

Global equity markets under pressure amid rising volatility

- A cautious mood prevailed in financial markets, in a week full of monetary policy meetings. **High volatility on financial markets and sharp falls in both oil prices and risk assets were the main highlights.**
- **The FOMC raised rates (25 bps), as expected. It softened its tone, but less than investors expected, as it reaffirmed that further rate increases are consistent with the ongoing expansion (see).** Other central bank meetings also took place this week: Banxico raised its interest rate by 25 bps, as expected (see), while both the Bank of Japan and the Bank of England left their interest rates unchanged. Later today, the Central Bank of Colombia will announce its policy decision (no changes are expected).
- **Developed markets' equity indices fell in the week, with high levels of volatility (VIX at 28%).** US stocks were heavily penalised, due to the FOMC's global outlook, fears of a government shutdown (see) and release of disappointing company earnings (see). In the same line, European and Asian equity markets also fell, the latter despite easing trade tensions (see).
- **Core countries' sovereign yields consolidated at their lower bound. The UST 10Y yield declined sharply to levels below 2.85%,** with no impact from the release of smaller-than-expected holdings of UST by China (see). **Today's release of economic data in the US,** most of them worse than expected, had a mild impact on markets, since they were already under heavy pressure. In Europe, the 10Y Bund yield remained steady in the week while the budget deal in Italy narrowed the Italian risk premium to almost 250 bps (see).
- **The USD depreciated, while the JPY benefited from fresh safe-haven flows.** The EUR appreciated despite the uncertainty on Brexit, which fuelled volatility in the UK markets (see). Meanwhile emerging countries' currencies were mixed: the RUB and other commodity-price-dependent currencies such as the COP and the CLP depreciated sharply after the **drop in oil prices** (Brent 55 USD/pb). **The Mexican peso benefited due to decreasing uncertainty regarding the airport and budget issue,** while the RMB ended the week flat despite the supportive measures announced by the PBOC (see) and potential tax cuts (see).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2-yr)	2.66	-0.7	-6.9	-15	74
US	2.80	-0.9	-9.2	-27	33
GER (2-yr)	-0.61	-1.0	0.1	-3	0
Germany	0.25	1.9	-0.5	-13	-28
France	0.69	1.3	-2.2	-8	-13
Spain	1.39	1.3	-2.5	-25	-29
Italy	2.78	4.1	-16.0	-69	68
Portugal	1.67	1.5	0.6	-30	-34
Greece	4.36	6.3	10.9	-31	25
Japan (2-yr)	-0.14	0.7	1.6	0	-1
Japan	0.05	2.0	1.2	-5	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.31	-11.3	-33.6	-74	-94
Chile	4.30	0.0	-8.9	-12	-22
Colombia	6.76	-0.4	-9.8	-29	32
Mexico	8.70	6.1	-23.2	-35	112
Peru	5.40	-1.7	-12.4	2	53
Poland	2.82	-6.5	-12.1	-40	-50
Russia	8.81	0.6	1.3	-1	118
Turkey	16.09	7.0	-113.0	-48	473
India	7.28	0.3	-16.3	-52	-11
Indonesia	7.98	-0.7	-14.0	0	168
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	44	-0.6	-1.7	5	14
Italy	253	2.2	-15.5	-56	96
Portugal	142	-0.4	1.1	-17	-6
Spain	114	-0.6	-2.0	-12	-1
2-yr sovereign spread vs Germany					
France	15	-0.3	-2.5	2	-1
Italy	111	7.8	-6.2	-61	74
Portugal	25	1.2	-3.0	-18	-25
Spain	38	0.6	-4.5	-8	11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	207	5.1	11	-8	47
Chile	62	3.2	7	5	13
Colombia	148	11.5	19	5	43
Argentina	788	21.5	73	163	550
Mexico	147	5.5	5	-14	40
Peru	92	3.1	6	5	20
Poland	68	0.0	0	0	19
Russia	149	5.0	2	-11	31
Turkey	360	1.6	-21	-34	195
China	68	3.2	4	-8	17
India	112	0.0	-1	0	43
Indonesia	139	5.5	7	-17	53
