

All eyes on the phase one trade deal signing

- Investors remained cautious ahead of the signing and the unveiled details of the U.S.-China phase one deal** after some media reports introduced some noise in the markets. Against this background, bonds remained well demanded. Equity markets showed mixed results, with the U.S. hitting a new record high while the European and Asian markets inched down.
- The U.S.-China trade agreement signing and the unfolding details were in the spotlight today after **Bloomberg sources reported that U.S. tariffs on China would remain until a phase two deal was reached**. Decision to roll back tariffs on the rest of \$360bn worth of imports from China hinges on the nature of phase two deal, which could be delayed until after the U.S. elections in November.
- Solid macroeconomic data in the U.S., while disappointing in Europe**. U.S. December producer prices index for final demand edged up (1.3% YoY; Cons: 1.3% YoY Prev: 1.1% YoY), as the increase in cost of goods was higher than the weakening in services. Additionally, the New York Fed Empire index inched up unexpectedly in January (4.8, Cons: 3.6; Prev: 3.3), although the previous reading was revised down. On the other hand, **in the Eurozone, the industrial production declined more than expected, although its path of decline moderated** in November (-1.5% YoY; Cons: -1.0% YoY, Prev: -2.6% YoY, revised from -2.2% MoM), whereas its trade balance fell more than estimated in November (19.2b; Cons: 22.0b; Prev: 24.0b, revised from 24.5b). Meanwhile, macro figures out of Germany confirmed a lower growth pace in its economy, and general government surplus for 2019 declined (1.5%; Cons: 1.2%; Prev: 1.9% revised from 1.7%), its annual GDP growth also falling in 2019 (0.6%; Prev: 1.5%; Cons: 0.6%). Separately, UK inflation unexpectedly fell in December (1.3% YoY; Cons: 1.5% YoY; Prev: 1.5% YoY) below the BOE's 2% target, while core inflation also declined (1.4% YoY; Cons: 1.7% YoY; Prev: 1.7% YoY), increasing expectations for BoE to cut interest rates.
- Elsewhere, the Fed will maintain its current liquidity provision in monetary markets intact until the end of January (overnight lending up to USD 120 bn, 14-day repo US\$35bn). In February, the 14-day repo would be scaled back to USD 30bn.
- Sovereign yields fell across the board amid the uncertainty surrounding the signing of the phase one deal**. The 10Y gilt yield underperformed the rest, dragged by the release of the UK inflation slowdown as the expectations for a BoE cut increase, while Italy's risk premia widened. Furthermore, BoE policy maker, Michael Saunders, called for more stimulus to boost the UK economy ([see](#)).
- Although U.S.-China trade concerns, **Chinese currency remained steady CNYUSD 7 threshold** ahead of the highly expected deal signing. Meanwhile, **the USD slightly depreciated against most of the G-10**. The GBP inched down moderately after UK CPI publication, but managed to recover, hovering around 1.30. Elsewhere, emerging currencies inched down, with the BRL leading the losses amid disappointing retail sales growth.
- In commodities, oil prices weakened as the likelihood of demand falling increases in light of the possibility that the U.S. will keep tariffs on China ([see](#)).
- The U.S. equity market hit a fresh record high**, led by positive surprise in company earnings results, while **trade concerns weighed on the European and Asian markets**.

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DEBT MARKETS (10Y, %, CHANGE IN BPS)

Developed Markets	level	Daily	Week	Month	YoY
US (2-yr)	1,57	-0,4	-1,5	-6	-98
US	1,79	-1,7	-8	-8	-93
GER (2-yr)	-0,59	-0,8	1,7	4	1
Germany	-0,20	-3,1	0,5	4	-43
France	0,05	-3,0	0,1	4	-58
Spain	0,45	-2,9	1,7	3	-93
Italy	1,40	0,1	-1,8	10	-136
Portugal	0,50	-3,0	0,2	1	-129
Greece	1,39	-0,5	-0,1	5	-285
Japan (2-yr)	-0,12	0,1	0,0	0	4
Japan	0,01	-0,6	1,2	2	0
Emerging Markets	level	Daily	Weekly	Monthly	YoY
Brazil	6,77	-2,5	-4,1	-10	-247
Chile	2,94	-6,4	12,9	13	-132
Colombia	6,13	-1,1	-18,6	-11	-89
Mexico	6,82	-1,0	-3,8	2	-176
Peru	3,53	3,0	2,3	-5	-176
Poland	2,24	-4,0	3,6	23	-54
Russia	6,30	4,2	-14,3	-22	-206
Turkey	10,80	-5,0	-97,0	-135	-459
India	6,63	-3,8	7,0	-17	-64
Indonesia	6,88	1,3	-20,1	-40	-120

