

Core yields have continued to rise amid the improvement of economic data

■ **Financial markets remained calm with full attention on the release of encouraging economic indicators** for the US and EZ that have allowed core yields to continue increasing. Meanwhile in trade, **US-China trade relations remained in the spotlight**: the US Trade Representative Lighthizer announced the official suspension of the increase in US tariffs on Chinese products planned for Friday ([see](#)). It is unknown how long the suspension will last, but further trade talks between US and China are expected to continue. Also, the US-North Korea talks ended without an agreement on denuclearization ([see](#)).

■ In this context, the **better-than-expected US Q4 2018 GDP**, which was delayed due to the recent partial US government shutdown, **boosted the 10Y Treasury yield** ([see](#)). Also in Europe, the German **10Y Bund yield increased** (currently around 0.18%) due to the release of slightly higher-than-expected German inflation prints ([see](#)), while peripheral risk premia fell.

■ **Developed equity indices were mixed**: US stocks remained broadly flat while European equity indices recovered from recent mild losses. The improvement of economic data in the US and EZ allowed equity markets to absorb the increase in core yields. Nonetheless, in China the release of disappointing PMIs led Chinese equity indices to fall, while concerns over the Chinese economy growth remained ([see](#)).

■ **The USD and the EUR remained broadly flat**. The GBP depreciated slightly amid ongoing negotiations on Brexit, while May continued affirming that a “meaningful” vote on Brexit will take place by mid-March. Despite a steady USD, most EM currencies depreciated. Latam currencies underperformed others EM: the MXN depreciated after Banxico cut the 2019 growth outlook for Mexico yesterday ([see](#)). **Ahead of tomorrow’s key confidence indicator for China, the RMB remained steady**.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.52	2.4	-0.6	-5	3
US	2.72	3.4	2.5	1	3
GER (2-yr)	-0.52	1.1	3.9	5	9
Germany	0.19	3.7	5.8	-2	-12
France	0.57	2.2	3.1	-4	-14
Spain	1.18	1.6	-2.8	-6	-30
Italy	2.76	-2.9	-7.7	12	1
Portugal	1.47	2.1	-4.0	-34	-39
Greece	3.67	-3.3	-12.6	-31	-73
Japan (2-yr)	-0.15	1.0	2.8	0	-1
Japan	-0.02	0.3	1.6	-3	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.01	5.3	1.7	-1	-23
Chile	4.13	-0.2	0.4	-8	-12
Colombia	6.86	1.2	-3.6	-17	10
Mexico	8.13	1.1	-12.1	-21	-51
Peru	5.16	-0.1	-0.6	-15	-21
Poland	2.96	4.7	16.5	17	14
Russia	8.42	-8.7	-2.7	2	-36
Turkey	14.45	4.0	-37.0	-20	-135
India	7.42	-5.8	6.6	10	5
Indonesia	7.82	0.7	-14.0	-34	-21
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	39	-1.5	-2.7	4	-2
Italy	257	-6.6	-13.5	14	13
Portugal	129	-1.6	-9.8	-32	-27
Spain	99	-2.1	-8.6	-5	-18
2-yr sovereign spread vs Germany					
France	8	-0.6	-3.5	-4	-8
Italy	90	-4.6	-12.5	5	-18
Portugal	27	-0.8	-5.6	-13	1
Spain	25	-0.4	-4.2	-7	-11
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	153	-2.8	-11	-19	-54
Chile	44	-0.8	-4	-5	-19
Colombia	106	-0.8	-9	-25	-52
Argentina	661	2.4	-16	19	-145
Mexico	122	-2.7	-13	-11	-33
Peru	69	-1.9	-5	-9	-26
Poland	65	0.0	0	0	-3
Russia	130	-0.9	-9	-2	-24
Turkey	302	-4.8	-15	-23	-57
China	50	0.5	-2	-9	-18
India	95	1.2	2	-10	-19
Indonesia	105	-1.0	-3	-14	-32
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	15	0.0	0	-4	-11
VSTOXX	14	-0.8	-1	-2	-10
EM EFT volatility Index	18	-0.1	1	-2	-7
