

Market Comment

All eyes on the Fed

- Financial markets were cautious ahead of Fed's decision later today, following yesterday's positive boost from a very dovish commentary by ECB chief Draghi, along with some respite on trade as Trump confirmed his meeting with China's leader Xi at the G-20 summit on June 28.
- The upcoming FOMC meeting remains in the spotlight today, where hints of an insurance cut in coming months is highly priced in by markets.
- ECB's Weidmann, who is in the race to substitute Draghi, struck an unusually dovish tone, accepting the bond purchase program and the Outright Monetary Policy Transaction programme (OMT) as ECB's tools.
- Italy is determined to avoid a confrontation with the European Commission as Prime Minister Conte promised that Italy would respect European Union fiscal rules while proposing changes that enables more public investment and stronger growth (see). Moreover, Italy's finance minister ruled out the introduction of mini-bill of Treasury to pay debt (Mini-BOT).
- In the UK, Brexit options remains polarized. Boris Johnson remains the frontrunner to become Britain's next prime minister, well ahead of Stewart, a soft-Brexit-supporter candidate. Meanwhile, Dominic Raab, a hard-Brexit supporter, has been eliminated from the race. The five candidates left will be cut to the final two by the end of this week (see).
- Government bond yields partially reverted yesterday's decline, as investors cautiously await the Fed's decision, except in Italy, where risk premium ended flat trimming its early narrowing as its government promised to avoid EU debt action.
- As regards currencies, the US dollar depreciated slightly across the G10 board and emerging markets. The EUR reverted yesterday's subdued depreciation. Oil prices remained steady, after yesterday's rebound, as OPEC and its allies agreed to hold the next meeting to discuss oil-output cuts at the beginning of July.

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DEBT MARKETS (10Y, %, CHANGES IN BP)

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1.88	1.8	0.4	-34	-61
US	2.09	2.9	-3.2	-33	-60
GER (2-yr)	-0.74	2.1	-6.6	-10	-13
Germany	-0.29	3.4	-5.0	-20	-53
France	0.05	4.0	-6.4	-26	-66
Spain	0.41	1.5	-16.6	-48	-111
Italy	2.11	-0.2	-32.0	-59	-78
Portugal	0.55	2.2	-10.4	-51	-131
Greece	2.48	-2.9	-26.8	-94	-191
Japan (2-yr)	-0.21	-1.7	-2.2	-6	-7
Japan	-0.14	-1.3	-2.6	-9	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7.97	3.5	-3.0	-101	-126
Chile	3.15	-1.4	1.3	-67	-110
Colombia	6.32	0.4	-1.9	-46	-44
Mexico	7.71	1.9	-1.3	-34	-93
Peru	4.25	-0.3	-5.5	-51	-111
Poland	2.36	2.5	-13.5	-53	-46
Russia	7.52	-10.4	-21.5	-61	-126
Turkey	17.10	19.0	53.0	-108	130
India	6.84	3.4	-17.1	-45	-53
Indonesia	7.55	-12.0	-17.0	-54	-48

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	34	0.6	-1.4	-6	-7
Italy	240	-3.6	-27.0	-39	-25
Portugal	84	-1.2	-5.4	-31	-72
Spain	69	-1.9	-11.6	-28	-53
2-yr sovereign spread vs Germany					
France	9	0.3	1.6	0	-6
Italy	96	-4.0	-17.6	-33	-12
Portugal	36	-0.9	-1.2	8	10
Spain	33	-0.1	2.4	3	-4
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	158	-6.1	-7	-27	-49
Chile	40	-1.6	-3	-7	-23
Colombia	100	-7.1	-5	-9	-59
Argentina	984	-39.8	-78	-299	178
Mexico	117	-6.0	-2	0	-38
Peru	57	-2.1	-4	-10	-38
Poland	65	0.0	-2	-1	-3
Russia	118	-4.6	-5	-11	-36
Turkey	465	-15.3	-2	-24	105
China	48	-3.2	-2	-2	-20
India	83	-0.8	1	2	-31
Indonesia	98	-4.3	-2	-7	-40

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	15	0.3	0	-1	-10
VSTOXX	14	0.4	-1	-4	-10
EMEFT volatility Index	19	0.3	-1	-2	-6
Dollar/euro volatility	5	0.0	0	0	-2
EMFX volatility index	8	0.0	0	-1	-1
Credit spread (BAA) (change in bps)	237	-2.9	-5	14	-8
US bonds volatility index	77	-0.1	8	20	10
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	1.98	-	-9	-18	-16
EZ Inflation expectations (5Y5Y)	1.26	-	6	-7	-35
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	55	-3.9	-2	-1	-27
EZ	68	-6.3	-6	-10	-36
UK	60	-1.8	1	-7	-34
Large Spanish	48	-4.2	-3	-10	-40
Medium Spanish	83	0.5	-1	-1	-30
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	168	-3.9	-2	-1	-27
EZ Non-financial	79	-6.3	-6	-10	-36
UK Non-financial	103	-1.6	-1	-3	-16

