

Markets soak in Eurozone growth surprise, eye FOMC meeting

Financial markets were calm today, ahead of tomorrow's FOMC meeting, and today's mixed signals - reassuring Eurozone GDP growth, softer Chinese PMI outturns and cautious company earnings results.

Eurozone growth improved underpinned by domestic demand. The euro-zone 1Q19 GDP growth beat estimates (0.4% QoQ, consensus 0.3%, previous 0.2%). **This figure represents a clear improvement over the growth of 0.2% during the previous quarter.** The detailed GDP breakdown is not released yet, but national figures ([France](#) and [Spain](#)) showed an improvement in domestic demand, but net exports still dragged on growth ([see](#)). Meanwhile, German inflation picked up (2%, previous 1.8%) in April led by the seasonal factor of late Easter holidays.

China's manufacturing recovery faltered in April. China's PMIs remained in expansive territory in April but activity grew at a slower pace than expected ([see](#)), which suggests that the rebound in March was driven partly by seasonal factors. Both official and Caixin PMIs showed China's manufacturing sector growth eased, slightly above the 50-level separating expansion from contraction. Separately, positive sentiment about US-China trade talks waned amid news that the US wants to leave some punitive tariff in place in order to force China to fulfill its trade promises.

Economic confidence improved in the US in April (129 vs. consensus 126.8 and previous 124.1) with both present conditions and expectations increasing, whereas housing prices moderating slightly less than expected.

Safe-haven bonds were mixed. The German bund yield increased, returning to positive levels, led by a rebound in 1Q19 GDP growth that also boosted the 'search for yield' strategies inside the eurozone bond market. As a result, the peripheral risk premium narrowed slightly. Meanwhile, US yields declined slightly ahead of tomorrow's FOMC monetary policy decision and amid some doubts over the sustainability of China's economic recovery, alongside the decline in US equity markets.

In FX markets, reassuring economic data in the eurozone gently boosted the Euro and GBP, while currencies linked to China's economic cycle (due to their exposure to commodities markets) were the laggard. EM FX showed minor changes ahead of the FOMC, while China's disappointing PMI figures dragged commodity prices.

Equity markets were also mixed showing only minor changes, after company earnings were also mixed, with results from some big names in technology being disheartening.

