

Market Comment | Positive mood in markets in a day full of Central Banks' meetings

Global Financial Markets Unit
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- **Financial markets benefited from the positive expectations about US-China relations** as the former asked for fresh trade talks, showing a potential action to avoid further escalation of trade disputes [\(see\)](#). Moreover, many central bank meetings were held today.
- **As expected, the European Central Bank kept its monetary policy stance unchanged.** The ECB left key interest rates unchanged and reiterated that it expects the key ECB interest rates to remain “at their present levels at least through the summer of 2019, and in any case for as long as necessary.” Draghi reaffirmed the ECB plans to stop the programme, reiterating that after September 2018, the monthly pace of the net asset purchases will be reduced to €15 billion until the end of December 2018, contingent upon incoming data. GDP growth has been revised slightly downwards, while the outlook for inflation remains unchanged [\(see\)](#).
- After this uneventful meeting the **EUR appreciated, approaching 1.17 USD/EUR**, while the 10Y Bund yield inched up. On another front, the US 10Y Treasury yield remained flat and the USD depreciated, fuelled by weaker-than-expected inflation data [\(see\)](#).
- The GBP appreciated - in a context of increasing uncertainties about Brexit - after the **Bank of England kept its interest rate unchanged** (unanimously) at 0.75% after the last meeting's hike, as was expected [\(see\)](#).
- **Equity markets showed gains in the US and were mixed in Europe**, the former favoured by slightly weaker-than-expected US inflation figures. Moreover, Chinese equity indices outperformed other Asian stock markets amid better expectations on trade talks.
- Regarding EM central banks meetings, the **Turkish Central Bank beat market expectations and raised interest rates by 625 bps** from 17.75% to 24%. Consequently, the TRY appreciated strongly [\(see\)](#). Meanwhile other EM currencies appreciated today despite the drop in oil prices from levels close to \$80 per barrel [\(see\)](#).

