

## European assets hit by dovish stance of the ECB's Governing Council

■ Financial markets captured all of the attention in today's ECB meeting, in which there was a change in their forward guidance, signaling the hold in rates "at least through the end of 2019" along with a new round of liquidity measures (TLTROs), in order to keep the credit flowing. Apart from these new measures, the ECB forecast for the GDP growth was revised down for the eurozone amid internal and external vulnerabilities (see).

■ There has been an abrupt impact on the European financial markets. In a context of a more dovish ECB stance, European assets reacted negatively: the EUR fell to 1.12 USD/EUR level and the 10Y German Bund yield declined below 0.10% to its lowest level since October 2016. European equity markets were dragged down by the banking sector, hampered by the very low levels in sovereign yield.

■ Regarding the US, the Treasury 10Y yield declined following the German Bund, while US equity indices fell with the equity implied volatility VIX increasing to 17%. In Asia, Chinese equity indices closed the session with some losses (after its recent rally) despite the release of the slightly higher-than-expected FX reserves (see). However, the RMB remained broadly steady as this data could have been read as lack of government intervention in the currency.

■ In FX markets, the sharp depreciation of the euro led the USD to appreciate while the GBP depreciated against the USD as the optimism on Brexit vanished somewhat (see). EM currencies depreciated across the board, with Latam currencies underperforming. The PEN depreciated ahead of today's Central Bank meeting at which markets do not expect any change in rates. In addition, the MXN depreciated despite the release of slightly lower-than-expected inflation figures (see).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.48	-4.1	-3.9	-5	-1
<b>US</b>	2.65	-4.7	-6.8	-5	-4
GER (2-yr)	-0.55	-2.8	-2.6	2	6
<b>Germany</b>	0.07	-5.9	-11.4	-10	-23
France	0.43	-8.1	-13.8	-15	-28
Spain	1.04	-7.1	-13.1	-21	-43
Italy	2.51	-8.1	-24.3	-29	-23
Portugal	1.34	-7.8	-12.6	-46	-52
Greece	3.83	8.0	16.8	-7	-57
Japan (2-yr)	-0.14	-0.2	1.0	2	0
<b>Japan</b>	-0.01	-0.3	1.5	0	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.09	1.3	8.8	29	-14
Chile	4.15	0.1	-1.1	-3	-10
Colombia	6.91	0.1	5.6	3	16
Mexico	8.10	1.3	-5.5	-26	-54
Peru	5.12	-0.3	-2.8	-1	-24
Poland	2.87	-4.6	-9.1	12	4
Russia	8.47	-1.3	4.7	26	-31
Turkey	14.88	3.0	43.0	105	-92
India	7.39	0.2	-1.9	1	2
Indonesia	7.89	0.0	7.3	2	-14
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	36	-2.2	-2.4	1	-5
Italy	244	-2.3	-13.0	-19	0
Portugal	128	-1.9	-1.2	-36	-29
Spain	97	-1.2	-1.7	-11	-20
<b>2-yr sovereign spread vs Germany</b>					
France	7	-0.7	-1.4	-5	-9
Italy	68	-5.2	-22.4	-33	-41
Portugal	27	0.6	-0.6	-9	1
Spain	23	0.1	-3.1	-9	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	163	1.4	10	0	-44
Chile	47	0.1	2	0	-16
Colombia	112	0.2	5	-7	-47
Argentina	743	-10.0	81	138	-64
Mexico	128	0.4	6	-5	-27
Peru	68	-0.3	-1	-7	-27
Poland	65	0.0	0	0	-3
Russia	126	-1.1	-4	-10	-28
Turkey	315	2.0	13	9	-45
China	47	0.7	-3	-7	-21
India	86	-0.2	-9	-17	-28
Indonesia	97	1.4	-8	-15	-41
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	17	1.4	2	2	-8
VSTOXX	14	1.0	1	1	-9
EMEFT volatility Index	19	0.6	0	0	-6
Dollar/euro volatility	6	0.0	0	0	-1
EMFX volatility index	8	0.0	0	-1	-2
