

The Fed's dovish tone dragged down the USD and US yields

- As expected, the FOMC left interest rates unchanged and reinforced the “pause” in its tightening path at its first meeting of this year. Judging from market reaction, the FOMC sounded more dovish than had been expected as it hinted at a longer pause (see). In this context, the markets moved accordingly: **the USD depreciated, US yields fell all along the curve and US stocks rose**. After yesterday's sharp volatility in the USD and US Treasuries, they remained at their recent lower level. However, the US equity indices continued to show some gains.
- In Europe, the **German 10Y Bund yield fell, following US yields, while the EUR was able to consolidate above the 1.15 USD/EUR level after the Fed's meeting**, which hampered the USD. The release of mixed economic data had a mild impact on markets: retail sales in Germany were well below expectations (see), offsetting somewhat the advance of EZ 4Q18 GDP which was in line with expectations (see). European equity markets trimmed early gains.
- Optimism among investors as the ongoing high-level trade talks between China and the US seem to be progressing** according to the latest positive comment from Trump on this issue. Nonetheless, markets remained cautious about the outcome of the talks while Trump is set to meet with China's Vice Premier Liu He later today (see). Today's release of **better-than-expected confidence indicators for China boosted Chinese equity indices** despite the remaining uncertainty (see).
- EM currencies appreciated across the board** against a weaker USD. Latam currencies benefited also from the continuing increase in oil prices (above \$61 per barrel). The COP and the CLP outperformed the rest of EM currencies, the former ahead of today's Colombia Central Bank meeting.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.47	-3.6	-9.2	-2	-2
US	2.63	-4.3	-8.1	-5	-5
GER (2-yr)	-0.56	0.1	2.0	5	5
Germany	0.15	-3.9	-3.1	-15	-15
France	0.55	-4.3	-3.1	-16	-16
Spain	1.20	-5.8	-4.4	-22	-28
Italy	2.59	-1.0	-7.1	-15	-15
Portugal	1.62	-4.7	-3.1	-24	-24
Greece	3.87	-5.4	-27.3	-52	-52
Japan (2-yr)	-0.16	-0.6	-0.4	-2	-2
Japan	0.01	0.0	-0.6	0	0
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.88	-16.2	-20.8	-36	-36
Chile	4.21	-1.4	-3.7	-4	-4
Colombia	6.94	-7.7	-10.9	19	19
Mexico	8.32	-14.1	-14.1	-32	-32
Peru	5.23	-7.7	-7.3	-13	-13
Poland	2.73	-4.8	-9.4	-9	-9
Russia	8.21	-16.9	-14.0	-57	-57
Turkey	13.82	-57.0	-123.0	-198	-198
India	7.28	-4.1	-2.4	-13	-9
Indonesia	8.01	-14.5	-10.5	-2	-2
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	41	-0.4	0.0	0	0
Italy	244	2.9	-4.0	0	0
Portugal	147	-0.8	0.0	-9	-9
Spain	105	-1.9	-1.3	-7	-13
2-yr sovereign spread vs Germany					
France	12	0.2	-0.2	-4	-4
Italy	84	0.7	-2.1	-25	-25
Portugal	36	-2.5	-4.1	10	10
Spain	31	-2.0	-2.6	-6	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	168	-2.4	-3	-37	-40
Chile	49	-1.0	0	-14	-14
Colombia	126	-4.1	-3	-31	-32
Argentina	644	-2.9	8	-155	-162
Mexico	135	1.7	5	-19	-20
Peru	76	-1.5	-1	-19	-19
Poland	65	0.0	0	-2	-3
Russia	134	2.2	5	-18	-20
Turkey	318	-7.3	-3	-40	-42
China	57	-1.5	-4	-10	-11
India	107	0.4	-1	-4	-6
Indonesia	116	-2.3	-7	-21	-21
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	17	-0.8	-2	-9	-9
VSTOXX	15	-0.9	0	-9	-9
EM EFT volatility Index	20	-0.5	1	-5	-5
Dollar/euro volatility	6	-0.1	0	-1	-1
EM FX volatility index	9	0.0	0	-1	-1
