

Risk assets recovered at the start of the week

- Financial markets seemed to recover at the beginning of the week on the back of positive news on Brexit negotiations, Italy's 2019 budget plan and a rebound in oil prices.** However, investors' focus will be mainly on Xi-Trump talks at the G-20 leaders' meeting later this week as trade tensions continue. The release of FOMC minutes and economic indicators for the US, the EZ and China will also be in the spotlight this week.
- Equity markets bounced back today** on hopes of solid holiday sales in the US, however high volatility still prevailed in markets (VIX around 20%). European stock markets were also favoured by the easing in EU political worries, while Asian equity indices were mixed ahead of the Trump-Xi meeting.
- Safe haven flows moderated somewhat:** the US Treasury yield inched up but remained below the 3.10% level while in Europe worse-than-expected German confidence data (IFO) had a muted impact on the 10Y Bund yield ([see](#)), which remained hovering around 0.35%. The Italian risk premium narrowed sharply today after comments signalled a potential revision of the budget target by the Italian government ([see](#)). Spain and Portugal also benefited from the narrowing of Italian risk premium.
- The European Council and the UK reached an agreement on Brexit** during this weekend's summit. However a challenging context remained as Mrs May needs the approval of the UK parliament ([see](#)). In this context, the GBP was stable, but volatility is expected to remain for the next two weeks.
- The USD was broadly steady**, and the EUR remained close to but below the 1.14 USD/EUR level despite today's speeches by Draghi and Praet, which were in line with expectations. Regarding EM FX markets, **most Latam currencies underperformed other EM currencies**, despite today's recovery in oil prices ahead of next week's OPEC meeting. The RUB depreciated sharply amid geopolitical tensions ([see](#)).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.84	3.1	5.1	-1	92
US	3.07	3.3	0.9	-4	61
GER (2-yr)	-0.57	1.0	1.4	4	4
Germany	0.36	2.1	-1.2	-4	-16
France	0.74	1.8	-4.1	-3	-8
Spain	1.56	-7.0	-8.8	-2	-11
Italy	3.27	-13.8	-32.8	-22	117
Portugal	1.89	-5.6	-10.0	-5	-12
Greece	4.39	-16.0	-17.9	15	29
Japan (2-yr)	-0.14	-0.1	0.4	-2	-1
Japan	0.09	-1.0	-0.7	-3	4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.04	13.9	-7.9	-49	-22
Chile	4.40	-0.7	-6.2	-18	-11
Colombia	7.05	2.3	-0.1	-9	61
Mexico	9.15	8.2	14.1	79	157
Peru	5.36	2.4	-8.9	-12	49
Poland	3.19	1.0	-5.4	-2	-13
Russia	9.04	10.9	24.2	34	140
Turkey	15.95	-25.0	-5.0	-185	459
India	7.73	1.6	-6.4	-14	34
Indonesia	7.89	-2.1	-15.5	-73	159
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	38	-0.3	-2.9	1	8
Italy	291	-15.9	-31.6	-19	134
Portugal	153	-7.7	-8.8	-2	4
Spain	120	-9.1	-7.6	1	5
2-yr sovereign spread vs Germany					
France	13	-0.1	-0.4	-7	-3
Italy	140	-12.1	-56.7	-39	103
Portugal	39	-1.1	-4.4	-11	-11
Spain	41	-2.8	-5.2	-3	14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	216	5.1	14	1	55
Chile	58	1.6	6	8	9
Colombia	148	6.9	17	19	43
Argentina	628	16.2	40	-4	390
Mexico	161	4.8	12	25	54
Peru	88	2.0	6	7	16
Poland	67	-1.0	0	1	19
Russia	161	5.2	9	13	44
Turkey	396	7.6	27	-2	231
China	74	0.7	5	4	23
India	113	0.3	2	1	44
Indonesia	153	1.4	5	0	67
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	20	-1.7	0	-4	10
VSTOXX	18	-0.6	0	-2	5
EMEFT volatility Index	27	-0.3	-2	-3	10
Dollar/euro volatility	7	-0.4	0	0	1
