

Market Comment

## All eyes on the G20 summit

- Financial markets traded in a tight range this week, fluctuating in line with news flows about the potential outcome of the G-20**, where a trade truce emerged as the more probable scenario. In this context, 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. The increase in Iran-US geopolitical tensions boosted oil prices but it was not a major market mover this week. Meanwhile, Fed officials' downplaying a deeper interest rate cut in July's meeting prevented the US 10Y yield to consolidate levels below 2%, despite a weaker economic backdrop.
- On the data front, Chicago PMI fell below expectations (49.7, consensus 53.5, previous month, 54.2) in line with the weak U.S. data of this week. In Europe, EZ core inflation increased slightly more than expected (1.2% YoY, consensus 1% YoY, previous month 0.8% YoY) due to accelerating inflation in services, while the EC economic sentiment index in the Eurozone fell in June driven by the deterioration of manufacturing sentiment**
- Safe-haven bond demand moderated over the week.** The US 10Y yield fluctuated around 2% level, while the **German 10Y yield remained close to -0.3%**. Risk premia was around 70 bps in Spain and narrowed in Portugal and Italy, the latter led by news that the Excessive Deficit Procedure could be pushed back to autumn.
- Safe-haven currencies depreciated, namely the USD (-0.1%) and (JPY -0.3%), while the Euro appreciated and so did most EM FX.**
- Oil prices increased due to geopolitical concerns (Brent at \$66,6 per barrel)**, although the upside was capped by Saudi Arabia's pledge to offset any supply disruption ahead of the OPEC+ meeting at the beginning of July.
- Equity markets inched down this week, although the banking sector performed positively after big banks successfully passed the Fed's stress test and announced the increase in payout.**

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

Developed Markets	level	Daily	Week	Month	YTD
US (2-yr)	1,74	0,0	-2,3	-36	-74
<b>US</b>	2,01	-0,4	-4,4	-25	-67
GER (2-yr)	-0,75	-1,0	-0,9	-10	-14
<b>Germany</b>	-0,32	-0,4	-3,9	-15	-57
France	0,00	-0,5	-5,2	-23	-71
Spain	0,40	0,0	-4,2	-34	-113
Italy	2,09	-4,9	-6,3	-56	-80
Portugal	0,48	-0,4	-10,2	-37	-138
Greece	2,45	-1,7	-9,1	-69	-195
Japan (2-yr)	-0,22	-1,0	1,3	-5	-8
<b>Japan</b>	-0,16	-1,7	-0,2	-7	-16
Emerging Markets	level	Daily	Weekly	Monthly	YTD
Brazil	7,51	-6,5	-15,6	-101	-172
Chile	3,12	-0,1	4,6	-36	-113
Colombia	6,18	-0,7	-4,6	-52	-57
Mexico	7,55	-5,3	-12,8	-37	-109
Peru	4,20	1,4	1,7	-42	-116
Poland	2,41	3,1	2,6	-32	-42
Russia	7,50	-0,5	-3,0	-57	-128
Turkey	16,08	10,0	27,0	-270	28
India	6,88	-1,6	2,1	-25	-49
Indonesia	7,37	-3,8	-8,4	-68	-66

### COUNTRY RISK (BP, CHANGES IN BP)

Developed Markets	level	Daily	Weekly	Monthly	YTD
<b>10-yr sovereign spread vs Germany</b>					
France	32	-0,1	-1,3	-9	-9
Italy	241	-4,5	-2,4	-41	-24
Portugal	80	0,0	-6,3	-23	-76
Spain	72	0,4	-0,3	-19	-50
<b>2-yr sovereign spread vs Germany</b>					
France	7	-0,3	-1,9	1	-8
Italy	96	-1,2	-4,0	-31	-13
Portugal	32	0,3	-5,2	7	6
Spain	32	0,7	-0,2	3	-5
Emerging Markets	level	Daily	Weekly	Monthly	YTD
<b>5-yr sovereign CDS *</b>					
Brazil	149	-1,5	2	-30	-58
Chile	39	-0,8	2	-11	-24
Colombia	92	-2,3	2	-21	-66
Argentina	984	-35,7	53	-166	178
Mexico	111	-2,5	2	-11	-44
Peru	53	-1,1	0	-16	-41
Poland	64	0,0	-1	-2	-4
Russia	115	-2,4	7	-12	-39
Turkey	399	-12,0	-35	-118	39
China	44	-1,0	3	-9	-23
India	78	-0,4	-4	-4	-35
Indonesia	90	-1,8	1	-19	-47

