

Market Comment

Cautious trade amid conflicting U.S.-China trade headlines

- Conflicting U.S.-China trade headlines have moved the markets. Chinese media reported early this morning that the U.S. and China were close to a truce to avoid U.S. \$300bn tariffs on Chinese goods. Later on, according to the U.S. media, **China requested the U.S. to remove its ban on the sale of U.S. technology to Huawei as a condition to continue trade talks**, while Trump yesterday warned to impose additional tariffs on Chinese products, if both failed to reach a trade deal.
- On the data front, **the economic sentiment index in the Eurozone fell below expectations in June** (103.3, consensus 104.8, previous month 105.2), hitting its lowest level in nearly three years in line with the concerns for the global economy. The sentiment deterioration was driven by lower confidence in industry and, to a lesser extent, in services and among consumers. Elsewhere, the initial claims for state unemployment benefits in the U.S. rose more than expected for the week ended June 15 (227k, consensus 220k, previous month 217k). In Turkey, economic confidence index increased (83,4%, previous month 77,5%).
- In bond markets, safe-haven bond yields inched down, trimming its early increase after China insisted on lifting the U.S. ban imposed on Huawei. Moreover, peripheral risk premia widened as investors are trading cautiously.
- The DXY remained flat, while appreciating slightly against Latam currencies. Furthermore, gold prices declined for second day in a row after reaching a six-year high.
- European equity markets fluctuated steadily, reverting partially the fall driven by the conditions settled by China to continue trade talks. In the U.S., stocks were mixed with the financial sector and tech companies leading the gain, while the aerospace industry weighted on the Dow Jones index. Turkey's equity index increased after published economic confidence data.

