

Stock markets retreat amid central bank caution, mixed company earnings

■ Bond and currency markets move sideways on dovish central banks, while equity indices drop on mixed company earnings.

■ **Dovish comments from Central banks continued.** Bank of Japan said it would maintain its rates unchanged until the spring of 2020 given a stagnant inflation, halfway to the 2% target, despite nine years of radical monetary stimulus ([see](#)). Meanwhile, the Canadian Central bank struck down any indications of a rate hike, and the Riksbank said that rates will stay low for longer. Meanwhile, PBOC struck a neutral tone regarding its monetary policy, tempering rising markets expectations that PBOC was moving away from aggressive accommodation.

■ **US economic data provided mixed signals.** While capital goods orders grew strongly in March, well above markets expectations, core capital goods shipments (excluding defense and air transport) declined, in turn suggesting a more moderate equipment investment growth in the first quarter ([see](#)). Moreover, 3M company, a bellwether of the economic cycle, cut its profit forecast and warned of headwinds in China, and announced job cuts around the world. Its profits were dragged by the exchange rate and higher raw material prices.

■ Meanwhile, **Brexit negotiation** between the government and the labor party **remain deadlocked**.

■ **Safe-haven bonds remained well in demand**, with both the US and German yields steady. Peripheral risk premium widened, mainly in Italy, ahead of the S&P decision on Italy's sovereign rating tomorrow.

■ **In FX markets the US dollar remained strong although it's appreciation trend halted** after the disappointing US capital goods shipments data. Elsewhere, EM FX depreciated across the board on the back of strong US dollar, with the increase in oil prices failing to spur appreciation of the currencies of the oil-exporting currencies. However, more vulnerable EM countries suffered the more. The ARS is currently depreciating, (down more than 5% today), due to uncertainty ahead of the elections, with some spillovers to other Argentinian assets. The TRY depreciated 1%, after the Central bank triggered a negative market reaction after softening its policy tone ([see](#)). The BRL appreciated slightly after Brazil's pension reform passed congressional hurdles.

■ **Equity markets inched down across the board**, with S&P sliding back from record levels on mixed company earnings results.