Table 1

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Debt markets (10Y, % changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
US (2 yr)	2.75	0.4	11.9	12	83
US	2.95	0.9	8.0	6	49
GER (2 yr)	0.54	0.2	3.0	10	7
Germany	0.42	1.2	6.8	10	-10
France	0.73	1.5	3.9	5	-9
Spain	1.47	0.7	2.1	6	-20
Italy	2.95	0.2	10.5	8	86
Portugal	1.87	0.4	-1.5	5	-14
Greece	4.03	6.1	38.6	24	8
Japan (2 yr)	-0.11	0.2	0.6	1	3
Japan	0.11	0.1	0.1	0	6
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
Brazil	12.40	-3.4	23.0	70	214
Chile	4.50	0.1	2.0	9	-1
Colombia	6.91	2.6	5.0	9	47
Mexico	8.01	0.6	1.9	43	43
Peru	5.20	0.9	6.4	11	33
Poland	3.23	-1.3	-5.3	6	-9
Russia	8.92	0.2	-35.7	48	129
Turkey	18.17	-120.0	-107.0	-217	681
India	8.13	0.0	7.8	32	75
Indonesia	8.32	0.2	-3.9	10	-223
Country risk (bps, changes in bps)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	31	0.3	-2.9	-4	1
Italy	253	-1.0	-17.3	-17	96
Portugal	144	-0.8	-8.3	-5	-4
Spain	105	0.5	-4.7	-4	-10
2-yr sovereign spread vs Germany					
France	16	0.2	-0.1	-4	0
Italy	137	2.2	-15.7	-51	100
Portugal	43	-0.3	-2.9	-6	-7
Spain	31	1.9	0.0	-6	4
Emerging Markets					
level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *					
Brazil	270	8.5	12	31	117
Chile	52	-4.2	-7	0	3
Colombia	111	-4.3	-5	-2	6
Argentina	690	-50.1	-70	73	452
Mexico	119	-4.3	-6	-2	12
Peru	82	2.8	-3	1	10
Poland	62	-0.7	-2	-1	14
Russia	172	-3.8	4	-2	54
Turkey	513	-7.9	-46	-54	348
China	57	-1.1	9	-7	7
India	101	0.2	4	10	32
Indonesia	140	-1.7	-4	16	55
Risk indicators					
level	Daily	Weekly	Monthly	YTD	
Volatility indicators (change in pp)					
VIX	13	-0.6	-2	-1	3
VSTOXX	15	-0.7	-3	-1	1
EM FT volatility Index	21	0.5	-1	3	4
Dollar/Euro volatility	7	-0.4	-1	-2	0
EM FX volatility index	12	0.4	-1	0	4
Credit spread (BAA)(change in bps)	119	-0.9	-3	2	13
US bonds volatility index	47	-1.2	-2	-3	-2
Inflation expectations (%)					
level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.39	-	-1	-2	7
EZ Inflation expectations (5Y5Y)	1.68	-	0	-3	-5
Ranking 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US	49	0.7	-4	-5	7
EZ	81	0.1	-9	-18	42
UK	56	0.5	-9	-11	15
Large Spanish	66	0.9	-14	-20	30
Medium Spanish	89	0.4	-2	-3	14
Corporate 5y CDS (bps) *					
level	Daily	Weekly	Monthly	YTD	
US Non-financial	162	-0.7	-4	-5	7
EZ Non-financial	79	-4.1	-9	-16	42
UK Non-financial	99	0.2	-2	-3	6
Interbank markets (% change in bps)					
level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	-1	-1	0
Euro3 3m	-0.32	0	0	0	1
Libor 12m	-0.17	0	0	0	2
Libor 3m	2.33	0	1	2	64
Libor 12m	2.86	0	2	6	78
Stock markets (%)					
level	Daily	Weekly	Monthly	YTD	
Main indices					
S&P500	2,899	0.4	0.7	2.1	8
Dow Jones	26,190	0.5	0.5	3.3	5
Nikkei	22,821	1.0	1.5	2.1	0
FTSE 100	7,282	-0.4	-0.5	-0.3	-5
EuroStoxx 50	3,334	0.2	1.1	-2.2	-4
BSE	9,329	0.2	1.3	-1.9	-7
DAK	12,056	0.2	0.8	-2.5	-6
CAC	5,328	0.1	1.6	-1.4	1
MIIB	20,846	0.6	1.6	-0.3	-5
ASE Athens	679	-1.7	-1.4	-5.8	-17
MSCI Latam *					
Bovespa (Brazil)	83,770	1.0	1.0	-1.4	-2
Ibovespa (Brazil)	74,771	0.5	2.2	-4.9	-4
Mexbol (Mexico)	49,513	0.5	1.6	0.8	-1
Merval (Argentina)	306,163	1.4	0.7	13.6	-3
MSCI EM Europe *					
Poland	5,253	-0.3	0.3	0.2	-2
Russia	2,233	1.1	-2.4	-1.7	9
MIEX 10 (Russia)	4,308	1.0	2.3	1.2	5
Ind 100 (Turkey)	94,419	2.4	1.8	1.1	-20
MSCI EM Asia *					
Shanghai Com (China)	6,415	0.2	2.4	3.2	8
Shanghai Com (China)	2,687	1.1	0.2	-3.4	-20
Jakarta (Indonesia)	5,858	0.5	3.1	-0.1	-8
Financial sector					
level	Daily	Weekly	Monthly	YTD	
US banks					
JPM	144.0	-0.1	-1.2	-0.9	-3
JPM	113.0	-0.1	-1.0	-1.5	5
Citi	70.4	0.2	0.4	0.5	-5
BoA	30.3	-0.8	-1.8	-1.7	1
MS	47.6	0.3	-0.7	-0.5	-9
GS	228.1	0.0	2.7	0.6	-11
CS	87.2	0.9	0.5	-0.3	-20
EZ banks					
BNP	51.3	1.4	0.6	-1.3	-17
Credit Agricole	12.3	1.6	0.2	3.5	-12
Deutsche Bank	9.7	2.0	-0.5	-3.2	-39
ING	10.9	0.3	-5.0	-7.6	-29
Intesa	2.3	-0.5	1.3	6.0	-15
SG	35.5	1.0	-1.1	-0.1	-18
Unicredit	13.4	0.6	2.5	2.1	-15
UK banks					
BSPIC	79.9	0.6	1.1	4.8	-13
RBS	656.2	0.6	0.6	-6.3	-14
RBS	247.4	1.1	0.3	2.1	-11
Barclays	172.2	0.0	-2.3	8.4	-15
Ulys	59.2	0.6	-1.1	-2.9	-12
Large Spanish banks					
Santander	65.6	2.6	2.5	-1.8	-23
BBVA	4.3	0.7	0.9	-3.4	-22
Caixa	5.4	4.3	4.0	-0.3	-23
Medium Spanish banks					
Celabank	70.7	1.4	0.7	2.7	-8
Sabotek	4.0	1.7	1.1	5.6	-2
Sabotek	1.4	2.8	2.8	2.5	-18
Bankinter	7.7	0.5	-0.3	-0.1	-3
Bankia	2.4	1.5	-0.1	4.6	-16
Currencies (% net for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.167	0.4	0.4	2.9	-3
GBPUSD	1.31	0.4	1.3	3.0	-4
USDJPY	111.93	-0.6	-1.1	-0.7	0
DEX	94.63	-0.2	-0.4	-2.2	-3
Emerging					
level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	38.85	-1.5	-3.7	-23.5	-53
USD BRL (Brazil)	4.18	-0.4	-2.9	-7.4	-22
USD CLP (Chile)	680.74	1.3	1.3	-2.3	-11
USD COP (Colombia)	3023	0.7	2.1	-0.3	-3
USD MXN (Mexico)	18.89	0.7	1.6	0.0	3
USD PEN (Peru)	3.32	0.2	0.9	0.7	-3
LACI	53.96	0.4	-0.5	-5.4	-15
USD PLN (Poland)	3.69	0.4	0.8	2.7	-6
USD RUB (Russia)	60.49	0.7	1.1	3.2	-16
USD TRY (Turkey)	6.13	3.5	7.4	3.6	-39
USD CNY (China)	6.84	0.1	0.1	0.6	-5
USD INR (India)	72.19	0.0	-0.3	3.2	-12
USD IDR (Indonesia)	14,840	0.0	0.4	-1.7	-9
ADXY	104.8	0.0	0.0	0.1	-5
Commodities (%)					
level	Daily	Weekly	Monthly	YTD	
Brent	78.3	-1.8	2.4	8	18
WTX	69	-2.3	1.5	3	14
Copper	268	0.8	2.3	0	-18
Gold	1202	-0.3	0.2	1	9
S&P Spot commodity *	471	0.9	2.5	4	6
S&P Brent Spot *	676	0.8	3.9	9	19
S&P Metals Spot *	335	2.0	0.8	-2	-15
S&P Agricultural *	280	-1.1	-0.3	-4	-1

* With one day delay
Source: Bloomberg, Datastream and Haver

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