UPDATE 17:45 CET 27 JUNE 2019						
DEBT MARKETS (10Y, %, CHANGES IN BP)						
Developed Markets	level	Daily	Week	Month	YTD	
US (2-yr)	1.75	-2.0	-2.9	-38	-74	
US	2.02	-2.3	-0.4	-24	-66	
GER (2-yr)	-0.73	-0.4	2.1	-9	-12	
Germany	-0.32	-1.7	-0.2	-16	-56	
France	0.00	-2.0	-1.4	-25	-71	
Spain	0.40	0.3	0.4	-39	-113	
Italy	2.13	-1.2	-1.6	-55	-76	
Portugal	0.48	0.4	-5.6	-44	-138	
Greece	2.47	1.4	-10.1	-72	-193	
Japan (2-yr)	-0.21	0.6	2.5	-5	-7	
Japan	-0.14	-0.5	2.4	-7	-14	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
Brazil	7.62	1.6	-20.9	-103	-162	
Chile	3.16	-2.3	8.7	-42	-109	
Colombia	6.21	1.7	5.5	-52	-54	
Mexico	7.68	-0.9	10.3	-25	-96	
Peru	4.18	-2.5	-2.1	-45	-118	
Poland	2.38	2.7	1.5	-40	-45	
Russia	7.50	-0.4	5.9	-53	-128	
Turkey	15.98	21.0	21.0	-280	18	
India	6.90	-3.5	10.5	-25	-47	
Indonesia	7.41	-2.5	-0.4	-57	-62	
COUNTRY RISK (BP, CHANGES IN BP)						
Developed Markets	level	Daily	Weekly	Monthly	YTD	
10-yr sovereign spread vs Germany						
France	32	-0.3	-1.2	-9	-9	
Italy	245	0.5	-1.4	-40	-20	
Portugal	80	2.1	-5.4	-28	-76	
Spain	72	2.0	0.6	-23	-50	
2-yr sovereign spread vs Germany						
France	7	-0.8	-1.9	1	-8	
Italy	97	-3.3	-0.4	-33	-12	
Portugal	31	-0.1	-5.1	7	5	
Spain	31	0.8	-3.0	2	-6	
Emerging Markets	level	Daily	Weekly	Monthly	YTD	
5-yr sovereign CDS *						
Brazil	151	-2.4	-4	-28	-57	
Chile	40	-0.9	1	-10	-24	
Colombia	95	-1.4	0	-18	-64	
Argentina	1020	-4.5	64	-113	213	
Mexico	113	-2.4	-1	-7	-41	
Peru	55	-1.2	-1	-15	-40	
Poland	64	0.0	-1	-2	-4	
Russia	117	1.2	3	-10	-37	
Turkey	411	-4.7	-43	-99	51	
China	45	-2.7	1	-8	-22	
India	79	0.0	-3	-4	-35	
Indonesia	92	-2.3	-2	-16	-46	
RISK INDICATORS						
Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD	
VIX	16	0.2	2	-1	-9	
VSTOXX	14	0.1	1	-2	-10	
EMEFT volatility Index	19	0.4	1	-2	-6	
Dollar/euro volatility	5	0.0	0	1	-2	
EMFX volatility index	8	0.1	0	0	-2	
Credit spread (BAA) (change in bps)	235	2.4	-1	3	-11	
US bonds volatility index	74	-0.5	1	12	7	
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD	
US Inflation expectations (5Y5Y)	2.05	-	-3	-7	-9	
EZ Inflation expectations (5Y5Y)	1.21	-	-9	-10	-39	
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US	52	-0.4	0	-7	-30	
EZ	65	-0.2	-1	-20	-39	
UK	57	1.1	-1	-19	-38	
Large Spanish	45	-0.3	-1	-15	-43	
Medium Spanish	93	-1.1	8	8	-20	
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD	
US Non-financial	163	-0.4	0	-7	-30	
EZ Non-financial	75	-0.2	-1	-20	-39	
UK Non-financial	100	-0.1	-1	-7	-18	
INTERBANK MARKETS (% CHANGES IN BP)						
	level	Daily	Weekly	Monthly	YTD	
EONIA Index	-0.37	0	0	0	-1	
Euribor 3m	-0.34	0	-1	-3	-4	
Euribor 12m	-0.21	0	0	-6	-10	
Eonia Swap 3m	-0.40	0	0	-3	-4	
Eonia Swap 12m	-0.48	0	0	-9	-13	
Libor 3m	2.33	2	-6	-20	-47	
Libor 12m	2.18	4	-11	-44	-83	
STOCK MARKETS (%)						