### RISK INDICATORS

Volatility indicators (change in pp)	level	Daily	Weekly	Monthly	YTD
VIX	16	0,1	1	-2	-9
VSTOXX	14	0,0	1	-4	-10
EM EFT volatility Index	19	0,0	1	-2	-6
Dollar/euro volatility	6	0,2	0	1	-2
EMFX volatility index	8	-0,1	0	0	-2
Credit spread (BAA) (change in bps)	236	0,4	-1	4	-10
US bonds volatility index	70	-3,8	-5	7	3
Inflation expectations (% change in pp)	level	Daily	Weekly	Monthly	YTD
US Inflation expectations (5Y5Y)	2,04	-	-3	-8	-10
EZ Inflation expectations (5Y5Y)	1,22	-	-8	-7	-38
Banking 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US	51	-1,2	1	-12	-31
EZ	63	-2,4	-2	-23	-42
UK	55	-1,8	-2	-22	-39
Large Spanish	44	-1,1	-2	-16	-44
Medium Spanish	94	1,3	11	6	-18
Corporate 5y CDS (bps) *	level	Daily	Weekly	Monthly	YTD
US Non-financial	165	-1,2	1	-12	-31
EZ Non-financial	74	-2,4	-2	-23	-42
UK Non-financial	100	-0,2	0	-8	-19

### INTERBANK MARKETS (% CHANGES IN BP)

	level	Daily	Weekly	Monthly	YTD
EONIA Index	-0,37	0	0	1	-1
Euribor 3m	-0,35	0	0	-3	-4
<b>Euribor 12m</b>	-0,21	0	0	-6	-10
Eonia Swap 3m	-0,40	0	0	-3	-4
<b>Eonia Swap 12m</b>	-0,49	-1	-2	-10	-14
Libor 3m	2,33	0	-1	-19	-47
Libor 12m	2,18	0	2	-42	-83

