

Market Comment

## Investors are cautious ahead of the G20 summit

- Treasury yields slipped, while stock markets were broadly steady as uncertainty regarding U.S. and China trade prevails and geopolitical tensions between U.S. and Iran simmer. Investors will watch closely the meeting between U.S. President Trump and Chinese President Xi on the sidelines of the G20 summit later this week, and they also await for tomorrow's Powell speech about the U.S. economic outlook and its monetary policy.
- On the economic front, the German IFO business climate index fell to its lowest level since November 2014 in June, in line with the consensus, (97.4, consensus 97.4, previous month 97.9), suggesting that companies have grown increasingly pessimistic about the coming months. The business climate index worsened in manufacturing and services driven by less optimistic expectations. Elsewhere, the Dallas Fed manufacturing index declined sharply to -12.1 in June from -5.3, hitting a three-year low, in line with the negative results showed by the U.S. Chicago Fed national activity index and by the Empire manufacturing index.
- Sovereign bond yields declined driven by the negative economic data. The 10Y German bund fell driven by weak business confidence data in Germany, dragging down the UST 10Y yield further. Moreover, the worse-than-expected data from the Dallas Fed manufacturing index also contributed to the decline. Peripheral bonds continued benefiting from search for yield strategies, especially in Greece which risk premium narrowed significantly (-11.1 bps).
- The USD continue depreciating across the board as markets expect that the Fed may lower interest rates more than once in 2019. In emerging markets, the TRY strengthened after the opposition won the Istanbul mayoral election (see). However, the TRY trimmed its early gains after Turkey confirmed that the purchase of the Russian S-400 missile is irreversible (see). Moreover, gold raised supported by the increasing tension between U.S. and Iran.
- U.S. President Donald Trump again criticized the Federal Reserve on Monday for not cutting interest rates, keeping up his pressure on the central bank to change its policies (see). In this context, U.S. equities fluctuated near records buoyed by last week central bank's dovish stance, while European equities slipped slightly with the real estate and the automobile sector leading the decline.

