	-4.8	-2
Micex 10 (Russia)	4,627	0.2	0.7	1.9	11
Ise 100 (Turkey)	90,012	3.2	6.4	-5.7	-1
MSCI EM Asia *	812	-0.5	-1.6	-9.3	4
Shanghai Com (China)	2,906	-0.3	1.9	-5.6	17
Jakarta (Indonesia)	6,104	1.2	2.8	-5.0	-1
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	129.7	-0.4	-1.1	-9.6	12
Citi	107.8	-0.4	-0.8	-7.1	10
BoA	64.1	0.6	0.3	-9.4	23
MS	27.4	-1.1	-1.2	-10.3	11
GS	42.0	-0.5	-1.7	-13.0	6
Wells Fargo	186.7	-0.7	-2.7	-9.3	12
EZ banks					
BNP	68.2	0.3	-3.2	-16.4	-1
Crédit Agricole	41.4	0.1	-5.2	-12.8	5
Deutsche Bank	10.3	1.1	-3.2	-15.5	10
ING	6.2	0.9	-3.9	-15.8	-11
Intesa	9.8	0.5	0.7	-14.0	4
SG	1.9	-0.2	-2.1	-20.3	-4
Unicredit	22.5	-0.1	-8.4	-20.1	-19
Unicredit	10.1	-0.5	0.2	-17.7	3
UK banks					
HSBC	75.2	0.2	-0.2	-6.2	3
RBS	653.7	-0.3	-0.8	-2.0	1
RBS	217.1	0.9	-0.2	-9.4	0
Barclays	151.0	0.2	1.0	-8.1	0
Lloyds	57.7	0.4	-0.2	-7.8	11
Large Spanish banks					
Santander	61.8	1.5	1.7	-8.2	6
Santander	4.1	1.3	1.1	-10.2	2
BBVA	5.1	1.7	2.1	-6.2	10
Medium Spanish banks					
Sababank	53.9	1.2	1.4	-4.3	-6
Sababank	2.8	1.5	2.2	-0.4	-11
Sabadell	1.0	1.3	0.1	-1.6	2
Bankinter	6.6	0.8	0.9	-7.1	-6
Bankia	2.3	2.0	2.9	-6.9	-10
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.114	0.1	-0.4	-0.7	-3
GBPUSD	1.26	-0.2	-0.4	-3.3	-1
USDJPY	109.71	-0.1	-0.1	1.6	0
DXY	98.19	0.0	0.3	0.7	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	44.31	0.3	1.7	-0.2	-15
USDBRL (Brazil)	3.96	0.4	2.0	-1.0	-2
USDCLP (Chile)	708.90	-0.4	-1.7	-4.5	-2
USDCOP (Colombia)	3357	-0.1	0.7	-3.8	-3
USDMXN (Mexico)	19.07	0.3	-0.1	-0.7	3
USDPEN (Peru)	3.36	-0.1	-0.3	-1.6	0
LACI	53.35	0.1	0.4	-1.4	-2
USDPLN (Poland)	3.85	0.2	0.0	-0.8	-3
USDRLB (Russia)	65.12	-0.3	-0.4	-0.8	6
USDTRY (Turkey)	5.90	2.0	3.4	1.2	-10
USDCNY (China)	6.90	0.2	0.1	-2.4	0
USDINR (India)	69.88	-0.1	0.2	-0.4	0
USDIDR (Indonesia)	14410	0.0	0.5	-1.1	0
ADXY	104.04	0.1	0.0	-1.6	-1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	67.6	-2.7	-0.3	-7	26
WTx	58	-1.7	-0.2	-10	27
Copper	265	-0.7	-1.2	-9	1
Gold	1288	0.6	0.3	0	0
S&P Spot commodity *	430	-0.6	1.6	4	15
S&P Brent Spot *	578	-1.2	2.1	-6	26
S&P Metals Spot *	316	-0.9	0.0	-5	-1
S&P Agricultural *	288	-0.3	5.5	8	1