

US-China trade truce prompted appetite for risk assets

- Positive tone in markets after the announcement of a trade tariff truce between China and the US at last weekend's G-20 summit (see).** Additionally, oil prices rebounded sharply ahead of the outcome of Thursday's OPEC meeting as potential cuts in oil supply could be implemented. Looking ahead, after the tone of last week's statement by Chairman Powell, markets will remain data-dependent, with the focus on the release of employment and consumer confidence data in the US as well as economic indicators for the EZ and China.
- Sharp increase in equity prices across the board** following the temporary trade truce between the two major economies. US and European stocks showed gains, favoured by the optimism on trade woes, while Chinese equity indices led the positive movement across Asian markets and the CNY also benefited.
- The US Treasury 10Y yield remained almost unchanged** despite better-than-expected ISM Manufacturing data (see). **In the same line, the German 10Y yield remained subdued**, hovering around 0.30% despite the release of positive confidence data for the EZ. Italy's risk premium continued to narrow amid ongoing positivism on the budget deficit issue (see).
- The USD depreciated against its main peers with the sole exception of the GBP** which remained under high pressure due to investors' concerns regarding next week's parliamentary vote on the Brexit deal. Most emerging currencies benefited from the increasing risk appetite in financial markets, the weak USD and the rebound in oil prices. The main exception was the TRY, which depreciated against the US dollar after the release of a lower-than-expected inflation figure for Turkey increased concerns for an early cut in interest rates (see).
- Crude oil prices surged ahead of potential cuts** in the upcoming OPEC meeting. They were also favoured by the cut in supply in Canada (see), while recent news of Qatar's withdrawal from OPEC apparently had no significant impact (see).