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.27	-2.4	-9.6	1	-22
US	2.51	-1.6	-5.6	10	-18
GER (2-yr)	-0.58	-0.4	-1.2	2	3
Germany	0.01	1.0	-2.8	8	-23
France	0.37	0.3	-2.6	5	-34
Spain	1.00	-1.3	-11.6	-10	-52
Italy	2.55	-3.2	-12.2	-8	-34
Portugal	1.11	-1.1	-8.8	-14	-75
Greece	3.37	5.9	5.0	-37	-103
Japan (2-yr)	-0.15	0.0	-0.1	2	-1
Japan	-0.04	0.0	-1.2	4	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	9.00	0.2	14.7	3	-24
Chile	3.95	-0.6	3.3	-4	-31
Colombia	6.83	-0.6	18.9	21	7
Mexico	8.11	0.7	5.2	10	-53
Peru	4.81	-1.6	-5.0	-8	-55
Poland	3.01	6.4	11.1	17	19
Russia	8.23	-2.3	-13.6	-18	-55
Turkey	19.04	52.0	179.0	186	324
India	7.40	-0.7	-7.0	5	4
Indonesia	7.83	4.6	16.4	20	-20
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	36	-0.7	0.2	-3	-5
Italy	254	-4.2	-9.4	-16	-11
Portugal	110	-2.1	-6.0	-22	-46
Spain	99	-2.3	-8.8	-18	-23
2-yr sovereign spread vs Germany					
France	3	-1.3	-3.1	-4	-12
Italy	107	-4.6	-7.6	23	-2
Portugal	24	-0.2	0.3	-6	-2
Spain	25	-0.1	-1.3	2	-12
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	172	-2.7	2	-8	-35
Chile	38	-0.4	2	-8	-25
Colombia	97	-0.3	3	-14	-62
Argentina	1190	-85.4	215	401	383
Mexico	112	-2.0	3	-12	-43
Peru	56	-0.4	3	-11	-39
Poland	66	0.0	-2	-1	-2
Russia	125	-2.2	-6	-12	-29
Turkey	453	-5.3	18	1	93
China	41	-0.4	0	-5	-26
India	77	-0.8	-4	-10	-36
Indonesia	94	-1.7	1	-12	-44
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	14	0.5	1	0	-12
VSTOXX	13	0.2	1	-2	-11
EMEFT volatility Index	16	0.4	1	-2	-9
Dollar/euro volatility	5	-0.1	0	0	-2
EMFX volatility index	8	-0.1	0	-1	-2
Credit spread (BAA) (change in bps)	216	1.6	2	-10	-29
US bonds volatility index	48	-1.4	-2	-10	-19
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.30	-	0	6	16
EZ Inflation expectations (5Y5Y)	1.42	-	1	7	-19
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	56	-1.1	1	-8	-26
EZ	79	-2.0	1	-12	-41
UK	58	-0.7	1	-10	-36
Large Spanish	56	-0.9	0	-13	-31
Medium Spanish	98	-1.5	0	-12	-15
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	164	-1.1	1	-8	-26
EZ Non-financial	78	-2.0	1	-12	-41
UK Non-financial	103	-1.1	0	-4	-16
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
Euribor 12m	-0.11	0	0	0	0
Libor 3m	2.58	0	0	-1	-22
Libor 12m	2.71	0	-3	2	-30
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,932	-0.4	-0.1	3.4	17
Dow Jones	26,525	-0.1	-0.5	2.3	14
Nikkei	22,259	0.0	0.0	5.0	11
FTSE 100	7,418	-0.3	-1.4	1.9	10
EuroStoxx 50	3,512	0.3	0.2	4.8	17
IBEX	9,560	0.5	0.3	3.5	12
DAX	12,341	0.1	0.9	7.1	17
CAC	5,584	0.0	-0.1	4.4	18
MIIB	21,834	0.2	-0.3	2.6	19
ASE Athens	773	0.1	-0.4	7.2	26
MSCI Latam *	92,884	-0.1	0.7	1.8	8
Ibovespa (Brazil)	96,065	-0.1	0.1	0.7	9
Mexbol (Mexico)	44,426	-1.2	-1.6	2.6	7
Merval (Argentina)	28,938	0.4	-6.4	-13.5	-4
MSCI EM Europe *	5,737	-0.4	-0.7	2.7	8
Poland	2,334	-1.4	-1.5	1.0	3
Micex 10 (Russia)	4,535	-0.6	-1.8	2.4	8
Ise 100 (Turkey)	95,429	0.9	-0.5	1.8	5
MSCI EM Asia *	895	0.7	-0.2	3.8	14
Shanghai Com (China)	3,078	0.5	-3.8	-0.4	23
Jakarta (Indonesia)	6,455	0.8	0.6	-0.4	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	143.1	-0.7	1.5	12.0	24
JPM	115.8	-0.2	1.8	14.4	19
Citi	70.5	-0.8	1.9	13.3	35
BoA	30.6	-0.7	1.6	10.7	24
MS	48.0	-0.9	1.4	13.8	21
GS	204.8	-1.0	0.3	6.6	23
EZ banks	81.5	-0.6	-1.4	8.7	18
BNP	47.5	-0.4	-1.3	11.4	20
Crédit Agricole	12.2	-1.3	0.5	13.5	30
Deutsche Bank	7.4	-0.2	-3.7	1.6	6
ING	11.4	-0.3	-5.1	5.2	21
Intesa	2.3	-0.1	-0.3	7.3	20
SG	28.0	-1.4	-0.8	8.8	1
Unicredito	12.3	-0.3	-0.1	7.9	25
UK banks	80.0	-0.8	-3.2	3.0	10
HSBC	665.3	-0.6	-0.3	6.7	3
RBS	239.7	-0.5	-7.7	-3.0	11
Barclays	163.7	-0.6	-1.8	5.8	9
Lloyds	62.7	-1.4	-4.4	0.9	21
Large Spanish banks	66.9	-0.6	-1.4	7.0	15
Santander	4.5	-0.9	-1.5	8.1	13
BBVA	5.4	-0.3	-1.4	6.0	16
Medium Spanish banks	56.2	-1.0	0.9	6.2	-2
Caixabank	2.8	-2.6	-0.9	2.2	-10
Sabadell	1.0	-0.7	-3.2	16.3	3
Bankinter	7.1	-0.9	-0.4	4.8	1
Bankia	2.5	0.7	3.9	6.2	-4
Currencies (% , red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.120	0.1	-0.2	-0.2	-2
GBPUSD	1.30	0.6	0.6	-0.1	2
USDJPY	111.36	0.3	0.4	-0.4	-1
DXY	97.62	-0.2	0.0	0.3	2
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	44.07	0.6	-3.8	-1.7	-15
USDBRL (Brazil)	3.95	-0.1	-0.6	-0.6	-2
USDCLP (Chile)	679.55	0.0	-1.7	0.0	2
USDCOP (Colombia)	3240	0.4	-1.9	-1.6	0
USDMXN (Mexico)	19.03	-0.1	-0.6	2.1	3
USDPEN (Peru)	3.31	0.0	0.0	0.3	2
LACI	53.92	-0.1	-1.2	0.1	-1
USDPLN (Poland)	3.83	0.2	-0.3	0.2	-2
USDRUB (Russia)	64.60	-0.2	-1.4	1.8	7
USDTRY (Turkey)	5.97	-0.4	-2.4	-6.7	-11
USDCNY (China)	6.73	0.0	-0.1	-0.3	2
USDINR (India)	69.57	0.7	0.1	-0.6	0
USDIDR (Indonesia)	14257	-0.3	-1.2	-0.1	1
ADXY	105.66	-0.1	-0.4	-0.5	0
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	72.6	0.8	-2.5	6	35
WTx	63	-0.2	-4.4	5	40
Copper	289	-0.1	-0.2	-1	10
Gold	1284	0.3	0.9	-1	0
S&P Spot commodity *	445	-0.1	-2.7	2	19
S&P Brent Spot *	609	-0.1	-3.2	6	33
S&P Metals Spot *	335	-0.1	-0.4	-3	5
S&P Agricultural *	268	-0.9	-1.5	-2	-5

Source: Bloomberg, Datastream and Haver

* With one day delay