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0.37	0	0	0	-1
Euribor 3m	-0.34	-1	-2	-2	-3
Euribor 12m	-0.21	-2	-4	-7	-9
Eonia Swap 3m	-0.39	0	-2	-2	-3
Eonia Swap 12m	-0.47	1	-5	-8	-12
Libor 3m	2.39	-3	-6	-14	-41
Libor 12m	2.26	-2	-8	-37	-75

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2,919	0.0	1.4	2.8	16
Dow Jones	26,514	0.2	2.0	3.2	14
Nikkei	21,334	1.7	1.0	0.2	7
FTSE 100	7,402	-0.5	0.5	1.3	10
EuroStoxx 50	3,455	0.1	2.0	2.5	15
IBEX	9,233	-0.1	-0.1	0.4	8
DAX	12,316	-0.1	1.7	2.3	17
CAC	5,517	0.1	2.6	3.0	17
MIB	21,209	0.4	3.6	3.3	16
ASE Athens	844	-1.1	0.0	17.7	38
MSCI Latam *	93,149	1.5	0.1	6.9	8
Ibovespa (Brazil)	99,221	-0.2	0.9	7.9	13
Mexbol (Mexico)	43,283	0.3	-1.2	-0.5	4
Merval (Argentina)	40,681	0.0	-0.6	21.5	34
MSCI EM Europe *	5,966	1.4	0.4	7.6	13
Poland	2,320	-0.2	1.6	6.6	2
Micex 10 (Russia)	4,792	-0.1	0.0	6.3	14
Ise 100 (Turkey)	94,244	0.0	1.8	8.6	3
MSCI EM Asia *	832	0.9	-1.0	0.6	6
Shanghai Com (China)	2,918	1.0	0.3	1.6	17
Jakarta (Indonesia)	6,339	2.4	0.5	8.8	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks					
JPM	135.7	0.5	2.4	1.0	17
Citi	111.1	0.3	1.6	-0.3	14
BoA	68.1	0.2	1.9	4.8	31
MS	28.8	0.7	3.1	1.5	17
GS	43.7	0.7	2.4	-0.5	10
GS	196.5	0.8	3.3	-0.4	18
EZ banks					
BNP	70.2	2.1	3.4	-3.1	2
BNP	42.3	2.0	2.9	-5.1	7
Crédit Agricole	10.8	2.4	3.8	-2.8	14
Deutsche Bank	6.5	2.5	5.8	-2.3	-7
ING	10.2	1.6	2.0	2.7	9
Intesa	1.9	1.9	4.4	-3.5	-2
SG	22.1	2.5	1.2	-11.9	-21
Unicredit	10.7	1.8	6.2	2.9	8
UK banks					
HSBC	76.4	1.4	2.2	-0.1	5
HSBC	657.7	0.0	1.4	1.2	2
RBS	222.6	3.5	4.1	0.2	3
Barclays	153.7	1.4	2.2	-1.7	2
Lloyds	59.1	1.8	2.0	-0.6	14
Large Spanish banks					
Santander	61.4	1.7	1.8	-1.0	5
Santander	4.1	1.4	2.4	-0.6	2
BBVA	5.0	2.0	1.3	-1.4	8
Medium Spanish banks					
Caixabank	49.4	0.6	-2.3	-9.0	-14
Caixabank	2.5	0.0	-2.1	-8.6	-20
Sabadell	0.9	2.0	1.8	-9.6	-5
Bankinter	6.0	0.1	-4.3	-10.2	-14
Bankia	2.1	0.9	-3.1	-7.7	-17

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1.122	0.2	-0.6	0.5	-2
GBPUSD	1.26	0.6	-0.5	-0.7	-1
USDJPY	108.35	0.1	0.1	1.6	1
DXY	97.40	-0.2	0.4	-0.5	1
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	43.43	0.1	0.6	4.1	-13
USDBRL (Brazil)	3.87	-0.3	-0.1	5.8	0
USDCLP (Chile)	694.04	0.3	0.2	0.3	0
USDCOP (Colombia)	3248	0.2	0.6	3.1	0
USDMXN (Mexico)	19.17	-0.3	0.0	-0.5	2
USDPEN (Peru)	3.33	0.0	-0.1	0.4	1
LACI	54.04	-0.3	0.1	2.5	0
USDPLN (Poland)	3.80	0.0	-0.9	1.2	-2
USDRUB (Russia)	63.85	0.3	1.6	1.1	9
USDTRY (Turkey)	5.84	-0.2	-0.5	3.2	-9
USDCNY (China)	6.90	0.0	0.2	0.1	0
USDINR (India)	69.70	0.0	-0.5	0.1	0
USDIDR (Indonesia)	14270	0.4	-0.2	1.3	1
ADXY	104.62	-0.1	0.1	0.6	-1

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	62.0	-0.2	3.4	-14	15
WTx	59	-0.5	4.8	-15	18
Copper	264	-0.7	1.1	-2	2
Gold	1345	-0.1	0.9	5	5
S&P Spot commodity *	410	1.4	2.7	-7	10
S&P Brents Spot *	522	2.2	3.3	-14	14
S&P Metals Spot *	317	1.6	0.7	-1	-1
S&P Agricultural *	307	-0.8	2.4	12	8

Source: Bloomberg, Datastream and Haver

* With one day delay