



Global Markets Monitor

Monetary and Capital Markets Department
Global Markets Analysis Division

Friday, May 17, 2019











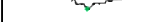
- China signals little chance for renewing trade talks, pushing stocks lower ([link](#))
- Treasury yields rose Thursday, while Fed futures continue to price a 2019 cut([link](#))
- European car sales fell for an 8th straight month amid weak UK demand ([link](#))
- European sovereign yields fall further ([link](#))
- Banxico keeps rate unchanged, in line with expectations ([link](#))

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

Equities and sovereign bond yields fall as trade fears reignite

Markets are falling again after three straight days of gains as trade worries have come back to the fore. Chinese state media indicated a tougher stance in the ongoing trade talks with the US. The reports signal that no talks with the US are currently planned amid “tricks to disrupt the atmosphere” by US negotiators. This latest news increases the focus on the G20 meeting next month, at which presidents Xi and Trump are scheduled to meet. Most global equity markets are lower on the reports and developed sovereign bond yields are also declining. The yield on the Spanish 10-year has reached an all-time low while the onshore renminbi has fallen to its weakest level since November.

Key Global Financial Indicators

Last updated: 5/17/19 8:07 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				%
S&P 500		2876	0.9	0	-1	6	15
Eurostoxx 50		3406	-0.9	1	-2	-5	13
Nikkei 225		21250	0.9	0	-5	-7	6
MSCI EM		41	-2.3	-2	-8	-12	5
Yields and Spreads			bps				
US 10y Yield		2.36	2.1	-10	-23	-75	-32
Germany 10y Yield		-0.13	-3.3	-8	-21	-77	-37
EMBIG Sovereign Spread		362	4	11	26	39	-52
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		61.4	-0.2	-1	-3	-8	-1
Dollar index, (+) = \$ appreciation		97.9	0.1	1	1	5	2
Brent Crude Oil (\$/barrel)		72.9	0.3	3	2	-8	35
VIX Index (% change in pp)		16.7	1.4	1	4	3	-9

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

United States

[back to top](#)

Stocks gained for a 3rd straight day, nearly back to the pre-selloff level. A combination of easing trade tension, favorable economic data and solid corporate earnings kicked off a strong session, with S&P 500 rising as much as 1.4% before gradually fading in the afternoon. All major indices closed around 0.9% higher. For the first time this week, all sectors closed in the green led by materials, financials and consumers (+1%). The only notable laggards were the semi-conductor sector on Huawei's potential blacklisting as many firms are Huawei's chip suppliers. Contacts noted that the speedy recovery this week was partly driven by corporate buyback, as most companies are out of the blackout period following earnings reports. In addition, after Monday's selloff, there was an overhang of short-positions betting on S&P 500 to fall below 2800. These positions were later unwound, pushing the index even higher.

Treasury yields closed 2 to 3 bps higher, led by the short rates, leading to a further flattening in the yield curve. The 3-month-10-year spread is at 0 bps with the 2-year-10-year spread down 1 bp to 20 bps, still well above its year to date low of 12 bps. Policy rate expectations were unchanged, still pricing a full rate cut by year-end. **The Philly Fed Business Outlook index surged to 16.6 in April**, nearly doubled the expected 9. Investors took comfort in the large fall in the inventory component, down from the near 40-year high level in March. These dynamics were also shown from yesterday's Empire manufacturing report, an encouraging sign that a recovery in industrial production could come fairly soon. The April data on housing starts and permits are showing a spring rebound, while initial and continuing jobless claims remain at very low levels.

Europe

[back to top](#)

European equities are lower this morning amid renewed trade war concerns as China's state media signaled a lack of interest in resuming talks with the U.S. The Stoxx Europe 600 Index dropped 0.5% in early trading, with the auto sector index down as much as 1.4%. Despite the day's losses, Europe's benchmark index was still on track to post a gain on the week. Amazon confirmed its investment stake in UK's Deliveroo helping to lift sentiment somewhat. Still, investors are wary and have limited their positions amid a dearth of positive news. Bloomberg's latest survey shows that the Stoxx 600 is expected to end the year about 5% below Thursday's closing level.

