






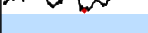






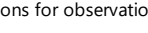
- NY Fed says it will continue to offer repo liquidity until at least mid-February ([link](#))
- Bank of America results highlight interest income pressures ([link](#))
- BlackRock aims to increase sustainable assets to \$1 tn within a decade ([link](#))
- Asian equities fall ahead of phase-one trade deal signing ([link](#))
- Province of Buenos Aires bonds fall further as officials seek payment delay ([link](#))

[US](#) | [Europe](#) | [Other Mature](#) | [Emerging Markets](#) | [Market Tables](#)

Trade deal disappointment weighs on sentiment

Reports that existing US tariffs on Chinese goods will remain in place even after the phase one trade agreement is signed today knocked equities from reaching another record close. US stocks had gotten off to a strong start on Tuesday amid positive earnings releases as well as optimism heading into the signing of the trade agreement. However, reports that the existing tariffs will remain in effect for at least ten months – to allow the US to monitor compliance with the agreement – hurt risk sentiment, with US indices ending lower on the day. The negative risk appetite fed into Asia trading with all major indices falling overnight. Among major firms to announce Q4 earnings this morning, Bank of America beat results though to a lesser degree than JPM and Citi, while Goldman fell below expectations on litigation costs. Blackrock also delivered stronger than expected results as net assets hit \$7.43 trillion, up from \$6.96 trillion. It experienced strong inflows in both fixed income (\$38.3bn) and equity products (\$38.6bn) over the quarter.

Key Global Financial Indicators

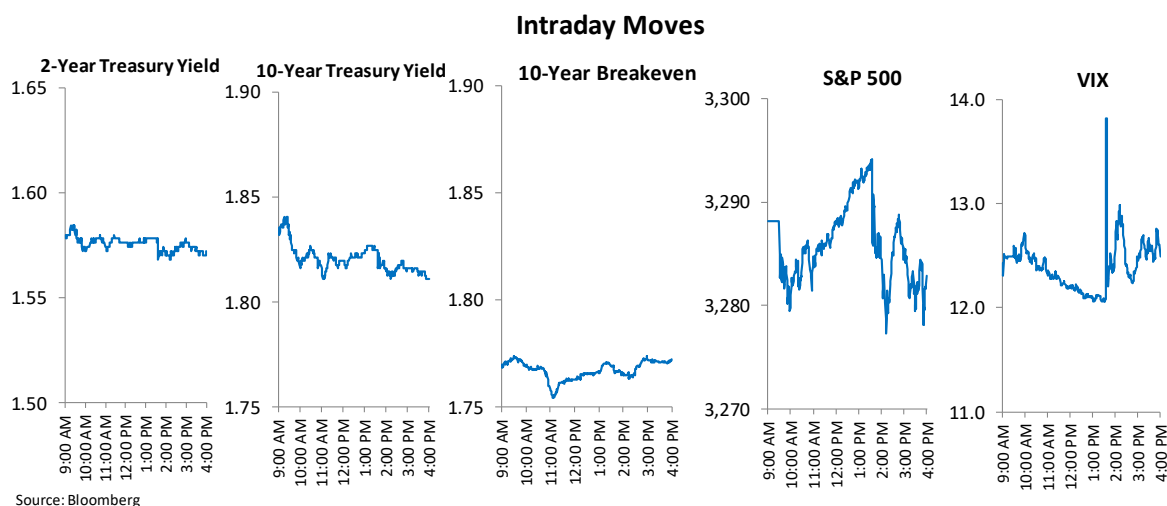
Last updated: 1/15/20 8:30 AM	Level		Change from Market Close				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
S&P 500		3283	-0.2	1	4	26	2
Eurostoxx 50		3769	-0.2	0	1	23	1
Nikkei 225		23917	-0.5	1	0	16	1
MSCI EM		46	-0.4	3	4	14	3
Yields and Spreads			bps				
US 10y Yield		1.79	-3.5	-8	-3	-92	-12
Germany 10y Yield		-0.21	-4.0	0	8	-42	-3
EMBIG Sovereign Spread		298	0	4	-10	-91	5
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		61.1	-0.1	0	0	-3	-1
Dollar index, (+) = \$ appreciation		97.3	-0.1	0	0	1	1
Brent Crude Oil (\$/barrel)		64.4	-0.2	-2	-1	6	-2
VIX Index (% change in pp)		12.0	-0.4	-2	-1	-7	-2

Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

United States

[back to top](#)

Equities slid lower from all-time highs after news that the US won't cut more China tariffs. Stock indices traded higher in the morning to renew all-time highs following strong earnings reports from JPMorgan and Citigroup before a trade-related headline came in. Reportedly, existing tariffs on Chinese imports are likely to remain in place, even after the signing of the agreement, possibly until after the presidential election. The US will review and trim tariffs potentially, and any move to reduce them will hinge on China's compliance with the terms of a phase one trade deal. That is, the outlook remains unsettled for business leaders. After the phase one takes effect, the US will maintain 25% tariffs on \$250 bn of imports from China and 7.5% on another \$110 bn. S&P 500 closed lower by 0.15% on the day. VIX has fluctuated following the headline but managed to close almost unchanged on the day.



Treasury yields were lower on weaker-than-expected CPI inflation Tuesday morning. Yields fell further following the trade-related headline, with the 10-year closing down by 3.5bps to 1.81% with the yield curve flattening. **December PPI inflation released this morning was lower than expected** (0.1% mom vs. 0.2% cons.). Core PPI was also weaker. Meanwhile, Fed NY's empire manufacturing survey was better than expected (4.8 vs. 3.6 cons.). The response in financial markets has been limited so far: Treasury 10-year yield traded lower by a half bp. The dollar and S&P 500 futures are almost unchanged.

Bank of America's 4Q19 earnings beat consensus, but interest income pressure weighed on results.

Bank of America's (BAC) 4Q2019 net income of \$7.0bn was down 4% y/y but beat the market's expected \$6.31bn. However, the results raised concerns over recurring earnings potential. Consolidated revenue fell slightly short of the market consensus, and the reported revenues reflected a 25% y/y increase in fixed income trading. Net interest income fell \$900mn compared with 4Q18; BAC's balance sheet is relatively short-maturity, weighted toward consumer deposits, and therefore more sensitive to declining interest rates than US G-SIBs more oriented to corporate and investment banking. BAC shares traded down -0.4% on the results.

Goldman Sachs reported net income of \$1.9bn, below the market's consensus expectation of \$2.0bn.

Revenues rose 23% yoy and beat market consensus by 16% on +63% yoy growth in FICC revenues. However, operating expenses sharply exceeded expectations; this included a \$1.1bn provision for litigation and penalties, but compensation costs were also well above forecasts. The company's shares are down slightly in pre-market trading.

The New York Fed announced it would continue to offer liquidity to the repo market, until at least mid-February, to mitigate the risk of money market pressures. The Fed will reduce the cap on term repo operations to \$30 bn from \$35 bn, while the bank will continue purchasing \$60 bn a month in T-bills, keeping the same pace set in October.

BlackRock aims to increase sustainable assets to \$1 tn within a decade from \$90 bn today. The world's largest asset manager, with \$7 tn in AUM, will also drop companies that derive a quarter or more of their revenues from thermal coal from their actively managed portfolio. Chief executive Larry Fink acknowledges climate change is real and its consequences potentially catastrophic. He wrote in his letter to clients that sustainability-integrated portfolios can provide better risk-adjusted returns to investors. ESG focused investments have underperformed so far. Some fund managers, however, are optimistic it could drive higher returns in the coming future.

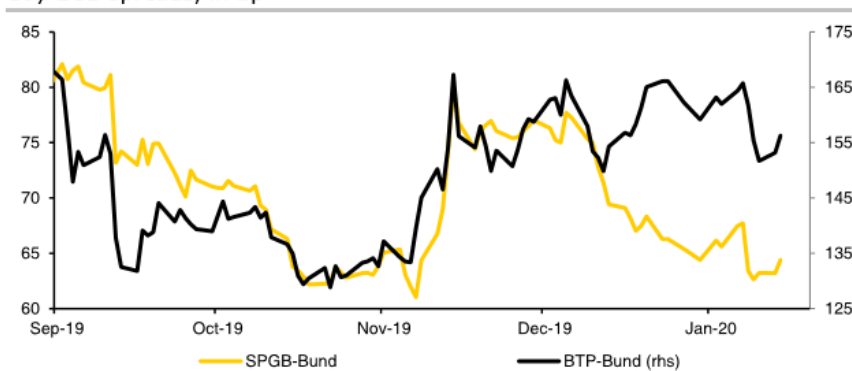
Europe

[back to top](#)

European equities slipped modestly this morning: DAX (-0.2%), CAC 40 (-0.1%), EuroStoxx 600 (-0.1%). Bank stocks (-0.1%) also fell but in line with the major indices. Equities in the UK traded in line with continental peers: FTSE 100 (flat), FTSE 250 (-0.2%).