Main indices	level	Daily	Weekly	Monthly	YTD	
S&P500	2,919	0.2	-1.2	4.2	16	
Dow Jones	26,515	-0.1	-0.9	4.6	14	
Nikkei	21,338	1.2	-0.6	0.4	7	
FTSE 100	7,402	-0.2	-0.3	1.8	10	
EuroStoxx 50	3,442	0.0	-0.7	2.8	15	
IBEX	9,144	-0.1	-0.7	-0.5	7	
DAX	12,271	0.2	-0.7	2.0	16	
CAC	5,494	-0.1	-0.8	3.4	16	
MIB	21,113	0.3	-1.2	4.2	15	
ASE Athens	859	0.8	2.7	8.1	40	
MSCI Latam *	94,388	0.3	0.7	5.8	9	
Ibovespa (Brazil)	99,709	-1.0	-0.6	3.4	13	
Mexbol (Mexico)	43,548	-0.6	-0.2	3.2	5	
Merval (Argentina)	40,514	1.5	1.6	16.9	34	
MSCI EM Europe *	5,980	0.6	0.4	6.0	13	
Poland	2,335	0.8	0.7	6.5	3	
Micex 10 (Russia)	4,786	-0.5	-0.8	4.5	14	
Ise 100 (Turkey)	95,573	0.8	1.5	10.1	5	
MSCI EM Asia *	848	0.2	0.3	4.1	8	
Shanghai Com (China)	2,997	0.7	0.3	3.0	20	
Jakarta (Indonesia)	6,353	0.5	0.2	4.2	3	
Banking sector	level	Daily	Weekly	Monthly	YTD	
US banks	133.9	0.5	-0.5	2.4	16	
JPM	108.9	0.4	-1.2	0.3	12	
Citi	67.8	0.8	-0.5	6.3	30	
BoA	28.2	0.9	-0.4	0.9	14	
MS	43.2	0.5	-0.6	2.5	9	
GS	197.0	0.0	0.7	4.0	18	
EZ banks	69.4	1.1	1.0	0.3	1	
BNP	41.4	0.7	0.1	-6.4	5	
Crédit Agricole	10.5	1.2	0.5	1.7	11	
Deutsche Bank	6.6	1.0	3.9	4.1	-6	
ING	10.2	1.9	2.4	3.7	8	
Intesa	1.9	0.0	-0.6	-0.4	-3	
SG	22.0	1.0	1.2	-2.7	-21	
Unicredito	10.8	2.1	1.4	7.7	9	
UK banks	74.9	0.4	-0.6	-0.5	3	
HSBC	654.8	0.8	0.1	-0.6	1	
RBS	218.3	0.1	0.3	0.8	1	
Barclays	150.0	0.5	-0.3	-0.4	0	
Lloyds	56.9	-0.1	-2.6	-1.3	10	
Large Spanish banks	60.5	-0.1	-0.1	-1.3	4	
Santander	4.0	-0.4	0.5	0.5	2	
BBVA	4.9	0.2	-0.7	-2.9	6	
Medium Spanish banks	48.2	0.9	0.5	-10.3	-16	
Caixabank	2.5	1.2	0.5	-11.9	-21	
Sabadell	0.9	0.0	-0.8	-11.2	-10	
Bankinter	6.0	1.7	1.5	-9.6	-15	
Bankia	2.1	0.3	0.1	-10.3	-20	
CURRENCIES (% RED FOR CURRENCY DEPRECIATION)						
Developed	level	Daily	Weekly	Monthly	YTD	
EURUSD	1.137	0.0	0.7	1.9	-1	
GBPUSD	1.27	-0.1	-0.2	0.2	-1	
USDJPY	107.73	0.1	-0.4	1.5	2	
DXY	96.20	0.0	-0.4	-1.8	0	
Emerging	level	Daily	Weekly	Monthly	YTD	
USDARS (Argentina)	42.98	-0.7	0.9	4.0	-12	
USDBRL (Brazil)	3.86	-0.5	-0.6	4.2	0	
USDCPL (Chile)	680.41	-0.1	0.5	3.9	2	
USDCOP (Colombia)	3199	-0.4	-0.1	5.3	2	
USDMXN (Mexico)	19.16	-0.2	-0.8	0.2	3	
USDPEN (Peru)	3.29	0.0	0.5	1.8	2	
LACI	54.37	-0.2	-0.3	2.6	0	
USDPLN (Poland)	3.74	0.2	0.7	2.9	0	
USDRUB (Russia)	63.06	-0.1	-0.3	2.6	10	
USDTRY (Turkey)	5.77	0.0	-0.2	4.5	-8	
USDCNY (China)	6.88	0.0	-0.4	0.5	0	
USDINR (India)	69.07	0.1	0.5	0.9	1	
USDIDR (Indonesia)	14140	0.3	0.3	1.7	2	
ADXY	105.25	0.0	-0.1	1.1	0	
COMMODITIES (%)						
	level	Daily	Weekly	Monthly	YTD	
Brent	66.2	-0.4	2.8	-6	23	
WTx	59	-0.2	4.6	0	30	
Copper	271	-0.2	-0.3	0	3	
Gold	1406	-0.2	1.3	10	10	
S&P Spot commodity *	431	1.5	2.5	0	15	
S&P Brent Spot *	559	2.2	3.0	-4	22	
S&P Metals Spot *	322	-0.4	1.2	1	1	
S&P Agricultural *	306	-0.3	-0.2	6	8	

Source: Bloomberg, Datastream and Haver

* With one day delay