

## Risk-off mood drove financial markets at the end of the week

- Risk-off mood at the end of the week as increasing trade fears, volatility in oil prices and doubts about US economic growth weighed.** The detention of a Chinese tech manager in Canada at the request of the US fuelled concerns about worsening relations ([see](#)). These events dispelled the positive mood after the G20 summit, in which China and the US reached a trade truce, spurring optimism on trade issues.
- Fresh safe-haven flows, coupled with decreasing inflation expectations led to a sharp decline in core yields this week.** The US Treasury 10Y yield moved away from the 3% level amid mixed economic releases. The positive confidence data were overshadowed by **today's release of November employment data, which missed expectations** ([see](#)) and fuelled this week's USD depreciation. The German 10Y Bund yield followed this pattern and ended hovering around 0.25%. The release of economic figures, (better-than-expected confidence for the EZ and Germany) did not have any impact on yields.
- Volatility returned to equity markets, which suffered sharp falls across the board** as early optimism about China-US relations faded as the week went by. The abrupt drop in oil prices also weighed. In this context, US and European stocks suffered a sharp sell-off, led by the banking sector due to falling interest rates.
- In China, equities ended with gains, favoured by the better-than-expected confidence indicators** ([see](#)). **Today's release of positive FX reserves could be read as a lack of intervention in the CNY by the authorities** as the currency seemed to consolidate levels below 6.90 RMB/USD ([see](#)).
- Ahead of next week's parliamentary vote on Brexit, the GBP ended flat, although volatility is expected to remain. Some EM currencies were not able to take advantage of better funding conditions** (lower USD and UST) and depreciated. The Turkish lira depreciated against the USD despite the release of lower-than-expected inflation data ([see](#)). Meanwhile, Latam currencies appreciated favoured by the **increase in oil prices due to the potential cut in oil supply by OPEC and its allies** ([see](#)) after the OPEC meeting.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.75	-0.8	-3.5	-20	83
<b>US</b>	2.90	0.2	-9.1	-34	43
GER (2-yr)	-0.60	2.7	0.1	-1	2
<b>Germany</b>	0.26	2.0	-5.7	-19	-27
France	0.69	2.2	0.2	-13	-14
Spain	1.45	-1.0	-5.1	-15	-22
Italy	3.14	-6.4	-7.5	-20	104
Portugal	1.80	-1.0	-2.5	-13	-21
Greece	4.23	-2.7	-3.6	-8	13
Japan (2-yr)	-0.14	-0.4	-1.2	-1	-1
<b>Japan</b>	0.06	-0.5	-3.3	-6	1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	10.02	0.3	12.6	-22	-24
Chile	4.37	-0.8	-3.5	-16	-14
Colombia	6.90	-3.5	-9.8	-17	46
Mexico	9.04	-6.3	-10.2	37	146
Peru	5.42	-0.1	9.1	-9	55
Poland	3.05	3.7	0.0	-18	-26
Russia	8.76	-6.0	-6.6	-4	113
Turkey	16.54	9.0	38.0	11	518
India	7.47	4.1	-14.1	-33	8
Indonesia	8.04	2.4	16.8	-7	174
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	43	0.3	6.0	7	13
Italy	288	-8.4	-1.8	-1	131
Portugal	155	-3.0	3.2	6	6
Spain	120	-3.0	0.6	4	4
<b>2-yr sovereign spread vs Germany</b>					
France	15	-1.1	0.9	-4	-2
Italy	133	-4.9	-11.0	-16	96
Portugal	37	-2.7	-1.9	-6	-13
Spain	44	-2.4	0.4	1	17
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	209	-2.6	1	15	49
Chile	59	1.9	1	9	10
Colombia	137	-0.3	-3	17	32
Argentina	680	1.5	21	126	441
Mexico	150	-0.2	2	14	43
Peru	94	0.9	4	15	22
Poland	68	0.0	0	1	19
Russia	162	1.9	-3	21	44
Turkey	394	8.5	5	33	230
China	70	2.7	-1	3	19
India	115	1.0	2	4	46
Indonesia	142	2.5	0	-5	57
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	22	0.5	4	5	12