Sovereign debt markets reversed some of the yield curve steepening of recent days. German yield curve: 2-year -1 bp to -0.59%, 10-year -4 bps to -0.20%. French yield curve: 2-year -1 bp to -0.56%, 10-year -4 bps to 0.05%. Italy yield curve: 2-year -1 bp to -0.04%, 10-year -2 bps to 1.36%. Spanish yield curve: 2-year flat at -0.36%, 10-year -3 bps to 1.37%.

Peripheral spreads still shrug off political risks
10y EGB spreads, in bp

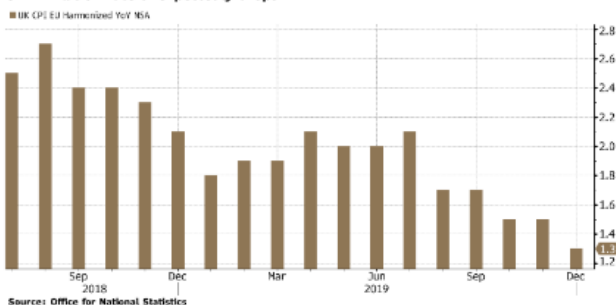


Source: Bloomberg, Commerzbank Research

In macro data:

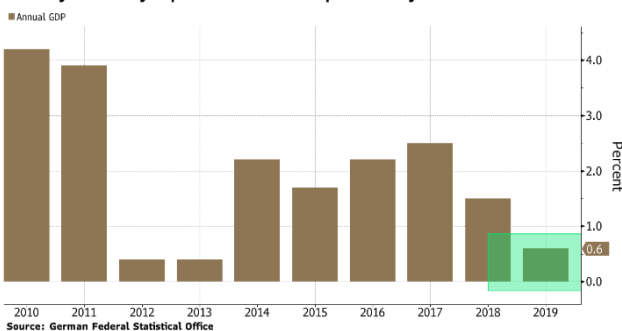
- **Inflation failed to pick up from the previous month across Europe:** French December inflation came in at 1.5% y/y, compared to 1.4% in November; Spain printed at 0.8% y/y, vs/ 0.8% also in November (core at 1.0% y/y, same as in November); in the UK, headline stood at 1.3% y/y (down from 1.5% the month prior) and core are 1.4% y/y (down from 1.7% previously);

U.K. inflation rate unexpectedly drops



- **Eurozone industrial production contracted by 1.5% in November**, following a 2.2% contraction the month prior;
- **German GDP growth slowed down to its lowest level in six years**, printing at 0.6% for 2019 from 1.5% in 2018;

Germany's economy expands at the slowest pace in six years



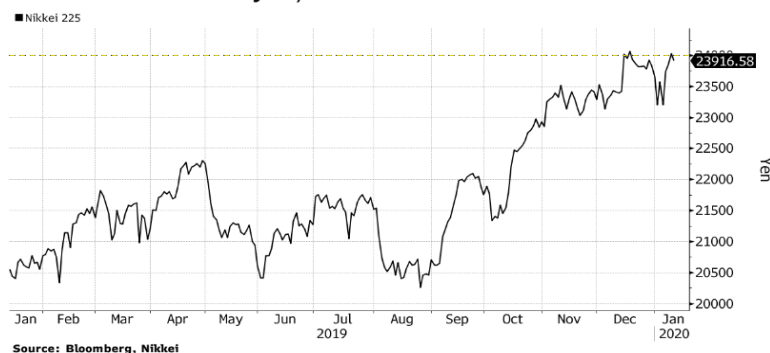
Other Mature Markets

[back to top](#)

Japan

Equities (-0.5%) fell ahead of the expected signing of the US-China phase-one deal. On a sectoral basis, losses were broad-based with technology and financials underperforming. The yen and JGB yields were little changed.




