

## Revived risk appetite after better global growth outlook

- Optimism on global growth outlook increased sentiment towards risk assets. Nonetheless, moderate gains in equity markets suggest that the global growth recovery is embedded in current market prices, but the risk-on mood boosted investors to shift into the cyclical sectors.
- Risk-on sentiment prevailed in financial markets after the stronger-than-forecast 1Q19 China GDP driven by an enhancement of its industrial production and consumer demand (see). This data along with the improvement of the economic expectations in Germany confirm a better global growth outlook. The focus is now turning to the PMI manufacturing data in both the Eurozone and the US, to be released this week, after the weak German PMI sent German yields lower.
- Optimism about US-China trade talks continues, with the both sides trying to make some concessions: the US said it was continuing to make very good progress in the trade negotiations with China. Both sides touted progress on structural issues. Officials are to resume talks this week. China yesterday said it was mulling over a US request to shift retaliatory tariffs imposed on \$50 bn of US agriculture goods to non-farm products. Nonetheless, trade concerns remain in place in financial markets as investors are waiting to see how US-EU trade talks progress (see) and what Trump's decision in automobile tariffs will be.
- In bond markets the German 10Y yield inched up and the US was steady, as China's GDP bodes well for a recovery in global economic cycle, especially in Germany (see). However, peripheral risk premia failed to narrow, despite the risk-on mood as concerns about the Italian public deficit trend have increased recently.
- Regarding FX, G-10 currencies continued fluctuating between a narrow range, despite the positive economic data, as trade concerns and Brexit limit the movements. On the other hand, China's solid economic data provided some ground to EM currencies. Most of them have appreciated against the dollar, especially those exposed to commodity and oil prices, which increased after significant Iran oil buyers put their purchases on standby until the US decision on Iran waivers. Moreover, the improvement in the economic outlook boosted the TRY along with the ARS, partially reverting yesterday's ARS depreciation after the release of a higher-than-expected March inflation in Argentina.
- Moderate gains in equity markets suggest that the global growth recovery is embedded in current market prices, but the risk-on mood boosted investors to shift into the cyclical sectors. US 1Q19 company earnings were mixed although better-than-feared, with investors now waiting for the confirmation on the earnings outlook in the coming months and its impact on the earnings growth forecast.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.40	-1.2	7.9	-5	-9
<b>US</b>	2.59	-0.5	12.0	-2	-10
GER (2-yr)	-0.57	-0.1	1.9	-4	4
<b>Germany</b>	0.08	1.4	10.6	0	-16
France	0.42	0.4	10.0	-3	-29
Spain	1.11	2.0	6.2	-5	-42
Italy	2.61	1.9	5.4	1	-28
Portugal	1.21	1.3	4.5	-19	-65
Greece	3.32	1.7	-9.9	-42	-108
Japan (2-yr)	-0.14	0.6	2.1	1	0
<b>Japan</b>	-0.01	1.6	4.7	3	-1
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.03	5.5	11.1	23	-21
Chile	3.93	-1.2	8.0	-14	-33
Colombia	6.66	6.1	10.7	-7	-10
Mexico	8.04	2.2	8.7	0	-60
Peru	4.85	0.1	2.4	-12	-51
Poland	2.89	2.0	-1.5	0	6
Russia	8.32	2.6	5.4	-2	-46
Turkey	16.44	-115.0	-41.0	91	64
India	7.39	0.0	2.3	7	2
Indonesia	7.62	0.0	-5.7	-11	-41
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	34	-1.0	-0.6	-3	-6
Italy	253	0.5	-5.0	2	-11
Portugal	113	-0.1	-6.1	-5	-43
Spain	103	0.6	-4.4	-16	-19
<b>2-yr sovereign spread vs Germany</b>					
France	7	-0.2	-0.3	0	-9
Italy	107	1.1	26.3	40	-2
Portugal	22	-0.2	-3.4	-5	-4
