

Market Comment

Expectations of a trade deal between the U.S. and China remain

- **U.S. Treasury Secretary Mnuchin reiterated a deal between the U.S. and China was 90% complete** ahead of the Trump-Xi meeting at the G20 summit on Saturday 29th, increasing hopes for an eventual agreement (see). Meanwhile, **Fed Chairman warned yesterday the downside risk of the US economy but failed to reinforce the dovish guidance delivered in the last FOMC**. As a result, expectations for a 50bps Fed funds rate cut in July's FOMC waned. Powell also reminded the market that monetary policy should not overreact to any individual data point or short-term swings in sentiment.
- On the economic front, consumer confidence in Germany from GfK is expected to decline below the consensus in July (9.8 points, consensus 10 points, previous month 10.1 points). In U.S. durable goods orders continued falling more than expected in May (-1.3%, consensus -0.3%, previous month -2.1%) while the U.S. merchandise-trade deficit widened in May to a five-month high, when the gape increased to \$74.5 billion from \$70.9 billion in the prior month.
- **Safe-haven bond yields oscillated, increasing slightly driven by Fed officials' comments and hopes of a deal between Trump and Xi**. Elsewhere, peripheral risk premia narrowed led by search for yield strategies in bond markets as investors' risk appetite increased with Mnuchin statements.
- Across FX markets, the USD strengthened against the JPY and the CHF supported by lower expectations for a 50bps Fed fund rate cut in July. In emerging markets, MXN and TRY appreciated slightly, while ARS weakened. **Furthermore, gold prices reverted trimming yesterday's six-year high gains, while crude oil prices extended sharply its gains after data showed a drop in U.S. crude stockpiles.**
- Equity markets fluctuated in a narrow range, with banking sector standing out led by less dovish stance of Fed officials.

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,75	1,9	1,6	-41	-74
US	2,03	4,8	1,0	-29	-65
GER (2-yr)	-0,73	1,0	0,7	-8	-12
Germany	-0,30	2,8	-1,5	-16	-55
France	0,02	2,4	-2,8	-24	-69
Spain	0,39	1,3	-1,0	-42	-113
Italy	2,14	-1,9	3,2	-54	-75
Portugal	0,48	-0,5	-7,4	-49	-139
Greece	2,45	-2,4	-3,1	-71	-195
Japan (2-yr)	-0,21	1,6	0,1	-6	-7
Japan	-0,14	1,9	0,1	-7	-14
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,59	-11,7	-24,2	-121	-165
Chile	3,12	2,4	-4,0	-59	-113
Colombia	6,18	-0,3	-13,2	-58	-57
Mexico	7,72	2,6	8,0	-28	-93
Peru	4,17	3,1	-7,5	-52	-119
Poland	2,35	3,8	-1,2	-46	-47
Russia	7,51	0,6	-1,0	-52	-127
Turkey	15,77	-1,0	-133,0	-301	-3
India	6,93	5,4	9,3	-23	-44
Indonesia	7,43	0,9	-11,7	-49	-59

COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
10-yr sovereign spread vs Germany					
France	32	-0,4	-1,3	-8	-8
Italy	244	-4,7	4,7	-38	-20
Portugal	78	-3,3	-5,9	-33	-78
Spain	70	-1,5	0,5	-26	-52
2-yr sovereign spread vs Germany					
France	8	0,6	-1,0	1	-8
Italy	100	-3,3	5,3	-26	-8
Portugal	31	-0,1	-4,6	6	5
Spain	30	-1,5	-1,6	-1	-6
Emerging Markets	level	Daily	Weekly	Monthly	YTD
5-yr sovereign CDS *					
Brazil	153	2,8	-5	-26	-54
Chile	40	0,6	0	-9	-23
Colombia	96	1,6	-4	-17	-62
Argentina	1024	41,0	40	-109	218
Mexico	116	2,2	-1	-5	-39
Peru	56	0,0	-1	-14	-39
Poland	64	-0,8	-1	-3	-4
Russia	116	3,1	-2	-11	-38
Turkey	416	-12,3	-49	-99	56
China	48	4,1	0	-5	-20
India	79	0,1	-4	-4	-35
Indonesia	94	2,6	-4	-13	-43

RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	16	-0,2	2	0	-9
VSTOXX	14	0,1	0	-2	-10
EMEFT volatility Index	19	-0,4	1	-2	-6
Dollar/euro volatility	5	-0,3	1	1	-2
EMFX volatility index	8	0,0	0	0	-2
Credit spread (BAA) (change in bps)	231	-4,8	-11	0	-15
US bonds volatility index	74	0,5	3	14	8
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,07	-	4	-13	-7
EZ Inflation expectations (5Y5Y)	1,22	-	-4	-10	-39
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	53	2,2	-2	-6	-30
EZ	65	1,0	-3	-19	-39
UK	56	-0,2	-4	-20	-39
Large Spanish	45	0,1	-2	-15	-42
Medium Spanish	94	-1,1	11	10	-19
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	163	2,2	-2	-6	-30
EZ Non-financial	74	1,0	-3	-19	-39
UK Non-financial	101	0,9	-2	-7	-18

INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	1	0	-1
Euribor 3m	-0,34	0	-1	-3	-3
Euribor 12m	-0,21	0	0	-6	-9
Eonia Swap 3m	-0,40	0	-1	-3	-4
Eonia Swap 12m	-0,48	0	-1	-9	-13
Libor 3m	2,31	-2	-8	-21	-49
Libor 12m	2,15	-3	-12	-47	-87

STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
S&P500	2.924	0,2	-0,1	3,5	17
Dow Jones	26.634	0,3	0,5	4,1	14
Nikkei	21.087	-0,5	-1,2	-0,5	5
FTSE 100	7.416	-0,1	0,2	1,9	10
EuroStoxx 50	3.443	0,0	-0,3	2,3	15
IBEX	9.157	0,0	-0,8	-0,6	7
DAX	12.245	0,1	-0,5	1,4	16
CAC	5.501	-0,3	-0,3	3,1	16
MIB	21.057	-0,3	-0,8	3,4	15
ASE Athens	852	0,7	1,0	9,7	39
MSCI Latam *	94.149	-1,2	1,1	6,2	9
Ibovespa (Brazil)	100.913	0,8	0,6	6,4	15
Mexbol (Mexico)	43.872	0,2	1,1	3,2	5
Merval (Argentina)	40.443	0,4	1,5	14,1	34
MSCI EM Europe *	5.945	-0,6	-0,4	5,8	12
Poland	2.317	0,6	-0,1	5,8	2
Micex 10 (Russia)	4.810	1,1	0,1	4,1	15
Ise 100 (Turkey)	94.831	-0,6	0,6	10,9	4
MSCI EM Asia *	846	-0,7	1,6	3,8	8
Shanghai Com (China)	2.976	-0,2	2,0	2,9	19
Jakarta (Indonesia)	6.310	0,4	0,8	4,2	2
Banking sector	level	Daily	Weekly	Monthly	YTD
US banks	133,5	0,9	-0,5	0,8	15
JPM	109,0	1,2	-0,8	-0,6	12
Citi	67,3	1,1	-0,4	4,5	29
BoA	28,0	0,9	-1,1	-0,6	14
MS	43,0	0,9	-0,2	0,2	9
GS	197,0	0,5	0,7	2,1	18
EZ banks	68,6	1,8	-2,1	-1,4	0
BNP	41,2	1,7	-2,5	-6,9	4
Crédit Agricole	10,4	1,5	-3,5	0,2	10
Deutsche Bank	6,5	3,8	0,2	0,8	-7
ING	10,0	2,8	-2,3	2,3	6
Intesa	1,9	0,5	-1,5	-1,6	-3
SG	21,8	1,6	-1,3	-5,6	-22
Unicredito	10,5	2,6	-1,2	4,0	6
UK banks	74,6	0,7	-2,3	-1,1	2
HSBC	649,7	0,3	-1,2	-1,5	0
RBS	218,1	0,9	-2,0	0,6	1
Barclays	149,3	1,6	-2,6	0,0	-1
Lloyds	56,9	0,4	-3,9	-2,8	10
Large Spanish banks	60,6	0,8	-1,3	-1,3	4
Santander	4,1	1,3	-0,2	0,4	2
BBVA	4,9	0,3	-2,3	-2,8	6
Medium Spanish banks	47,8	0,8	-3,2	-10,6	-17
Caixabank	2,5	0,9	-2,8	-11,6	-22
Sabadell	0,9	0,8	-5,3	-11,6	-10
Bankinter	5,9	0,4	-2,5	-10,6	-16
Bankia	2,0	1,6	-3,6	-9,7	-20

CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
EURUSD	1,139	0,2	1,4	1,7	-1
GBPUSD	1,27	0,1	0,5	0,1	0
USDJPY	107,65	-0,4	0,4	1,7	2
DXY	96,10	0,0	-1,1	-1,6	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,70	-0,7	1,5	5,0	-12
USDBRL (Brazil)	3,84	0,1	-0,1	5,1	1
USDCPL (Chile)	680,09	0,1	1,8	2,7	2
USDCOP (Colombia)	3191	0,0	1,6	5,1	2
USDMXN (Mexico)	19,15	0,4	-0,7	-0,4	3
USDPEN (Peru)	3,30	0,2	1,0	1,6	2
LACI	54,52	0,2	0,2	2,8	0
USDPLN (Poland)	3,74	0,1	1,5	2,4	0
USDRUB (Russia)	62,96	-0,1	1,2	2,2	10
USDTRY (Turkey)	5,77	0,4	0,3	5,0	-8
USDCNY (China)	6,88	0,0	0,3	0,3	0
USDINR (India)	69,16	0,3	0,8	0,5	1
USDIDR (Indonesia)	14178	-0,4	0,6	1,4	1
ADXY	105,29	0,0	0,5	1,1	0

COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
Brent	66,4	2,1	7,4	-5	23
WTx	59	2,6	10,4	1	31
Copper	271	-1,1	0,8	0	3
Gold	1414	-0,6	4,0	10	10
S&P Spot commodity *	425	0,4	4,0	-1	13
S&P Brent Spot *	547	0,2	5,3	-5	19
S&P Metals Spot *	323	1,4	2,1	1	1
S&P Agricultural *	307	0,1	1,1	10	8

Source: Bloomberg, Datastream and Haver

* With one day delay