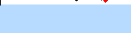






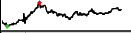



Nikkei 225 flirts around key 24,000 mark



Emerging Markets [back to top](#)

Asian equities (-0.3%) fell ahead of the anticipated signing of the US-China phase one trade deal. The Philippines (-1.7%), Taiwan Province of China (-0.7%), and Indonesia (-0.7%) declined the most. Regional currencies were stable except the Philippine peso (-0.3%). **EMEA** equities are mixed today, with gains in UAE (+0.5%), Kuwait (+0.4%), and South Africa (+0.4%), while losses were seen in Hungary (-0.4%), Poland (-0.4%), the Czech Republic (-0.3%). Currencies mostly appreciated to the dollar by about 0.1% to 0.3%. In **Latin America**, the Chilean peso outperformed appreciating by +0.6% against the dollar while the Colombian Peso underperformed depreciating by 0.5%. Neither had any significant domestic drivers.

Key Emerging Market Financial Indicators

Last updated: 1/15/20 8:30 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		46.04	-0.4	3	4	14	3
MSCI Frontier Equities		30.98	0.7	3	3	12	2
EMBIG Sovereign Spread (in bps)		298	0	4	-10	-91	5
EM FX vs. USD		61.10	-0.1	0	0	-3	-1
Major EM FX vs. USD			%(+) = EM currency appreciation				
China Renminbi		6.89	-0.1	1	2	-2	1
Indonesian Rupiah		13695	-0.1	1	2	3	1
Indian Rupee		70.82	0.1	1	0	0	1
Argentine Peso		60.02	-0.1	0	0	-38	0
Brazil Real		4.16	-0.8	-2	-3	-11	-3
Mexican Peso		18.81	-0.2	0	1	1	1
Russian Ruble		61.45	0.0	0	2	9	1
South African Rand		14.38	0.1	-2	0	-4	-3
Turkish Lira		5.89	-0.1	0	-1	-7	1
EM FX volatility		6.35	0.0	-0.3	-0.3	-3.0	-0.3

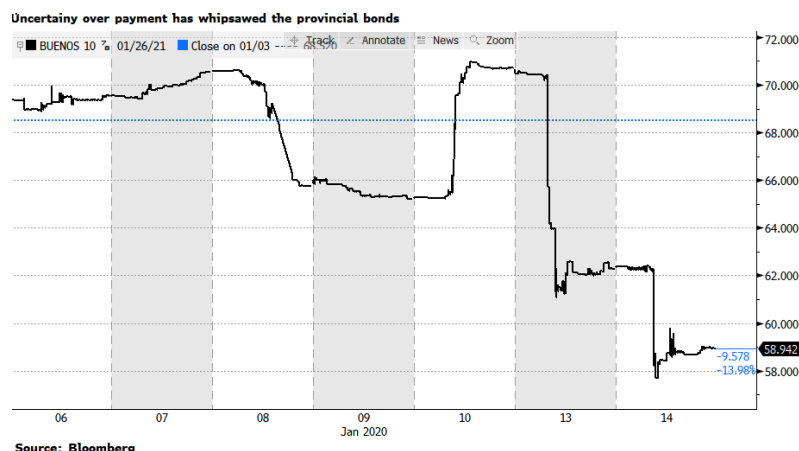
Colors denote **tightening/easing** financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

China

Equities (-0.5%) declined ahead of the signing of the US-China phase one trade deal. Market attention is shifting to the aftermath of the deal and the potential for further progress. A report by Bloomberg that the US will not consider tariff rollbacks beyond what is agreed in the phase one deal until after the US presidential election weighed on sentiment. Further roll-backs will also depend on China's compliance with phase one deal terms. Treasury Secretary Mnuchin meanwhile said that the timeline for further tariff reductions depends on when a phase two deal can be agreed not on the US elections. Additionally, the US is reportedly drafting rules that would vastly expand its powers to block shipments of foreign-made goods to Huawei.

Argentina

The price of Buenos Aires provincial bonds continued to decline as the province asked holders to delay foreign law payments until May 2020. The 2021 foreign law note fell 3 points to 59 percent. According to a province official, they delay will allow creditors to take part in broader debt negotiations that the national government aims to settle by the end of March. Additionally, the province will seek to restructure/rollover local law debt including \$260 mn of foreign currency debt owed to funds managed by the social security agency.



Brazil

The depreciation of the real by 1.1% on Monday amid positive EM FX risk sentiment remains a mystery given no obvious local drivers. Bloomberg highlights that foreign investors increased net short position in BRL by \$1 bn on Monday according to B3 data that includes futures, FX swaps and FRA contracts. As the chart below shows (not updated for Monday) foreigners had been reducing short positions over the last weeks and local funds had turned long for the first time since January 2019. On Tuesday, the currency appreciated by 0.3% erasing intraday losses following weaker than expected US CPI data.

