

Calm in markets during a week in which Brexit was the focus

- It was a relatively calm week in the global financial markets. Economic data in the US reinforced the outlook of slight economic recovery with muted inflation pressure, supporting an accommodative monetary policy and gains in equity markets. Moreover, the Bank of Japan maintained its dovish stance, and showed concerns over global growth [\(see\)](#) ahead of next week's Fed meeting.
- Nonetheless, Brexit negotiations remained in the spotlight during the entire week amid a wave of votes in the UK Parliament. The impact of Brexit on the markets has so far been mainly concentrated in UK assets. The first Parliamentary vote saw May's revised Brexit plan suffer a defeated [\(see\)](#), followed by a second vote in which the UK Parliament rejected a no-deal exit from the EU by the end of March [\(see\)](#). Finally, yesterday the UK Parliament voted to extend Article 50 and delay Brexit [\(see\)](#), but the length of the delay is unknown. May's strategy is to hold a third vote on her plan before the EU summit next week (21-22 March) [\(see\)](#). Although uncertainty about the Brexit deal remains, the probability of a cliff-edge exit seems to be lower.
- In this context, despite a sharp appreciation of the GBP, high volatility was present during the week and is expected to remain. The EUR also benefited, but to a lesser extent, from Brexit developments (it being to recover the 1.13 USD/EUR level lost after last week's ECB meeting), causing the USD to fall.
- Moreover, some trade concerns returned to the forefront after the US announced a delay to the Trump-Xi Summit beyond March [\(see\)](#). However, they were offset by the latest announcement from China that it will pass a law in order to open its markets to foreign companies [\(see\)](#). Against this backdrop, there were gains across developed equity markets during the week: the S&P500 reached levels above December's crash. Also Chinese stocks rose despite the fact that negotiations with the US seemed to be stuck.
- Sovereign core yields remained at low levels: the US Treasury 10Y yield declined on the back of lower US inflation and both disappointing industrial production and confidence indicator [\(see\)](#). Meanwhile, the German 10Y Bund ended almost flat despite an increase after a no-deal Brexit scenario was rejected and amid final EZ inflation prints, in line with expectations [\(see\)](#). Peripheral risk premia were relatively unchanged in the week and Italy's risk premium remained steady awaiting Moody's rating decision to be announced later today.
- Against a weak USD, EM currencies appreciated with the sole exception of the TRY despite the Central Bank's new regulation on Money Market funds [\(see\)](#). The ARS outperformed after the monetary policy tightening. Overall, Latam currencies benefited the most from the increase in oil prices amid potential extension of the OPEC cut in oil supply [\(see\)](#) and the unexpected drop in US crude inventories [\(see\)](#).