Credit spread (BAA) (change in bps)	229	4.7	6	1	-16
US bonds volatility index	46	-0.2	-2	-3	-21
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.27	-	-2	2	14
EZ Inflation expectations (5Y5Y)	1.49	-	1	-2	-12
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	62	1.3	0	0	-20
EZ	85	-1.5	0	-20	-34
UK	63	-0.9	-3	-17	-31
Large Spanish	60	-1.8	3	-12	-28
Medium Spanish	103	-1.0	0	-6	-10
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	155	1.3	0	0	-20
EZ Non-financial	74	-1.5	0	-20	-34
UK Non-financial	99	1.4	0	-8	-20
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
<b>Euribor 12m</b>	-0.11	0	0	0	1
Libor 3m	2.61	0	-2	-13	-19
Libor 12m	2.88	0	2	-10	-13
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,747	-0.9	-1.3	0.4	10
Dow Jones	25,415	-1.0	-1.9	0.0	9
Nikkei	21,456	-0.7	0.3	2.9	7
FTSE 100	7,140	-0.8	0.9	-0.5	6
<b>EuroStoxx 50</b>	3,301	-0.7	0.1	2.7	10
IBEX	9,242	-0.6	-0.4	1.7	8
DAX	11,482	-0.9	-0.3	1.0	9
CAC	5,260	-0.5	0.4	3.5	11
MIB	20,660	-0.9	0.0	4.2	13
ASE Athens	704	-0.4	-0.4	7.9	15
<b>MSCI Latam *</b>	90,612	-0.2	-3.0	-4.6	5
Ibovespa (Brazil)	94,123	-0.1	-1.5	-4.3	7
Mexbol (Mexico)	41,850	-0.1	-2.3	-5.6	1
Merval (Argentina)	32,209	-0.4	-6.6	-14.0	6
<b>MSCI EM Europe *</b>	5,637	0.8	-0.2	-1.1	7
Poland	2,308	-0.8	-1.0	-4.2	1
Micex 10 (Russia)	4,420	-0.3	0.0	-3.0	6
Ise 100 (Turkey)	102,283	-1.1	-2.1	-0.2	12
<b>MSCI EM Asia *</b>	867	0.2	0.4	2.9	11
Shanghai Com (China)	3,106	0.1	5.6	18.6	25
Jakarta (Indonesia)	6,458	0.3	-1.0	-0.4	4
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	128.1	-1.5	-2.5	-2.4	11
JPM	102.7	-1.0	-1.6	-1.1	5
Citi	61.5	-1.6	-3.8	-3.6	18
BoA	28.4	-1.4	-2.2	-1.2	15
MS	40.9	-1.8	-2.7	-3.7	3
GS	191.0	-1.9	-2.9	-3.5	14
<b>EZ banks</b>	74.8	-3.6	-5.0	4.5	9
BNP	43.1	-3.6	-4.3	4.8	9
Crédit Agricole	10.6	-3.3	-5.3	6.8	13
Deutsche Bank	7.7	-5.4	-5.3	-0.8	11
ING	10.6	-3.9	-9.2	1.4	12
Intesa	2.1	-2.6	-2.0	6.7	10
SG	26.0	-4.1	-3.7	-0.2	-7
Unicredito	11.5	-3.2	-4.2	15.7	16
<b>UK banks</b>	78.8	-1.4	-1.3	0.9	8
HSBC	622.3	-0.1	1.5	-4.8	-4
RBS	258.3	-1.2	-2.8	4.6	19
Barclays	161.0	-2.6	-1.9	0.3	7
Lloyds	61.7	-2.0	-3.0	6.2	19
<b>Large Spanish banks</b>	63.3	-3.5	-4.2	0.3	8
Santander	4.1	-4.0	-3.5	1.0	4
<b>BBVA</b>	5.2	-3.0	-4.8	-0.2	12
<b>Medium Spanish banks</b>	55.9	-4.0	-4.4	4.2	-3
Caixabank	3.0	-3.3	-4.1	2.4	-5
Sabadell	0.9	-7.2	-6.1	8.8	-6
Bankinter	7.0	-2.6	-3.5	5.1	-1
Bankia	2.5	-5.4	-5.4	1.7	-1
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.124	-0.6	-1.2	-1.5	-2
GBPUSD	1.31	-0.5	-1.2	1.2	3
USDJPY	111.57	0.2	-0.2	-1.4	-2
DXY	97.34	0.5	1.2	1.3	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41.45	-1.7	-5.6	-10.2	-9
USDBRL (Brazil)	3.87	-0.9	-3.0	-5.3	0
USDCLP (Chile)	665.03	-0.9	-1.6	-2.0	4
USDCOP (Colombia)	3113	-0.2	-1.1	-0.2	5
USDMXN (Mexico)	19.49	-0.7	-1.1	-2.3	1
USDPEN (Peru)	3.31	-0.1	-0.3	0.5	2
LACI	54.45	-0.8	-2.2	-3.8	0
USDPLN (Poland)	3.83	-0.8	-1.3	-2.0	-3
USDRUB (Russia)	66.13	-0.3	-0.2	-0.8	5
USDTRY (Turkey)	5.46	-0.5	-2.2	-4.7	-3
USDCNY (China)	6.71	-0.1	-0.3	0.4	2
USDINR (India)	70.01	0.4	1.1	2.2	0
USDIDR (Indonesia)	14143	0.0	-0.5	-1.3	2
ADXY	106.17	-0.1	-0.3	-0.1	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	65.9	-0.2	-0.2	6	22
WTx	56	0.2	-1.5	5	24
Copper	290	-0.5	-1.6	3	11
Gold	1286	-0.1	-2.1	-2	0
S&P Spot commodity *	423	-0.4	-0.9	3	13
S&P Brent Spot *	562	0.2	-0.5	6	23
S&P Metals Spot *	342	-0.3	-1.0	1	7
S&P Agricultural *	276	-1.4	-0.8	-6	-3

Source: Bloomberg, Datastream and Haver

\* With one day delay