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	28	-0.9	6	7	18
VSTOXX	21	0.5	2	3	8
EM EFT volatility Index	26	0.1	2	-1	9
Dollar/euro volatility	7	0.0	0	-1	0
EM FX volatility index	10	-0.1	0	-1	2
Credit spread (BAA) (change in bps)	224	0.9	-1	8	47
US bonds volatility index	59	-0.2	3	1	10
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.22	-	-2	-8	-10
EZ Inflation expectations (5Y5Y)	1.57	-	-5	-9	-17
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	79	4.2	9	9	36
EZ	113	2.3	3	-7	73
UK	91	1.6	3	0	50
Large Spanish	82	2.7	6	-8	46
Medium Spanish	107	0.9	0	2	33
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	212	4.2	9	9	36
EZ Non-financial	93	2.3	3	-7	73
UK Non-financial	117	0.9	3	5	24
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.36	0	0	0	1
Euribor 3m	-0.31	0	0	1	2
Euribor 12m	-0.12	0	1	3	7
Libor 3m	2.79	0	0	14	110
Libor 12m	3.05	0	-6	-4	95
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,472	0.2	-4.9	-6.7	-8
Dow Jones	23,207	1.5	-3.7	-5.1	-7
Nikkei	20,166	-1.1	-5.7	-6.2	-11
FTSE 100	6,694	-0.3	-2.2	-5.1	-12
EuroStoxx 50	2,983	-0.6	-3.5	-5.4	-15
IBEX	8,536	-0.7	-3.9	-4.7	-15
DAX	10,583	-0.3	-2.6	-5.9	-18
CAC	4,664	-0.6	-3.9	-6.3	-12
MBI	18,400	-1.0	-2.7	-1.8	-16
ASE Athens	611	-0.4	-5.3	1.9	-25
MSCI Latam *	84,928	-0.4	-2.3	-2.6	-1
Ibovespa (Brazil)	85,870	0.7	-1.8	-1.6	10
Mexbol (Mexico)	41,382	-0.7	0.2	-0.3	-17
Merval (Argentina)	28,722	-1.8	-7.7	-5.1	-8
MSCI EM Europe *	5,313	-0.8	-1.3	1.4	-1
Poland	2,259	-2.1	-1.9	1.8	-8
Micex 10 (Russia)	4,199	-0.2	-0.9	-0.6	2
Ise 100 (Turkey)	91,861	0.0	1.5	-0.9	-22
MSCI EM Asia *	783	-0.9	-3.1	-1.5	-15
Shanghai Com (China)	2,516	-0.8	-3.0	-5.1	-25
Jakarta (Indonesia)	6,164	-0.2	-0.2	2.6	-3
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	114.5	0.0	-3.0	-12.3	-23
JPM	96.8	0.4	-3.4	-10.0	-10
Citi	51.7	-1.1	-6.0	-17.8	-30
BoA	24.2	0.2	-1.3	-11.4	-19
MS	39.0	0.3	-1.5	-10.7	-25
GS	167.7	-0.4	-3.0	-12.9	-34
EZ banks	68.7	-0.7	-7.0	-11.2	-37
BNP	39.2	-0.6	-5.8	-12.6	-37
Crédit Agricole	9.3	-1.4	-7.8	-13.3	-33
Deutsche Bank	7.0	0.5	-10.3	-15.4	-56
ING	9.4	0.4	-8.0	-12.9	-39
Intesa	1.9	-1.3	-4.7	-0.7	-30
SG	28.0	0.1	-6.3	-14.6	-35
Unicredito	9.9	-3.3	-8.6	-7.8	-37
UK banks	72.1	0.3	-2.5	-5.8	-22
HSBC	649.8	-0.1	-0.6	-1.6	-15
RBS	208.7	0.5	-1.4	-3.6	-25
Barclays	147.9	0.0	-6.7	-11.3	-27
Lloyds	51.5	0.9	-2.3	-8.5	-24
Large Spanish banks	57.8	-1.2	-2.8	-6.1	-32
Santander	3.9	-1.3	-3.3	-5.5	-28
BBVA	4.6	-1.1	-2.3	-6.8	-35
Medium Spanish banks	57.4	-2.1	-6.0	-10.1	-25
Caixabank	3.2	-2.7	-6.0	-13.5	-20
Sabadell	1.0	-1.6	-8.0	-11.5	-41
Bankinter	7.0	-1.7	-4.8	-7.0	-12
Bankia	2.6	-3.0	-7.5	-11.1	-37
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.140	-0.4	0.9	0.2	-5
GBPUSD	1.26	-0.1	0.5	-1.0	-7
USDJPY	111.23	0.0	1.9	1.6	1
DXY	96.68	0.4	-0.8	0.0	5
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	38.02	0.1	0.4	-4.6	-52
USDBRL (Brazil)	3.86	-0.4	1.3	-1.6	-16
USDCLP (Chile)	690.86	0.0	-0.8	-3.4	-12
USDCOP (Colombia)	3280	-0.4	-2.6	-2.8	-11
USDMXN (Mexico)	19.85	0.2	2.0	2.0	-2
USDPEN (Peru)	3.35	-0.2	-0.2	0.7	-4
LACI	54.17	-0.1	0.8	-1.0	-15
USDPLN (Poland)	3.76	-0.4	1.0	0.5	-8
USDRUB (Russia)	68.50	-0.2	-2.4	-4.0	-16
USDTRY (Turkey)	5.30	-0.7	1.2	0.2	-29
USDCNY (China)	6.91	-0.3	0.0	0.3	-6
USDINR (India)	70.18	-0.7	2.5	1.8	-10
USDIDR (Indonesia)	14553	-0.5	0.2	0.3	-7
ADXY	104.67	-0.2	0.3	0.3	-5
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	53.8	-1.0	-10.7	-15	-19
WTx	46	0.4	-10.0	-16	-24
Copper	270	-0.2	-2.3	-4	-17
Gold	1258	-0.1	1.6	3	-4
S&P Spot commodity *	382	-2.8	-6.0	-10	-14
S&P Brent Spot *	465	-4.9	-9.5	-14	-18
S&P Metals Spot *	325	-0.3	-1.1	-3	-18
S&P Agricultural *	289	-0.8	-1.9	1	2

Source: Bloomberg, Datastream and Haver

* With one day delay