European car sales declined for an eighth straight month in April amid weak demand in the U.K. Monthly deliveries in the region fell 1% to 1.22 million cars, with a deeper decline of 4.1% in UK. Moreover, during the first four months of the year, European car registrations declined 2.9% to 5.01 million cars, with Italy and Spain leading the slump among the five major markets, falling 4.6% and 4.5% month-on-month, respectively.

Yields continue to fall across the region. Yields in Italy are down another 5-10 bps across the curve. The German 10-year bund yield fell another 3 bp to -0.12% on the day. The 10-year bund has shed 36 bps so far this year.

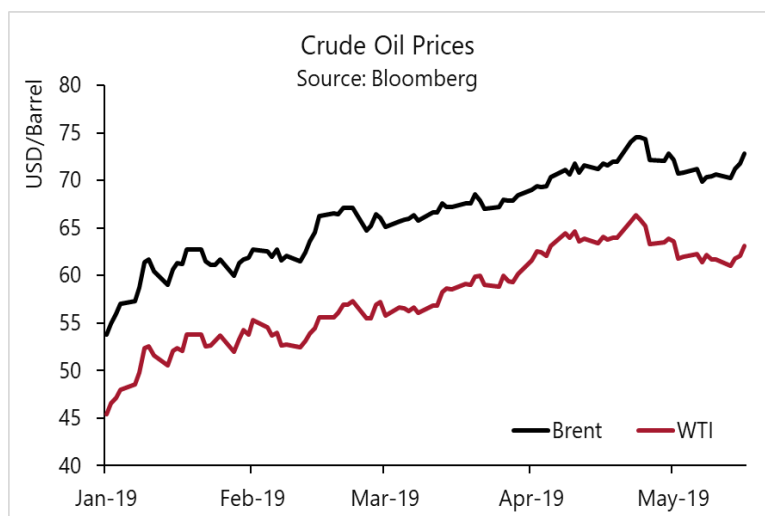
Other Mature Markets [back to top](#)

Japan

Japan's equity market posted gains despite signs of an impasse in trade negotiation between the US and China. The Topix and Nikkei closed higher by 1.1% and 0.9%, respectively, boosted by technology and communications shares. Market sentiment was also lifted by the remarks made by BoJ Governor Kuroda that the central bank may keep interest rates low throughout this year. He expressed concerns that it may take longer for overseas growth to pick up, and it could weigh on domestic business spending. The yen weakened briefly in early trade before strengthening in the afternoon, in part driven by safe-haven demand. At market close, the yen strengthened 0.2% to 109.63 against US dollar.

Oil

Oil soared to a two-week high as Saudi Arabia accused Iran of ordering this week's attack on its key oil facilities, fueling tensions between two of the world's oil-producing superpowers. The price of Brent and WTI advanced 1.4% and 1.8% on Thursday, respectively. Recent attacks on oil tankers highlighted regional tensions in the Persian Gulf as relations between the U.S. and Iran also deteriorate. That has put a damper on any demand concerns related to the intensifying trade war between the U.S. and China.



Emerging Markets [back to top](#)

Asian currencies depreciated and equities lost ground. Regional currencies weakened by 0.2 to 0.5% against the US dollar as investors turned cautious towards emerging market assets given hardened positions from official Chinese media regarding further US-China trade negotiations. Equity markets mostly slipped. The Philippines was the exception, as it gained 1.3% following yesterday's announcement by BSP to lower RRR by 200 bps in phases to 16%. **EMEA** currencies weakened while equities suffered broad-based losses. The South African rand depreciated by 0.7%, pacing losses, while the Russian ruble held steady, outperforming others. **Latin American equity markets** were mixed on Thursday. Argentina was the best performer as the Merval rallied 2%, while Brazil's equity index fell 1.8%. Local currencies were mixed as well. The Argentine peso appreciated (+0.5%) against the dollar as inflation data came out below-expectations for the first time since December, while the Brazilian real (-1%) underperformed. 10-year government bond yields dropped 10bps in Brazil and were mostly higher in other countries.