COUNTRY RISK (BP, CHANGE IN BPS)

Developed Markets	level	Daily	Weekly	Monthly	YoY
10-yr sovereign spread vs Germany					
France	25	0,1	-0,4	-1	-16
Italy	160	3,2	-2,3	6	-93
Portugal	71	0,1	-0,3	-3	-86
Spain	65	0,2	1,2	-1	-50
2-yr sovereign spread vs Germany					
France	3	0,1	-0,2	2	-9
Italy	57	1,0	-0,1	0	-35
Portugal	25	14,1	13,5	17	-24
Spain	23	0,7	1,0	-1	-13
Emerging Markets	level	Daily	Weekly	Monthly	YoY
5-yr sovereign CDS *					
Brazil	101	1,3	2	1	-81
Chile	45	0,0	1	2	-8
Colombia	72	1,2	2	0	-62
Argentina	4690	-27,9	-26,9	-143,4	4014
Mexico	78	1,1	0	1	-59
Peru	43	0,7	1	-2	-39
Poland	51	-3,5	-6	-7	-15
Russia	61	1,5	1	7	-79
Turkey	261	-2,6	-22	-30	-106
China	32	0,4	-2	-4	-30
India	67	1,1	0	-4	-40
Indonesia	62	0,2	-4	-7	-65

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YoY
VIX	13	0,1	-1	0	-7
VSTOXX	52	0,0	-8	-4	0
EMEFT volatility Index	2	0,0	0	0	-1
Dollar/euro volatility	4	0,0	0	0	-3
EM FX volatility index	15	0,1	-1	-1	-5
Credit spread (BAA) (change in bps)	202	1,8	-3	0	-44
US bonds volatility index	6	-0,1	0	0	-3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YoY
US Inflation expectations (5Y5Y)	2,07	-	-2	-1	-10
EZ Inflation expectations (5Y5Y)	1,34	-	3	5	-20
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US	40	-0,5	-3	0	-43
EZ	45	-0,2	-3	1	-54
UK	40	0,0	-2	0	-46
Large Spanish	33	0,2	-1	1	-47
Medium Spanish	70	-4,3	-4	-8	-45
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YoY
US Non-financial	205	7,0	22	20	11
EZ Non-financial	65	0,4	-1	-1	-26
UK Non-financial	98	0,4	-1	1	-17

INTERBANK MARKETS (% change in BPS)

	level	Daily	Weekly	Monthly	YoY
ESTR Index	-0,54	0	0	1	n.a.
Euribor 3m	-0,39	0	0	0	-9
Euribor 12m	-0,25	-1	0	1	-14
Libor 3m	-0,45	0	0	1	-8
Libor 12m	1,84	0	-5	-7	-93