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Debt markets (10Y, %, changes in bp)					
Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	2.45	-1.5	-1.5	-8	-4
US	2.60	-2.9	-2.7	-10	-8
GER (2-yr)	-0.54	0.1	-0.3	2	7
Germany	0.09	0.0	1.7	-4	-16
France	0.46	-0.8	5.3	-9	-25
Spain	1.19	0.0	3.5	-15	-33
Italy	2.50	-0.5	-0.8	-29	-25
Portugal	1.31	-2.5	-4.1	-43	-56
Greece	3.80	-2.3	1.6	-11	-60
Japan (2-yr)	-0.15	0.8	-0.8	1	-1
Japan	-0.03	0.7	-0.1	-3	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	8.78	-5.6	-22.1	-16	-46
Chile	4.06	-1.4	-2.8	-6	-19
Colombia	6.72	-2.8	-13.1	-21	-3
Mexico	8.03	-1.7	-7.3	-42	-61
Peru	4.97	-1.4	-12.3	-23	-39
Poland	2.90	1.1	2.4	18	8
Russia	8.43	-2.2	-5.2	5	-36
Turkey	15.55	-10.0	70.0	126	-25
India	7.34	-2.2	-2.3	5	-3
Indonesia	7.77	-5.2	-20.4	-13	-25
Country risk (bp, changes in bp)					
Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	37	-0.8	3.6	1	-3
Italy	241	-0.5	-2.5	-25	-9
Portugal	122	-2.5	-5.8	-25	-34
Spain	111	0.0	1.8	-11	-11
2-yr sovereign spread vs Germany					
France	7	0.7	0.5	-4	-8
Italy	69	0.1	1.3	-33	-39
Portugal	29	-0.5	2.4	-4	3
Spain	24	0.0	1.5	-6	-13
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	155	0.5	-11	-13	-52
Chile	45	-0.2	-2	-3	-18
Colombia	108	-1.2	-6	-12	-51
Argentina	738	-13.3	-40	113	-68
Mexico	124	-0.5	-6	-14	-31
Peru	65	0.0	-4	-10	-30
Poland	65	0.0	0	-1	-3
Russia	126	0.5	-1	-14	-28
Turkey	317	-0.8	-8	5	-43
China	47	0.0	-2	-9	-21
India	81	-1.8	-5	-19	-33
Indonesia	97	-0.5	-2	-17	-40
Risk indicators					
Volatility indicators	level	Daily	Weekly	Monthly	YTD
VIX	13	-0.9	-3	-3	-13
VSTOXX	13	-0.7	-1	-1	-11
EM EFT volatility Index	16	-1.3	-3	-2	-9
Dollar/euro volatility	5	-0.2	-1	-1	-2
EM FX volatility index	8	0.0	0	-1	-2
Credit spread (BAA) (change in bps)	230	2.9	4	2	-16
US bonds volatility index	45	0.7	-1	-3	-21
Inflation expectations	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2.29	-	6	10	16
EZ Inflation expectations (5Y5Y)	1.47	-	3	2	-14
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD
US	63	0.8	-1	-3	-19
EZ	78	0.2	-7	-22	-42
UK	62	-0.4	-2	-16	-32
Large Spanish	56	-0.4	-5	-12	-31
Medium Spanish	104	-1.3	0	-7	-8
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD
US Non-financial	153	0.8	-1	-3	-19
EZ Non-financial	73	0.2	-7	-22	-42
UK Non-financial	98	-0.5	-3	-7	-21
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	2.61	0	1	-8	-18
Libor 12m	2.85	-1	-3	-7	-17
Stock markets (%)					
Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,827	0.7	3.1	2.7	13
Dow Jones	25,885	0.7	1.7	1.3	11
Nikkei	21,451	0.8	2.0	1.4	7
FTSE 100	7,238	0.7	1.9	0.7	8
EuroStoxx 50	3,382	1.2	3.0	5.6	13
IBEX	9,322	1.2	2.1	3.8	9
DAX	11,670	0.7	1.9	4.5	11
CAC	5,402	1.0	3.3	6.5	14
MIB	21,022	0.7	2.6	5.2	15
ASE Athens	722	0.3	3.7	10.1	18
MSCI Latam *	93,479	-0.3	3.2	0.5	8
Ibovespa (Brazil)	98,872	0.3	3.7	3.2	12
Mexbol (Mexico)	42,236	1.1	1.6	-0.1	1
Merval (Argentina)	33,768	0.7	2.3	-8.8	11
MSCI EM Europe *	5,586	-0.1	0.0	-2.1	6
Poland	2,346	1.2	2.1	0.0	3
Micex 10 (Russia)	4,434	0.8	0.3	-0.3	6
Ise 100 (Turkey)	103,304	0.9	1.7	1.6	13
MSCI EM Asia *	858	-0.1	0.0	1.7	10
Shanghai Com (China)	3,022	1.0	1.7	11.1	21
Jakarta (Indonesia)	6,461	1.3	0.0	0.5	4
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
US banks	133.8	0.8	3.4	3.2	16
JPM	106.1	0.7	3.0	2.9	9
Citi	65.0	1.3	4.7	3.1	25
BoA	29.6	0.5	3.3	3.1	20
MS	43.3	1.4	4.6	5.0	9
GS	198.2	0.4	1.5	1.8	19
EZ banks					
EZ banks	77.3	0.6	4.6	7.4	12
BNP	44.2	0.8	4.4	6.8	12
Crédit Agricole	11.0	0.4	3.7	11.2	17
Deutsche Bank	7.8	-0.9	1.8	3.3	12
ING	11.1	1.5	6.2	1.7	18
Intesa	2.2	0.8	3.2	8.7	13
SG	27.1	0.4	7.1	11.6	-3
Unicredit	11.7	-0.2	4.6	7.4	18
UK banks					
UK banks	80.9	0.7	2.9	4.1	11
HSBC	620.7	0.0	-0.5	-5.8	-4
RBS	268.4	0.9	4.4	10.7	24
Barclays	165.6	0.4	4.3	4.8	10
Lloyds	64.9	1.8	4.9	12.2	25
Large Spanish banks					
Large Spanish banks	65.8	1.5	5.6	6.9	13
Santander	4.4	1.5	6.9	8.8	10
BBVA	5.4	1.6	4.4	5.2	16
Medium Spanish banks					
Medium Spanish banks	55.5	0.2	1.9	2.0	-4
Caixabank	3.0	-0.2	1.4	-0.2	-7
Sabadell	1.0	0.1	5.4	6.9	-4
Bankinter	7.0	0.7	1.8	4.6	0
Bankia	2.4	0.2	-0.4	-4.2	-6
Currencies (% red for currency depreciation)					
Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.132	0.2	0.8	0.6	-1
GBPUSD	1.33	0.4	2.1	3.5	4
USDJPY	111.54	0.1	-0.3	-0.5	-2
DXY	96.56	-0.2	-0.8	-0.6	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	39.98	1.9	3.0	-4.5	-6
USDBRL (Brazil)	3.81	0.9	1.4	-1.4	2
USDCPL (Chile)	668.82	0.4	0.4	-0.8	4
USDCOP (Colombia)	3120	0.7	-1.7	0.7	4
USDMXN (Mexico)	19.21	0.6	1.5	1.2	2
USDPEN (Peru)	3.30	0.0	0.5	1.3	2
LACI	55.16	0.6	1.4	-0.5	2
USDPLN (Poland)	3.80	0.2	0.8	1.5	-2
USDRUB (Russia)	65.01	0.7	2.0	2.3	7
USDTRY (Turkey)	5.46	0.2	-0.3	-3.2	-3
USDCNY (China)	6.71	0.1	0.1	0.7	2
USDINR (India)	69.10	0.4	1.5	2.5	1
USDIDR (Indonesia)	14260	0.1	0.4	-1.4	1
ADXY	106.37	0.1	0.2	0.4	1
Commodities (%)					
	level	Daily	Weekly	Monthly	YTD
Brent	66.9	-0.5	1.7	5	24
WTx	58	-0.3	4.2	8	29
Copper	230	0.5	0.3	5	11
Gold	1302	0.5	0.3	0	2
S&P Spot commodity *	432	0.1	2.4	4	15
S&P Brent Spot *	571	-0.5	2.2	6	25
S&P Metals Spot *	343	-0.8	1.1	4	7
S&P Agricultural *	276	0.3	1.4	-6	-3

Source: Bloomberg, Datastream and Haver

* With one day delay