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DEBT MARKETS (10Y, %, CHANGES IN BP)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	1.73	-4.0	-14.0	-42	-76	
<b>US</b>	2.02	-3.3	-7.3	-30	-66	
GER (2-yr)	-0.74	-0.6	-5.4	-11	-13	
<b>Germany</b>	-0.31	-2.2	-6.3	-19	-55	
France	0.02	-2.5	-8.4	-26	-69	
Spain	0.41	-3.0	-11.8	-44	-111	
Italy	2.15	0.5	-14.4	-48	-74	
Portugal	0.53	-5.5	-11.3	-49	-134	
Greece	2.43	-11.1	-29.0	-100	-197	
Japan (2-yr)	-0.23	0.1	-3.7	-8	-9	
<b>Japan</b>	-0.15	0.2	-3.1	-10	-16	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	7.69	1.8	-26.4	-112	-155	
Chile	3.09	1.4	-6.7	-63	-116	
Colombia	6.22	0.0	-14.2	-61	-53	
Mexico	7.68	0.2	-5.2	-34	-96	
Peru	4.17	-1.3	-6.4	-54	-119	
Poland	2.35	-3.0	-6.9	-47	-47	
Russia	7.49	-4.2	-20.6	-56	-130	
Turkey	15.59	-22.0	-205.0	-320	-21	
India	6.85	-0.5	-7.8	-38	-52	
Indonesia	7.48	2.4	-20.3	-51	-55	
COUNTRY RISK (BP, CHANGES IN BP)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	33	-0.3	-2.1	-7	-8	
Italy	246	2.7	-8.1	-30	-19	
Portugal	83	-3.3	-5.0	-30	-73	
Spain	72	-0.8	-5.5	-26	-50	
2-yr sovereign spread vs Germany						
France	8	-0.6	0.5	1	-7	
Italy	103	3.3	-2.3	-18	-5	
Portugal	34	-2.9	-2.2	9	8	
Spain	33	0.7	2.6	3	-4	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	149	1.6	-16	-28	-58	
Chile	38	1.5	-3	-9	-25	
Colombia	92	1.8	-17	-17	-66	
Argentina	941	10.2	-67	-222	135	
Mexico	111	2.1	-14	-6	-44	
Peru	54	1.0	-6	-13	-40	
Poland	65	0.0	0	-2	-3	
Russia	112	4.3	-11	-16	-42	
Turkey	441	7.0	-39	-59	81	
China	44	2.4	-8	-7	-24	
India	82	0.0	-1	2	-32	
Indonesia	92	2.9	-11	-14	-45	
RISK INDICATORS						
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD	
VIX	15	0.0	0	-2	-10	
VSTOXX	14	0.6	0	-4	-10	
EMEFT volatility Index	18	0.5	-1	-3	-6	
Dollar/euro volatility	6	0.4	0	0	-2	
EMFX volatility index	8	-0.1	0	0	-2	
Credit spread (BAA) (change in bps)	240	3.3	-1	13	-6	
US bonds volatility index	75	2.3	-2	14	8	
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.08	-	16	-6	-6	
EZ Inflation expectations (5Y5Y)	1.27	-	13	-5	-34	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	49	-0.1	-9	-9	-33	
EZ	65	0.0	-11	-19	-40	
UK	56	-0.2	-6	-16	-38	
Large Spanish	46	0.2	-6	-13	-41	
Medium Spanish	94	10.7	15	10	-19	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	159	-0.1	-9	-9	-33	
EZ Non-financial	74	0.0	-11	-19	-40	
UK Non-financial	100	-0.1	-5	-6	-19	
INTERBANK MARKETS (% CHANGES IN BP)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	-1	
Euribor 3m	-0.34	0	-2	-3	-3	
<b>Euribor 12m</b>	-0.21	0	-3	-6	-9	
Eonia Swap 3m	-0.40	0	-3	-3	-4	
<b>Eonia Swap 12m</b>	-0.48	-1	-5	-9	-13	
Libor 3m	2.35	1	-5	-18	-45	
Libor 12m	2.20	4	-4	-46	-81	
STOCK MARKETS (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
<b>S&amp;P500</b>	2,954	0.1	2.2	4.7	18	
