

The ECB hits markets in the final part of the week

- The ECB caused turmoil in European markets at the end of the week as the deployed measures exceeded the market's expectations.** Previously in the week, the focus was on US-China trade negotiations and Brexit issue, with no significant news on both fronts. In terms of growth, concerns remained alive this week: officials at the National People's Congress lowered China's growth target and announced liquidity measures to support its economy ([see](#)). Also yesterday, the **ECB's EZ GDP growth forecast was revised down** following the cut in the global growth outlook by the OECD announced earlier in the week ([see](#)) amid ongoing trade disputes and political uncertainty, among others factors.
- The ECB, at yesterday's policy meeting, announced a change in their forward guidance:** interest rates will remain on hold until at least the end of 2019 along with new liquidity measures, apart from the revision of the EZ growth outlook ([see BBVA Research special report](#)). Also, the **Bank of Canada added its voice to the generalized dovish stance** of main developed central banks this week ([see](#)).
- After the dovish tweak of the ECB stance, **safe haven yields attracted fresh flows at the end of the week.** The German 10Y Bund yield lost all the ground gained during last week and returned to its minimum levels since 2016 (0.06%). Following this movement, the US Treasury 10Y yield also declined sharply (currently hovering around 2.65%), despite the release of the better-than-expected US confidence indicator ([see](#)) ahead of today's release of job data.
- Developed equity markets showed losses at the final part of the week.** US equity indices reverted partially from earlier gains with the VIX increasing to almost 20% and European stocks were down, led mainly by the banking sector. In Asia, the recent rally in **Chinese equity indices halted abruptly in the final part of the week**, despite positive FX reserves data ([see](#)). Nonetheless, today's release of February's trade balance, disappointing the consensus, accounts for the impact of US tariffs on Chinese goods ([see](#)).
- On FX markets, **the sharp depreciation of the EUR** (currently around 1.12 USD/EUR) **led the USD to appreciate.** The GBP also depreciated ahead of an eventful upcoming week for the UK and a potential final Brexit outcome.
- The pressure came back on emerging currencies this week**, mainly due to a strong USD. Latam currencies significantly underperformed despite the release of lower-than-expected inflation figures for Colombia and Mexico ([see](#)) (both currencies depreciated this week). The PEN was the only exception as it remained stable after its Central Bank, as expected, left its interest rate unchanged at 2.75% ([see](#)). The tight stance showed by the Turkey's Central Bank at its latest meeting in which it was decided to leave its interest rate unchanged were not enough to prevent the TRY depreciation ([see](#)). The RMB was steady ahead of the release of inflation figures for China this weekend.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.47	-0.6	-8.6	-6	-2	
US	2.63	-0.7	-12.1	-6	-5	
GER (2-yr)	-0.54	0.5	-3.4	1	7	
Germany	0.06	-0.5	-12.1	-10	-24	
France	0.41	-1.0	-16.6	-17	-30	
Spain	1.06	1.2	-14.1	-20	-42	
Italy	2.51	4.3	-22.1	-35	-23	
Portugal	1.36	1.6	-13.2	-44	-50	
Greece	3.80	-2.9	15.3	-10	-60	
Japan (2-yr)	-0.15	-0.4	-0.1	1	-1	
Japan	-0.03	-2.6	-2.6	-2	-4	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.03	-1.0	-1.3	11	-20	
Chile	4.13	0.3	-4.3	-7	-12	
Colombia	6.89	-0.5	-1.4	1	14	
Mexico	8.11	-0.1	-2.9	-23	-53	
Peru	5.10	-0.2	-5.2	-4	-26	
Poland	2.87	0.1	-10.6	13	5	
Russia	8.48	0.0	5.2	24	-30	
Turkey	15.11	23.0	37.0	109	-69	
India	7.37	-2.2	-1.2	1	0	
Indonesia	7.98	8.9	12.4	23	-5	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	35	-0.5	-4.5	0	-6	
Italy	245	4.8	-10.0	-25	1	
Portugal	130	2.1	-1.1	-34	-26	
Spain	99	1.7	-2.0	-10	-18	
2-yr sovereign spread vs Germany						
France	6	-0.5	-1.4	-6	-9	
Italy	69	5.9	-17.0	-35	-39	
Portugal	27	0.3	0.8	-8	1	