VSTOXX	21	-3.4	3	5	8
EMEFT volatility Index	26	-0.7	-1	1	9
Dollar/euro volatility	7	-0.1	0	0	0
EM FX volatility index	10	0.1	0	0	2
Credit spread (BAA) (change in bps)	226	-0.2	-3	32	49
US bonds volatility index	61	7.1	9	8	12
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.32	-	-2	-2	0
EZ Inflation expectations (5Y5Y)	1.62	-	0	-8	-12
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	71	2.3	7	17	29
EZ	124	3.5	3	24	85
UK	92	2.2	4	24	51
Large Spanish	84	3.6	0	11	48
Medium Spanish	109	1.1	1	4	34
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	191	2.3	7	17	29
EZ Non-financial	95	3.5	3	24	85
UK Non-financial	119	2.0	6	16	26
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	-1	0	1
Euribor 3m	-0.32	0	0	0	1
<b>Euribor 12m</b>	-0.14	0	1	1	5
Libor 3m	2.77	0	3	18	107
Libor 12m	3.11	-1	-1	0	100
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,671	-0.9	-3.2	-5.1	-1
Dow Jones	24,733	-0.9	-3.2	-5.5	0
Nikkei	21,679	0.8	-3.0	-1.8	-5
FTSE 100	6,820	1.7	-2.3	-4.2	-11
<b>EuroStoxx 50</b>	3,075	1.0	-3.1	-5.3	-12
IBEX	8,846	0.9	-2.5	-3.5	-12
DAX	10,840	0.3	-3.7	-6.4	-16
CAC	4,841	1.3	-3.3	-5.8	-8
MIB	18,810	0.9	-2.0	-3.7	-14
ASE Athens	649	-0.5	2.9	1.2	-21
<b>MSCI Latam *</b>	87,760	-0.2	-0.7	-2.5	2
Ibovespa (Brazil)	89,469	0.7	0.0	2.0	15
Mexbol (Mexico)	42,208	0.5	1.1	-10.0	-16
Merval (Argentina)	32,076	0.2	1.9	2.1	3
<b>MSCI EM Europe *</b>	5,416	-1.8	0.3	0.3	1
Poland	2,278	-0.7	-0.6	0.1	-7
Micex 10 (Russia)	4,359	1.1	2.1	-1.1	6
Ise 100 (Turkey)	93,699	0.9	-1.8	-1.9	-20
<b>MSCI EM Asia *</b>	800	-2.2	-1.5	-0.9	-13
Shanghai Com (China)	2,606	0.0	0.7	-1.3	-22
Jakarta (Indonesia)	6,126	-0.1	0.3	3.4	-4
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	124.6	-1.2	-6.9	-11.4	-16
JPM	104.6	-0.5	-5.9	-6.1	-3
Citi	59.3	-1.3	-8.5	-13.2	-20
BoA	25.8	-1.7	-9.0	-9.5	-14
MS	42.0	-1.5	-5.4	-9.9	-20
GS	181.6	-1.4	-4.8	-21.5	-29
<b>EZ banks</b>	74.2	0.4	-5.0	-9.0	-32
BNP	41.9	0.4	-5.5	-10.3	-32
Crédit Agricole	10.2	0.2	-6.7	-10.3	-27
Deutsche Bank	7.8	0.8	-3.8	-15.5	-51
ING	10.2	0.8	-4.8	-10.7	-34
Intesa	2.0	0.5	-3.2	-3.5	-28
SG	30.7	0.4	-5.5	-7.4	-29
Unicredit	11.0	-0.1	-3.6	-7.1	-30
<b>UK banks</b>	74.0	0.9	-2.8	-6.5	-20
HSBC	648.0	1.8	-2.5	1.6	-15
RBS	212.2	0.1	-2.7	-14.5	-23
Barclays	155.4	1.4	-4.6	-11.4	-24
Lloyds	54.5	-0.4	-1.6	-6.5	-20
<b>Large Spanish banks</b>	59.2	0.8	-5.0	-8.4	-30
Santander	4.0	0.7	-4.2	-7.0	-26
<b>BBVA</b>	4.7	0.8	-5.7	-9.8	-33
<b>Medium Spanish banks</b>	60.2	1.0	-5.1	-7.3	-22
Caixabank	3.4	2.3	-6.6	-8.8	-15
Sabadell	1.1	0.2	-6.4	-12.6	-37
Bankinter	7.1	0.4	-3.2	-5.0	-10
Bankia	2.7	1.4	-5.9	-5.4	-32
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.139	0.1	0.6	-0.4	-6
GBPUSD	1.237	-0.3	0.0	-2.9	-6
USDJPY	112.72	0.0	0.8	0.7	0
DXY	96.73	-0.1	-0.6	0.8	5
Emerging	level	Daily	Weekly	Monthly	YTD
USDBARS (Argentina)	37.23	1.3	1.4	-4.2	-51
USDBRL (Brazil)	4	0.5	0.1	-3.2	-16
USDCLP (Chile)	674.49	0.6	-0.3	0.3	-10
USDCOP (Colombia)	3147	1.3	2.7	-0.6	-7
USDMXN (Mexico)	20.21	0.7	0.8	-1.7	-3
USDPEN (Peru)	3	0.2	0.5	-0.1	-4
LACI	54.25	0.6	0.6	-2.1	-15
USDPLN (Poland)	4	-0.1	0.7	-0.3	-8
USDTRY (Turkey)	66.19	1.0	1.4	0.1	-13
USD RUB (Russia)	5	1.1	-1.3	1.5	-29
USDCNY (China)	6.87	0.1	1.3	0.7	-6
USDINR (India)	71	0.1	-1.7	3.1	-10
USDIDR (Indonesia)	14480	0.3	-1.2	0.8	-7
ADX	105	-0.1	0.3	0.2	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	63.3	5.5	7.9	-12	-5
WTX	54	4.6	5.7	-13	-11
Copper	275	0.5	-0.9	0	-15
Gold	1246	0.6	1.9	2	-5
S&P Spot commodity *	408	-1.9	0.3	-9	-8
S&P Metals Spot *	511	-2.4	1.0	-17	-10
S&P Metals Spot *	329	-1.6	-1.3	-1	-17
S&P Agricultural *	292	-0.6	0.3	0	2

Source: Bloomberg, Datastream and Haver

\* With one day delay