Spain	24	-0.5	-0.3	2	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	167	-0.8	-2	12	-40
Chile	37	-0.5	-3	-8	-26
Colombia	95	-0.9	-8	-11	-63
Argentina	889	-1.1	-20	175	82
Mexico	111	-1.1	-5	-12	-44
Peru	54	0.1	-3	-9	-40
Poland	69	0.0	1	4	1
Russia	132	0.7	0	5	-22
Turkey	437	-15.7	30	126	77
China	41	-0.2	-2	-5	-26
India	82	-0.2	-1	1	-32
Indonesia	95	-0.5	-4	-3	-43
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	13	0.5	-1	0	-13
VSTOXX	11	0.0	-3	-2	-13
EM EFT volatility Index	15	-0.3	-1	-1	-10
Dollar/euro volatility	4	-0.1	0	-1	-3
EM FX volatility index	8	0.0	0	0	-2
Credit spread (BAA) (change in bps)	214	0.5	-9	-13	-32
US bonds volatility index	48	0.7	0	3	-18
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.28	-	-1	-3	15
EZ Inflation expectations (5Y5Y)	1.40	-	5	-7	-20
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	55	0.0	-4	-7	-27
EZ	96	1.1	-3	0	-49
UK	71	-0.2	-5	-8	-39
Large Spanish	58	-0.2	-2	2	-29
Medium Spanish	99	-3.4	-5	-4	-13
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	158	0.0	-4	-7	-27
EZ Non-financial	77	1.1	-3	0	-49
UK Non-financial	102	0.5	-3	4	-16
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	2.60	1	2	-2	-20
Libor 12m	2.76	0	0	-9	-26
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2,903	-0.2	0.5	2.5	16
Dow Jones	26,421	-0.1	1.0	2.0	13
Nikkei	22,278	0.3	2.7	3.2	11
FTSE 100	7,471	0.0	0.7	2.4	11
<b>EuroStoxx 50</b>	3,478	0.4	1.5	2.7	16
IBEX	9,550	0.6	1.5	1.5	12
DAX	12,153	0.4	2.1	4.3	15
CAC	5,563	0.6	2.1	2.8	18
MBI	22,001	0.4	1.5	3.6	20
ASE Athens	773	-0.3	2.4	6.6	26
<b>MSCI Latam *</b>	92,128	1.1	-1.7	-2.1	7
Ibovespa (Brazil)	92,939	-1.5	-3.1	-7.1	6
Mexbol (Mexico)	45,058	0.1	0.3	6.7	8
Merval (Argentina)	32,028	-0.8	-0.4	-8.3	6
<b>MSCI EM Europe *</b>	5,750	0.5	-0.5	2.1	9
Poland	2,378	0.3	-0.6	1.4	4
Micex 10 (Russia)	4,592	0.5	-0.6	3.3	10
Ise 100 (Turkey)	98,203	1.4	1.2	-6.1	8
<b>MSCI EM Asia *</b>	901	0.8	0.2	4.1	15
Shanghai Com (China)	3,263	0.3	0.7	5.4	31
Jakarta (Indonesia)	6,482	0.7	0.0	0.3	5
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>	141.2	1.2	5.2	4.2	22
JPM	112.6	1.3	6.9	5.0	15
Citi	70.0	1.0	6.9	6.2	34
BoA	29.9	-0.1	2.7	0.1	21
MS	48.1	2.2	8.1	9.1	21
GS	205.8	2.0	1.4	1.7	23
<b>EZ banks</b>	83.8	0.6	8.1	6.3	22
BNP	48.4	1.6	9.6	7.4	23
Crédit Agricole	12.3	-0.4	8.2	8.7	31
Deutsche Bank	7.8	0.6	8.1	-3.9	12
ING	12.0	-0.5	6.6	9.3	27
Intesa	2.3	0.8	5.4	4.9	21
SG	29.0	1.6	10.4	3.7	4
Unicredito	13.0	0.8	9.7	7.5	31
<b>UK banks</b>	83.3	0.7	4.0	2.3	14
HSBC	665.3	0.4	1.9	6.2	3
RBS	263.3	0.3	4.0	-2.1	22
Barclays	168.9	0.9	4.8	1.6	12
Lloyds	66.6	1.1	6.0	1.8	28
<b>Large Spanish banks</b>	69.2	1.2	5.7	3.8	19
Santander	4.6	1.0	5.7	4.3	16
<b>BBVA</b>	5.6	1.3	5.8	3.3	21
<b>Medium Spanish banks</b>	57.4	1.5	6.0	1.3	0
Caixabank	3.0	1.8	4.3	-1.1	-5
Sabadell	1.0	3.0	10.5	4.3	3
Bankinter	7.4	0.9	5.4	3.1	5
Bankia	2.4	1.3	6.1	-2.2	-6
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1.130	0.1	0.2	-0.4	-1
GBPUSD	1.30	-0.1	-0.4	-1.7	2
USDJPY	112.01	0.0	-0.9	-0.5	-2
DXY	96.98	-0.1	0.0	0.5	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	41.76	1.4	3.0	-4.1	-10
USDBRL (Brazil)	3.94	-0.9	-2.9	-3.7	-1
USDCLP (Chile)	660.89	0.3	0.2	0.8	5
USDCOP (Colombia)	3167	-0.1	-2.3	-2.2	3
USDMXN (Mexico)	18.84	0.2	-0.1	1.1	4
USDPEN (Peru)	3.29	0.1	0.0	0.1	2
LACI	54.71	-0.1	-0.8	-1.2	1
USDPLN (Poland)	3.78	0.2	0.4	0.1	-1
USDRUB (Russia)	63.94	0.2	0.5	0.7	8
USDTRY (Turkey)	5.74	0.4	-1.1	-4.8	-8
USDCNY (China)	6.69	0.4	0.4	0.4	3
USDINR (India)	69.61	0.0	-0.7	-1.5	0
USDIDR (Indonesia)	14085	0.0	0.5	1.1	2
ADXY	106.58	0.3	0.2	0.1	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	71.9	0.2	0.2	6	34
WTx	64	0.2	-0.7	9	41
Copper	297	1.4	1.6	2	13
Gold	1274	-0.2	-2.6	-2	-1
S&P Spot commodity *	451	0.2	-0.6	4	20
S&P Brent Spot *	606	0.7	-0.2	6	32
S&P Metals Spot *	340	-0.5	-0.4	-1	6
S&P Agricultural *	276	-1.3	-1.4	-1	-3

Source: Bloomberg, Datastream and Haver

\* With one day delay