Key Emerging Market Financial Indicators

Last updated: 5/17/19 8:09 AM	Level		Change				YTD
	Last 12m	index	1 Day	7 Days	30 Days	12 M	
Major EM Benchmarks			%				%
MSCI EM Equities		41.03	-2.3	-2	-8	-12	5
MSCI Frontier Equities		28.31	0.9	-2	-2	-10	8
EMBIG Sovereign Spread (in bps)		362	4	11	26	39	-52
EM FX vs. USD		61.40	-0.2	-1	-3	-8	-1
Major EM FX vs. USD			%, (+) = EM currency appreciation				
China Renminbi		6.91	-0.4	-1	-3	-8	-1
Indonesian Rupiah		14450	0.0	-1	-3	-3	0
Indian Rupee		70.22	-0.3	0	-1	-4	-1
Argentine Peso		44.76	0.5	1	-5	-46	-16
Brazil Real		4.06	-0.2	-2	-3	-9	-4
Mexican Peso		19.18	-0.3	0	-2	3	2
Russian Ruble		64.64	0.0	1	-1	-4	7
South African Rand		14.37	-0.5	-1	-3	-12	0
Turkish Lira		6.06	-0.2	-1	-5	-26	-13
EM FX volatility		8.86	0.0	0.1	0.6	-0.1	-0.9

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

China

The RMB depreciated further and equities tumbled as near-term dialogue between the US and China seems increasingly unlikely. China's Ministry of Commerce spokesperson indicated on Thursday that the authorities have no information about U.S. officials coming to Beijing for further talks, effectively ruling out any bilateral engagement in the near term. The suggestion that negotiations have paused puts greater emphasis on the upcoming G20 gathering next month when President Xi and President Trump could meet. In another volatile session, Chinese equities renewed their declines, with the Shanghai Composite down 2.4%, erasing gains garnered over the past two sessions. The RMB renewed its depreciation. The onshore CNY lost 0.45%, breaking through the 6.90 level to CNY 6.92/dollar. Meanwhile, the offshore CNH lost as much as 0.4% intraday before settling at CNH 6.94/dollar (-0.2%), approaching its weakest level of 6.9895 reached in January 2017. On a month-to-date basis, the CNH has lost 2.9% this month, making it the worst performer in Asia.

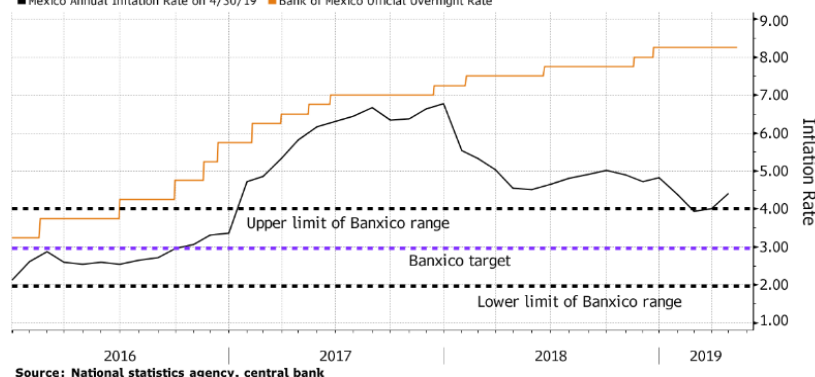
Mexico

Mexico's central bank voted unanimously to keep its key interest rate at 8.25%, in line with market

Inflation Back Above Target Range

Banxico balances slow growth, faster price increases

■ Mexico Annual Inflation Rate on 4/30/19 ■ Bank of Mexico Official Overnight Rate



expectations. The decision came after inflation unexpectedly accelerated to 4.4% in April, above the 4% upper end of the bank's target range. According to research reports, the statement was hawkish, saying Banxico will keep a prudent stance and that upside risks to inflation remain. Market reaction was muted, with domestic equities finishing slightly higher and the currency mostly unchanged.








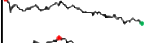




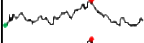













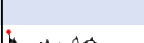

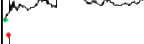
Turkey

The Turkish lira suffered a volatile session, depreciating as much as 0.8% against the dollar overnight before recovering to TRY 6.06 (-0.2%). Headlines that the US has terminated Turkey's preferential trade treatment under a program that allowed some exports to enter the US duty free weighed on sentiment. Meanwhile, President Trump removed higher tariffs on steel imports from Turkey but imposed a 25% ad valorem tariff on the imports from Turkey instead.

