

## Equity markets improve on positive economic data in Europe and mixed company earnings

- Equity markets and bond yields increased due to positive data in the Eurozone, amid mixed company results and dovish comments from Central Banks officials. Markets will focus on Chinese economic data 1Q19 GDP and retail data to be released tomorrow, as it will shed some light about the capacity of China's government to stabilize the economy.
- Despite the current gloomy outlook, Germany's ZEW data showed a better-than-expected improvement of the economic expectations (ZEW expectations 3.1, consensus 0.5, previous -3.6%) reaching positive levels for the first time since March last year. This result was driven by the hope that the global economy won't evolve as poorly as expected, influenced positively by the Chinese data and by the extension of the Brexit deadline (see). The survey also points to an improvement in economic conditions for the eurozone. After the positive ZEW, the focus is now turning to the PMI manufacturing data in the Eurozone, to be released this week, after the weak Germany PMI sent German yields lower. Nonetheless, US industrial production fell in March against expectations of some rebound (-0.1%, consensus 0.2%, previous -0.1%), while the capacity of utilization declined (78.8%, consensus 79.2%, previous 79% upwardly revised). The data suggest some softening in the manufacturing data and some slackening in the economy, reaffirming the Fed's patient approach.
- Central bank officials maintained their cautious tone: the Fed's Evans foresees interest rates will hold steady, only considering a rate cut if core inflation declines toward 1.5%, but suggests the Fed should allow inflation to run above its target (see). BOJ's Kuroda suggested Japan could cut interest rates if needed. Meanwhile, media report that a "significant minority" of the ECB policy makers think that bank's economic projections are optimistic (see). The quarterly monetary policy meeting, the PBoC said it aims to continue the efforts to curb financial risks, while also seeking to stabilize economic growth. However, it suggested the monetary policy should be conducted in better coordination with fiscal policy.
- In bond markets, the safe-haven bond yield only inched up in the US and Germany, despite positive data in the Europe, while the Fed fund future implied a probability of an interest rate cut decline to close to 40% and the probability interest rate pause increase to close to 60%. Meanwhile, Italy's risk premium widened, after the Bank of Italy asserted that its deficit would rise to 3.4% of its GDP in 2020 without a rise in VAT tax, breaching the EC deficit limit (see).
- In FX, the main G-10 currencies are fluctuating, and ending broadly steady, with the positive European economic data failing to appreciate the Euro, as dovish ECB comments weighed on it. EM currencies slightly depreciated across the board.
- Equity markets increased slightly on positive economic data and dovish comments from central banks, while company earnings results were mixed.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.41	1.5	5.7	-3	-8
<b>US</b>	2.59	3.4	8.8	0	-10
GER (2-yr)	-0.57	-0.9	0.8	-3	4
<b>Germany</b>	0.07	1.0	7.6	-2	-18
France	0.42	0.0	7.6	-4	-29
Spain	1.09	0.2	1.1	-10	-44
Italy	2.59	1.6	2.2	-5	-30
Portugal	1.20	0.3	0.2	-25	-66
Greece	3.30	2.1	-15.8	-49	-109
Japan (2-yr)	-0.15	0.8	1.3	1	-1
<b>Japan</b>	-0.02	0.3	2.6	1	-3
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.96	5.3	-0.8	13	-28
Chile	3.93	0.3	2.4	-13	-33
Colombia	6.59	0.9	2.9	-14	-16
Mexico	8.02	5.5	6.0	-1	-62
Peru	4.85	1.3	2.5	-12	-51
Poland	2.87	-2.7	-5.3	-3	4
Russia	8.30	-0.7	-4.3	-13	-48
Turkey	17.59	53.0	86.0	204	179
India	7.39	-0.2	1.1	5	2
Indonesia	7.62	-4.4	-3.2	-15	-41
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	35	-1.0	0.0	-2	-5
Italy	253	0.6	-5.2	-3	-12
Portugal	113	-0.7	-7.4	-9	-43
Spain	102	-0.8	-6.5	-19	-20
<b>2-yr sovereign spread vs Germany</b>					
France	7	-0.3	-0.5	-1	-9
Italy	106	2.9	26.3	36	-3
Portugal	22	0.7	-2.4	-7	-4