Credit spread (BAA) (change in bps)	244	4.3	6	-2	-2
US bonds volatility index	48	-1.5	-6	-18	-18
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.22	-	7	10	9
EZ Inflation expectations (5Y5Y)	1.51	-	-2	-6	-10
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	66	-3.4	-7	-16	-16
EZ	101	-1.3	-5	-16	-19
UK	77	-1.0	-4	-14	-17
Large Spanish	69	-1.1	-3	-14	-18
Medium Spanish	110	-1.7	-3	-2	-2
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	189	-3.4	-7	-16	-16
EZ Non-financial	84	-1.3	-5	-16	-19
UK Non-financial	109	-0.5	-3	-9	-10
Interbank markets (% , changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	-1	-1
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.11	0	1	1	1
Libor 3m	2.74	-1	-3	-7	-6
Libor 12m	3.02	0	-1	2	1
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,704	0.9	2.3	7.9	8
Dow Jones	25,011	0.0	1.9	7.2	7
Nikkei	20,773	1.1	1.0	3.8	4
FTSE 100	6,969	0.4	2.2	3.6	4
EuroStoxx 50	3,159	-0.1	1.1	5.3	5
IBEX	9,057	-0.2	-1.0	6.1	6
DAX	11,173	-0.1	0.4	5.8	6
CAC	4,993	0.4	2.5	5.5	6
MIIB	19,731	-0.2	0.9	7.7	8
ASE Athens	635	-0.2	0.4	3.5	3
MSCI Latam *	93,512	0.7	0.2	8.2	8
Ibovespa (Brazil)	98,184	1.2	0.5	11.7	12
Mexbol (Mexico)	44,157	1.2	1.4	6.0	6
Merval (Argentina)	35,946	-0.3	2.9	18.7	19
MSCI EM Europe *	5,683	0.3	0.7	7.1	7
Poland	2,380	0.9	-1.1	4.5	5
Micex 10 (Russia)	4,534	0.5	0.8	8.3	8
Ise 100 (Turkey)	104,074	-0.1	2.3	14.0	14
MSCI EM Asia *	834	0.8	2.5	6.4	7
Shanghai Com (China)	2,585	0.3	-0.3	3.6	4
Jakarta (Indonesia)	6,533	1.5	1.3	5.5	5
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	130.5	-1.6	-0.1	12.8	13
Citi	103.1	-1.2	0.4	5.6	6
BoA	63.9	-0.5	1.9	22.7	23
MS	28.2	-2.9	-3.0	14.5	15
GS	42.4	-0.9	0.8	6.9	7
198.7	-1.9	0.5	19.0	19	
EZ banks					
BNP	71.9	-3.0	-1.6	4.3	4
Crédit Agricole	41.0	-3.2	-1.0	3.8	4
Deutsche Bank	10.0	-2.0	-1.7	5.6	6
ING	7.7	-4.0	-1.0	11.2	11
Intesa	10.3	-2.3	-0.2	9.6	10
SG	2.0	-3.2	-1.6	2.8	3
27.1	-3.7	-2.1	-2.4	-2	
Unicredit	10.1	-4.0	-5.4	2.0	2
UK banks					
HSBC	76.8	-1.5	-0.2	5.5	5
RBS	638.9	-2.0	0.9	-1.2	-1
240.9	-0.9	0.0	11.2	11	
Barclays	158.2	-2.3	-2.8	5.1	5
Lloyds	57.9	-0.7	0.4	11.7	12
Large Spanish banks					
Santander	62.9	-1.6	-2.6	7.8	8
4.1	-1.6	-4.7	4.0	4	
BBVA	5.2	-1.7	-0.7	11.5	12
Medium Spanish banks					
Saibabank	57.4	-2.0	-3.0	-0.2	0
3.3	-1.7	-0.4	4.2	4	
1.0	-2.8	-3.4	-0.1	0	
Bankinter	6.8	-2.4	-6.4	-3.0	-3
Bankia	2.5	-1.0	0.0	-0.8	-1
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.146	-0.2	1.3	-0.1	0
GBPUSD	1.31	0.1	0.5	3.1	3
USDJPY	108.82	0.2	0.8	0.8	1
DXY	95.52	0.2	-1.1	-0.6	-1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	37.22	0.7	0.4	1.2	1
USDBRL (Brazil)	3.65	0.9	3.4	6.4	6
USDCLP (Chile)	654.54	2.0	2.5	6.0	6
USDCOP (Colombia)	3106	1.9	2.1	4.6	5
USDMXN (Mexico)	19.05	0.4	-0.2	3.2	3
USDPEN (Peru)	3.33	0.7	0.5	1.3	1
LACI	56.66	0.7	1.5	4.4	4
USDPLN (Poland)	3.72	0.3	1.9	0.6	0
USDRUB (Russia)	65.43	0.0	0.5	6.1	6
USDTRY (Turkey)	5.19	0.8	1.5	1.6	2
USDCNY (China)	6.70	0.3	1.4	2.7	3
USDINR (India)	71.09	0.1	0.0	-2.3	-2
USDIDR (Indonesia)	13973	1.1	1.4	3.0	3
ADXY	106.76	0.1	1.0	1.4	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	62.1	0.8	1.7	16	16
WTx	55	2.0	4.1	22	22
Copper	278	0.4	4.1	6	6
Gold	1322	0.1	3.2	3	3
S&P Spot commodity *	410	0.8	0.9	10	10
S&P Brent Spot *	524	0.6	0.6	14	14
S&P Metals Spot *	334	1.2	2.3	5	5
S&P Agricultural *	290	0.4	-0.3	2	2

Source: Bloomberg, Datastream and Haver

* With one day delay