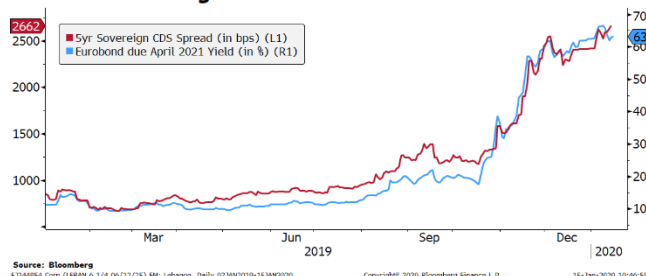
Long BRL Brazil hedge funds turn bullish on local currency



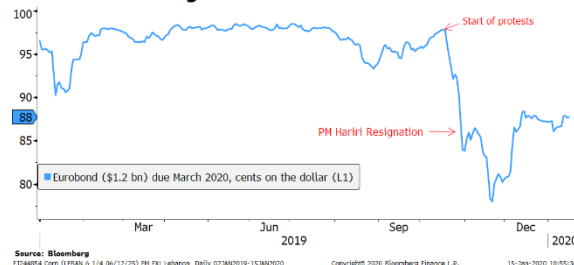
Lebanon

Lebanese financial assets remain under distress as new protests take to the streets. Spreads on the 5-year sovereign CDS have continued to climb, reaching 2662 bps, the world's second highest level after Argentina's. Similarly, yields on the March 2020 and April 2021 Eurobonds remain elevated, symptomatic of investors' concerns. Analysts at JP Morgan have cast doubts over a recently-unveiled plan by the Banque du Liban to swap some of the local banks' holdings of the 2020 Eurobond into longer-dated bonds. It is estimated that foreigners hold about 40% of the March 2020 issue.

Lebanon: Sovereign Asset Prices



Lebanon: Sovereign Asset Prices



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Global Financial Indicators

Last updated: 1/15/20 8:30 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities							
			%				%
United States		3283	-0.2	1	4	26	2
Europe		3769	-0.2	0	1	23	1
Japan		23917	-0.5	1	0	16	1
China		3090	-0.5	1	4	20	1
Asia Ex Japan		76	-0.5	3	5	16	3
Emerging Markets		46	-0.4	3	4	14	3
Interest Rates							
			basis points				
US 10y Yield		1.79	-3.5	-8	-3	-92	-12
Germany 10y Yield		-0.21	-4.0	0	8	-42	-3
Japan 10y Yield		0.01	-0.6	1	3	0	2
UK 10y Yield		0.64	-8.1	-18	-15	-62	-18
Credit Spreads							
			basis points				
US Investment Grade		102	-0.2	-3	-6	-40	5
US High Yield		392	0.3	-4	-33	-60	-2
Europe IG		44	0.5	1	-1	-37	0
Europe HY		211	1.6	4	2	-124	4
EMBIG Sovereign Spread		298	0.0	4	-10	-91	5
Exchange Rates							
			%				
USD/Majors		97.30	-0.1	0	0	1	1
EUR/USD		1.11	0.1	0	0	-2	-1
USD/JPY		109.9	0.1	-1	0	-1	-1
EM/USD		61.1	-0.1	0	0	-3	-1
Commodities							
			%				
Brent Crude Oil (\$/barrel)		64	-0.2	-2	-1	6	-2
Industrials Metals (index)		116	-0.2	0	2	5	1
Agriculture (index)		41	0.1	1	2	-2	0
Implied Volatility							
			%				
VIX Index (% change in pp)		12.0	-0.4	-1.5	-0.7	-6.7	-1.8
10y Treasury Volatility Index		3.7	0.0	-0.5	-0.4	-0.3	-0.4
Global FX Volatility		5.4	0.0	-0.4	-0.5	-3.0	-0.6
EA Sovereign Spreads							
			10-Year spread vs. Germany (bps)				
Greece		160	2.7	-1	-5	-247	-6
Italy		158	1.0	-4	3	-109	-2
Portugal		72	11.9	11	6	-74	9
Spain		66	0.8	2	-4	-53	0

Colors denote **tightening**/**easing** financial conditions for observations greater than ± 1.5 standard deviations.

Data source: Bloomberg.