List of GMM Contributors (Global Markets Analysis Division, MCM Department)
Anna Ilyina*Division Chief***Peter Breuer***Deputy Division Chief***Will Kerry***Deputy Division Chief***Evan Papageorgiou***Deputy Division Chief***Sergei Antoshin***Senior Economist***John Caparusso***Senior Financial Sector Expert***Sally Chen***Senior Economist***Fabio Cortés***Senior Economist***Mohamed Jaber***Senior Financial Sector Expert***David Jones***Senior Financial Sector Expert***Sanjay Hazarika***Senior Financial Sector Expert***Juan Solé***Senior Economist***Jeffrey Williams***Senior Financial Sector Expert***Akihiko Yokoyama***Senior Financial Sector Expert***Dimitris Drakopoulos***Financial Sector Expert***Tryggvi Gudmundsson***Economist***Henry Hoyle***Financial Sector Expert***Robin Koepke***Economist***Thomas Piontek***Financial Sector Expert***Rohit Goel***Financial Sector Expert***Jochen Schmittmann***Economist***Ilan Solot***Financial Sector Expert***Martin Edmonds***Senior Data Mgt Officer***Yingyuan Chen***Senior Research Officer***Piyusha Khot***Research Assistant***Xingmi Zheng***Research Assistant*

Disclaimer: This is an internal document. It is produced by the Global Markets Analysis Division (GA) of the Monetary and Capital Markets Department. It reflects GA staff's interpretation and analysis of market views and developments. Market views presented may or may not reflect a consensus of market participants. GA staff do not independently verify the accuracy of all data and events presented in this document.

Global Financial Indicators

Last updated: 5/17/19 8:08 AM	Level		Change				YTD
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	
Equities			%				%
United States		2876	0.9	0	-1	6	15
Europe		3406	-0.9	1	-2	-5	13
Japan		21250	0.9	0	-5	-7	6
China		2882	-2.5	-2	-12	-9	16
Asia Ex Japan		68	-0.3	-1	-8	-12	6
Emerging Markets		41	-2.3	-2	-8	-12	5
Interest Rates			basis points				
US 10y Yield		2.36	2.1	-10	-23	-75	-32
Germany 10y Yield		-0.13	-3.3	-8	-21	-77	-37
Japan 10y Yield		-0.05	0.9	0	-5	-12	-6
UK 10y Yield		1.01	-6.5	-13	-23	-55	-27
Credit Spreads			basis points				
US Investment Grade		122	1.1	6	12	22	-25
US High Yield		437	4.1	20	49	103	-84
Europe IG		66	2.4	0	8	10	-21
Europe HY		282	7.9	1	34	9	-71
EMBIG Sovereign Spread		362	4.0	11	26	39	-52
Exchange Rates			%				
USD/Majors		97.94	0.1	1	1	5	2
EUR/USD		1.12	-0.1	-1	-1	-5	-3
USD/JPY		109.5	0.3	0	2	1	0
EM/USD		61.4	-0.2	-1	-3	-8	-1
Commodities			%				
Brent Crude Oil (\$/barrel)		73	0.3	3	2	-8	35
Industrials Metals (index)		114	-1.0	0	-6	-17	4
Agriculture (index)		39	0.0	5	-2	-20	-7
Implied Volatility			%				
VIX Index (% change in pp)		16.7	1.4	0.7	4.1	3.3	-8.7
10y Treasury Volatility Index		4.0	-0.1	-0.3	0.3	-0.1	-0.6
Global FX Volatility		6.9	0.0	0.0	0.8	-0.8	-2.1
EA Sovereign Spreads			10-Year spread vs. Germany (bps)				
Greece		354	-1.8	-1	30	-26	-61
Italy		276	-2.1	3	23	128	26
Portugal		117	-0.3	1	4	1	-31
Spain		100	-0.3	-3	-3	23	-18