EMFX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bps)	216	-3.3	0	15	38
US bonds volatility index	57	-0.3	-2	1	8
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.30	-	2	-3	-2
EZ Inflation expectations (5Y5Y)	1.62	-	-6	-5	-12
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	68	0.9	4	8	26
EZ	120	1.2	9	13	81
UK	86	0.8	2	17	46
Large Spanish	86	0.0	5	5	50
Medium Spanish	105	0.0	2	4	31
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	187	0.9	4	8	26
EZ Non-financial	86	1.2	9	13	81
UK Non-financial	111	0.9	1	5	18
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	1	1
Euribor 3m	-0.32	0	0	0	1
Euribor 12m	-0.15	0	0	0	4
Libor 3m	2.69	0	5	18	100
Libor 12m	3.12	1	0	8	101
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,663	1.2	-1.0	-1.6	-1
Dow Jones	24,590	1.3	-1.7	-1.6	-1
Nikkei	21,812	0.8	0.0	2.6	-4
FTSE 100	7,036	1.2	0.5	0.5	-8
EuroStoxx 50	3,173	1.1	0.4	0.3	-9
IBEX	9,091	2.0	0.9	3.5	-10
DAX	11,355	1.4	1.0	0.4	-12
CAC	4,995	1.0	0.2	-0.7	-6
MIB	19,233	2.8	2.2	2.2	-12
ASE Athens	603	0.1	-2.2	-4.7	-26
MSCI Latam *	85,741	-1.1	-2.7	-0.3	0
Ibovespa (Brazil)	86,395	0.2	-1.7	2.7	11
Mexbol (Mexico)	40,978	-0.4	-3.2	-11.4	-18
Merval (Argentina)	31,540	2.7	1.4	7.5	1
MSCI EM Europe *	5,273	-1.0	-0.8	0.8	-2
Poland	2,214	-0.5	1.1	3.3	-10
Micex 10 (Russia)	4,150	-1.4	-2.7	-0.5	1
Ise 100 (Turkey)	93,962	1.0	-0.6	0.2	-20
MSCI EM Asia *	792	-0.4	-1.7	1.4	-14
Shanghai Com (China)	2,576	-0.1	-4.7	-1.1	-23
Jakarta (Indonesia)	6,023	0.5	0.2	5.5	-5
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	132.1	2.6	-1.1	-0.1	-11
Citi	109.3	2.5	-1.4	4.3	1
BofA	63.7	3.1	-1.5	-2.0	-14
MS	27.6	2.2	-0.7	3.6	-8
GS	44.4	3.0	0.0	-0.4	-15
GS	193.8	2.5	-2.2	-9.4	-24
EZ banks					
BNP	79.5	3.2	1.9	0.7	-27
Crédit Agricole	45.3	2.2	0.1	-3.8	-27
Deutsche Bank	11.1	3.7	2.2	-2.1	-20
ING	8.6	4.8	0.0	-2.9	-46
Intesa	10.9	2.0	0.3	5.4	-29
Intesa	2.0	4.5	5.9	4.5	-26
SG	33.2	2.2	0.6	1.1	-23
Unicredito	11.5	5.5	5.9	2.9	-27
UK banks					
HSBC	78.2	2.0	2.9	2.1	-15
HSBC	673.8	3.0	3.4	10.6	-12
Barclays	225.7	1.9	3.7	-3.9	-17
Barclays	168.7	2.5	1.6	-2.0	-17
Lloyds	57.3	0.2	2.6	-0.7	-15
Large Spanish banks					
Santander	62.9	3.2	1.8	1.4	-26
Santander	4.2	2.9	0.1	3.3	-23
BBVA	5.1	3.4	3.6	-0.4	-28
Medium Spanish banks					
Caixabank	64.3	1.8	-0.5	6.6	-16
Caixabank	3.7	1.8	0.0	7.3	-7
Sabadell	1.1	2.5	-1.0	10.2	-32
Bankinter	7.6	1.6	-1.1	6.6	-5
Bankia	2.9	2.0	0.1	3.4	-28
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.134	0.0	-1.0	-0.3	-6
GBPUSD	1.28	0.0	-0.3	0.0	-6
USDJPY	113.57	-0.5	-0.9	-1.0	-1
DXY	97.03	0.1	0.9	0.4	6
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.65	-3.0	-7.0	-4.9	-52
USDBRL (Brazil)	4	-1.4	-3.1	-4.6	-16
USDCLP (Chile)	676.80	-0.2	-1.3	1.6	-10
USDCOP (Colombia)	3245	-0.5	-2.2	-2.2	-10
USDMXN (Mexico)	20.54	-0.6	-0.8	-5.1	-5
USDPEN (Peru)	3	0.0	-0.1	-1.1	-4
LACI	53.53	-1.0	-2.3	-3.5	-16
USDPLN (Poland)	4	-0.1	-0.2	0.0	-9
USDRUB (Russia)	67.16	-1.4	-2.3	-2.3	-14
USDTRY (Turkey)	5	0.7	1.2	7.3	-28
USDCNY (China)	6.94	0.1	0.0	0.1	-6
USDINR (India)	71	-0.2	1.1	3.4	-10
USDIDR (Indonesia)	14475	0.5	0.8	4.9	-7
ADXY	104	0.1	0.1	0.7	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	60.6	3.1	-9.2	-21	-9
WTx	52	2.7	-8.8	-23	-14
Copper	276	-0.3	-1.5	1	-15
Gold	1222	-0.1	-0.1	-1	-7
S&P Spot commodity *	404	-4.4	-7.3	-13	-9
S&P Metals Spot *	502	-7.5	-12.0	-23	-11
S&P Metals Spot *	332	-0.7	-0.6	-2	-16
S&P Agricultural *	285	-0.8	-0.9	0	0

* Source: Bloomberg, Datastream and Haver

* With one day delay