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Debt markets (10Y, %, changes in bp)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	2.81	2.6	-1.7	-3	89	
US	3.00	0.7	-5.8	-14	53	
GER (2-yr)	-0.60	-0.5	-3.1	2	1	
Germany	0.31	-0.7	-5.5	-9	-22	
France	0.69	1.0	-4.5	-7	-13	
Spain	1.49	-1.1	-7.1	-8	-18	
Italy	3.14	-7.0	-12.6	-24	105	
Portugal	1.80	-2.3	-8.2	-8	-21	
Greece	4.20	-6.4	-19.1	-3	10	
Japan (2-yr)	-0.13	-0.1	1.0	-1	0	
Japan	0.09	-0.6	-0.4	-4	4	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	9.88	-1.4	-27.5	-23	-38	
Chile	4.41	0.2	0.6	-15	-10	
Colombia	7.00	0.0	-4.5	-16	56	
Mexico	9.02	-12.3	-19.8	23	144	
Peru	5.34	0.4	-2.8	-25	46	
Poland	3.04	-1.3	-14.7	-18	-27	
Russia	8.72	-10.8	-32.0	4	108	
Turkey	15.99	-17.0	4.0	-181	463	
India	7.63	2.0	-10.0	-20	24	
Indonesia	7.83	-3.7	-5.8	-65	153	
Country risk (bp, changes in bp)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	39	1.7	1.0	3	9	
Italy	284	-6.3	-7.1	-14	126	
Portugal	150	-1.6	-2.7	1	1	
Spain	119	-0.4	-1.6	2	3	
2-yr sovereign spread vs Germany						
France	15	0.8	1.2	-5	-2	
Italy	126	-17.3	-14.0	-35	89	
Portugal	36	-2.2	-2.2	-12	-13	
Spain	43	-0.3	1.5	-6	16	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	209	0.8	-7	6	49	
Chile	57	-0.4	-1	3	8	
Colombia	140	0.1	-7	12	35	
Argentina	659	0.0	31	53	421	
Mexico	149	1.5	-12	5	42	
Peru	92	1.1	3	8	20	
Poland	68	0.3	1	1	19	
Russia	166	1.0	4	19	48	
Turkey	389	-0.8	-7	3	224	
China	69	-1.7	-5	-3	18	
India	113	0.2	0	-1	44	
Indonesia	140	-2.3	-12	-16	55	
Risk indicators						
Volatility indicators	level	Daily	Weekly	Monthly	YTD	
VIX	17	-1.1	-2	-2	7	
VSTOXX	17	-1.6	-2	-2	4	
EMEFT volatility Index	23	-3.4	-4	-4	6	
Dollar/euro volatility	7	-0.2	0	0	0	
EM FX volatility index	10	0.1	0	0	2	
Credit spread (BAA) (change in bps)	228	-0.7	11	24	51	
US bonds volatility index	52	1.5	1	-6	3	
Inflation expectations	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.34	-	5	3	2	
EZ Inflation expectations (5Y5Y)	1.65	-	4	-1	-9	
Banking 5y CDS	level	Daily	Weekly	Monthly	YTD	
US	66	2.1	-2	8	24	
EZ	124	2.7	4	19	85	
UK	90	1.3	3	22	49	
Large Spanish	85	0.5	-2	8	49	
Medium Spanish	106	-1.3	1	1	31	
Corporate 5y CDS	level	Daily	Weekly	Monthly	YTD	
US Non-financial	184	2.1	-2	8	24	
EZ Non-financial	88	2.7	4	19	85	
UK Non-financial	114	1.3	3	7	21	
Interbank markets (% , changes in bp)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.35	0	1	0	2	
Euribor 3m	-0.32	0	0	0	1	
Euribor 12m	-0.14	0	0	1	4	
Libor 3m	2.74	0	4	18	104	
Libor 12m	3.12	0	0	4	101	
Stock markets (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,783	0.8	4.1	1.5	3	
Dow Jones	25,681	0.6	4.2	1.2	3	
Nikkei	22,575	1.0	3.5	4.1	-1	
FTSE 100	7,077	1.4	0.6	-0.5	-7	
EuroStoxx 50	3,218	1.4	1.4	0.4	-8	
IBEX	9,188	1.2	1.1	2.6	-9	
DAX	11,474	1.9	1.0	0.0	-11	
CAC	5,060	1.1	1.3	-0.5	-4	
MIB	19,605	2.2	1.9	2.2	-10	
ASE Athens	660	4.7	9.3	6.5	-19	
MSCI Latam *	87,930	-0.5	2.6	0.0	3	
Ibovespa (Brazil)	90,510	1.1	5.8	2.4	16	
Mexbol (Mexico)	41,919	0.4	6.3	-7.8	-16	
Merval (Argentina)	32,112	2.0	3.1	2.6	3	
MSCI EM Europe *	5,386	-0.2	2.1	2.4	0	
Poland	2,329	1.7	5.2	8.2	-5	
Micex 10 (Russia)	4,364	2.2	5.2	3.4	6	
Ise 100 (Turkey)	94,974	-0.5	1.1	2.8	-19	
MSCI EM Asia *	813	0.2	2.7	3.7	-12	
Shanghai Com (China)	2,655	2.6	3.1	1.9	-21	
Jakarta (Indonesia)	6,118	0.2	1.9	4.9	-4	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	135.2	1.0	2.3	-1.6	-9	
JPM	112.2	0.9	2.7	2.9	4	
Citi	65.2	0.6	2.3	-1.0	-12	
BoA	28.5	0.5	3.5	2.6	-5	
MS	45.5	2.4	2.7	-0.9	-13	
GS	192.8	1.1	-0.8	-15.0	-25	
EZ banks	79.5	1.7	-0.1	-0.9	-27	
BNP	44.8	0.9	-1.2	-3.2	-28	
Crédit Agricole	11.1	1.1	-0.3	-3.3	-21	
Deutsche Bank	8.3	3.0	-3.0	-7.2	-48	
ING	10.9	1.6	-0.6	-2.0	-29	
Intesa	2.1	2.9	3.3	6.1	-23	
SG	32.9	1.4	-1.0	0.7	-24	
Unicredito	11.7	2.6	1.9	2.2	-26	
UK banks	77.4	1.7	-1.1	-2.0	-16	
HSBC	681.8	2.6	1.2	6.7	-11	
RBS	221.9	1.7	-1.5	-7.8	-20	
Barclays	163.4	0.3	-3.1	-6.9	-20	
Lloyds	56.1	1.4	-2.1	-4.7	-17	
Large Spanish banks	63.5	1.8	0.9	1.1	-25	
Santander	4.3	2.2	1.7	1.0	-22	
BBVA	5.1	1.5	0.2	1.2	-18	
Medium Spanish banks	63.9	0.7	-0.7	1.9	-17	
Caixabank	3.6	0.0	-2.1	3.4	-8	
Sabadell	1.1	0.0	-1.0	-3.8	-33	
Bankinter	7.5	1.8	-0.6	2.3	-6	
Bankia	2.9	0.4	1.2	4.9	-28	
Currencies (% , red for currency depreciation)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.136	0.3	0.2	-0.5	-6	
GBPUSD	1.27	-0.1	-0.7	-2.1	-6	
USDJPY	113.54	0.0	0.0	-0.7	-1	
DXY	96.92	-0.4	-0.2	0.7	5	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	36.77	2.6	5.6	-3.0	-50	
USDBRL (Brazil)	4	1.1	2.8	-3.2	-15	
USDCLP (Chile)	668.79	0.6	1.2	2.9	-9	
USDCOP (Colombia)	3203	1.0	1.3	-0.2	-8	
USDMXN (Mexico)	20.24	0.6	1.9	-0.4	-3	
USDPEN (Peru)	3	0.2	0.1	-0.6	-4	
LACI	54.44	1.0	2.4	-1.1	-14	
USDPLN (Poland)	4	0.7	0.7	0.7	-8	
USDTRY (Russia)	66.66	0.6	0.8	-1.5	-14	
USDTRY (Turkey)	5	-0.8	-0.1	4.8	-28	
USDCNY (China)	6.88	1.1	0.8	0.6	-6	
USDINR (India)	70	-1.2	0.6	4.3	-10	
USDIDR (Indonesia)	14244	0.4	1.6	6.2	-5	
ADXY	105	0.6	0.9	1.0	-5	
Commodities (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	60.9	3.8	0.7	-16	-8	
WTX	52	2.8	1.4	-18	-13	
Copper	282	1.6	2.3	4	-13	
Gold	1234	0.9	1.0	0	-6	
S&P Spot commodity *	407	-0.4	-0.3	-10	-8	
S&P Metals Spot *	506	-0.8	-1.8	-18	-11	
S&P Metals Spot *	333	0.8	0.8	0	-15	
S&P Agricultural *	291	0.8	1.9	1	2	

Source: Bloomberg, Datastream and Haver

* With one day delay