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: 5/17/2019 8:09 AM	Exchange Rates						YTD	Local Currency Bond Yields (GBI EM)						
	Level		Change (in %)					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	
	vs. USD		(+) = EM appreciation					% p.a.						
China		6.91	-0.4	-1.3	-3	-8	-1		3.3	-1.1	-3	-3	-32	12
Indonesia		14450	0.0	-0.9	-3	-3	0		8.1	-2.1	-3	42	66	-2
India		70	-0.3	-0.4	-1	-4	-1		7.4	-0.6	-4	-9	-58	-1
Philippines		53	-0.3	-0.9	-2	-1	0		5.1	-3.6	-4	-22	-38	-122
Thailand		32	-0.3	-0.7	0	1	2		2.6	-0.1	-2	0	0	-6
Malaysia		4.18	-0.3	-0.4	-1	-5	-1		3.8	-2.4	2	-1	-42	-26
Argentina		45	0.5	1.1	-5	-46	-16		31.2	177.9	353	875	1189	823
Brazil		4.06	-0.2	-2.5	-3	-9	-4		8.1	10.8	8	-7	-57	-2
Chile		694	-0.4	-1.3	-4	-9	0		4.1	0.7	0	-1	-66	-37
Colombia		3299	-0.4	-0.7	-4	-13	-1		6.3	0.6	2	9	2	-23
Mexico		19.18	-0.3	-0.4	-2	3	2		8.2	2.5	-5	3	42	-54
Peru		3.3	0.0	-0.1	-1	-2	2		5.3	-2.3	-6	-8	-21	-42
Uruguay		35	0.0	-0.3	-3	-12	-8		11.1	0.7	20	61		39
Hungary		292	-0.6	-1.6	-3	-8	-4		2.0	3.0	-11	-6	9	-17
Poland		3.85	-0.1	-0.7	-2	-5	-3		2.3	2.6	-2	5	-27	7
Romania		4.3	-0.1	-0.6	-1	-8	-5		4.2	0.0	0	-5	-5	0
Russia		64.6	0.0	0.9	-1	-4	7		7.9	-5.2	-6	-11	71	-55
South Africa		14.4	-0.5	-1.4	-3	-12	0		9.3	3.2	-7	2	27	-25
Turkey		6.06	-0.2	-1.2	-5	-26	-13		21.0	5.6	-192	116	588	409
US (DXY; 5y UST)		97.9	0.1	0.6	1	5	2		2.14	-3.0	-12	-26	-80	-37

	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		2882	-2.5	-2	-12	-9	16		178	1	4	4	-3	-16
Indonesia		5827	-1.2	-6	-10	0	-6		195	2	8	17	8	-41
India		37931	1.4	1	-3	8	5		159	0	10	6	7	-37
Philippines		7584	1.5	-2	-3	-1	2		84	4	3	0	-17	-37
Malaysia		1605	0.4	0	-1	-13	-5		128	1	5	2	-4	-34
Argentina		33892	2.0	-1	6	7	12		930	7	35	95	478	115
Brazil		90024	-1.7	-5	-3	8	2		257	3	12	14	4	-16
Chile		4978	-0.5	-1	-6	-13	-3		134	1	7	8	3	-32
Colombia		1503	0.1	-3	-5	-1	13		192	3	6	17	6	-36
Mexico		43442	0.2	1	-5	-5	4		316	5	10	24	52	-38
Peru		19952	-0.3	-1	-5	-5	3		141	3	9	20	-13	-27
Hungary		40035	-0.6	-3	-7	7	2		101	4	4	-4	-11	-47
Poland		56253	-0.8	-1	-8	-5	-2		51	4	11	10	-9	-34
Romania		8252	0.5	-1	0	-3	12		193	1	3	-6	51	-28
Russia		2570	-0.4	2	0	11	8		211	2	3	10	3	-41
South Africa		55990	-0.9	-1	-5	-4	6		315	4	15	30	53	-50
Turkey		86909	-0.3	-2	-12	-15	-5		522	3	-7	37	123	93
Ukraine		570	-0.1	0	6	21	2		651	13	3	81	152	-136
EM total		41	-2.3	-2	-8	-12	5		362	4	11	26	39	-52

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