Spain	23	0.4	-2.1	-8	-14	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	166	2.6	2	5	-41	
Chile	47	0.6	2	2	-16	
Colombia	114	1.8	6	-1	-45	
Argentina	778	35.6	104	189	-28	
Mexico	130	2.0	6	1	-25	
Peru	69	1.0	-1	-3	-26	
Poland	65	-0.5	-1	-1	-3	
Russia	127	0.7	-1	-6	-27	
Turkey	324	9.1	23	28	-35	
China	49	1.7	-1	-5	-19	
India	86	0.4	-6	-17	-27	
Indonesia	99	1.9	-5	-11	-39	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	18	0.9	4	2	-8	
VSTOXX	15	0.7	1	1	-9	
EM EFT volatility Index	20	0.0	1	1	-5	
Dollar/euro volatility	6	-0.2	0	0	-1	
EM FX volatility index	8	0.1	0	-1	-2	
Credit spread (BAA) (change in bps)	231	0.7	8	2	-15	
US bonds volatility index	46	0.2	-2	-2	-21	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.28	-	-3	3	14	
EZ Inflation expectations (5Y5Y)	1.45	-	-5	-6	-16	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	64	1.3	2	1	-19	
EZ	85	-0.1	2	-16	-34	
UK	64	1.2	1	-13	-30	
Large Spanish	61	1.4	5	-7	-26	
Medium Spanish	104	1.4	2	-4	-8	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	157	1.3	2	1	-19	
EZ Non-financial	77	-0.1	2	-16	-34	
UK Non-financial	101	1.9	2	-4	-18	
Interbank markets (% changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.36	0	0	0	-1	
Euribor 3m	-0.31	0	0	0	0	
Euribor 12m	-0.11	0	0	0	1	
Libor 3m	2.59	0	-2	-14	-20	
Libor 12m	2.89	0	2	-10	-13	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,749	0.0	-2.0	0.6	10	
Dow Jones	25,473	0.0	-2.1	0.3	9	
Nikkei	21,026	-2.0	-2.7	0.7	5	
FTSE 100	7,090	-0.9	-0.2	-1.2	5	
EuroStoxx 50	3,284	-0.8	-0.9	2.2	9	
IBEX	9,133	-1.3	-1.5	0.4	7	
DAX	11,439	-0.7	-1.4	1.0	8	
CAC	5,238	-0.6	-0.5	3.1	11	
MIB	20,462	-1.1	-1.1	2.3	12	
ASE Athens	692	-1.8	-2.9	5.7	13	
MSCI Latam *	90,582	0.0	-1.5	-4.7	5	
Ibovespa (Brazil)	93,980	-0.4	-0.7	-0.7	7	
Mexbol (Mexico)	41,642	0.0	-2.3	-5.0	0	
Merval (Argentina)	33,190	0.0	-1.9	-9.6	10	
MSCI EM Europe *	5,589	-0.9	-0.8	-2.7	6	
Poland	2,301	-0.3	-1.4	-4.7	1	
Micex 10 (Russia)	4,419	0.0	-0.2	-2.7	6	
Ise 100 (Turkey)	101,549	-0.7	-1.7	-1.0	11	
MSCI EM Asia *	859	-1.0	0.2	1.6	10	
Shanghai Com (China)	2,970	-4.4	-0.8	13.4	19	
Jakarta (Indonesia)	6,383	-1.2	-0.9	-1.5	3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	128.8	0.0	-2.7	-1.7	11	
JPM	103.0	0.0	-1.4	-0.7	5	
Citi	61.9	0.0	-4.0	-3.1	19	
BoA	28.6	0.0	-2.6	-0.6	16	
MS	41.2	0.0	-3.1	-2.9	4	
GS	192.8	0.0	-2.7	-2.0	15	
EZ banks	73.9	-1.6	-6.0	0.3	7	
BNP	42.3	-1.9	-5.7	1.1	7	
Crédit Agricole	10.6	-0.9	-5.2	3.9	12	
Deutsche Bank	7.7	-1.1	-6.2	-2.9	10	
ING	10.5	-1.9	-10.0	-5.0	12	
Intesa	2.1	-1.0	-2.1	3.5	9	
SG	25.4	-2.2	-6.2	-4.3	-9	
Unicredito	11.2	-2.3	-6.4	8.6	13	
UK banks	78.7	-0.8	-0.8	0.4	8	
HSBC	623.2	-0.2	1.5	-4.2	-4	
RBS	258.3	-0.8	-1.9	3.4	19	
Barclays	158.7	-2.2	-2.3	-1.8	5	
Lloyds	61.9	-0.5	-1.6	6.2	19	
Large Spanish banks	62.2	-2.0	-4.5	-1.8	7	
Santander	4.1	-2.3	-4.4	-1.4	2	
BBVA	5.1	-1.7	-4.6	-2.1	11	
Medium Spanish banks	54.7	-1.9	-5.9	0.4	-5	
Caixabank	2.9	-2.3	-5.9	-0.7	-8	
Sabadell	0.9	-2.9	-8.8	2.6	-9	
Bankinter	6.9	-0.4	-3.5	2.7	-2	
Bankia	2.4	-3.9	-9.0	-4.3	-5	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.122	0.3	-1.3	-1.2	-2	
GBPUSD	1.31	-0.2	-1.1	1.0	2	
USDJPY	111.12	0.4	0.7	-1.0	-1	
DXY	97.43	-0.2	0.9	1.1	1	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	41.74	1.5	-4.5	-10.1	-10	
USDBRL (Brazil)	3.89	-0.4	-2.9	-4.9	0	
USDCPL (Chile)	671.54	-0.9	-1.9	-2.5	3	
USDCOP (Colombia)	3160	-0.5	-2.0	-1.8	3	
USDMXN (Mexico)	19.57	-0.1	-1.5	-2.4	0	
USDPEN (Peru)	3.31	0.0	-0.1	0.3	2	
LACI	54.15	0.0	-2.2	-3.9	0	
USDPLN (Poland)	3.83	0.5	-1.2	-1.4	-3	
USDRUB (Russia)	66.46	-0.3	-0.8	-0.9	4	
USDTRY (Turkey)	5.47	0.0	-1.8	-4.7	-3	
USDCNY (China)	6.72	-0.1	-0.2	-0.3	2	
USDINR (India)	70.15	-0.2	1.1	2.0	-1	
USDIDR (Indonesia)	14314	-1.2	-1.4	-2.8	1	
ADXY	106.05	0.0	-0.2	-0.1	1	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	64.7	-2.4	-0.5	3	20	
WTx	55	-2.5	-1.0	2	22	
Copper	289	-1.1	-1.8	2	10	
Gold	1293	0.5	-0.1	-1	1	
S&P Spot commodity *	423	0.2	0.5	3	13	
S&P Brent Spot *	564	0.5	1.9	6	23	
S&P Metals Spot *	340	-0.7	-1.8	0	6	
S&P Agricultural *	272	-1.5	-2.5	-7	-4	

Source: Bloomberg, Datastream and Haver

* With one day delay