### STOCK MARKETS (%)

Main indices	level	Daily	Weekly	Monthly	YTD
<b>S&amp;P500</b>	2.931	0,2	-0,7	5,3	17
Dow Jones	26.547	0,1	-0,6	5,7	14
Nikkei	21.276	-0,3	0,1	1,3	6
FTSE 100	7.413	0,1	0,1	3,2	10
<b>EuroStoxx 50</b>	3.466	0,7	0,0	5,1	15
IBEX	9.193	0,5	-0,4	1,2	8
DAX	12.371	0,8	0,3	4,5	17
CAC	5.529	0,6	0,0	5,9	17
MIB	21.229	0,6	-0,7	6,1	16
ASE Athens	868	1,1	3,5	9,5	42
<b>MSCI Latam *</b>	94.168	-0,2	0,1	4,8	9
Ibovespa (Brazil)	101.088	0,4	-0,9	4,7	15
Mexbol (Mexico)	43.254	-0,1	-0,6	0,9	4
Merval (Argentina)	41.279	0,4	2,4	21,5	36
<b>MSCI EM Europe *</b>	6.003	0,4	0,2	6,6	14
Poland	2.330	-0,2	0,9	6,5	2
Micex 10 (Russia)	4.778	-0,2	-0,2	3,5	14
Ise 100 (Turkey)	96.263	0,7	2,4	10,4	5
<b>MSCI EM Asia *</b>	856	0,9	0,2	4,9	9
Shanghai Com (China)	2.979	-0,6	-0,8	2,2	19
Jakarta (Indonesia)	6.359	0,8	0,4	5,4	3
Banking sector	level	Daily	Weekly	Monthly	YTD
<b>US banks</b>					
JPM	137,4	2,2	2,4	5,4	19
Citi	111,4	2,3	1,8	2,9	14
BoA	69,4	1,8	2,1	8,9	33
MS	28,9	2,3	2,7	4,0	17
GS	44,3	1,8	1,6	4,9	12
Wells Fargo	204,1	2,4	4,2	8,5	22
<b>EZ banks</b>					
BNP	69,8	0,6	1,9	2,7	1
Crédit Agricole	41,7	0,5	1,5	0,8	6
Deutsche Bank	10,6	0,6	1,8	3,3	12
ING	6,8	3,7	7,0	10,6	-2
Intesa	10,2	0,2	3,5	5,0	8
SG	1,9	0,0	0,1	0,6	-3
UniCredit	22,1	0,6	0,4	-1,9	-20
Unicredit	10,8	0,7	1,9	6,2	9
<b>UK banks</b>					
HSBC	74,7	-0,2	-0,1	-0,3	3
RBS	655,4	0,1	0,9	0,0	1
Barclays	218,5	0,1	1,3	1,6	1
Lloyds	149,2	-0,5	0,3	-1,0	-1
<b>Large Spanish banks</b>					
Santander	56,6	0,5	0,8	0,0	4
BBVA	4,1	0,7	1,6	1,7	2
CaixaBank	4,9	0,4	0,1	-1,5	6
<b>Medium Spanish banks</b>					
Sabadell	48,6	0,8	1,2	-8,6	-15
Bankinter	2,5	0,9	1,9	-9,9	-21
Bankia	0,9	0,8	0,6	-9,9	-9
Bankia	6,0	0,6	1,2	-8,2	-14
Bankia	2,1	1,0	1,3	-8,0	-19

### CURRENCIES (% RED FOR CURRENCY DEPRECIATION)

Developed	level	Daily	Weekly	Monthly	YTD
<b>EURUSD</b>	1,139	0,1	0,1	2,3	-1
GBPUSD	1,27	0,4	-0,1	0,7	0
USDJPY	107,69	0,1	-0,3	1,8	2
DX	96,08	-0,1	-0,1	-2,1	0
Emerging	level	Daily	Weekly	Monthly	YTD
USDARS (Argentina)	42,39	0,7	1,0	4,8	-11
USDBRL (Brazil)	3,83	-0,4	-0,3	3,6	1
USDCLP (Chile)	679,47	0,1	0,7	3,9	2
USDCOP (Colombia)	3204	-0,2	0,0	4,4	2
USDMXN (Mexico)	19,19	-0,1	-0,3	-0,3	2
USDPEN (Peru)	3,29	-0,1	0,4	2,1	2
LACI	54,56	-0,1	-0,1	2,3	0
USDPLN (Poland)	3,73	0,2	0,3	3,3	0
USDRUB (Russia)	63,03	0,0	0,0	3,0	10
USDTRY (Turkey)	5,77	0,1	0,9	4,2	-8
USDCNY (China)	6,87	0,1	0,0	0,7	0
USDINR (India)	69,03	0,1	0,8	1,2	1
USDIDR (Indonesia)	14126	0,1	0,2	2,0	2
ADXY	105,33	0,0	0,0	1,4	0

### COMMODITIES (%)

	level	Daily	Weekly	Monthly	YTD
<b>Brent</b>	66,6	0,1	2,2	-4	24
WTx	59	-0,3	3,2	1	30
Copper	271	-0,1	0,1	1	3
Gold	1412	0,2	0,9	10	10
S&P Spot commodity *	431	-0,1	2,2	0	15
S&P Metals Spot *	559	0,0	1,9	-3	22
S&P Metals Spot *	320	-0,6	1,2	1	0
S&P Agricultural *	305	-0,1	0,9	6	8

Source: Bloomberg, Datastream and Haver

\* With one day delay