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2,32	0,4	-5,8	6	-17	
US	2,53	0,7	-3,4	10	-16	
GER (2-yr)	-0,59	-0,4	-1,8	-3	2	
Germany	-0,01	0,3	-3,4	1	-25	
France	0,37	2,3	0,0	1	-34	
Spain	1,09	1,7	1,9	0	-43	
Italy	2,69	5,2	8,4	7	-20	
Portugal	1,19	1,5	1,2	-25	-68	
Greece	3,30	0,7	-1,3	-49	-110	
Japan (2-yr)	-0,15	0,4	0,7	2	0	
Japan	-0,03	0,6	-0,4	3	-3	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9,03	4,9	6,0	-3	-21	
Chile	3,92	1,7	1,6	-5	-33	
Colombia	6,70	0,6	4,4	11	-5	
Mexico	8,12	3,0	9,5	23	-52	
Peru	4,87	0,1	1,8	-2	-49	
Poland	2,93	3,6	4,6	6	10	
Russia	8,37	3,4	4,8	14	-41	
Turkey	17,96	43,0	98,0	117	216	
India	7,45	2,6	3,2	11	8	
Indonesia	7,77	8,9	19,0	16	-25	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	38	2,0	3,4	1	-3	
Italy	270	4,9	11,8	7	5	
Portugal	120	1,2	4,6	-11	-37	
Spain	110	1,4	5,3	-1	-12	
2-yr sovereign spread vs Germany						
France	5	-0,4	-0,6	-1	-10	
Italy	120	4,6	11,5	43	12	
Portugal	25	0,0	2,9	-3	-1	
Spain	27	-0,1	1,6	6	-10	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	177	10,0	7	3	-30	
Chile	40	2,7	4	-8	-23	
Colombia	99	4,5	5	-14	-59	
Argentina	1257	258,3	340	485	451	
Mexico	117	5,8	7	-10	-38	
Peru	58	3,4	4	-11	-37	
Poland	66	-2,0	-3	-2	-2	
Russia	127	-0,1	-2	-3	-27	
Turkey	436	3,8	17	29	76	
China	41	0,5	2	-7	-27	
India	77	-5,2	-5	-9	-37	
Indonesia	93	0,7	3	-11	-44	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	13	0,0	1	-2	-12	
VSTOXX	13	0,4	2	-3	-11	
EM EFT volatility Index	17	0,4	1	-2	-8	
Dollar/euro volatility	6	-0,1	1	0	-2	
EM FX volatility index	8	0,1	0	0	-1	
Credit spread (BAA) (change in bps)	214	-0,7	1	-14	-31	
US bonds volatility index	51	0,7	1	-6	-16	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2,32	-	6	10	18	
EZ Inflation expectations (5Y5Y)	1,40	-	0	2	-21	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	55	-0,2	1	-9	-27	
EZ	79	0,5	1	-15	-41	
UK	58	0,8	2	-17	-36	
Large Spanish	56	-0,2	0	-13	-31	
Medium Spanish	97	0,0	-5	-11	-15	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	162	-0,2	1	-9	-27	
EZ Non-financial	78	0,5	1	-15	-41	
UK Non-financial	103	0,3	0	-5	-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	
Euribor 12m	-0,11	0	0	0	1	
Libor 3m	2,59	1	-1	-2	-21	
Libor 12m	2,73	-1	-4	-2	-29	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2.929	0,1	0,8	3,9	17	
Dow Jones	26.480	-0,4	-0,3	3,2	14	
Nikkei	22.308	0,5	1,0	4,1	11	
FTSE 100	7.431	-0,6	-0,4	3,3	10	
EuroStoxx 50	3.492	-0,3	-0,2	5,2	16	
IBEX	9.495	0,4	-0,9	3,4	11	
DAX	12.285	-0,2	0,5	7,6	16	
CAC	5.557	-0,3	-0,4	4,7	17	
MB	21.723	0,0	-1,1	2,8	19	
ASE Athens	773	0,0	-0,7	8,5	26	
MSCI Latam *	92.342	-0,6	0,7	1,7	7	
Ibovespa (Brazil)	95.881	0,9	1,4	0,6	9	
Mexbol (Mexico)	44.926	-0,3	-1,3	4,9	8	
Merval (Argentina)	29.249	-1,7	-8,7	-10,4	-3	
MSCI EM Europe *	5.784	-0,2	0,1	2,5	9	
Poland	2.359	-0,6	-0,3	1,5	4	
Micex 10 (Russia)	4.551	-1,2	-0,6	1,5	9	
Ise 100 (Turkey)	94.499	-1,7	-2,5	-3,0	4	
MSCI EM Asia *	896	-0,2	-0,8	4,3	14	
Shanghai Com (China)	3.124	-2,4	-3,9	4,2	25	
Jakarta (Indonesia)	6.373	-1,4	-1,7	-0,6	3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks						
JPM	141,1	0,5	-0,2	11,7	22	
JPM	113,9	0,3	0,4	14,0	17	
Citi	69,1	0,3	-0,9	12,8	33	
BoA	30,2	0,6	0,5	11,0	23	
MS	47,6	0,5	0,1	13,7	20	
GS	202,0	0,7	-1,9	5,9	21	
EZ banks						
BNP	80,2	-1,2	-4,6	9,1	16	
BNP	46,7	-1,0	-4,7	12,7	18	
Crédit Agricole	12,0	-0,5	-3,9	14,2	27	
Deutsche Bank	7,5	-1,8	-4,2	2,0	7	
ING	11,3	-3,7	-6,2	7,8	20	
Intesa	2,3	0,2	-2,2	6,4	18	
SG	27,4	-0,4	-5,5	7,6	-1	
Unicredito	12,0	-0,8	-5,8	6,9	21	
UK banks						
HSBC	80,4	-1,8	-3,3	4,7	10	
HSBC	662,2	-0,1	-0,6	8,1	2	
RBS	249,8	-2,7	-4,8	1,0	15	
Barclays	160,0	-3,8	-5,5	4,4	6	
Lloyds	63,6	-1,8	-3,5	3,4	23	
Large Spanish banks						
Santander	66,7	-0,4	-3,5	6,7	14	
Santander	4,5	0,0	-2,9	9,4	13	
BBVA						
BBVA	5,4	-0,8	-4,1	4,3	16	
Medium Spanish banks						
Caixabank	54,6	-0,1	-4,5	3,5	-5	
Caixabank	2,8	-0,1	-4,8	2,6	-11	
Sabadell	1,0	-0,1	-4,8	11,1	-3	
Bankinter	7,0	-0,2	-4,9	2,8	0	
Bankia	2,3	0,3	-3,5	0,2	-9	
Currencies (% red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1,114	-0,2	-0,8	-1,1	-3	
GBPUSD	1,29	0,0	-0,7	-2,4	1	
USDJPY	111,56	0,6	0,4	-0,8	-2	
DXY	98,17	0,0	0,7	1,5	2	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	45,38	-3,2	-7,8	-6,0	-17	
USDBRL (Brazil)	3,96	0,7	-0,9	-2,3	-2	
USDCLP (Chile)	676,01	-0,5	-2,0	0,7	3	
USDCOP (Colombia)	3244	-0,7	-2,7	-2,8	0	
USDMXN (Mexico)	19,10	-0,1	-1,5	0,0	3	
USDPEN (Peru)	3,33	-0,3	-1,1	-0,8	1	
LACI	53,63	-0,3	-2,1	-1,8	-1	
USDPLN (Poland)	3,85	0,0	-1,1	-1,1	-3	
USD RUB (Russia)	64,75	-0,5	-1,4	-0,5	7	
USDTRY (Turkey)	5,94	-1,1	-2,4	-10,3	-11	
USDCNY (China)	6,74	-0,3	-0,5	-0,4	2	
USDINR (India)	70,26	-0,6	-1,3	-2,0	-1	
USDIDR (Indonesia)	14186	-0,6	-1,0	-0,1	1	
ADXY	105,55	-0,2	-0,7	-0,8	0	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	75,0	0,6	4,2	10	39	
WTX	66	-0,1	2,9	10	45	
Copper	289	-0,9	-1,2	1	10	
Gold	1278	0,2	0,2	-3	0	
S&P Spot commodity *	455	-0,5	0,9	4	22	
S&P Brent Spot *	628	-0,1	3,4	10	37	
S&P Metals Spot *	338	0,4	-0,4	-1	6	
S&P Agricultural *	270	-1,1	-2,4	-4	-5	

Source: Bloomberg, Datastream and Haver

* With one day delay