Dow Jones	26,760	0.2	2.5	5.0	15	
Nikkei	21,286	0.1	0.8	0.6	6	
FTSE 100	7,417	0.1	0.8	2.6	10	
<b>EuroStoxx 50</b>	3,456	-0.3	2.1	3.9	15	
IBEX	9,193	-0.4	0.7	0.9	8	
DAX	12,275	-0.5	1.6	2.7	16	
CAC	5,522	-0.1	2.4	4.6	17	
MIB	21,284	-0.5	3.2	5.7	16	
ASE Athens	849	1.3	0.2	17.1	38	
<b>MSCI Latam *</b>	95,083	1.1	3.1	6.4	10	
Ibovespa (Brazil)	102,246	0.2	4.7	8.9	16	
Mexbol (Mexico)	43,671	0.3	1.6	2.0	5	
Merval (Argentina)	39,652	-1.6	-2.1	15.3	31	
<b>MSCI EM Europe *</b>	5,943	-0.8	0.8	5.0	12	
Poland	2,331	1.0	2.4	7.3	2	
Micex 10 (Russia)	4,788	0.0	0.7	4.2	14	
Ise 100 (Turkey)	95,182	1.2	3.2	12.5	4	
<b>MSCI EM Asia *</b>	852	-0.2	3.0	3.4	9	
Shanghai Com (China)	3,008	0.2	4.2	5.5	21	
Jakarta (Indonesia)	6,288	-0.7	0.6	5.9	2	
Banking sector	level	Daily	Weekly	Monthly	YTD	
<b>US banks</b>	134.3	0.1	1.5	2.4	16	
JPM	109.2	-0.2	0.0	0.5	12	
Citi	67.9	-0.2	2.0	6.2	30	
BoA	28.1	0.0	0.6	1.3	14	
MS	43.6	0.0	2.5	2.0	10	
GS	198.1	1.1	3.8	3.2	19	
<b>EZ banks</b>	67.9	-0.8	0.9	-3.6	-1	
BNP	40.8	-0.7	0.0	-6.6	3	
Crédit Agricole	10.3	-0.3	-0.3	-3.2	10	
Deutsche Bank	6.3	-1.4	2.7	-2.9	-10	
ING	9.8	-0.7	-0.8	1.0	4	
Intesa	1.9	0.0	2.4	-1.5	-3	
SG	21.6	-2.2	2.1	-12.3	-22	
Unicredito	10.5	-1.7	3.4	3.2	6	
<b>UK banks</b>	74.2	-0.8	-0.9	-1.4	2	
HSBC	645.8	-0.6	-0.8	-2.0	0	
RBS	215.2	-0.2	0.5	-1.1	-1	
Barclays	148.5	-0.2	-1.5	-0.7	-1	
Lloyds	57.0	-1.9	-1.6	-1.5	10	
<b>Large Spanish banks</b>	60.2	-0.2	0.8	-0.9	3	
Santander	4.0	-0.4	0.6	-0.6	0	
<b>BBVA</b>	4.9	0.0	1.0	-1.1	6	
<b>Medium Spanish banks</b>	47.7	-0.7	-4.1	-10.2	-17	
Caixabank	2.4	-0.8	-4.7	-11.6	-23	
Sabadell	0.9	-0.6	-3.0	-12.0	-10	
Bankinter	5.9	-0.2	-3.5	-9.4	-15	
Bankia	2.0	-1.8	-6.4	-10.0	-22	
CURRENCIES (% RED FOR CURRENCY DEPRECIATION)						
Developed	level	Daily	Weekly	Monthly	YTD	
<b>EURUSD</b>	1.139	0.2	1.5	1.9	-1	
GBPUSD	1.27	-0.1	1.5	0.5	0	
USDJPY	107.41	-0.1	1.1	2.0	2	
DXY	96.06	-0.2	-1.5	-1.8	0	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	42.56	0.6	3.4	5.9	-11	
USDBRL (Brazil)	3.82	0.0	1.7	5.7	2	
USDCLP (Chile)	681.83	0.3	2.7	2.2	2	
USDCOP (Colombia)	3202	0.0	2.6	5.3	2	
USDMXN (Mexico)	19.18	-0.3	-0.1	-0.7	2	
USDPEN (Peru)	3.30	0.1	1.5	1.6	2	
LACI	54.56	-0.1	1.5	2.7	0	
USDPLN (Poland)	3.73	0.3	1.7	3.1	0	
USDRUB (Russia)	62.66	0.6	2.6	3.5	11	
USDTRY (Turkey)	5.81	0.1	1.1	4.9	-9	
USDCNY (China)	6.88	-0.1	0.7	0.5	0	
USDINR (India)	69.35	0.3	0.8	1.0	1	
USDIDR (Indonesia)	14147	0.1	1.3	2.4	2	
ADXY	105.38	0.0	1.3	1.2	0	
COMMODITIES (%)						
	level	Daily	Weekly	Monthly	YTD	
<b>Brent</b>	64.4	-1.2	5.7	-5	20	
WTx	57	-0.5	10.0	-1	26	
Copper	270	-0.1	1.9	1	3	
Gold	1414	1.0	5.6	10	10	
S&P Spot commodity *	421	0.2	4.1	0	13	
S&P Brent Spot *	549	1.1	7.4	-3	20	
S&P Metals Spot *	316	-0.6	1.3	0	-1	
S&P Agricultural *	303	-1.1	-2.2	11	7	

Source: Bloomberg, Datastream and Haver

\* With one day delay