Dollar/euro volatility	6	-0.1	-1	-1	-2
EM FX volatility index	8	-0.1	0	-1	-1
Credit spread (BAA) (change in bps)	222	-3.4	-1	-15	-23
US bonds volatility index	47	0.5	0	-3	-20
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.27	-	3	11	14
EZ Inflation expectations (5Y5Y)	1.48	-	4	-3	-13
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	62	-1.9	-2	-8	-20
EZ	85	-1.4	-6	-18	-35
UK	66	-1.6	-5	-12	-29
Large Spanish	57	-1.6	-4	-13	-30
Medium Spanish	103	-4.4	-3	-7	-9
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	149	-1.9	-2	-8	-20
EZ Non-financial	74	-1.4	-6	-18	-35
UK Non-financial	99	-0.7	-4	-11	-20
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	-2
Euribor 3m	-0.31	0	0	0	0
Euribor 12m	-0.11	0	0	0	1
Libor 3m	2.63	0	-4	-12	-17
Libor 12m	2.87	-1	-1	-16	-15
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,791	-0.1	0.6	5.7	11
Dow Jones	25,971	-0.1	0.5	5.7	11
Nikkei	21,385	-0.8	-0.4	3.5	7
FTSE 100	7,090	-0.2	-1.1	3.7	5
EuroStoxx 50	3,298	0.5	1.1	4.6	10
IBEX	9,288	0.8	1.1	1.9	9
DAX	11,516	0.2	0.8	2.6	9
CAC	5,241	0.3	0.9	6.3	11
MIB	20,659	0.8	2.2	4.9	13
ASE Athens	708	1.8	4.5	11.3	15
MSCI Latam *	93,442	-0.6	0.1	0.8	8
Ibovespa (Brazil)	95,691	-1.7	-1.3	0.1	9
Mexbol (Mexico)	42,778	-1.2	-1.8	-2.1	3
Merval (Argentina)	34,440	-2.6	-3.9	-3.0	14
MSCI EM Europe *	5,648	-0.4	0.1	0.6	7
Poland	2,332	-0.1	-0.3	-1.7	2
Micex 10 (Russia)	4,421	0.0	0.8	-1.6	6
Ise 100 (Turkey)	104,530	0.4	2.0	0.4	15
MSCI EM Asia *	864	-0.3	1.4	4.1	10
Shanghai Com (China)	2,941	-0.4	6.9	13.4	18
Jakarta (Indonesia)	6,443	-1.5	-1.1	-0.2	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	131.9	-0.7	-0.2	-0.2	7
JPM	104.4	-0.7	-1.0	0.3	14
Citi	64.1	-0.4	-0.3	1.4	23
BoA	29.3	-0.7	0.1	-0.2	19
MS	42.1	-1.1	0.3	-0.9	6
GS	197.1	-0.5	0.4	-1.7	18
EZ banks	78.8	1.5	7.1	6.4	14
BNP	45.1	1.9	8.3	6.3	14
Crédit Agricole	11.2	1.2	7.1	11.0	19
Deutsche Bank	8.2	2.2	6.5	0.6	17
ING	11.6	0.7	6.2	10.8	24
Intesa	2.2	1.8	6.3	5.9	12
SG	27.0	1.7	8.1	-4.0	-3
Unicredito	12.0	2.2	7.7	13.0	21
UK banks	79.8	-0.1	2.1	4.0	10
HSBC	612.9	-0.6	-1.6	-4.5	-5
RBS	265.7	0.9	4.1	11.6	23
Barclays	164.2	-1.6	2.1	1.8	9
Lloyds	63.5	1.0	5.3	11.8	23
Large Spanish banks	66.1	2.0	4.2	1.6	13
Santander	4.3	2.3	3.6	-1.0	8
BBVA	5.5	1.8	4.8	4.1	18
Medium Spanish banks	58.5	1.6	4.1	0.0	2
Caixabank	3.1	0.8	4.2	-5.3	-1
Sabadell	1.0	1.7	4.8	-3.6	0
Bankinter	7.2	2.2	4.2	2.8	3
Bankia	2.7	1.7	3.9	5.5	5
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.139	0.1	0.4	-0.4	-1
GBPUSD	1.33	-0.2	1.9	1.7	4
USDJPY	111.39	-0.4	-0.6	-1.8	-2
DX	96.13	0.0	-0.5	0.3	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	39.06	-0.7	1.2	-3.7	-4
USDBRL (Brazil)	3.75	-0.6	0.3	-0.7	3
USDCLP (Chile)	654.63	-0.6	-0.1	2.0	6
USDCOP (Colombia)	3081	-0.3	1.4	2.3	6
USDMXN (Mexico)	19.26	-0.5	0.1	-1.4	2
USDPEN (Peru)	3.31	-0.3	0.3	1.6	2
LACI	55.72	-0.5	0.4	-0.5	3
USDPLN (Poland)	3.78	0.5	1.2	-0.6	-1
USDRUB (Russia)	65.88	-0.2	-0.4	0.3	5
USDTRY (Turkey)	5.33	-0.4	-0.3	-0.5	-1
USDCNY (China)	6.69	-0.1	0.4	0.6	3
USDINR (India)	70.75	0.7	0.7	0.5	-1
USDIDR (Indonesia)	14069	-0.3	0.0	0.2	2
ADXY	106.50	-0.2	0.1	0.2	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	66.0	-0.5	-1.5	8	23
WTx	57	0.4	0.3	7	26
Copper	295	-0.2	1.8	8	12
Gold	1316	-0.3	-0.6	0	3
S&P Spot commodity *	427	1.2	-0.3	5	14
S&P Brent Spot *	567	1.9	-0.9	9	24
S&P Metals Spot *	346	0.5	1.7	5	8
S&P Agricultural *	281	0.0	-2.5	-3	-1

Source: Bloomberg, Datastream and Haver

* With one day delay