Spain	24	0.7	-0.1	0	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	168	-1.6	-3	13	-40
Chile	38	-0.8	-3	-8	-26
Colombia	96	-0.6	-9	-12	-62
Argentina	890	-1.2	14	152	83
Mexico	112	-0.4	-6	-12	-43
Peru	54	-0.6	-4	-11	-41
Poland	69	0.0	0	4	1
Russia	131	-2.1	-1	5	-23
Turkey	453	6.4	49	136	93
China	42	-0.6	-2	-5	-26
India	82	-0.1	-1	1	-31
Indonesia	95	-1.8	-4	-2	-42
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	12	-0.1	-2	-1	-13
VSTOXX	11	-0.2	-3	-2	-13
EM EFT volatility Index	15	-0.8	-2	0	-10
Dollar/euro volatility	5	0.0	0	-1	-3
EM FX volatility index	8	-0.1	0	0	-2
Credit spread (BAA) (change in bps)	211	-3.4	-9	-17	-34
US bonds volatility index	48	-1.2	-1	2	-19
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.28	-	1	-1	15
EZ Inflation expectations (5Y5Y)	1.39	-	4	-8	-21
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	55	-0.1	-3	-8	-27
EZ	76	0.3	-4	-1	-43
UK	58	1.3	-4	-5	-37
Large Spanish	58	0.4	-3	1	-30
Medium Spanish	102	0.1	1	-2	-10
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	156	-0.1	-3	-8	-27
EZ Non-financial	76	0.3	-4	-1	-43
UK Non-financial	102	0.3	-3	4	-17
Interbank markets (% changes in bp)					
	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	-1
Euribor 3m	-0.31	0	0	0	0
<b>Euribor 12m</b>	-0.11	0	0	0	1
Libor 3m	2.59	-1	0	-3	-21
Libor 12m	2.75	1	0	-9	-26
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,909	0.1	1.1	3.1	16
Dow Jones	26,446	0.2	1.1	2.3	13
Nikkei	22,222	0.2	1.9	3.6	11
FTSE 100	7,470	0.4	0.6	3.3	11
<b>EuroStoxx 50</b>	3,463	0.4	1.4	2.3	15
IBEX	9,497	0.0	1.0	1.7	11
DAX	12,101	0.7	2.1	3.6	15
CAC	5,529	0.4	1.7	2.3	17
MB	21,919	0.1	1.1	4.2	20
ASE Athens	776	0.3	3.0	7.4	26
<b>MSCI Latam *</b>	91,128	-0.2	-3.6	-2.5	6
Ibovespa (Brazil)	94,593	1.6	-1.8	-4.6	8
Mexbol (Mexico)	44,890	0.6	-0.6	6.3	8
Merval (Argentina)	32,144	1.3	1.3	-5.3	6
<b>MSCI EM Europe *</b>	5,720	-0.6	-0.5	2.4	8
Poland	2,372	0.6	0.2	1.1	4
Micex 10 (Russia)	4,572	0.3	-0.3	3.1	9
Ise 100 (Turkey)	96,809	1.7	-1.4	-6.3	6
<b>MSCI EM Asia *</b>	894	-0.2	-0.2	4.1	14
Shanghai Com (China)	3,254	2.4	0.4	7.7	30
Jakarta (Indonesia)	6,482	1.2	0.9	1.1	5
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	138.5	0.5	3.8	3.6	20
Citi	110.9	0.9	5.8	4.1	14
BofA	68.6	1.9	5.3	5.3	32
MS	29.4	-1.4	1.9	0.4	19
GS	46.6	1.1	5.3	7.5	18
GS	201.1	0.6	0.3	1.5	20
<b>EZ banks</b>					
BNP	83.4	1.5	6.8	7.5	21
BNP	47.7	1.7	6.9	7.6	21
Crédit Agricole	12.4	1.4	8.9	12.0	31
Deutsche Bank	7.8	1.7	6.6	-0.5	12
ING	12.1	0.9	6.5	8.7	28
Intesa	2.3	0.9	3.8	5.6	20
SG	28.5	2.0	7.3	4.6	3
Unicredito	12.9	3.2	7.8	9.7	30
<b>UK banks</b>					
HSBC	82.8	0.6	3.0	2.2	14
HSBC	662.8	1.1	1.1	6.6	2
RBS	262.5	0.0	3.2	-2.3	21
Barclays	167.4	-0.2	3.7	0.9	11
Lloyds	65.8	1.0	4.6	1.5	27
<b>Large Spanish banks</b>					
Santander	68.4	0.5	3.9	3.6	17
Santander	4.6	0.3	4.4	4.3	15
<b>BBVA</b>	5.5	0.8	3.4	2.8	19
<b>Medium Spanish banks</b>					
Caixabank	56.6	0.8	3.0	2.0	-2
Sabadell	2.9	1.6	0.0	0.1	-7
Sabadell	1.0	0.8	6.7	3.9	0
Bankinter	7.3	0.2	3.6	4.1	4
Bankia	2.4	1.0	2.8	-1.2	-7
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.129	-0.1	0.2	-0.3	-2
GBPUSD	1.30	-0.4	0.0	-1.8	2
USDJPY	111.98	0.1	-0.8	-0.4	-2
<b>DX</b>	97.01	0.1	0.0	0.4	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42.25	-1.5	2.7	-5.3	-11
USDBRL (Brazil)	3.90	-0.6	-1.1	-2.1	0
USDCLP (Chile)	664.03	-0.1	0.0	0.7	5
USDCOP (Colombia)	3167	-0.9	-2.1	-1.5	3
USDMXN (Mexico)	18.96	-0.6	-0.2	1.3	4
USDPEN (Peru)	3.30	0.0	0.0	0.1	2
LACI	54.69	-0.6	-0.3	-0.8	1
USDPLN (Poland)	3.79	-0.1	0.5	0.3	-1
USD RUB (Russia)	64.21	0.2	1.2	0.9	8
USDTRY (Turkey)	5.79	0.3	-1.6	-5.9	-9
USDCNY (China)	6.71	-0.1	0.0	0.0	2
USDINR (India)	69.61	-0.3	-0.5	-0.7	0
USDIDR (Indonesia)	14085	-0.2	0.3	1.2	2
ADXY	106.30	-0.1	0.0	-0.1	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	71.3	0.2	1.0	6	33
WTx	64	0.4	-0.5	9	40
Copper	294	0.1	0.2	1	12
Gold	1275	-1.0	-2.3	-2	-1
S&P Spot commodity *	450	-0.5	0.1	4	20
S&P Brent Spot *	602	-0.5	0.6	6	31
S&P Metals Spot *	341	-0.1	-0.2	0	7
S&P Agricultural *	280	-0.4	0.4	0	-1

Source: Bloomberg, Datastream and Haver

\* With one day delay