[back to top](#)

Emerging Market Financial Indicators

Last updated: 1/15/2020 8:30 AM	Exchange Rates						YTD	Local Currency Bond Yields (GBI EM)						YTD
	Level		Change (in %)					Level		Change (in basis points)				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M		Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
	vs. USD		(+) = EM appreciation					% p.a.						
China		6.89	-0.1	0.8	2	-2	1		3.1	0.7	-2	-10	3	-2
Indonesia		13695	-0.1	1.5	2	3	1		7.0	0.0	-12	-32	-125	-14
India		71	0.1	1.3	0	0	1		6.9	5.0	9	-11	-52	7
Philippines		51	-0.3	0.2	0	3	0		4.3	-0.7	2	3	-174	-1
Thailand		30	0.0	0.3	0	5	-2		1.6	1.1	4	-14	-108	-6
Malaysia		4.07	0.0	0.7	2	1	0		3.3	0.4	0	-12	-74	-6
Argentina		60	-0.1	-0.3	0	-38	0		53.0	229.6	-383	-3594	3115	-964
Brazil		4.16	-0.8	-2.4	-3	-11	-3		6.2	-6.6	-8	5	-189	-9
Chile		772	-0.2	-1.3	-1	-13	-3		3.4	-4.4	11	-1	-105	13
Colombia		3297	-0.3	-1.5	2	-5	0		5.8	0.5	-14	-14	-71	-15
Mexico		18.81	-0.2	0.0	1	1	1		6.9	-0.6	-1	4	-171	-2
Peru		3.3	0.3	-0.1	1	1	0		4.5	0.6	2	0	-126	-6
Uruguay		37	0.2	0.4	1	-13	0		10.8	-0.6	-2	-28	28	-9
Hungary		299	0.0	-0.3	-1	-5	-1		1.2	0.1	9	18	-79	5
Poland		3.79	-0.1	0.4	1	-1	0		2.0	-4.9	8	22	-18	14
Romania		4.3	0.1	0.3	0	-4	-1		3.9	1.0	-5	-27	-43	-9
Russia		61.4	0.0	-0.3	2	9	1		6.0	0.4	-16	-25	-217	-15
South Africa		14.4	0.1	-1.5	0	-4	-3		9.6	-0.8	2	-4	9	5
Turkey		5.89	-0.1	0.3	-1	-7	1		10.6	-18.5	-116	-120	-607	-108
US (DXY; 5y UST)		97	-0.1	0.0	0	1	1		1.61	-1.3	-6	-5	-92	-8

	Equity Markets							Bond Spreads on USD Debt (EMBIG)							
	Level		Change (in %)					YTD	Level		Change (in basis points)				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	Last 12m		Latest	1 Day	7 Days	30 Days	12 M		
									basis points						
China		3090	-0.5	1	4	20	1		175	1	-1	-4	-10	-1	
Indonesia		6283	-0.7	1	1	-2	0		164	0	6	-5	-48	8	
India		41873	-0.2	3	2	15	2		124	0	-2	-6	-65	-1	
Philippines		7664	-1.7	-2	-3	-4	-2		74	-1	4	-3	-32	8	
Malaysia		1585	0.3	0	1	-6	0		104	-1	-1	-11	-49	-8	
Argentina		41634	-0.9	1	13	24	0		1858	1	-40	-256	1163	89	
Brazil		117627	0.3	1	4	25	2		216	0	1	-3	-38	1	
Chile		4889	-0.7	0	0	-9	5		142	0	2	-3	-7	9	
Colombia		1653	0.1	0	1	19	-1		171	1	4	2	-27	8	
Mexico		44773	-0.2	1	1	3	3		303	1	10	-5	-31	11	
Peru		20490	0.1	0	2	5	0		114	1	5	-3	-38	7	
Hungary		44797	-0.4	0	-2	10	-3		93	1	5	-2	-45	7	
Poland		58848	-0.5	2	4	-1	2		22	1	3	-1	-41	4	
Romania		10078	0.4	2	2	43	1		176	2	2	-17	-34	3	
Russia		3129	0.0	1	4	28	3		142	0	1	1	-83	11	
South Africa		58201	0.4	2	3	9	2		330	-1	18	-20	1	10	
Turkey		121335	-0.1	7	10	30	6		382	-4	-13	-35	-78	-19	
Ukraine		505	0.0	-1	-1	-10	-1		369	-5	-12	-64	-362	-51	
EM total		46	-0.4	3	4	14	3		298	0	4	-10	-91	5	

Colors denote tightening/easing financial conditions for observations greater than ±1.5 standard deviations. Data source: Bloomberg.

[back to top](#)