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YoY
S&P500	3297	0,4	1,4	3,3	26
Dow Jones	29109	0,6	1,3	3,1	20
Nikkei	23917	-0,5	3,1	-0,1	17
FTSE 100	7643	0,3	0,9	1,6	11
EuroStoxx 50	3769	-0,2	-0,1	-0,1	22
IBEX	9505	-0,2	-0,9	-1,8	7
DAX	13432	-0,2	0,8	0,2	23
CAC	6033	-0,1	0,0	0,7	25
MIB	23764	-0,7	-0,3	1,0	22
ASE Athens	929	0,5	1,6	5,4	49
MSCI Latam *	102034	0,0	0,7	2,9	11
Ibovespa (Brazil)	116451	-1,0	0,2	4,1	23
Mexbol (Mexico)	44840	0,2	0,8	1,1	2
Merval (Argentina)	41023	-1,5	0,0	9,0	20
MSCI EM Europe *	6514	-0,7	1,6	3,8	19
Poland	2165	-0,8	2,3	2,5	-8
Micex 10 (Russia)	5503	0,0	1,3	4,8	25
Ise 100 (Turkey)	120939	-0,4	7,1	8,8	27
MSCI EM Asia *	942	0,0	2,6	5,0	17
Shanghai Com (China)	3090	-0,5	0,8	3,5	20
Jakarta (Indonesia)	6283	-0,2	0,1	1,4	-2
Banking sector	level	Daily	Weekly	Monthly	YoY
US banks					
JPM	137,4	-1,0	0,3	0,0	34
Citi	81,3	-0,7	2,4	5,7	31
BoA	34,7	-1,8	-0,8	-0,1	22
MS	52,8	-0,2	2,3	4,0	19
GS	247,8	0,9	4,2	8,7	26
EZ banks					
BKIF	83,8	-1,7	-2,5	-1,6	12
BNP	51,0	-2,3	-3,4	-4,2	18
Crédit Agricole	12,8	-1,2	-1,8	-2,9	23
Deutsche Bank	7,6	-2,4	-1,5	8,8	-7
ING	10,6	-1,7	-4,5	-2,6	3
Intesa	2,3	-1,2	-0,8	-1,1	14
SG	31,0	-1,5	-2,6	0,6	2
Unicredit	13,1	-2,6	-2,1	-2,0	23
UK banks					
HSBC	589,8	-0,1	1,5	0,7	-9
RBS	224,9	-2,5	-6,4	-13,8	-4
Barclays	178,5	-1,4	-1,9	-7,3	11
Lloyds	57,8	-1,6	-7,9	-14,0	3
Large Spanish banks					
Santander	56,4	-1,4	-5,2	-5,7	-12
BBVA	4,8	-1,7	-5,6	-5,7	-7
Medium Spanish banks					
Caixabank	49,9	-1,7	-6,0	-5,8	-16
Sabadell	2,7	-0,9	-6,0	-2,7	-19
Bankinter	1,0	-2,7	-7,0	-7,4	-6
Bankia	6,2	-2,2	-5,7	-7,6	-13
Bankia	1,8	-0,8	-6,5	-5,5	-32

CURRENCIES (% change in BPS)

Developed	level	Daily	Weekly	Monthly	YoY
EURUSD	1,116	0,3	0,5	0,1	-2
GBPUSD	1,303	0,1	-0,5	-2,3	1
USDJPY	109,970	0,0	-0,8	-0,4	-1
DXY	97,206	-0,2	-0,1	0,2	1
Emerging	level	Daily	Weekly	Monthly	YoY
USDARS (Argentina)	59,89	0,3	-0,1	-0,1	-37
USDBRL (Brazil)	4,18	-1,1	-2,7	-2,8	-11
USDCPL (Chile)	775,14	-0,5	-1,7	-1,7	-13
USDCOP (Colombia)	3302	-0,4	-1,66	1,58	-6
USDMXN (Mexico)	18,81	-0,1	0,0	0,7	0
USDPEN (Peru)	3,33	-0,1	-0,3	0,8	0
LACI	50,64	-0,5	-1,2	-0,8	-10
USDPLN (Poland)	3,79	0,0	0,6	0,8	8
USDRUB (Russia)	61,46	0,0	-0,3	1,6	8
USDTRY (Turkey)	5,87	0,1	0,6	-0,4	-9
USDCNY (China)	6,89	-0,1	0,8	1,5	-2
USDINR (India)	70,82	0,1	1,3	0,3	1
USDIDR (Indonesia)	13695	-0,1	1,5	2,3	3
ADXY	105,63	0,0	0,6	1,0	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YoY
Brent	63,9	-0,9	-2,3	-2	4
WTX	58	-0,9	-3,2	-4	10
Copper	286	-0,5	1,5	1	6
Gold	1550	0,3	-0,4	5	20
S&P Spot commodity *	428	0,3	-0,8	-1	5
S&P Brent Spot *	542	0,1	-2,4	-1	4
S&P Metals Spot *	328	0,3	1,1	2	2
S&P Agricultural *	304	0,4	1,8	2	6

Source: Bloomberg, Datastream and Haver

* With one day delay